ECONOMIC BULLETIN

01/2012

BANCO DE ESPAÑA

Eurosistema

CONTENTS

QUARTERLY REPORT ON THE SPANISH ECONOMY

1 OVERVIEW

During 2011, the modest recovery on which the Spanish economy had embarked a year earlier lost momentum as the euro area sovereign debt crisis spread to a larger number of countries and strains on financial markets heightened. Following flat activity in Q3, the economy is estimated to have contracted in Q4, with a quarter-on-quarter decline in GDP of 0.3%. In year-on-year terms the rate of output continued to increase, by 0.3%, a figure 0.5 pp down on that of the previous quarter. On the expenditure side, national demand is estimated to have fallen at a slightly higher rate than in the July-September period (0.5% quarter-on-quarter), while the positive contribution of external demand, at 0.3 pp, was somewhat lower than that in the previous quarter, reflecting the slowdown in export markets in the closing months of the year.

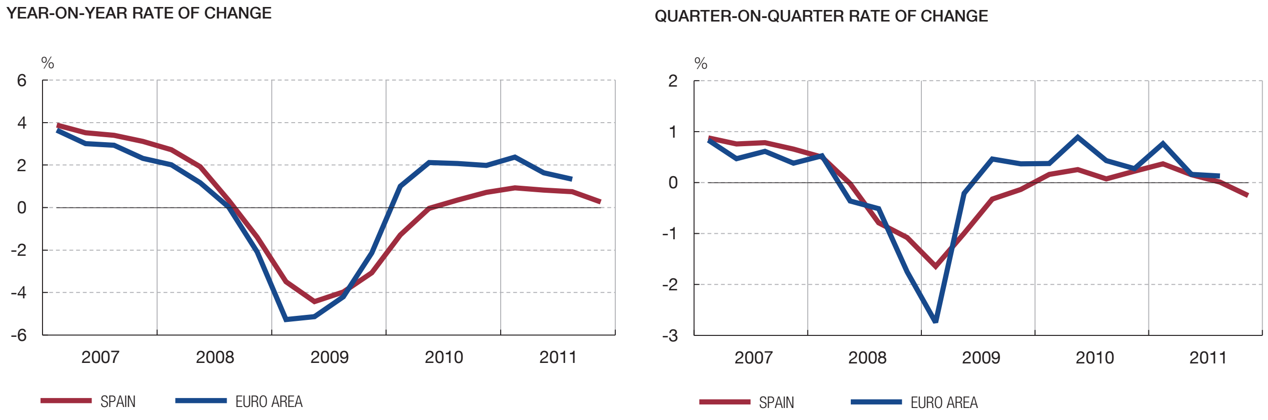
As at year-end, GDP is expected to have risen by 0.7% in 2011, having fallen in the two preceding years, widening the growth gap with the core euro area countries. Behind these developments lies a further contraction (of 1.3%) in domestic demand, which may be explained practically in its entirety by the negative contribution of investment in construction and by the fall-off in government consumption. Household consumption and investment in equipment were unable to counter these effects, as the initial momentum in these variables showed signs of tailing off as the year unfolded. Conversely, for the fourth year running, net external demand softened the impact of the contraction in domestic spending on activity, with a positive contribution of 2 pp underpinned by the strength of exports and by the sluggishness of imports, in line with the flatness of final demand.

On the supply side, value added in all productive branches except construction posted slightly positive increases on average in 2011, albeit moving on a generalised diminishing trajectory in the second half of the year. Under the construction heading, the declines were more marked in the non-residential construction segment, reflecting the effect of the budget austerity plans on civil engineering works, while they slackened in the residential component, where the adjustment of the excess capacity in the sector has made significant headway following four years of correction. Against this backdrop, employment showed no signs of picking up in 2011; indeed, job destruction stepped up after the summer. There was an estimated decline in numbers employed of around 1.7% in 2011 which, should it be confirmed, would mean a level of employment somewhat over 10% below that existing at the start of the crisis. The unemployment rate rose sharply during the year, climbing to 21.5% in Q3, a figure which is likely to have been surpassed in the closing months of the year.

In these circumstances labour costs – after stabilising the previous year – rose slightly, driven by the increase in compensation per employee in the market economy, a development on which the wage inflation-adjustment processes in force had a bearing. That said, unit labour costs fell once more in 2011, reflecting the significant increase in productivity. Lastly, as expected, the inflation rate slowed markedly in the final months of the year once the base effects of the July 2010 VAT rise (evident in the year-on-year rate of inflation in the first half of 2011) and those relating to the rise in tobacco duties and in oil prices in the closing months of 2010 were stripped out. Inflation ended the year at a year-on-year rate of 2.4%, or 1.5% excluding energy and unprocessed food prices, whereby the inflation differential with the euro area was once again favourable to Spain and negative of the order of 0.3 pp.

GROSS DOMESTIC PRODUCT (a)

CHART 1



SOURCES: ECB, INE and Banco de España.

a Seasonally adjusted series.

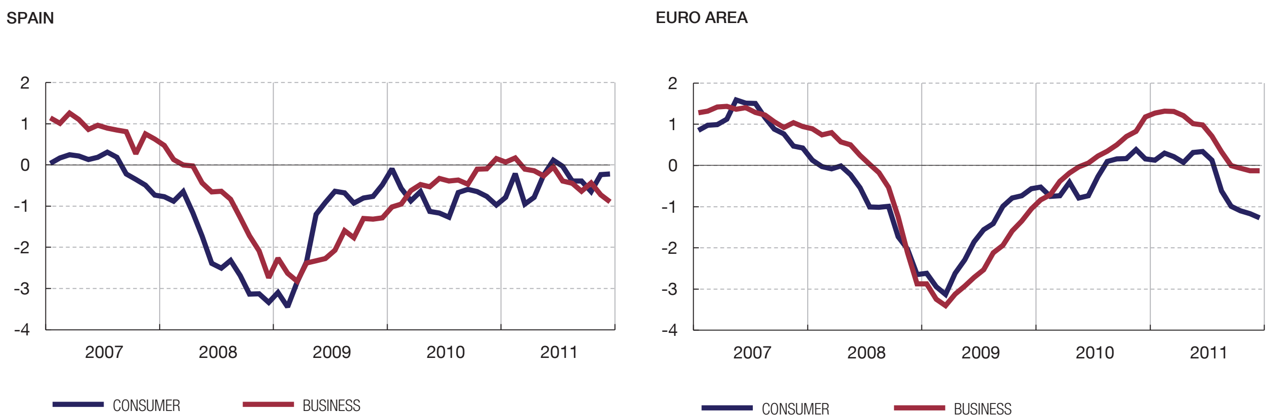
On the international economic front, strains on European financial markets worsened in the closing months of 2011, in a setting in which the feedback loop between sovereign risk, bank risk and the loss of economic momentum affected an increasing number of euro area countries. The prolongation of this situation made it difficult for banks to access wholesale market funding and led to a downgrading of government bonds in a large number of euro area countries in mid-January 2012. Under these conditions, there was a marked downturn in economic activity in the euro area, which spread to other developed countries, in particular to the European economies, while the emerging countries maintained sustained growth.

As has been the case since the crisis broke, the worsening instability in Europe required an economic policy response at various levels. At the level of the European authorities, the euro area Heads of State or Government made further headway in improving governance in the area at the Summit on 9 December, and set out the role that the crisis-resolution mechanisms available must play. Specifically, they agreed on the key elements of a new fiscal pact aimed at reinforcing prevention instruments by means of setting ceilings on budget deficits. It was decided to establish a budgetary rule that sets a limit of 0.5% of nominal GDP on the annual structural deficit. This rule will contain a corrective mechanism that will be activated in the event of deviation and which should have constitutional rank. It is also planned to apply more automatically the sanctions envisaged in the event of an excessive deficit. As regards the measures to strengthen crisis-management tools, it was agreed to review in March this year the financing capacity of the future European Stability Mechanism (ESM) and to bring it on stream ahead of schedule in July 2012.

The ECB adopted a broad range of measures geared, on one hand, to ensuring an expansionary monetary policy stance, once the absence of inflationary risks in the context of the cyclical downturn in the economy was confirmed; and, on the other, to restoring the functioning of the channels through which monetary policy operates and, thereby, minimising the risks arising from the difficulties faced by banks in accessing funding. First, it cut interest rates on two occasions during the quarter, placing the main refinancing operations rate at 1%, and the deposit facility and marginal lending facility rates at 0.25% and 1.75%, respectively, as from 8 December. Further, it approved additional non-conventional measures supporting the supply of credit to households and financial corporations, which include the extension to three years of the term at which banks may borrow funds from the

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).

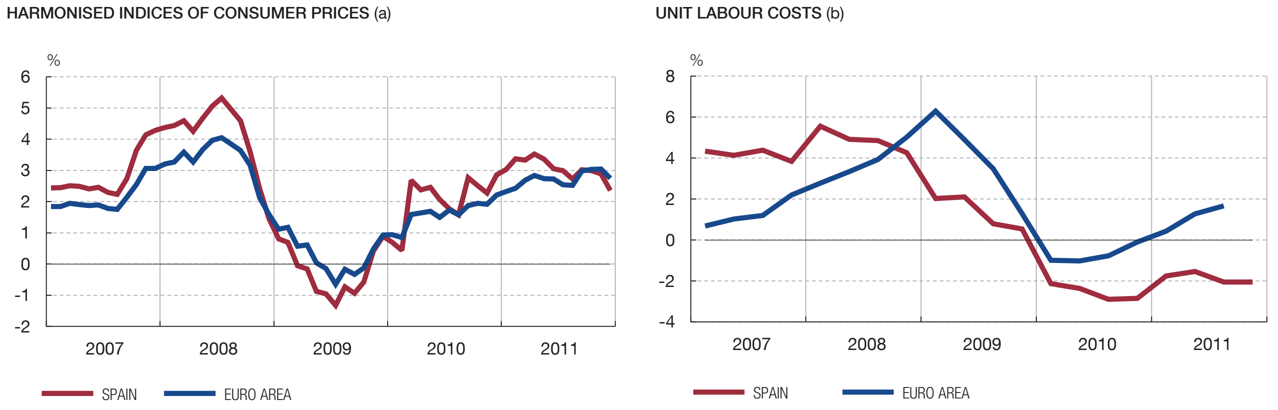
ECB, an increase in the range of eligible assets and the reduction in the reserve requirement ratio to 1%. In addition, it continued to pursue its Securities Market Programme under the previously agreed principles.

Finally, at the level of the governments most affected by instability, Italy unveiled complementary fiscal adjustment measures in the course of December, also bringing forward the schedule for applying reforms to its pensions system and announcing new structural policies. In Spain, the new Government resulting from the general election on 20 November approved a set of budgetary adjustment measures at the Council of Ministers on 30 December. It also announced a provisional estimate of the general government deficit for 2011 of around 8% of GDP, this representing a deviation of 2 pp from the target set in the latest Stability Programme. These measures involve a reduction in public spending of the order of €8.9 billion, to be implemented through the announced cancellation of appropriations in the State budget, a freeze on public-sector wages and the introduction of specific restrictions on public-sector employment. On the revenue side, there were temporary rises in tax rates on income from work and from saving under the personal income tax heading, and an increase in property tax. These will have a revenue-raising impact estimated at €8.1 billion.

Despite all these measures, high volatility continued to buffet the financial markets during 2011 Q4, while the euro underwent a marked depreciation. The instability on European financial markets fed through to the Spanish government debt and private fixed-income markets, to share prices and to the interbank market, with strains heightening severely in 2011 Q4. In 2012 to date there has been some rise in instability, in a setting which remains characterised by high volatility. Also, as part of a widespread reassessment of sovereign risk in the euro area, one of the main rating agencies downgraded the Kingdom of Spain by two notches. The IBEX 35 has fallen by 1.4% since the start of the year (after tumbling 13.1% in 2011), while Spanish government bond yields and the spread over the German *Bund* rose once more, standing at 330 bp at the time of this report going to press. Meanwhile, credit risk premia on securities issued by the private sector have fallen slightly. Against this background, credit institutions have faced further and major difficulties in raising funds on bond and interbank markets. In the real estate market, the fall in open-market house prices intensified during the closing months of 2011, ending the year posting a year-on-year decline of 6.8%. As a result, the market value of housing had, as of the close of 2011, fallen by 19% since early 2008 (25% in real terms). In these circumstances,

PRICES AND COSTS

CHART 3



SOURCES: Eurostat, ECB and INE.

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

financing conditions for the private sector tightened further, since the higher cost involved for financial institutions in raising funds meant that the interest rates on loans extended to households and firms scarcely reflected monetary policy easing.

Overall, the step-up in the sovereign debt crisis and its interaction with the financial system situation have severely affected the Spanish economy, worsening financing conditions and impairing agents' confidence. In this setting, household spending plans showed further weakness, to the extent of posting a slightly negative rate in the final months of the year. Consumption is estimated to have stagnated in 2011, following its moderate rise in 2010 (0.8%), in a context marked by heightened uncertainty and unfavourable labour market developments, the decline in disposable income and the fall in financial and non-financial wealth alike. All these developments have been present over the past four years, influencing household decision-making. Yet in 2011 there was some increase in agents' nominal disposable income, which ceased to decline as from Q2, although household purchasing power fell off owing to the rise in inflation. Set against this behaviour of the sources of household income and wealth, saving served, for yet another year, to cushion the pattern of household consumption, as has been the case since 2009 (when it peaked at an annual average of 18.5%). There was thus a fresh decline in the saving rate which, it is estimated, stood at 11.8% of disposable income, drawing close to pre-crisis levels.

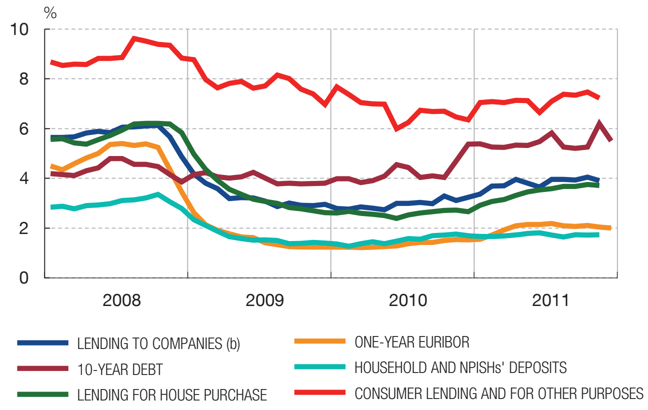
Residential investment also failed to show signs of recovery in the closing months of the year; indeed, its rate of decline compared with the previous quarters may even have steepened. This rate in 2011 is estimated at around 5%, half that of the previous year. Against this background of sluggish expenditure and tightening financial conditions, household debt posted negative rates, somewhat greater than those observed at the end of Q3. The fall-off was more marked in consumer finance (-5% in November) than in house purchases (-1.2%).

In the corporate arena, the deteriorating economic outlook, weaker foreign orders and difficult financing conditions adversely affected the start-up of new investment projects. As a result, non-financial corporations' investment both in equipment and in other constructions fell back in Q4. For 2011 as a whole, however, a positive rate of change is estimated

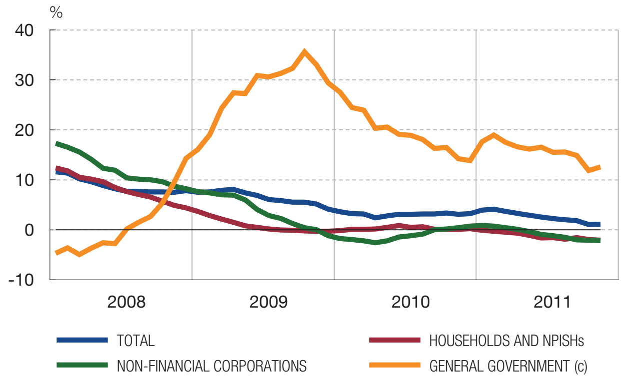
FINANCIAL INDICATORS OF THE SPANISH ECONOMY

CHART 4

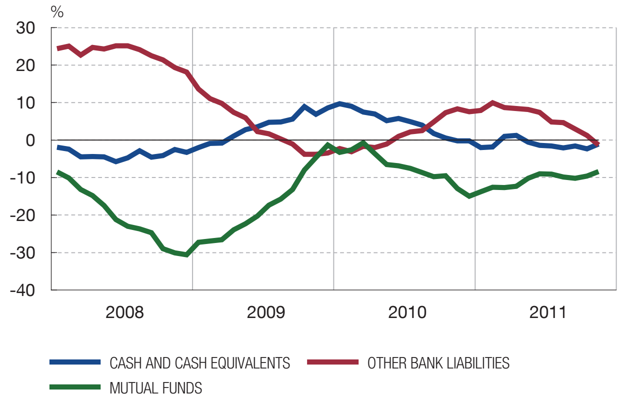
INTEREST RATES (a)



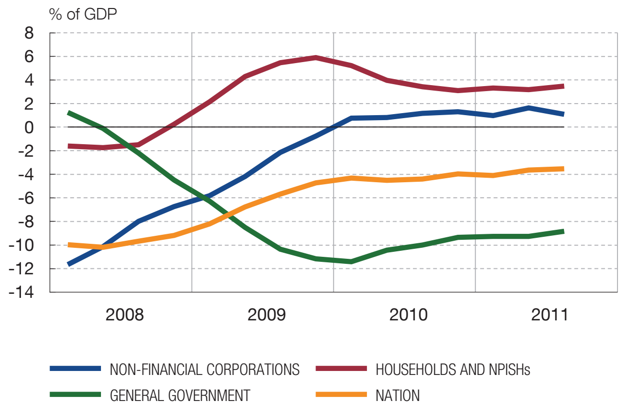
FINANCING TO NON-FINANCIAL RESIDENT SECTORS (year-on-year growth)



FINANCIAL ASSETS OF NON-FINANCIAL CORPORATIONS AND OF HOUSEHOLDS AND NPISHs (year-on-year growth)



NET FINANCIAL TRANSACTIONS (d)



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, 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.

for private productive investment, following the declining trajectory on which other domestic demand components moved during the year. In the case of non-financial corporations, the rate of contraction in debt was sustained, standing in November at 2.1% year-on-year.

The declining pattern of borrowed funds is expected to have provided for a reduction in both household and corporate debt ratios in 2011, placing them in September at 124% of GDI and at 500% of GOS and financial revenue, respectively. In 2011 both sectors once again evidenced net lending capacity, as can be seen in the Q3 data on the non-financial accounts of the institutional sectors, namely 2.8% of GDP in the case of households, and 1.1% of GDP in that of non-financial corporations, in cumulative four-quarter terms. The improvement in these financial position variables of the non-financial private sector indicate the headway that is being made in the restructuring of these agents' balance sheets, which is a pre-requisite for further progress in the necessary financial deleveraging process.

The end-2011 general government deficit stood at around 8% of GDP, according to the preliminary estimate announced by the new Government. The information available to Q3 shows that overall general government public spending posted a year-on-year decline of 2% in the first nine months of the year, not far off the rate of -2.6% targeted for the year as a whole. Meantime, public revenue dipped by 0.8%, compared with the targeted increase of 5.4%. This would suggest that the main source of deviation in 2011 has been tax revenue, which has proven far lower than forecast. In terms of agents, and based on the same information, deviations came about at all tiers of government, although these were on a greater scale at the regional government level.

The overrun in public finances this year shows the existence of certain weaknesses in the procedures for monitoring and controlling the budget outturn, despite the effort made to strengthen transparency in the regional government accounts. These need to be remedied immediately by implementing the legislation envisaged by the constitutional amendment adopted and the strengthening of the fiscal pact agreed in the EU.

As for foreign trade, the incomplete information currently available indicates that in the closing months of 2011 external demand partially offset the effect of the contraction in domestic spending on activity, albeit with a somewhat smaller contribution than in the preceding quarters due to the slowdown in export markets. Accordingly, in 2011 the external sector again played a decisive role in cushioning the fall in activity, its contribution to average GDP growth in that year being estimated as 2 pp. Underpinning this component was the notable buoyancy of exports, which grew at a faster pace than export markets, leading to an increase in the corresponding market shares, and a recovery in tourism, which benefited from the shifts in international tourist flows in response to the geopolitical problems that arose in alternative destinations in North Africa and the Middle East. This effect was reinforced by the weakness of imports given the slackness of domestic spending. The cost and price adjustment undertaken in recent years by the producers of consumables and firms connected with the tourism industry, which is reflected in the price-competitiveness indices, is undoubtedly driving these good results, so that strategies to reduce costs and margins, diversify products and markets, and improve quality need to be persevered with in order to entrench the progress made so far.

In the setting described, the nation's net borrowing continued to decline to 2011 Q3, when it stood at 3.5% of GDP, in cumulative four-quarter terms. Following the pronounced adjustment in the external deficit in recent years, the correction trend is beginning to show signs of slowing, despite the notable improvement in the goods and services balance, as a consequence of the brake entailed by the high energy content of Spanish imports and investment income payments, two of the main vulnerabilities afflicting Spain's position vis-à-vis the rest of the world.

The progressive spending weakness during 2011 was reflected on the supply side of the economy. All the productive sectors participated in this trend. The decline in manufacturing activity in recent months, impacted by the deterioration in external demand, has been notable, as has the accentuation of the contractionary tendency in the construction sector. However, the most unfavourable aspect from the supply standpoint was the behaviour of the labour market, which far from beginning to stabilise, as had been forecast at the beginning of the year, saw an acceleration in the destruction of employment in the second half of the year. The number of persons employed is estimated to have fallen by 1.7% in 2011, which is explained by the reduction in employment in the market economy (-2.2%), since in the non-market sectors as a whole employment remained at similar levels to those of the previous year (0.4%), reflecting only gradually the effect of restrictions on the coverage rate in public-sector employment. Given the estimated path of output and employment, apparent labour productivity growth remained relatively sharp (2.4%). This was slightly down on the previous year, though with a higher growth profile in the second half of the year.

Finally, the trend in labour costs of previous months extended into Q4, with compensation in the market economy and in non-market services diverging. Compensation per employee in the market economy posted growth of around 1.4%, while compensation in non-market services fell, to some extent still reflecting the impact of the reductions in public-sector wages in the previous year. Underlying the behaviour of labour costs in the private sector, which displayed average growth of 1.5% in 2011, as against 0.2% in 2010, are two characteristics of the wage-setting mechanism which increase wage inertia: first, the pass-through into wage increases of the price rises of an essentially temporary nature that occurred in the final months of 2010, as a consequence of the presence in a very large number of collective agreements of indexation clauses; and, second, the high proportion of multi-year agreements with a sectoral scope that hinder the adjustment of wages to cyclical changes and to the specific situation of each firm. In any case, unit labour costs fell in 2011, for the second consecutive year, with the assistance of productivity gains, which enabled the position vis-à-vis the euro area countries to improve. Perseverance along this path is also required to embed the competitiveness gains that may be generated.

2 THE EXTERNAL ENVIRONMENT OF THE EURO AREA

Global economic and financial conditions during the past quarter have continued to be marked by the delicate situation facing the euro area, which remains the main source of risk for the global economy. Against this background, there was a significant increase in risk aversion on international markets and a downturn in growth prospects, although the deterioration in markets and in economic indicators has eased in the past weeks. Performances differed in the advanced economies, with some favourable signs in the United States, distancing the possibility of a new slump, and a more worrying outlook in the United Kingdom and in Japan. A controlled slowdown was the prevailing pattern in the emerging economies, although there were some problem cases (Turkey and Hungary) and a gloomier outlook in the case of Eastern Europe, given its closer links with the euro area (see Box 1). Inflation generally eased in the developed economies, and in some emerging regions. In this context, monetary policy remained exceptionally expansionary in the advanced economies. There, the non-conventional measures announced in the preceding months have been implemented, and further stimuli are not ruled out if the slackness of economic activity persists. In the emerging regions, diminished inflationary pressures have softened the monetary policy dilemma previously faced, meaning that in some countries the cycle of monetary easing has commenced. In the fiscal arena, a key development has been the announced delay in the budgetary consolidation in the United Kingdom and the extension during January and February of the reductions in social security contributions, and the extension of unemployment benefits in the United States.

During the past quarter, financial market developments were severely affected by the continuing sovereign crisis in the euro area. However, in recent weeks this has been alleviated by the release of various less-unfavourable-than-expected macroeconomic indicators, especially in the United States, and by various central bank measures (unlimited liquidity auctions by the ECB and coordinated action to cut dollar swap rates by 50 bp). Against this backdrop, certain developed countries' (United States and United Kingdom) stock markets stabilised and there was some reduction in volatility. US 10-year bond yields moved in a narrow band around 2% throughout the period, partly as a result of flight-to-quality movements. On the foreign exchange markets, the dollar also acted as a safe haven and appreciated against the main currencies, of developed and emerging countries alike. In particular, it appreciated by more than 10% against the euro, to $1.26. Bank wholesale funding in the main currencies continue to evidence high tensions. In the emerging markets, behaviour differed from region to region during the quarter, with a downturn in share prices, sovereign yields and risk indicators that was moderate in Asia and more marked in Eastern Europe. In Latin America, stock market losses and the increase in credit risk indicators were small. Capital outflows, both from stock markets and debt, were intense from mid-November to mid-December. Elsewhere, the trend of commodities prices was divergent during the quarter. Prices of metals and foodstuffs fell due to the slowdown in economic activity, whereas Brent oil prices held within a range of $105-115 per barrel.

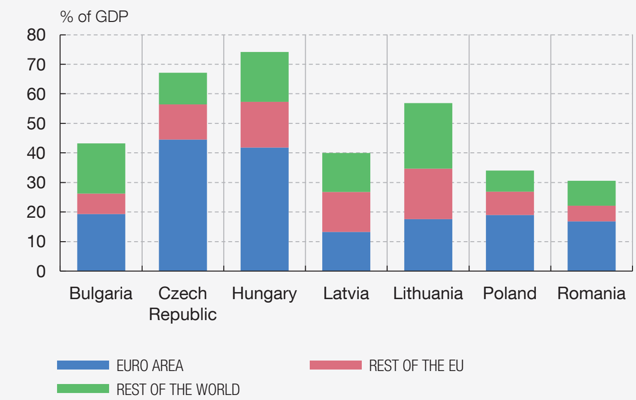
In the United States, the final estimate of GDP for Q3 showed annualised quarterly growth of 1.8%, underpinned by private consumption, non-residential fixed investment and net exports. The latest indicators show a somewhat brighter picture, although they all continue to suggest a moderate recovery. Industrial production and capacity utilisation weakened towards the end of the quarter, as did business confidence, although these variables

The new EU Member States (NMS)[1] have benefited in the past decade from a greater degree of trade and financial integration with the other EU countries, which has enabled them to make headway in real convergence. This greater integration has resulted in an improvement in their economic conditions, although it has also made them more vulnerable to shocks originating abroad, as manifest in the recent periods of financial strains. In particular, the heightening of the euro area sovereign debt crisis since August 2011 has prompted a growing deterioration in the region's financial markets, while these countries' external trade is undergoing the adverse effects of the decline in economic activity in the euro zone. Furthermore, the fragile position of the area's financial institutions might contribute to lessening the exposure of their subsidiaries with a presence in emerging Europe, with the consequent adverse repercussions on these economies. This box analyses the new Member States' trade and financial dependence on the euro area, highlighting the most evident risks arising from integration.

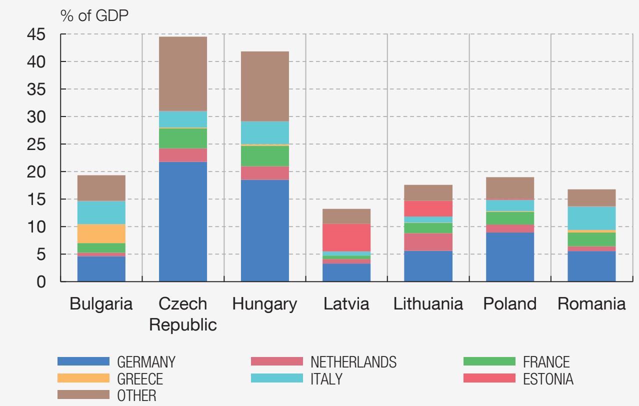
The ongoing development of the NMS in the years prior to the crisis was based, among other factors, on growing foreign capital inflows. That entailed transfers of technology and business know-how, which notably improved their capacity and productive quality and, therefore, their economic and export potential. The export share of the NMS in world markets increased most significantly from 2000 to 2010, in contrast to the slide the export shares of the

1 This box analyses those countries that have not yet adopted the euro (Poland, Hungary, Czech Republic, Latvia, Lithuania, Bulgaria and Romania).

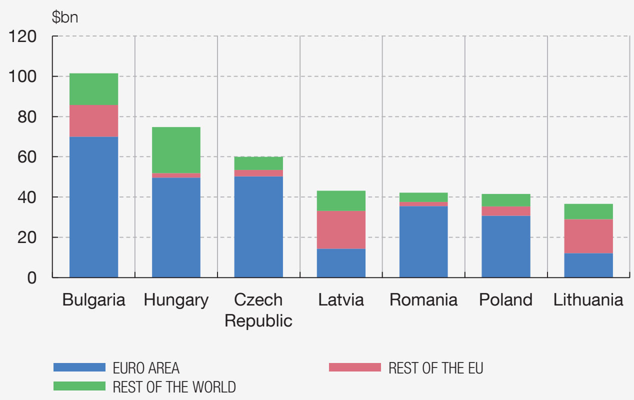
1 NMS EXPORTS IN 2010



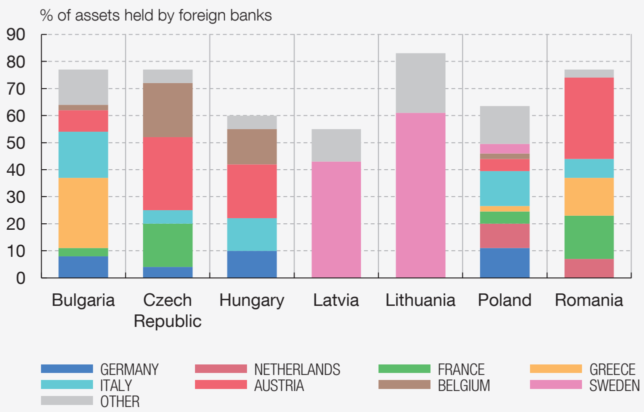
2 NMS EXPORTS TO THE EURO AREA IN 2010



3 STOCK OF FOREIGN DIRECT INVESTMENT BY SOURCE IN 2009 (a)



4 EXPOSURE OF EUROPEAN BANKS TO EASTERN EUROPEAN COUNTRIES



SOURCES: Eurostat and Fitch.

a Not including transactions by Special Purpose Entities (SPE), which are very significant in the case of Hungary.

developed economies underwent over this same period. In parallel, their imports also expanded, in step with their growing investment needs and with the growth of certain imported input-intensive industries, such as the automobile sector. Consequently, the degree of openness of these economies - measured as the sum of exports plus imports as a percentage of GDP - rose during the decade, exceeding 69% of GDP in all the countries and surpassing 120% in Hungary, the Czech Republic and Lithuania, on figures for 2010.

The expansion of foreign trade in the region was essentially based on the strengthening of their trade ties with the euro area countries. Panel 1 shows how in 2010 more than half of these economies' exports - with the exception of Latvia, Lithuania and Bulgaria - were to the euro area countries. This figure is attributable, above all, to the strong trade ties with Germany, which received 44% of the region's total exports to the euro area. Among the NMS, the Czech Republic and Hungary have the biggest trade exposure to the euro area, since their exports to this area accounted for more than 40% of GDP in 2010 (around half went to Germany), while in the remaining countries the figure was less than 20% of GDP (see panel 2).

Growing trade integration and economic transformation in the NMS have been associated with intense foreign direct investment flows, in the main from the euro area, driven by the region's economic development potential. The cumulative stock of direct investment exceeded 60% of GDP in Bulgaria, the Czech Republic and Hungary at end-2009, while in the remaining countries it stood at between 36% and 43%. The euro area is clearly predominant as regards the source of investment, accounting for more than 70% of the stock, except in Latvia and Lithuania (see panel 3). A specific aspect of this process is the sizeable presence of foreign banks, which have prompted a deep-seated restructuring of these countries' banking systems. As a result, between 55% and 85% of banking sector assets in these countries belonged in 2010 to foreign subsidiaries and branches, whose parents are practically all EU-based (see panel 4). In terms of nationality, there is a high presence of subsidiaries of Austrian, Italian, Greek and, to a lesser extent, of German and French banks; in Latvia and Lithuania, Swedish banks own more than half of bank assets.

The strong penetration by EU banks in the NMS is deemed most beneficial for these economies, since the existence of a long-term strategic interest in the region on the part of advanced economies' banks is presumed, something which ensures continued funding of subsidiaries by their parent banks. In line with this presumption, the so-called "Vienna initiative[2]" promoted an agreement in January 2009 to maintain the parent banks' exposure in the region, thereby preventing capital flight and the outbreak of potential banking and foreign exchange crises in emerging Europe. However, the recent heightening of financial strains at banks in the euro area has prompted debate about the possible adverse effects of these countries' financial exposure, with three factors of risk.

Firstly, the risk of financial deleveraging by the parent banks, in the context of the euro area crisis (which has hampered the wholesale funding of many banks), and the need to strengthen capital buffers would have unfavourable macroeconomic repercussions for the region. Austria was the first euro area country to announce restrictions on the extension of credit over certain limits to the Eastern European countries, in order to avoid exposure considered excessive. In addition, other euro area banks have acknowledged that they are reviewing their local refinancing plans so as to assess in which countries they should invest.

Secondly, the exacerbation of the problems that would arise from contagion via the bank credit channel: insofar as lending institutions operate in several countries, the materialisation of credit risk in one country might prompt a re-pricing of risk for the entire region. This channel may be important for countries in the south-east of the EU, with heavy exposure to Italian, Austria and Greek banks, which have a number of subsidiaries in several countries in the region.

Third and finally, asymmetry in financial exposure between parent banks and subsidiaries. The exposure of foreign banks to the recipient countries of financial flows (i.e. the proportion of their investment or loan portfolio assigned to those countries) is usually far lower than the percentage that these financial flows represent to the recipient country as a proportion of total liabilities. Accordingly, minor changes in lending policy from the standpoint of the parent bank may have a major impact on the macroeconomic and financial stability of the country in which the subsidiary is present (including sudden corrections in exchange rates, with significant wealth and balance sheet effects). This asymmetry chiefly exposes small recipient countries to the risk of a strong cut in the provision of credit, even in the event of a moderate slowdown in credit by parent institutions.

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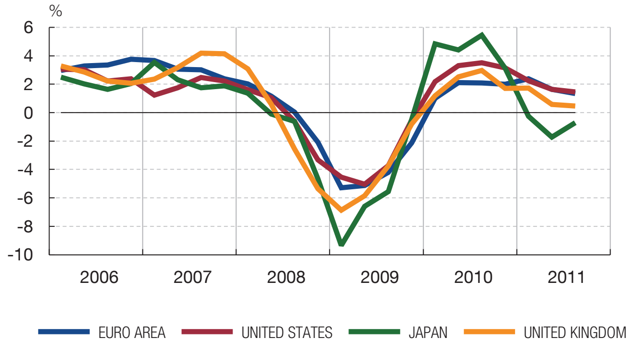
2 This was a European banking coordination initiative whose aim was to establish a voluntary coordination framework for analysing and resolving financial sector crises in emerging European countries (whether belonging to the EU or not) that were beginning to encounter serious funding difficulties. The initiative, led by the IMF, the European Bank for Reconstruction and Development (EBRD) and the Austrian Finance Ministry, succeeded in involving the public and private sectors, whereby four groups of participants were established: i) international financial organisations [IMF, European Investment Bank (EIB), World Bank and EBRD]; ii) European institutions (the European Commission and the ECB as an observer); iii) the central banks, Governments and supervisory authorities of both the home countries of the main banking groups and of the emerging European countries most affected by the crisis, and iv) the main international banking groups with interests in the region.

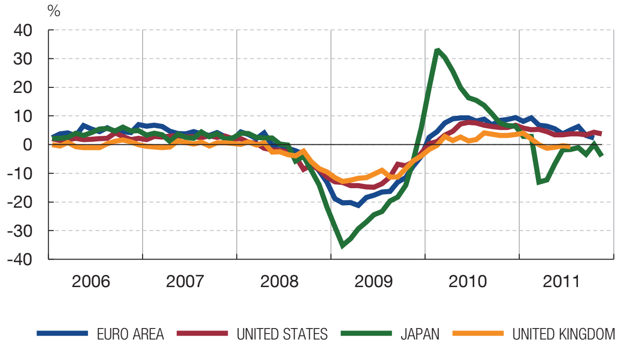
MAIN MACROECONOMIC INDICATORS

CHART 5

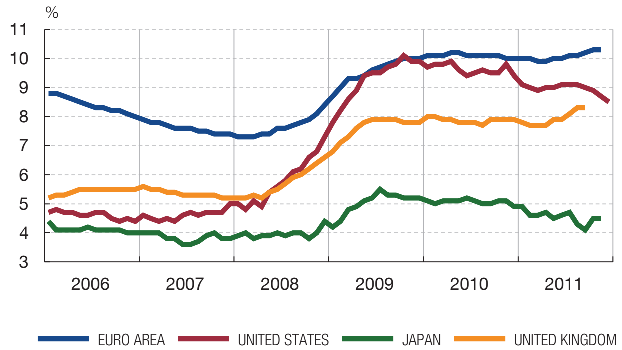
GROSS DOMESTIC PRODUCT
Year-on-year rate



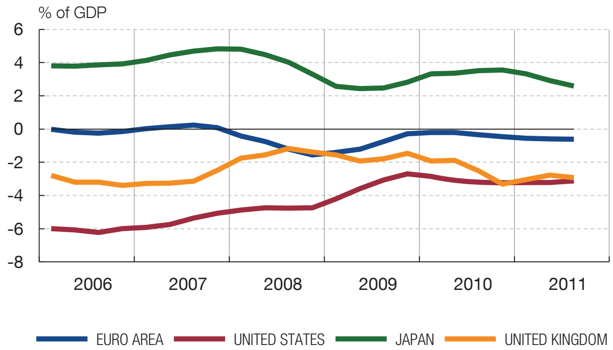
INDUSTRIAL PRODUCTION
Year-on-year rate



UNEMPLOYMENT RATE (a)



CURRENT ACCOUNT BALANCE



SOURCES: Datastream and Banco de España.

a Percentage of labour force.

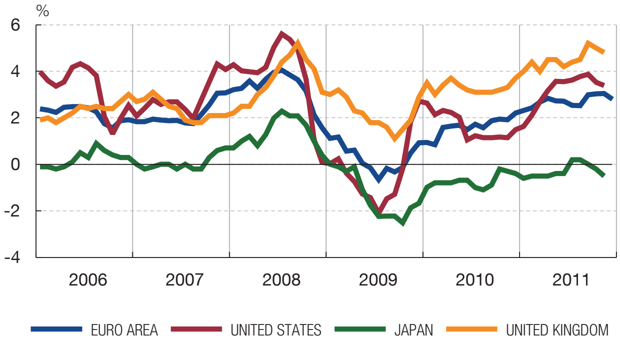
continue to point to modest growth. In parallel, retail sales rose sluggishly in December, though consumer confidence has continued to improve. There was some acceleration in net job creation in the labour market, although this remains low compared with previous episodes of recovery, and the unemployment rate dipped by 0.5 pp in the quarter (to 8.5%). On a more negative note, wage growth is far below inflation and the participation rate remains at a low level. Housing starts and sales offered marginally more positive signs, although the attendant series are still at historical lows and the downward adjustment in prices and tight credit conditions remain in place. CPI inflation stood at a year-on-year rate of 3.4% in November, while core inflation was 2.2%. Given this economic and financial fragility, the Federal Reserve kept its expansionary monetary policy stance unchanged, while announcing changes in its communications policy, involving the release of interest rate projections as from its January meeting.

In Japan, GDP expanded at a quarterly rate of 1.4% (-0.7% on year-on-year) in Q3, driven by the rise in exports and the momentum of private domestic demand. However, the Q4 indicators point to a notable downturn in activity, which is greatest in the manufacturing sector and linked to exports, which have been affected by the sluggishness of the external environment and the persistent strength of the yen, as well as by the floods in Thailand. In the labour market, the unemployment rate held in November at 4.5%, with a weak recovery in employment and in the labour force. The overall CPI return to deflationary territory

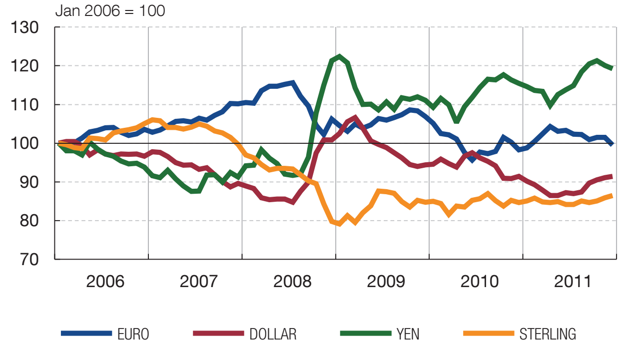
PRICES, REAL EXCHANGE RATE AND INTEREST RATES

CHART 6

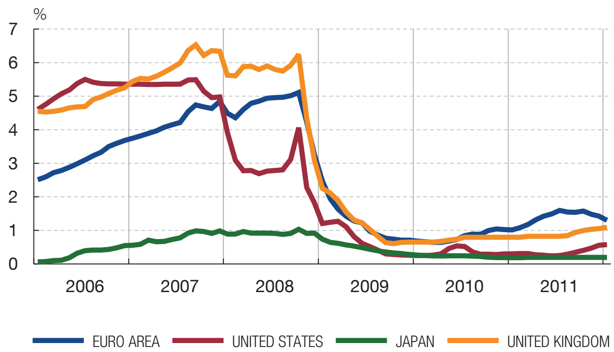
CONSUMER PRICES
Year-on-year rate



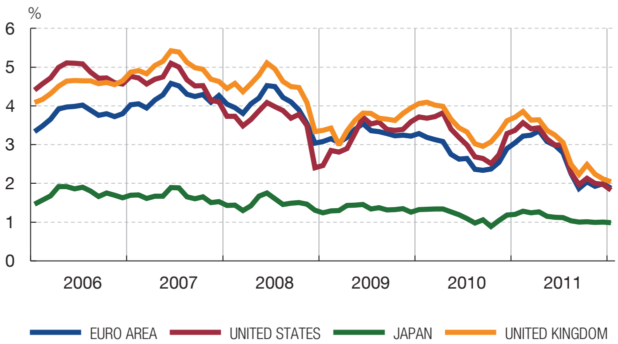
CPI-BASED REAL EFFECTIVE EXCHANGE RATES
VIS-À-VIS DEVELOPED COUNTRIES



SHORT-TERM INTEREST RATES (a)



LONG-TERM INTEREST RATES (b)



SOURCES: Datastream and Banco de España.

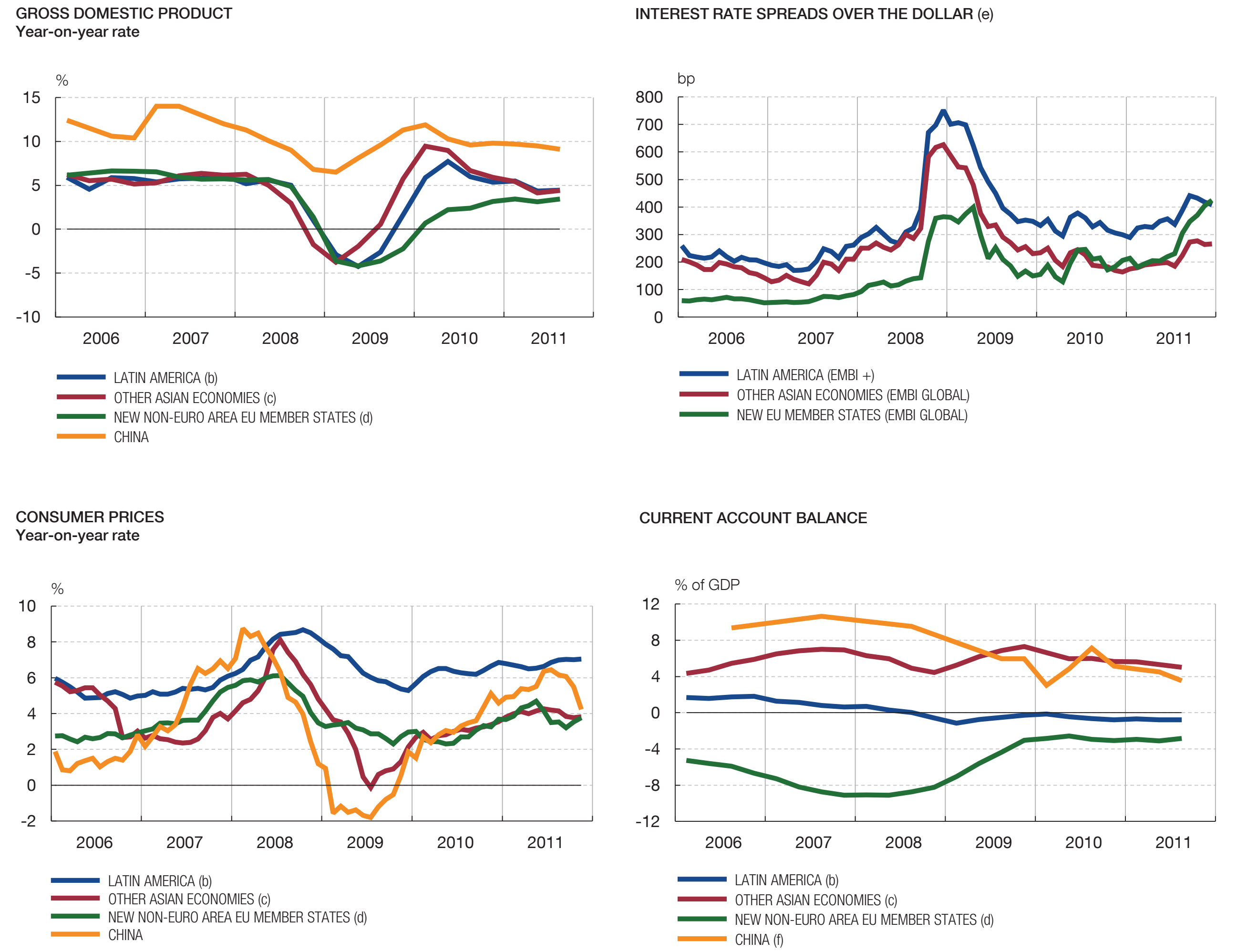
a Three-month interbank market interest rates.
b Ten-year government debt yields.

(-0.5% year-on-year in November) and the rate of decline of core inflation steepened. In this setting the Bank of Japan held its official interest rate in a range of 0%-0.1%, and retained its asset purchase programme. Further, the Japanese authorities intervened on the foreign exchange markets to prevent the appreciation of the yen, for an estimated amount of ¥7.7 trillion (1.6% of GDP).

In the United Kingdom, GDP grew at a quarterly rate of 0.6% (0.5% year-on-year) in Q3, underpinned by stockbuilding and, to a lesser extent, gross fixed capital formation. The Q4 indicators broadly show activity to be notably sluggish, and augur a slight contraction in the manufacturing sector. Retail sales posted positive growth to November, despite the downturn in consumer confidence and in the labour market, where the unemployment rate climbed to 8.4% in November. Inflation eased by 1 pp from its September peak to 4.2% in December, while core inflation held at around 3%. The Bank of England pursued its public debt purchase programme (scheduled to run to February) during the quarter to the tune of £75 billion, which will account for around 60% of net Treasury issues in the period. In November, the Government put back meeting its target of eliminating the structural deficit by two years, to 2016-2017.

In the new EU Member States not belonging to the euro area, GDP grew on average by 3.4% year-on-year in Q3, compared with 3.1% in Q2. But signs of industrial production

EMERGING ECONOMIES: MAIN MACROECONOMIC INDICATORS (a) CHART 7



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.

and exports easing in Q4 were apparent. Throughout the final quarter, the inflation performance across these countries was mixed; however, the aggregate rate increased by 0.4 pp from September to December to 3.7% year-on-year, owing to price rises in Poland and Hungary, where the marked depreciation of their currencies was a contributing factor in the final stretch of the year. In terms of monetary policy, behaviour was also mixed: in Romania, the official interest rate was cut by a total of 50 bp to 5.75% given the notable reduction in inflation and the weakness of the external environment, while in Hungary it was raised by 100 bp to 7%, further to the severe deterioration in its financial situation, which led the Government to apply for fresh financial aid from the IMF and the EU.

In China, GDP grew at a year-on-year rate of 8.9% in Q4 (9.1% in the previous quarter). The rate of expansion of activity, which continues to be underpinned by resilient domestic demand, thus continued to move on a mildly moderating path. However, external demand, especially that from Europe, has been forcefully adjusted during the quarter. Inflation is falling rapidly, standing at 4.1% in December, after averaging 6.2% in Q3. Against this backdrop, the monetary policy stance has gradually shifted from the control of inflation expectations to support for growth, with bank reserve requirements being cut by 50 bp in December (to 21% for the major commercial banks). In the rest of the emerging Asian economies, year-on-year growth dipped slightly in Q3 to 5.6% owing to easing in India and in Hong Kong. In Q4, it appears activity weakened gradually in most countries in the region, albeit with differing intensity. The slowdown in the Indian economy, in particular, was notable, resulting in part from the cumulative effect of official interest rate rises. Annual inflation fell in Q4 in most of the countries. In this setting, the change in monetary policy stance was patently clear in Q4, taking the form of official interest rate cuts in Indonesia and Thailand, and the end of the cycle of rises in the rest of the region.

In Latin America, GDP increased at a quarter-on-quarter rate of 0.8% in Q3, compared with 1.1% in Q2, placing the year-on-year rate at 4.4%, 0.1 pp up on the previous quarter. However, this acceleration masks differing developments from country to country, with Brazil posting zero growth and Colombia showing a notable spurt. The contribution to growth of domestic demand remained high, partly due to developments in stockbuilding, while the negative contribution of external demand increased slightly. The initial indicators for Q4 point to a further slowdown in activity and to a deterioration in most countries' trade balance, prompted by a decline in exports. Inflation edged up by 0.1 pp during the quarter to 7.1% in December. Chile and Peru overshot their inflation targets, unlike Brazil, Mexico and Colombia, although their inflation rates are in the upper range of the target intervals. Core inflation rates were lower across the board, suggesting that the relatively high inflation is largely in response to temporary factors. In any event, official interest rates were cut in Chile (by 25 bp, thereby starting the cycle of monetary easing) and in Brazil (two further cuts of 50 bp, following those adopted at the two previous meetings), and were raised in Colombia (by 25 bp, thus resuming the cycle of rises that the central bank interrupted last July).

In 2011 Q4 the climate of financial instability and high asset-price volatility – which has been affecting the euro area especially severely since the summer – continued, without any let-up in the worrying negative feedback dynamics between sovereign risk, banking risk and loss of economic momentum. The prolongation of the strains on the sovereign debt markets, which led in mid-January to a downgrading of the government bonds of a large number of euro area countries, and the difficulties banks face in accessing wholesale market funding are complicating the process of deleverage and recapitalisation that the banking system is addressing in a situation of weak economic activity (see Box 2).

The latest information from short-term indicators suggests a decline in euro area activity in Q4, following the modest growth in the summer, as predicted by most of the forecasts available. More in the medium term, the worsening of business and household confidence, the tightening of financing conditions, the short-tem effects of the fiscal consolidation processes under way and the downward revisions to external demand have led the ECB and other international organisations and private institutions to scale back their growth forecasts for the euro area, in some cases even estimating negative growth in 2012. In addition, this scenario continues to be subject to a high degree of uncertainty, with a predominance of downside risks for economic activity, largely related to the prolongation over time of financial strains and, in particular, to the possibility that the necessary adjustment of bank balance sheets will ultimately impact the supply of loans to the resident private sector, which would damage the economic recovery.

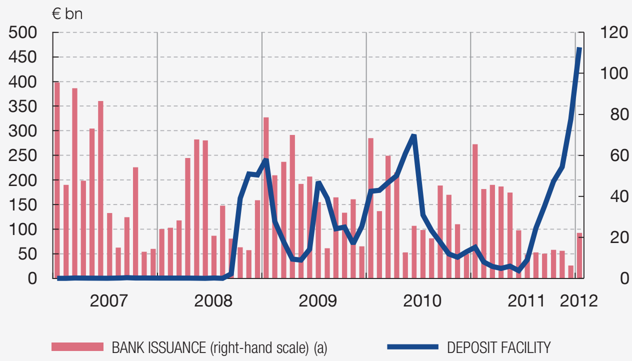
The Governing Council of the ECB, considering that it was unlikely that inflationary price and wage pressures would materialise in the current context of economic weakness, adopted a number of measures to maintain the expansionary stance of monetary policy, to restore the functioning of the transmission mechanism and to minimise the risks arising from banks' funding difficulties. Thus, on one hand, interest rates were cut twice during the quarter, to stand at 1%. On the other hand, further non-standard measures were adopted to support the supply of credit to non-financial firms and households, including a temporary expansion of the list of collateral, a reduction in the reserve ratio to 1% (from 2%) and, notably, the provision of liquidity with a very long maturity (three years) through two tenders with full allotment and a fixed rate equal to the average rate of the main refinancing operations over the life of the respective loan.

At their meeting in early December, the euro area Heads of State or Government continued to review the area's governance, as they have been doing since the beginning of the crisis. In order to strengthen the crisis resolution mechanisms available, the entry into force of the European Stability Mechanism was brought forward to mid-2012 and a review of its financing capacity, to be concluded by March, was commenced. In addition, the main elements of a new fiscal pact were agreed, which will involve additional progress on fiscal policy coordination, beyond the governance reform approved in October 2011. The pact, which must be ready, at the latest, for ratification at the March meeting, attempts to strengthen the prevention instruments, by setting ceilings on budget deficits within the fiscal framework of each euro area Member State. Its legal transposition will be supervised by the European Court of Justice and it will have adjustment mechanisms that will be automatically activated in the event of deviations. Also the application of the sanctions envisaged in the event of excessive deficits will be made more automatic (see Box 3).

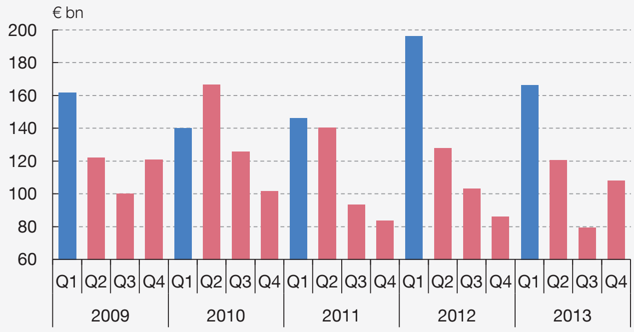
The sovereign debt crisis continued to affect the euro area in Q4 and early 2012, so that credit risk premia and the volatility of financial asset prices (including government bonds) remained at very high levels (see Panel 1). At the same time, institutional investors continued to question the soundness of the area's banking sector, which led to increasing difficulties for banks to raise funds on the market, against a background in which the capacity of the governments of the area to provide financial support to the sector (as was done in autumn 2008 following the failure of Lehman Brothers) has been reduced by the effects of the sovereign debt

1 IMPLIED VOLATILITY

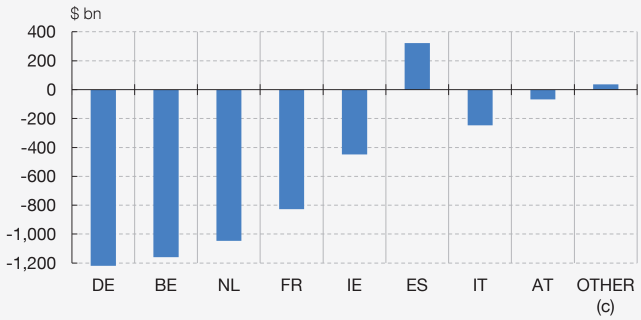
2 FUNDING AND USE OF THE DEPOSIT FACILITY OF THE ECB



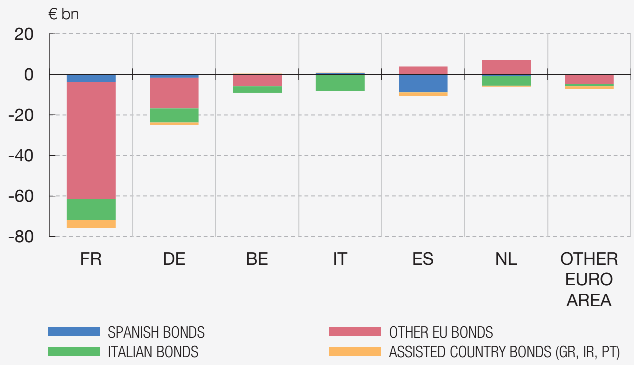
3 VOLUME OF BANK DEBT MATURING



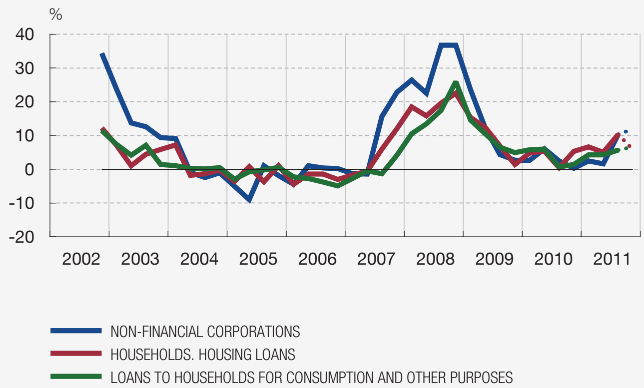
4 BANKS' FOREIGN ASSETS. CHANGES BETWEEN MARCH 2008 AND JUNE 2011



5 SOVEREIGN EXPOSURE OF BANKS. CHANGES BETWEEN END-2010 AND SEPTEMBER 2011 (b)



6 BANK LENDING SURVEY. CHANGES IN SUPPLY. EURO AREA



SOURCES: European Banking Authority, BIS, Bloomberg, Dealogic, ECB and Banco de España.

a Gross issuance of medium and long-term bonds, excluding covered bonds.
b Banks participating in the EBA's recapitalisation exercise.
c Includes FI, GR, PT.

crisis itself. The disruptions in the interbank market and the difficulty for institutions of issuing debt (see Panel 2) have encouraged the growing use of secured lending through central counterparty clearing houses and, especially, Eurosystem financing.

These circumstances have arisen, moreover, at a time when banks have to refinance a large volume of debt, competing with the public sector's demand for funds. Approximately €200 billion worth of bank bonds mature in 2012 Q1 (see Panel 3). In the year as a whole, the debt to be refinanced amounts to more than €500 billion, which is equivalent to 1.5% of total bank assets.

Along with the close connection between the sovereign crisis and bank's funding problems in the euro area, the pressures on the banks intensified in the second half of 2011 due to the interaction of other elements. On one hand, the downward revision to macroeconomic prospects and the risks surrounding such prospects have involved a deterioration in the outlook for earnings and for an improvement in the balance sheet position of the financial system. Also, in the context of the *banking package* agreed by the EU Heads of State or Government in October, the European Banking Authority (EBA) established, on a temporary basis, some stricter capital requirements. Specifically, banks must raise their core Tier 1 capital ratios to 9% and construct a further capital buffer against European sovereign debt exposure. These temporary requirements, along with the adaptation of the banks to the Capital Requirements Directive known as CRD3, entail (according to EBA calculations) an overall capital requirement of around €115 billion, to be met, at the latest, by 30 June 2012. This amount includes €30 billion of capital for the Greek banks, which was envisaged in the EU/IMF assistance programme for this country. Excluding Greek banks, the temporary capital requirement for the portfolio of European public debt, based on its end-September market valuation, amounted to almost €40 billion.

The response of the banking sector to the growing difficulties has been to accelerate the ongoing deleveraging process. Thus, for example, according to Bank for International Settlements data, euro area banks have reduced their foreign assets by around 30% since March 2008 (see Panel 4). In proportion to their total external exposure, the largest reductions have been made by the Belgian, Dutch and Irish banks. More recently, banks have also reduced their claims on sovereign issuers (see Panel 5). The banks participating in the EBA's recapitalisation exercise and stress tests reduced their European sovereign exposure by some €170 billion during the first nine months of 2011, to somewhat more than €1,550 billion. As the panel shows, French banks reduced their exposure to the largest extent (by more than €75 billion, or about 28%). Sales by German banks amounted to some €24 billion, which represented almost 6% of their total investment in government debt.

Finally, with respect to the financing of non-financial firms and households in the euro area, the complex situation in the banking sector has increased the risk that the ongoing restructuring and recapitalisation processes may impact on the capacity of banks to intermediate funds between savers and private borrowers, which would have prejudicial effects on the economic recovery and, through this channel, the financial situation of the banks themselves. As seen in the final panel, the Bank Lending Survey (BLS) data for Q3 point to a substantial additional tightening of credit supply conditions, which foreseeably intensified in Q4. However, it is premature to relate this tightening to the recent slowdown in the growth rates of lending to non-financial firms and households, since, according to the BLS, the demand for funds also contracted during the period.

In the light of the growing risks, the European authorities have adopted a number of measures within their areas of competence, in order to ensure that the deleveraging process takes place in the most orderly fashion possible, so as to minimise the probability of a contraction in the supply of credit. Thus, the ECB has pursued a policy of generous liquidity provision, ensuring that banks have access to Eurosystem financing by prolonging non-standard measures which, as described in more detail in the main text, were singularly strengthened in December with the announcement of two longer-term refinancing operations, the extension of the range of collateral accepted in monetary policy operations and a reduction in the reserve requirement. For its part, the European Commission extended and updated the special regulatory framework which, since 2008, governs state aid to the banking system in the form of recapitalisation, the treatment of impaired assets and guarantees for bank debt issues. Finally, the EBA has published a number of recommendations, addressed to national supervisors, to ensure that the new capital ratios are not satisfied through reductions in the assets held on bank balance sheets.

Apart from the need for better policy coordination and greater fiscal discipline, it has become evident, as the crisis has developed, that measures are needed to ensure that the euro area economy returns to a path of sustained growth. In this respect, on 23 November the European Commission published its 2012 Annual Growth Survey, which contains a road map for budgetary policies and structural reforms in the EU countries over the coming months, which will be evaluated and monitored within the framework of the second European semester. Notable among the priorities that countries must take into account

Since 2010 European institutions and governments have been conducting a far-reaching review of the governance and institutional architecture of the euro area, with the intention of eliminating the weaknesses that have been revealed during the sovereign crisis. The latest summit to be held was the European Council meeting of euro area Heads of State or Government on 9 December 2011. This saw the laying of foundations for a new fiscal compact to give Economic and Monetary Union and the EU a more solid disciplinary and fiscal stability framework, and the proposal of further measures to enhance the existing financial assistance mechanisms.

One of the main aspects of the fiscal compact is the commitment to establish a new fiscal rule, which will help to ensure that general government finances remain in balance or surplus over the cycle, although leeway is maintained for discretionary fiscal policies in exceptional circumstances or severe crises. Specifically, the budgetary stability objective will be deemed achieved if the annual structural deficit does not exceed 0.5% of nominal GDP (although each country may establish a stricter reference level). This rule will contain an automatic correction mechanism that will be triggered in the event of deviation, defined in accordance with the principles proposed by the European Commission. The rule must be transposed into national legal systems through binding and permanent provisions, preferably constitutional, and should be subject to the jurisdiction of the Court of Justice of the European Union.

The compact also states that countries in excessive deficit procedure must submit to the Commission and the Council, for endorsement, an economic programme detailing the structural reforms to be undertaken to ensure a durable correction of the deficit within the period established. There is also a commitment that all steps and sanctions proposed or recommended by the Commission will automatically be adopted unless a qualified majority of the euro area Member States is opposed. In addition, according to the compact, all Member States will have to report their national debt issuance plans ex ante.

The Member States have also agreed to examine swiftly the two new proposals submitted by the Commission on 23 November 2011, in order that both regulations may be in force for the next budget cycle (due to commence at the end of 2012). According to the first of these proposals, the countries must send their draft budgetary plans to the Commission no later than the date established. The Commission may adopt an opinion on them and, in the event that it identifies serious non-compliance with the obligations laid down in the Stability and Growth Pact, request revised draft plans. Also further requirements are proposed for national fiscal frameworks, in addition to those established by the Directive approved in December, so that now countries must have in place independent fiscal councils and their plans must be based on forecasts made by an independent body. The second proposal suggests establishing enhanced surveillance for Member States that are experiencing or are at risk of experiencing severe financial disturbance.

As regards the strengthening of crisis management mechanisms, the accords adopted involve progress in various areas. Thus, the launch of the European Stability Mechanism (ESM) treaty has been accelerated, so that it will enter into force as soon as it has been ratified by Member States representing 90% of the capital commitments, July 2012 having been set as the target date for this to occur. The European Financial Stability Facility (EFSF) will continue to operate until mid-2013, insofar as assistance programmes that have already been established are concerned. In addition, certain adjustments to the ESM treaty were agreed, which would modify the voting systems in order to add an emergency procedure, under which, in the event that the Commission and the European Central Bank conclude that an urgent decision relating to financial assistance for a country is needed, decisions will be taken by a qualified majority of 85% and not by mutual agreement. With respect to the involvement of the private sector in financial assistance programmes, strict adherence to IMF principles and practices was agreed, and the unique and exceptional nature of the decisions taken in this respect in relation to Greek debt was affirmed.

With regard to the financial resources of the stabilisation tools, it was decided to accelerate payments of capital to the ESM and to ensure a combined effective lending capacity for the ESM and the EFSF of €500 billion. The sufficiency of this capacity and its possible expansion will be assessed in March 2012. The euro area countries also agreed on 19 December to provide additional resources of €150 billion for the IMF to increase the financial capacity of this institution. The United Kingdom refused to make any new contributions, while other non-euro area countries announced their willingness to make them following approval by their parliaments.

Finally, the agreement refers to the need to coordinate other macroeconomic policies within the euro area. For this purpose it was agreed to hold summits at the highest political level, i.e. of euro area Heads of State or Government, at least twice a year.

The absence of unanimity among the EU Member States means that the reforms and measures agreed will be adopted by means of an intergovernmental agreement between the euro area countries, which will be incorporated into the treaties of the Union as soon as possible. The countries not belonging to the euro area, except for the United Kingdom, have indicated the possibility to take part in this process after consulting their parliaments where appropriate. The serious financial instability affecting the euro area simply goes to underline the need for rapid finalisation of the legal text currently being negotiated (with full respect for the spirit of the December political agreement), so that it is formally adopted as soon as possible and, in any event, before the agreed March 2012 deadline. However, apart from fiscal discipline, the solution to the challenges facing the euro area requires the resumption of growth-promoting structural reforms, as argued in the Annual Growth Survey presented by the European Commission in November, on which there is an article in the January 2012 *Boletín Económico.*

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

	2010			2011				2012
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
NATIONAL ACCOUNTS (quarter-on-quarter growth, unless otherwise indicated)								
GDP	0.9	0.4	0.3	0.8	0.2	0.1		
Private consumption	0.1	0.4	0.3	0.0	-0.5	0.2		
Government consumption	0.2	0.1	0.0	0.2	-0.1	-0.1		
GFCF	1.9	0.2	-0.4	1.8	-0.1	-0.1		
Imports	4.2	1.7	1.3	1.1	0.5	0.8		
Exports	4.7	2.1	1.5	1.8	1.2	1.2		
Contributions to quarter-on-quarter change in GDP (pp)								
Domestic demand, excluding stocks	0.5	0.3	0.1	0.4	-0.4	0.1		
Stockbuilding	0.2	0.0	0.1	0.1	0.2	-0.1		
Net foreign demand	0.3	0.3	0.2	0.3	0.4	0.2		
GDP (year-on-year rate of change)	2.1	2.1	2.0	2.4	1.6	1.3		
ACTIVITY INDICATORS (quarterly average)								
IPI seasonally and working day adjusted	2.5	0.7	2.3	0.9	0.2	0.5	-1.3	
Economic sentiment	99.2	102.3	105.7	107.4	105.7	98.8	94.0	
Composite PMI	56.6	55.7	54.9	57.6	55.6	50.3	47.2	
Employment	0.1	0.0	0.1	0.1	0.2	-0.1		
Unemployment rate	10.2	10.1	10.1	10.0	10.0	10.1	10.3	
PRICE INDICATORS (year-on-year change in end-period data)								
HICP	1.5	1.9	2.2	2.7	2.7	3.0	2.7	
PPI	3.1	4.3	5.4	6.8	5.9	5.8	5.3	
Oil price (USD value)	75.0	78.4	92.3	115.4	114.9	114.8	108.7	112.1
FINANCIAL INDICATORS (end-period data)								
Euro area ten-year bond yield	3.7	3.5	4.1	4.6	4.4	4.0	4.1	3.9
US-euro area ten-year bond spread	-0.72	-1.01	-0.78	-1.14	-1.30	-2.06	-2.17	-2.00
Dollar/euro exchange rate	1.227	1.365	1.336	1.421	1.445	1.350	1.294	1.279
Appreciation/depreciation of the NEER-20 (b)	-10.3	-6.3	-8.2	3.5	3.9	0.7	-2.2	-1.1
Dow Jones EURO STOXX 50 index (b)	-13.2	-7.4	-5.8	4.2	2.0	-22.0	-17.1	3.5

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

a Information to 17 January 2012.
b Percentage change in year to date.

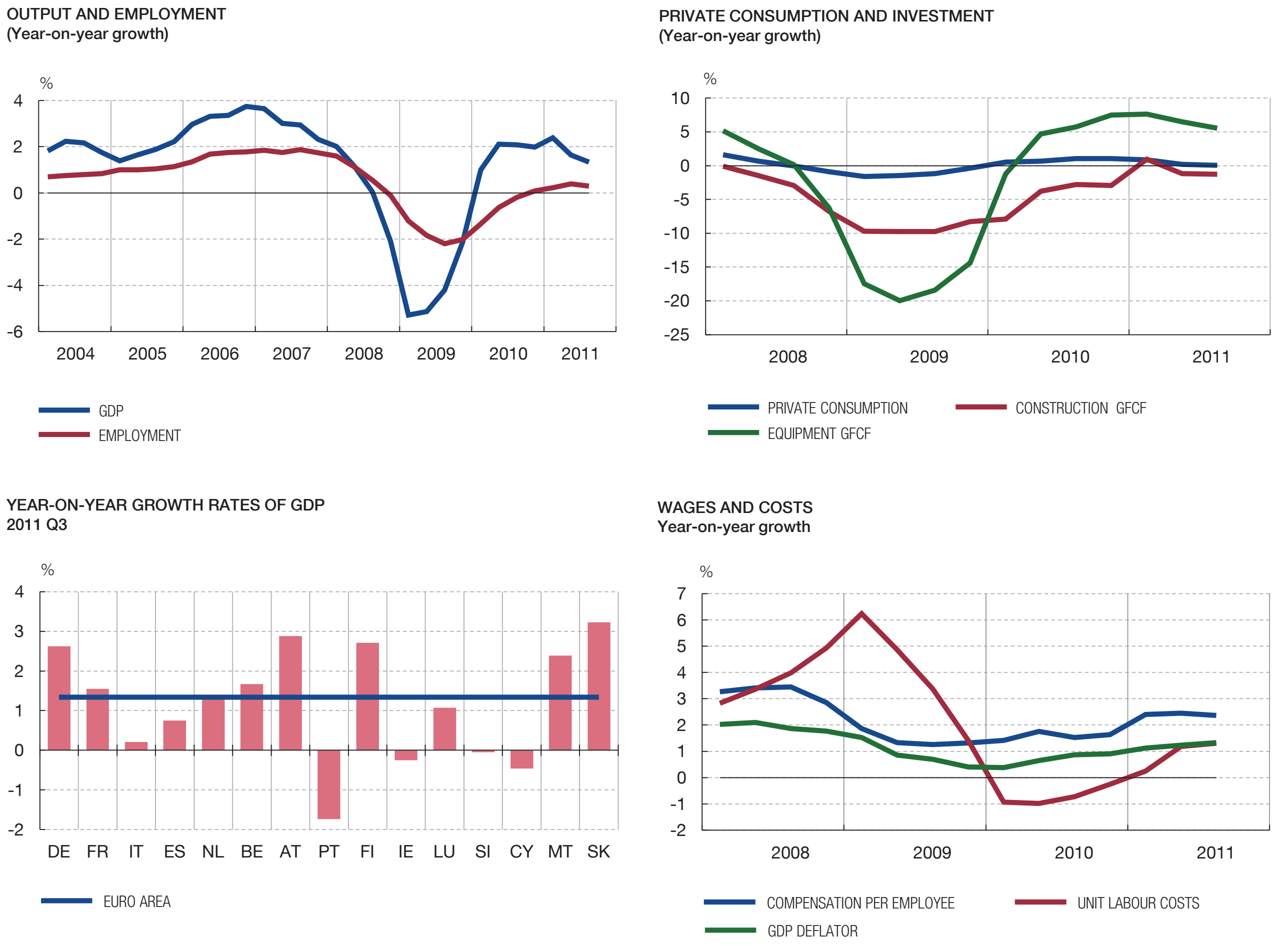
when establishing their national reform programmes and their budgetary programmes are: the design of fiscal consolidation plans compatible with more growth; progress in financial system restructuring; the promotion of competition in markets for services and in network industries; greater efficiency in general government; review of collective bargaining systems; and the promotion of active employment policies.

3.1 Economic developments

In 2011 Q3, euro area GDP grew by 0.1%, down 0.1 pp from Q2 (see Table 1). This growth was the result of an increase in private consumption and the positive contribution of net external demand, due to buoyant exports, while government consumption and gross fixed capital formation stagnated and stockbuilding made a negative contribution to GDP growth. At the country level, the acceleration of growth in Germany and in France (to 0.5% and 0.3%, respectively), underpinned by domestic demand and, to a lesser extent, by exports, was notable. In Italy, GDP fell by 0.2%, owing to the smaller contribution to growth of the net external balance and the contraction in government consumption and gross fixed capital formation.

EURO AREA NATIONAL ACCOUNTS

CHART 8



SOURCES: Eurostat and national statistics.

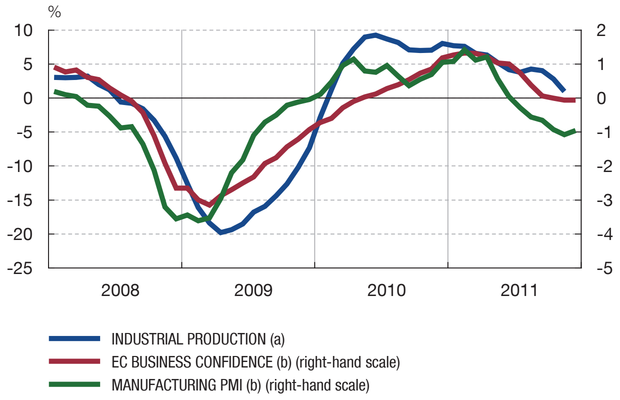
On National Accounts data, in line with the weakness of activity, the process of employment creation that commenced at the end of 2010 came to a halt in 2011 Q3. Thus, the number of employees in the euro area remained unchanged during this period, since the increase in Germany and France was offset by the decline in Spain, and the annual rate of change stood at 0.3%, as against 0.5% in the previous quarter. At the same time, the stagnation in apparent labour productivity in Q3, along with the increase in compensation per employee, led to unit labour costs increasing by more than the GDP deflator, which caused profit margins to decline (see Chart 8).

Economic indicators worsened across the board in Q4, although there was some stabilisation in December (see Chart 9). On the supply side, the growth rate of industrial production declined and the confidence indicators compiled for the sector by the European Commission on the basis of surveys of purchasing managers fell. Likewise, services sector indicators stood in Q4 below their Q3 levels, while the rate of decline of construction accelerated. In relation to demand indicators, retail sales fell relative to Q3, as did the consumer confidence index, which in December was more negative than at any other time during 2011. As regards investment indicators, capacity utilisation and the assessment of industrial order books declined in Q4. Finally, goods exports in October and November grew at a lower rate than in Q3, while expected exports lost momentum in the last few months of 2011, in line with the reduced strength of world trade, and foreign orders declined in October, November and December.

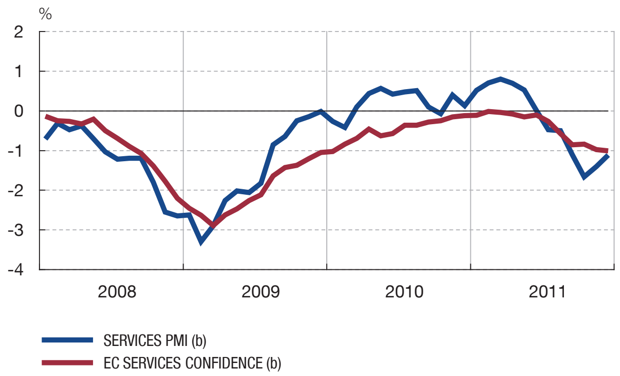
EURO AREA. ACTIVITY, DEMAND AND EMPLOYMENT INDICATORS

CHART 9

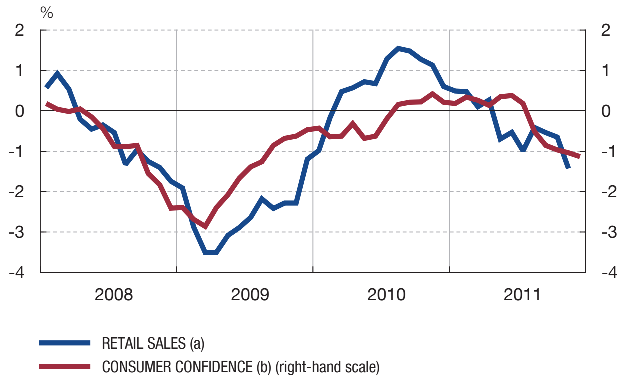
INDUSTRIAL ACTIVITY INDICATORS



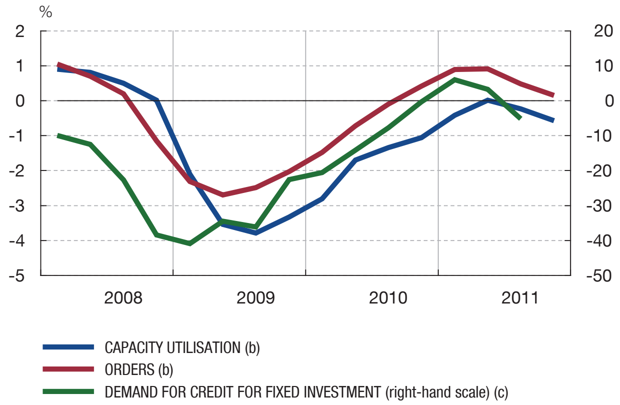
SERVICES SECTOR INDICATORS



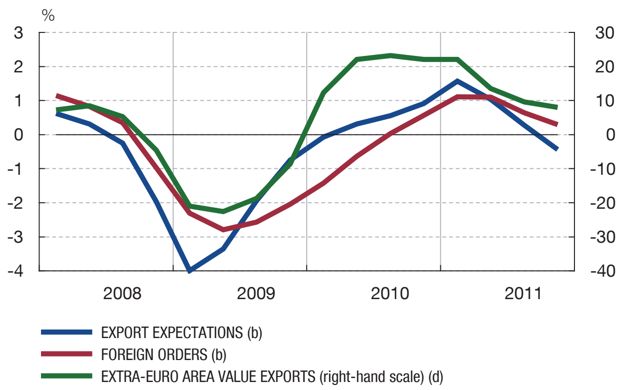
CONSUMPTION INDICATORS



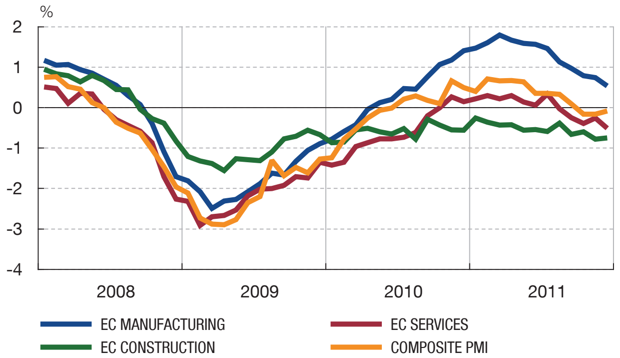
INVESTMENT INDICATORS



EXPORT INDICATORS



EMPLOYMENT EXPECTATIONS INDICATORS (b)

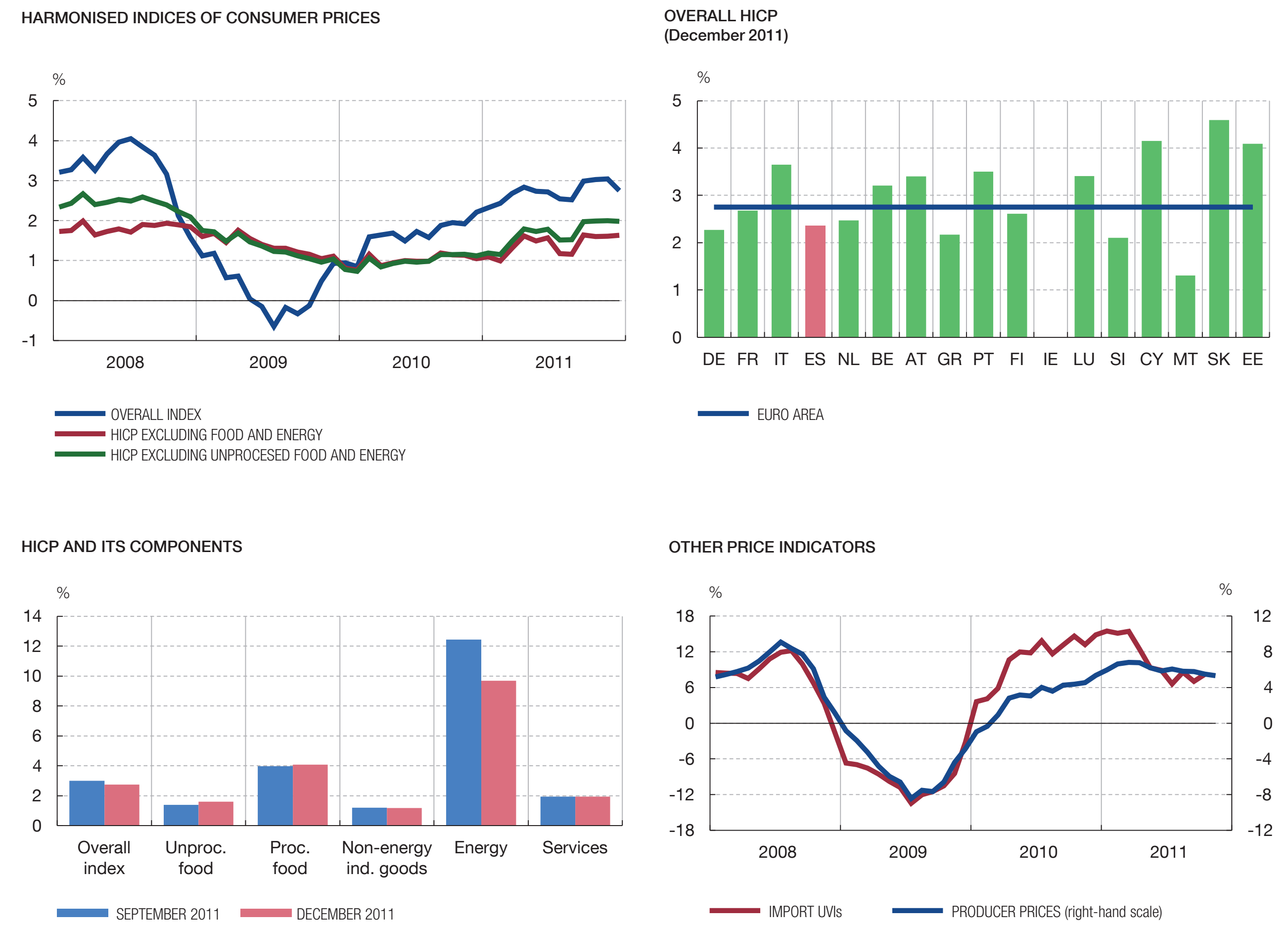


SOURCES: European Commission, Eurostat and Markit Economics.

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
Year-on-year percentage changes

CHART 10



SOURCES: Eurostat and ECB.

In short, the latest conjunctural information suggests that euro area activity declined at the end of 2011, as anticipated by certain international organisations and private institutions (see Table 1). Various factors have weakened the buoyancy of activity in the euro area, including notably the slowdown in the rate of growth of world demand, the adjustment of private sector balance sheets, the short-term effects of the ongoing fiscal consolidation processes and the unfavourable consequences that the current tensions in the sovereign debt markets are having on financing conditions and the confidence of economic agents. More in the medium term, prospects have worsened, so that international organisations and private analysts have revised their growth outlook downwards, some of them even estimating negative growth for 2012. This scenario comes against a background of great uncertainty in which there are considerable downside risks. These risks relate to a further intensification of the tensions on financial markets, which would complicate the deleveraging taking place in the banking system and could lead to a contraction in the supply of credit to businesses and households, ultimately undermining any possibility of economic recovery in the euro area in 2012.

There were no significant changes during the quarter in the annual rate of inflation, which stood at 2.7% in December. The stability of inflation in recent months has been reflected in practically all its components. The only changes were in food prices, the acceleration of which was offset by the lower rate of growth of energy prices, in line with the decline in oil prices on international markets. Similarly, core inflation, as measured by the CPI, excluding unprocessed food and energy, remained steady at around 2% in Q4 (see Chart 10). Industrial prices grew by 5.5% in October and November, down 0.3 pp from the end of Q3. All the components posted similar growth rates to those of the previous period, although capital goods increased more moderately. In the medium term, inflation is expected to stand at below 2%. In addition, the risks are generally considered to be balanced, in an environment of weaker euro area growth, where cost, wage and price pressures are expected to remain moderate, although further increases in indirect taxes and administered prices are not ruled out, owing to the need for fiscal consolidation in the coming years (see Table 2). In this context, long-term inflation expectations remained anchored.

The euro area recorded a current account deficit of €59.2 billion (0.8% of GDP) during the first ten months of 2011, which was somewhat larger than the €42 billion deficit in the same period of the previous year (0.5% of GDP). This deterioration was basically due to the change in sign of the goods balance, which moved into deficit, while the services balance improved. During the same period, in the financial account there was a decline in net capital outflows in the form of direct investment (to €53 billion, down from €138 billion in 2010), while net inflows of portfolio investment increased by €157 billion to €290 billion. Thus, the basic balance, which combines these two types of investment with the current account balance, swung from a deficit of -€47 billion in the period January-October 2010 to a surplus of €179 billion in the same period of 2011 (see Chart 11).

According to European Commission forecasts, the budget deficit of the euro area as a whole stood at close to 4% of GDP in 2011, which is around two percentage points smaller than the deficit in 2010 (6.2%). The budgets presented by the countries for 2012 allow a further cut in the budget deficit to be projected for this year, albeit smaller than the one recorded last year. These forecasts are subject to a high degree of uncertainty, since, unlike in most of 2011, when the consolidation was based on the withdrawal of stimulus measures and a certain recovery in the economy, fiscal adjustment must be carried out in an environment in which downside risks to growth predominate.

In fact, the deterioration in the growth outlook from the summer led many countries to introduce new adjustment plans in Q4, in order to comply with the commitments established within the framework of the Stability and Growth Pact for 2012. Notable among these countries was Italy, which announced a package of fiscal measures at the beginning of December, involving a cut in spending on pensions, an increase in VAT and the reintroduction of the property tax. Ireland also stepped up its fiscal consolidation drive for 2012, with a rise in the rate of VAT on some products to 23% and cuts in certain types of social expenditure. Portugal, meanwhile, cut pensions and public-sector wages and reviewed the products subject to reduced rates of VAT. In Greece, the combination of a severe economic recession with delays in the implementation of promised measures led to a failure to meet the fiscal targets set for 2011 and to the approval of new measures to enable the targets to be met in 2012. The terms of the second official assistance programme and the participation of the private sector in the debt restructuring process in this economy are still to be determined. Finally, Cyprus and Belgium also adopted new fiscal adjustment measures.

All told, in an environment like the present one, in which the financial markets may negatively assess both a lack of commitment on the part of governments to fiscal consolidation and the impact that such consolidation may have on short-term growth, the fact that consolidation plans might take greater account of the differing impact that different adjust-

GDP AND HICP FORECASTS FOR THE EURO AREA (a)

TABLE 2

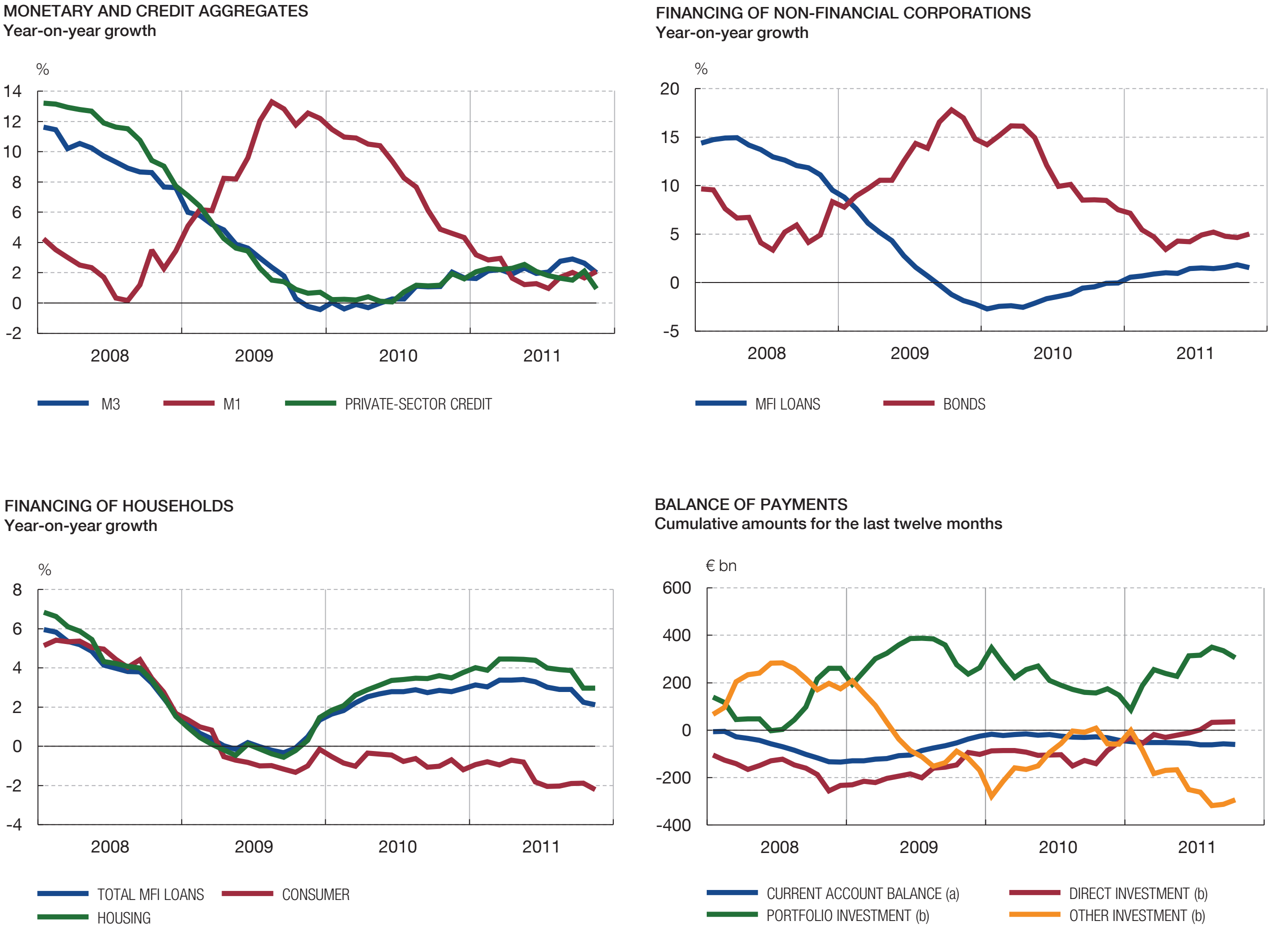
	2011		2012		2013	
	GDP	HICP	GDP	HICP	GDP	HICP
ECB (December 2011)	1.5-1.7	2.6-2.8	-0.4-1.0	1.5-2.5	0.3-2.3	0.8-2.2
European Commission (November 2011)	1.5	2.6	0.5	1.7	1.3	1.6
IMF (September 2011)	1.6	2.5	1.1	1.5	1.5	1.7
OECD (November 2011)	1.6	2.6	0.2	1.6	1.4	1.2
Consensus Forecast (January 2012)	1.6	2.7	-0.3	1.9	1.0	1.7
Eurobarometer (January 2012)	1.6	2.7	-0.3	1.8	1.0	1.7

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

a Year-on-year rate of change.

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).

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).

ment measures may have on growth, as proposed in the Annual Growth Survey presented by the European Commission on 23 November, is relevant.

Also, progress has continued to be made in improving the instruments to achieve greater discipline and credibility in the design of budgetary policy. Thus, the reform of the Stability and Growth Pact, agreed in 2011, came into force in January 2012 and has been strengthened by the decisions taken by the European Council at the beginning of December, which are due to be ratified over the coming weeks (see Box 3). For its part, the European Commission presented two new regulations in November authorising this institution to evaluate national budgets sooner, in order to prevent the appearance of excessive deficits, and introducing additional improvements into national fiscal frameworks, including the obligation to set up independent fiscal councils to supervise national policies and to design budget plans on the basis of macroeconomic forecasts compiled by independent bodies. Finally, the proposals of the Commission identify the need for close macroeconomic surveillance of those countries that may record difficulties in the area of financial stability.

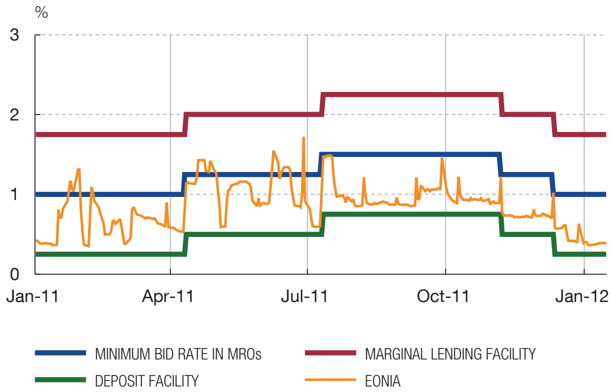
3.2 Monetary and financial developments

The tensions arising from the sovereign debt crisis, which had intensified and become systemic in the summer, persisted in 2011 Q4 and in early 2012. In some countries, such as France, Italy and Spain, the sovereign spread over the German Bund reached new

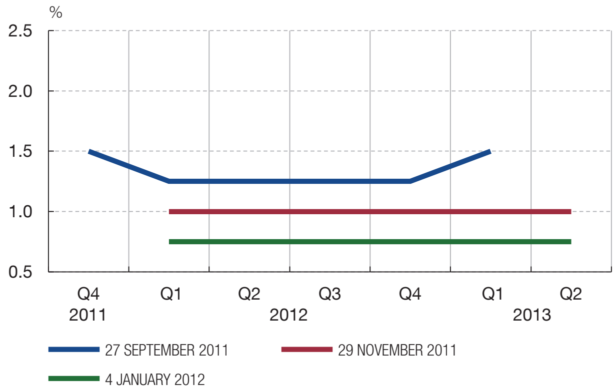
EURO AREA INTEREST RATES

CHART 12

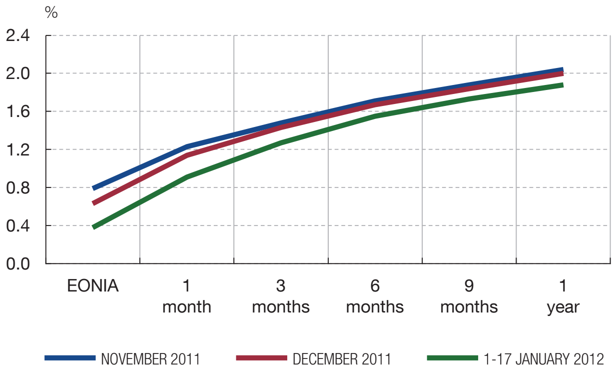
EONIA AND ECB INTEREST RATES



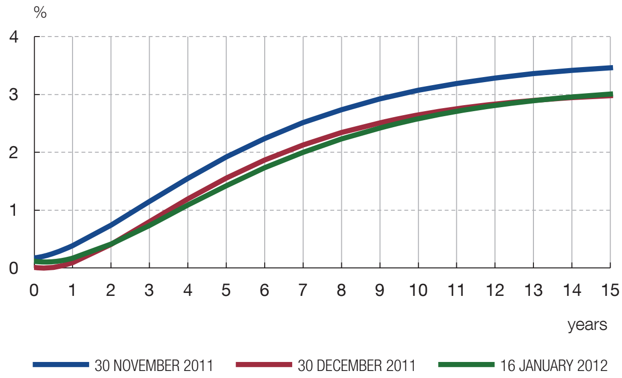
EXPECTED END-QUARTER ECB RATE. REUTERS SURVEYS



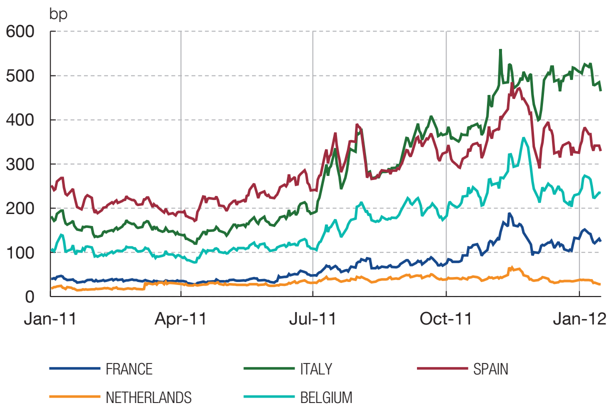
INTERBANK MARKET
(monthly average)



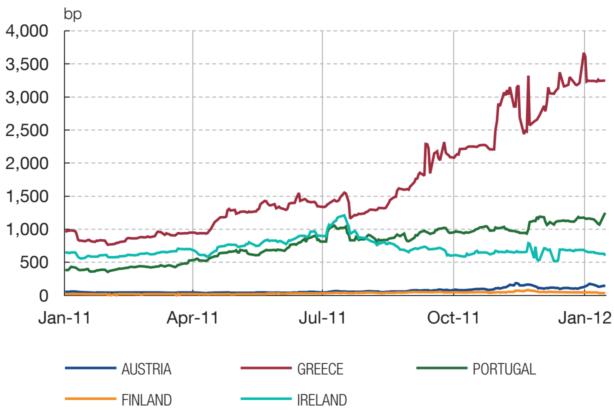
ZERO COUPON CURVE (a)



SOVEREIGN SPREADS OVER GERMANY



SOVEREIGN SPREADS OVER GERMANY



SOURCES: ECB and Banco de España.

a ECB estimate using swap market data.

highs in November and the volatility of government bond yields rose to levels unprecedented since the creation of the euro. Moreover, in certain euro area countries the fact that the government needs to raise a large amount of funds to redeem government bonds maturing in 2012 Q1 is adding to the pressure on bond yields. More than half of the euro area countries were affected by downgrades of their sovereign debt, with the latest action by S&P in January involving the loss by Austria and France of their AAA rating.

As described in greater detail in Box 2, the banking sector continued to be subject to severe strains, as a consequence of its exposure to sovereign risk, the difficulty of raising funds on the markets, the tightening of capital requirements by the European Banking Authority and the decline in expected earnings, owing to the weakening of economic activity. These circumstances, along with the fact that a large amount of bank debt matures in 2012, have accelerated the ongoing deleveraging process in the sector and have increased the risks of further tightening of financing conditions, or even a contraction in the supply of credit.

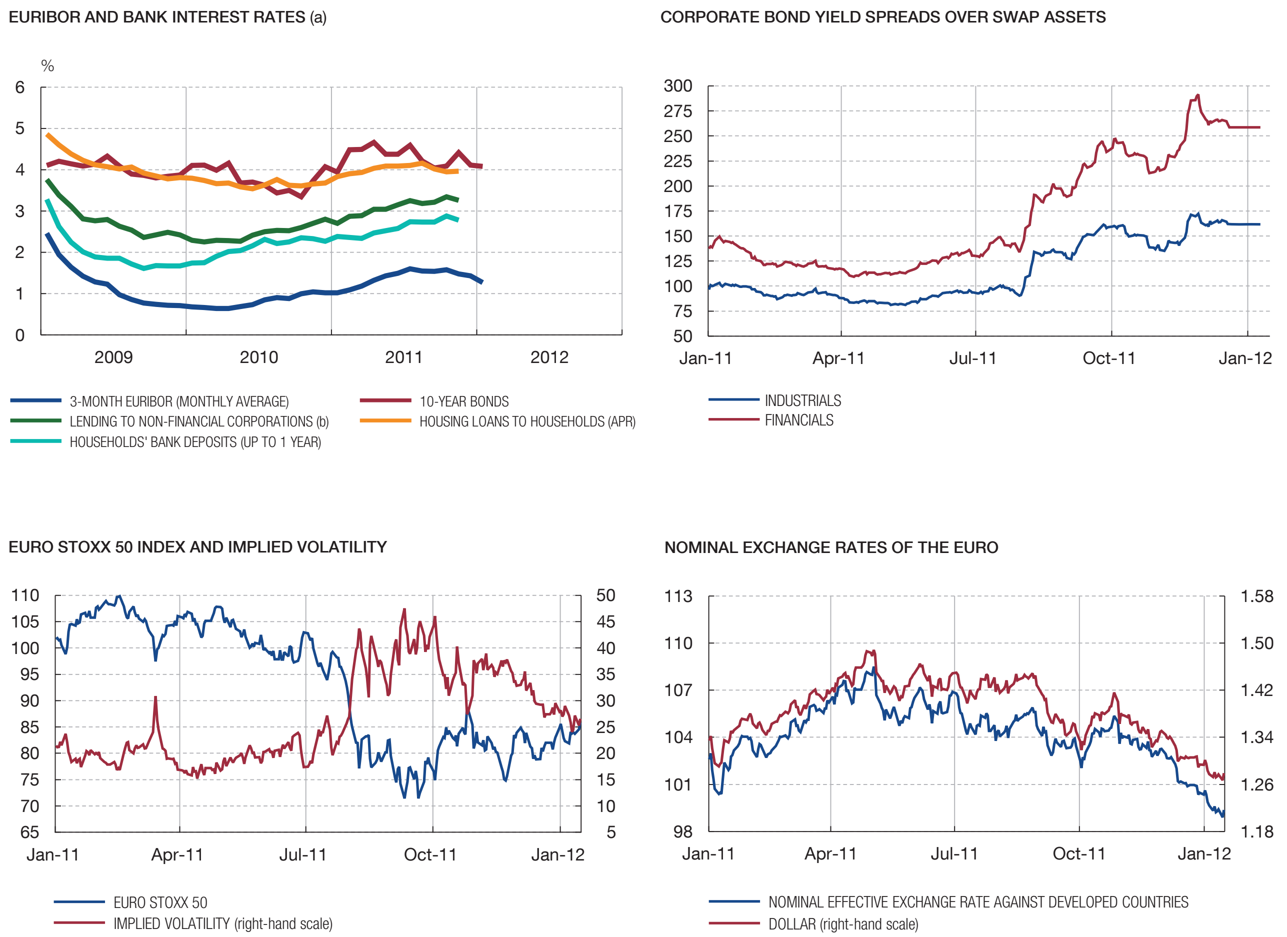
Against a background of weak activity, with inflation expected to stand below 2% in the medium term, the Governing Council of the ECB lowered official interest rates by 25 bp at two consecutive meetings, in November and December, after which they stood at 1% for main refinancing operations. The deposit and lending facility rates stood at 0.25% and 1.75%, respectively (see Chart 12). Also, the ECB adopted further temporary non-standard measures, in order to support the supply of credit to non-financial firms and households. In addition to the coordinated central bank action in November to supply foreign currency liquidity, the Governing Council decided, at its December meeting, to conduct two longer term refinancing operations with full allotment, a maturity of 36 months and the option of early repayment after one year. At the same time, the ECB widened the range of assets eligible as collateral for its refinancing operations and reduced the reserve ratio from 2% to 1%, which will release collateral and support money market activity. As a result of the first 36-month tender, conducted on 21 December, the Eurosystem lent €489 billion to a total of 523 credit institutions. A second operation with the same characteristics will be conducted on 29 February. In addition, a second covered bond purchase programme (CBPP2) was launched in November, which envisages total purchases of €40 billion (€20 billion less than in the first programme). As at the cut-off date of this bulletin, the amount outstanding under this programme was €3 billion. Finally, purchases of government debt under the securities market programme, which was reactivated in August as a consequence of the intensification of the financial tensions, amounted to somewhat more than €213 billion.

The monetary policy easing has only partly been passed through to money market interest rates (see Chart 13), as a consequence of the continuation of tensions on the interbank funding markets, which led to further increases in credit risk premiums. Thus, in an environment of heightened volatility, the spread of the EURIBOR over repo rates remained on a rising path, exceeding 150 bp in January in the case of 12-month operations. The three-month and one-year EURIBOR stood, respectively, at around 1.2% and 1.8% in January, 30 bp and 20 bp below their September levels. The interest rate on the 10-year German Bund did not change significantly during the quarter, remaining at around 2%. In other countries, however, long-term interest rates on government debt continued to rise, so that yield spreads over the German Bund widened until the beginning of December and, against a background of high volatility, have held at historically high levels since then (see Chart 12).

With regard to the funding of the private sector, the debt issuance of non-financial corporations increased by 5% year-on-year in November, in line with the increase in previous months (see Chart 11). Bank loans grew at a slower rate, reflecting above all the behaviour of those to households, which increased at a year-on-year rate of 2.1% in November, down 0.8 pp from September. This slowdown is explained by the reduced buoyancy of loans for house purchase. As for loans to non-financial corporations, there were no significant changes in their growth rate.

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.

In private fixed-income markets, risk premiums for both financial and non-financial securities were highly volatile during the period, although their average levels remained relatively steady. The cost of bank loans to private sector households fell slightly during the two-month period October-November, while it rose slightly in the case of firms. Thus, the rate on new loans to non-financial corporations stood at 3.3% in November, as against less than 3% in spring 2011.

Stock markets, in line with financial developments during the quarter, were subject to a high degree of volatility in all countries and all sectors. The EURO STOXX 50 index rose by 10% during the quarter and the first few days of January, although it fell by 18% in 2011 as a whole (see Chart 13), and, in the case of the banking sector, by 37%. For its part, the exchange rate of the euro fell by 4% in nominal effective terms and by 5% against the dollar (see Chart 13).

Finally, the growth of M3 eased in November, to 2% year-on-year, basically due to the slowdown in negotiable instruments.

On the as-yet incomplete information currently available, economic activity is estimated to have shrunk in 2011 Q4, leading GDP to post a quarter-on-quarter change of -0.3% (see Chart 14). The contribution of external demand to GDP growth remained positive, at 0.3 pp, 0.1 pp down on the previous quarter, affected by the loss of momentum of goods exports. National demand slipped somewhat more sharply than in Q3, with a quarter-on-quarter decline of 0.5%, weighed down by the marked contraction in gross fixed capital formation. In year-on-year terms output continued to increase, with a rate of 0.3%, 0.5 pp down on the previous period.

The reduction in employment steepened in Q4; the related year-on-year rate stood at -2.4% while average labour productivity posted a year-on-year increase of 2.7%. Economy-wide compensation per employee is estimated to have held at a similar rate of increase to that of the previous quarter, whereby the year-on-year rate of unit labour costs continued to fall. The pace of increase in consumer prices slowed in the closing months of the year. Thus, in December 2011 annual CPI inflation stood at 2.4%, 0.7 pp down from September and the growth rate of the CPI excluding unprocessed food and energy declined 0.2 pp to 1.5%. This trajectory is expected to continue over the coming months as the base effects arising from the increase in oil prices at the beginning of 2011 disappear.

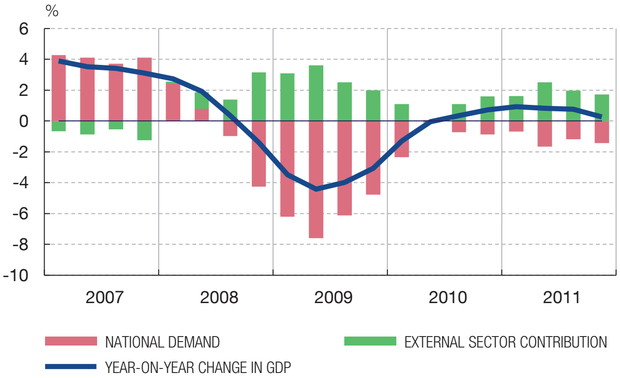
4.1 Demand

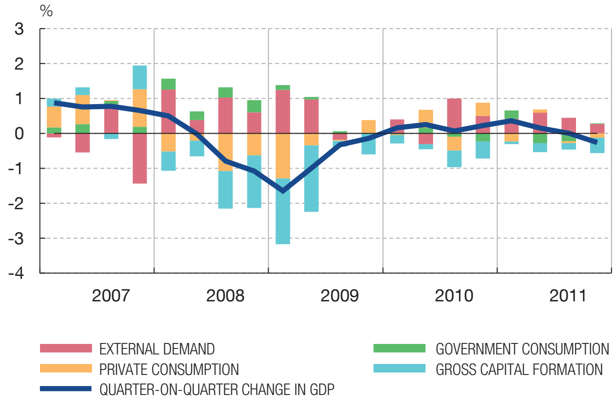
In 2011 Q4 private consumption continued to show a certain weakness which resulted in a slight fall in its quarter-on-quarter rate of change (see Chart 15). This reflected, in the second half of the year, a not very favourable backdrop for household spending that was marked by the more negative performance of the labour market, the decline in value of housing and financial wealth and the worsening of the economic outlook. Private vehicle registrations fell – by 5.2% year-on-year in Q4 and by around 2% quarter-on-quarter, based on the seasonally adjusted series – as did other consumer durables. Among the other quantitative indicators, the large corporations' sales of goods and consumer services published by the tax authorities and the retail trade index posted a sharper year-on-year decline on average in October and November than in the third quarter. Qualitative indicators, such as the European Commission's consumer and retailer confidence indices were relatively stable in the quarter on average. According to data to Q3, household income increased in nominal terms (0.7% year-on-year) for the first time in the last two years, on four-quarter cumulated figures of the non-financial accounts of institutional sectors. This increase in household nominal income was the result of a smaller decline in employee compensation and an increase in the gross surplus of the self-employed. The positive contribution of general government towards sustaining household income remained stable, as did the net negative contribution of property income. Nevertheless, nominal consumption expanded at a higher rate than household income, giving rise to a fresh decline in the saving rate which was down almost 2 pp in Q3 from the figure for 2010, and stood at 12.1% of disposable income on four-quarter cumulative data.

Investment in capital goods is estimated to have decreased by around 2% in quarter-on-quarter terms in Q4, compared with growth in Q3. Its year-on-year rate of change declined to 0.6%, its first fall since 2010 Q1 (see Chart 16). In year-on-year terms, production of capital goods fell 4.1% in October and November, and imports were down 9% in October. Similarly, commercial vehicle registrations returned to a downward path in Q4 following an increase in Q3. In the last part of the year business confidence continued to deteriorate

MAIN DEMAND AGGREGATES. CONTRIBUTION TO GDP GROWTH

CHART 14



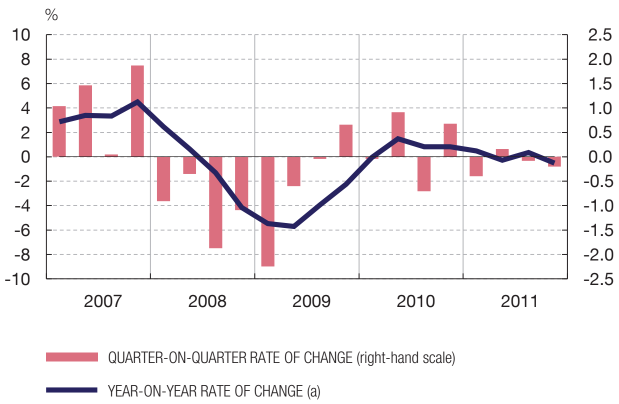


SOURCES: INE and Banco de España.

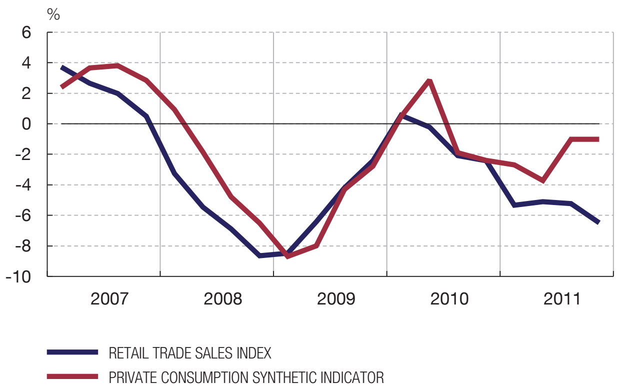
PRIVATE CONSUMPTION

CHART 15

PRIVATE CONSUMPTION (QNA)



CONSUMPTION INDICATORS (a)



DURABLE CONSUMPTION INDICATORS (a)

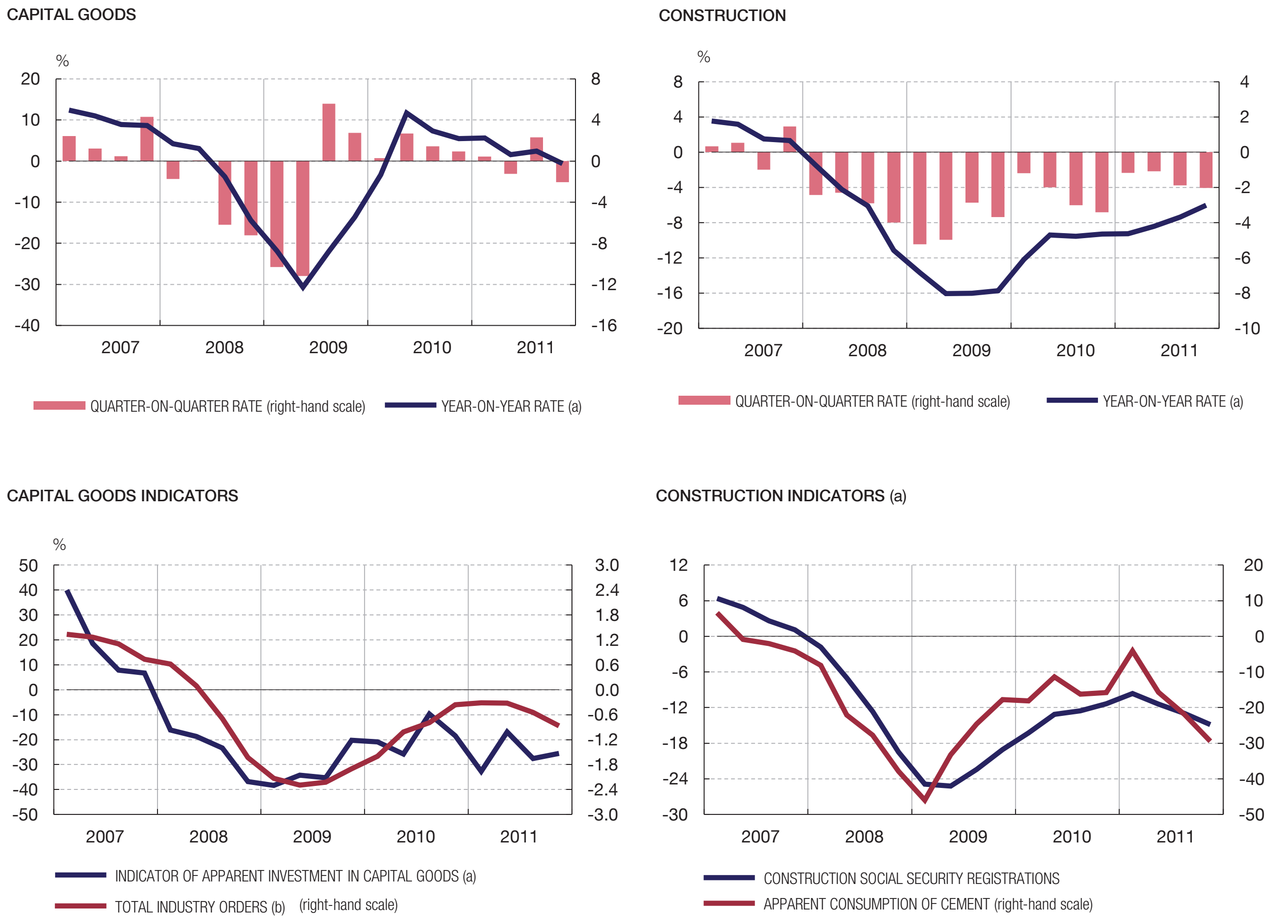
CONFIDENCE INDICATORS (b)

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, INEM 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).

(both in industry as a whole and in the capital goods sector) which could reflect a further worsening of business investment in the coming quarters.

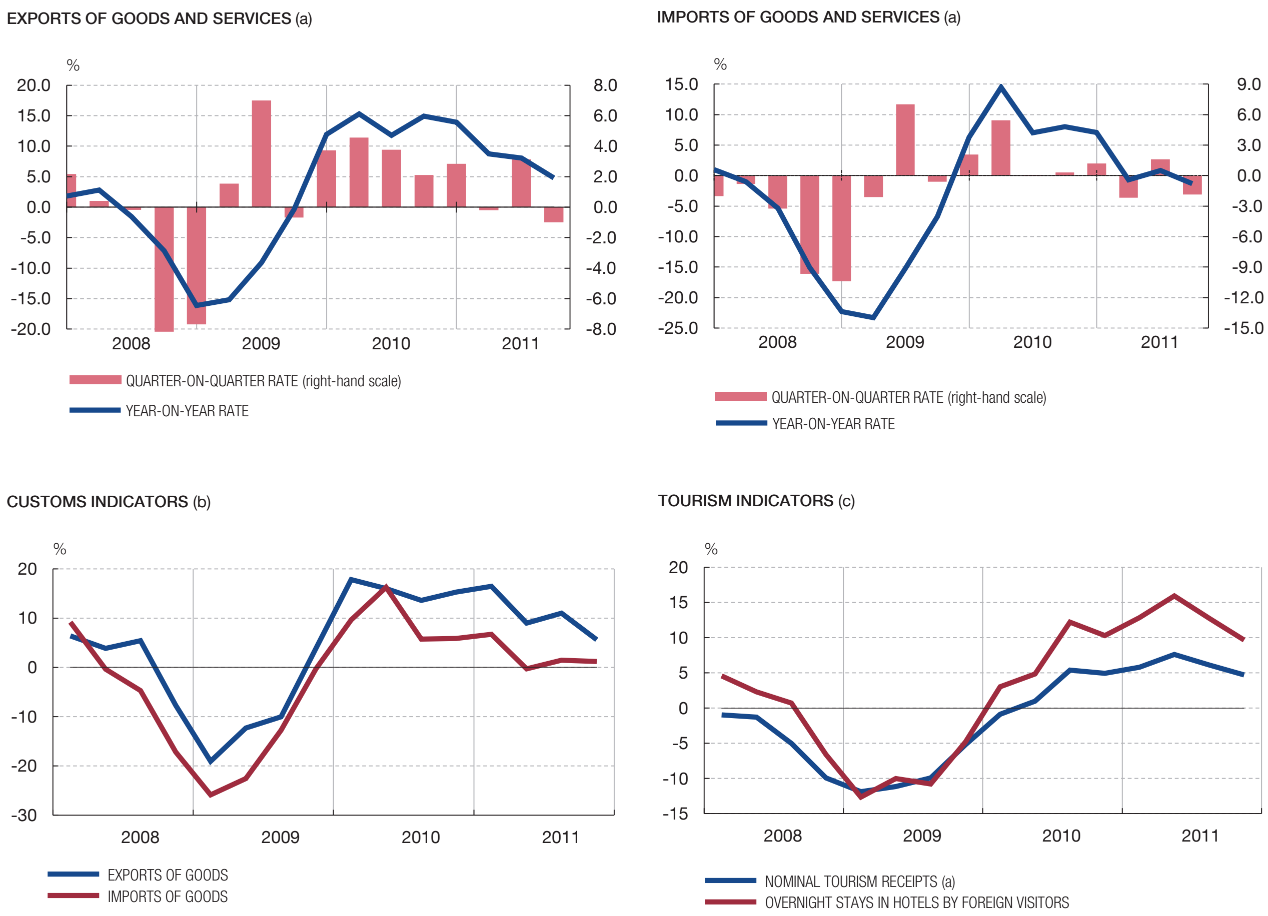
On non-financial account data for the institutional sectors, the net lending of non-financial corporations increased slightly in 2011 Q3 to 1.7% of GDP on four-quarter cumulated figures (up 1 pp on 2010). This improvement was underpinned by an increase in the profit margin which could indicate firms' efforts to rebuild balance sheets and strengthen their self-financing capacity.

Construction investment was more contractionary than in recent quarters, given the combination of adjustment processes in the residential segment and fiscal consolidation in the area of civil engineering works (see Chart 16). In more recent months the indicators for the sector as a whole relating to employment and the use of inputs displayed quarter-on-quarter falls which were sharper than in Q3.

By type of work it is estimated that the quarter-on-quarter rate of decline in residential construction has increased. However, this type of investment is expected to become less contractionary in the coming quarters, as the gap between housing completions and starts continues to narrow. On the demand side for residential assets, transfers of new dwellings

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.

remained stable in the July-September period in cumulative four-quarter terms. For its part, permits for non-residential construction to October continued to contract sharply in terms of surface area, as did government civil engineering tenders.

Finally, general government spending is estimated to have contracted in Q4, particularly in respect of investment. The year-on-year rate of decrease in government consumption in this quarter is likely to be around -1%, which would indicate that it had fallen less steeply than in the previous quarter. Spending on investment is estimated to have continued to decline at rates of above 20%, as in previous quarters.

According to the information available for 2011 Q4 on net external demand, its estimated contribution to quarter-on-quarter GDP growth was 0.3 pp, 0.1 pp down from the previous quarter. In year-on-year terms its contribution also decreased, although it remained high (1.7 pp). This behaviour was the result of a somewhat stronger quarter-on-quarter decline in imports than exports, in contrast to the increase in both of types of flows in the previous quarter (see Chart 17). This took place against the backdrop of a gradual moderation of international trade in the second half of 2011, reflecting the world economic slowdown and amply offsetting the competitiveness gains linked to changes in the exchange rate in the closing months of 2011. On available information, in Q4 the share of Spanish exports on world markets continued to climb. The most recent performance of imports shows slowing final demand and that they have become more expensive due to the trajectory of the exchange rate.

On customs data, the growth rate of goods exports moderated in October to 5.1%, which was considerably lower than that posted in 2011 Q3 (10.9%). By product group, the loss of momentum was fairly widespread, the decline in exports of capital goods being particularly notable. Exports of consumers goods decelerated as a result of weak sales of consumer durables, especially cars. By geographical area, sales to the rest of the world showed a greater loss of buoyancy than exports to EU countries.

The information available on exports of tourism services indicates that their rate of increase eased in 2011 Q4 compared with previous quarters. This can be inferred from the slowdown of tourist inflows and overnight stays to November. By country of origin, noteworthy is the rise in German and British tourists in Q4 in contrast to the less robust inflows of French and Italian tourists. The nominal expenditure of tourists continued to increase in year-on-year terms in the period October-November, albeit at a slightly more moderate pace than in previous months. It is estimated that exports of non-tourism services rose in Q4 in step with nominal balance of payments data.

Imports, on customs data, increased at a year-on-year rate of 0.5% in October, which was more moderate than the rate posted in Q3 (1.2%). By product group, the slowdown affected the main headings except for imports of consumer goods which rose notably, partly due to the effect of comparison with the previous year's poor data. Lastly, real imports of services seem to have continued to decline in 2011 Q4 in year-on-year terms, in line with the path shown by nominal balance of payments data in recent months.

4.2 Output and employment

In 2011 Q4, gross value added in the market economy[1] posted a slightly higher fall than in Q3. The available quantitative data have progressively confirmed the weakness of productive sectors which was anticipated by various survey indicators. This information suggests a decline in industry and energy as well as in construction in the last part of the year, while market services seem to have remained sluggish (see Chart 18).

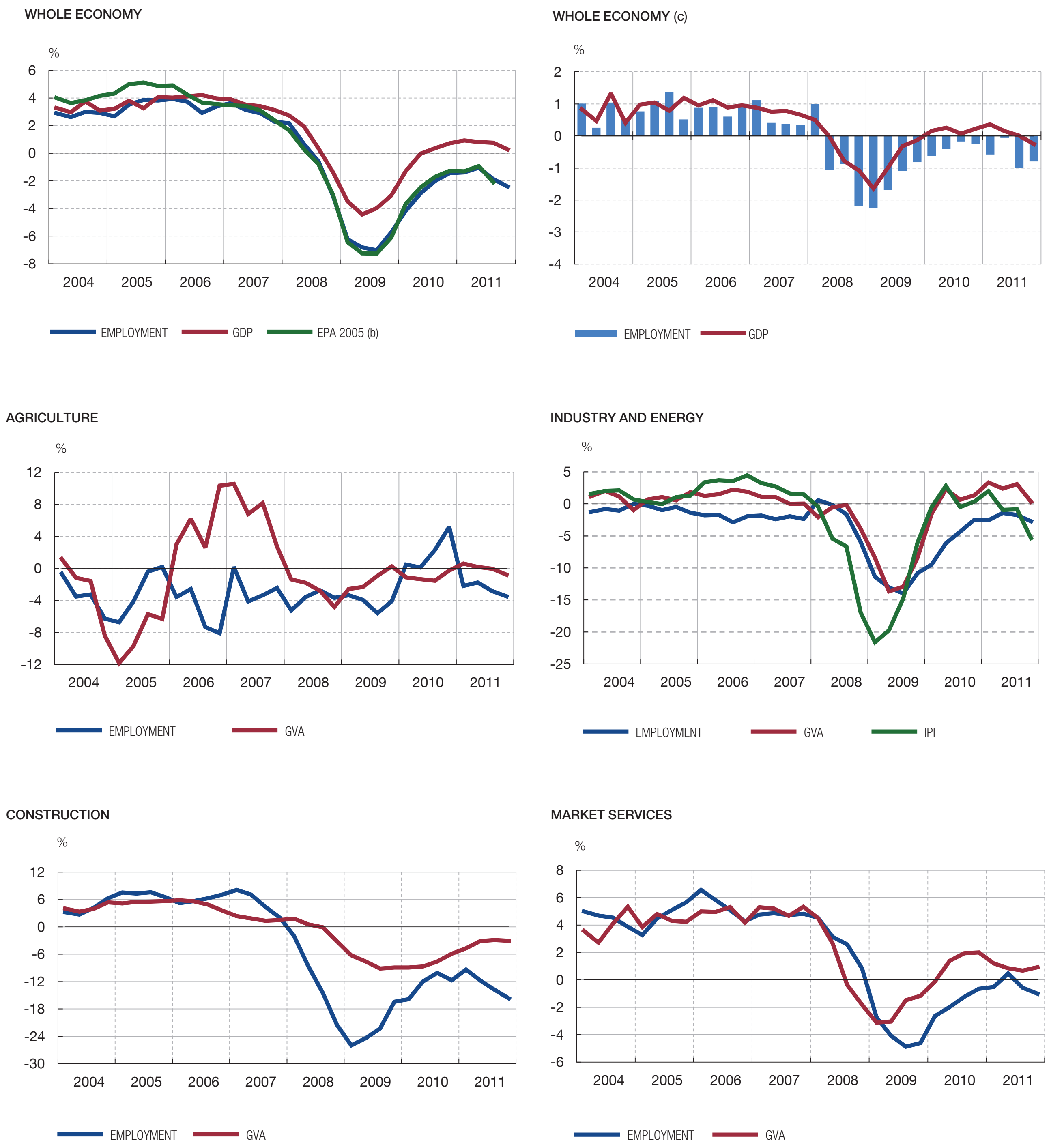
In the closing months of 2011, industrial activity gradually deteriorated after rising in Q3. The industrial production index fell back notably in the period October-November, especially in those activities which had performed more positively in Q3, such as the production of capital goods and non-food consumer goods. The employment figures also reflect the decline in the sector in the last quarter and there was a further decrease in Social Security registrations. Likewise, developments in respect of turnover and domestic and foreign orders underline the weakness of these branches of activity. The qualitative indicators for the industrial sector also showed declines in this period. The manufacturing PMI once again fell back and held clearly below 50, which is generally interpreted as the point between the contraction and expansion of activity.

The available market services indicators point to a further moderation of the GVA of this sector in Q4, although it is estimated to have increased modestly. On information

1 The new Quarterly National Accounts (base year 2008) do not provide estimates of the market economy aggregate. This branch is proxied by excluding services associated with the activities of education, defence, health and social services, compulsory Social Security and general government from the total for the economy.

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

CHART 18



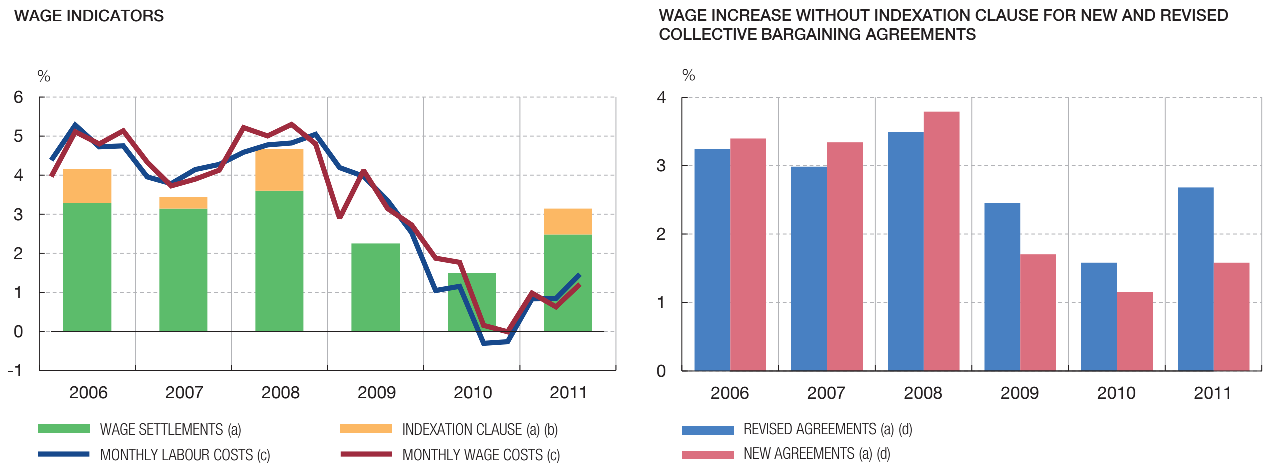
SOURCES: INE and Banco de España.

a Year-on-year percentage rates based on seasonally adjusted series except gross series in EPA. Employment in terms of full-time equivalent jobs. For incomplete quarters, the year-on-year rate for the period available within the quarter is taken.
b Series linked by the DG Economics, Statistics and Research on the basis of the control survey conducted using the methodology applied until 2004 Q4.
c Quarter-on-quarter rates based on seasonally-adjusted series.

to November, the rates of change in the indicators of sales of large firms and of service sector activity declined significantly, especially in wholesale and retail trade and accommodation and food service activities. Social security registrations in recent months indicate a contraction of employment which had not been recorded in previous quarters.

WAGE INDICATORS AND LABOUR COSTS

CHART 19



SOURCES: INE and Ministerio de Trabajo e Inmigración.

a Latest year, with information on collective bargaining agreements to December 2011.
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.

The available monthly indicators for the labour market show that job destruction stepped up in Q4 with a year-on-year decline in social security registrations of 1.9%, up 0.7 pp on that seen in Q3. The contraction was particularly sharp in October and became slightly less intense as the quarter progressed. In quarter-on-quarter terms, there was a deterioration of a similar magnitude with a 0.8% decrease in the seasonally adjusted series compared with a change of -0.5% in the previous quarter. The data of the Labour Force Survey for Q3 had already shown a sharp deterioration with job destruction of 2.1%, more than 1 pp up on the previous quarter. The decline in employment is estimated to have stepped up again in Q4, posting a rate of change of 2.4% and employment appeared to have fallen more in the market economy.

By sector, the fall in registrations was widespread and jobs were lost in all sectors in quarter-on-quarter terms. However, construction remained the sector in which job destruction was sharpest and the number of registrations fell by around a quarter of a million with respect to the same quarter in 2010. The deterioration of employment particularly affected self-employed and foreign employees.

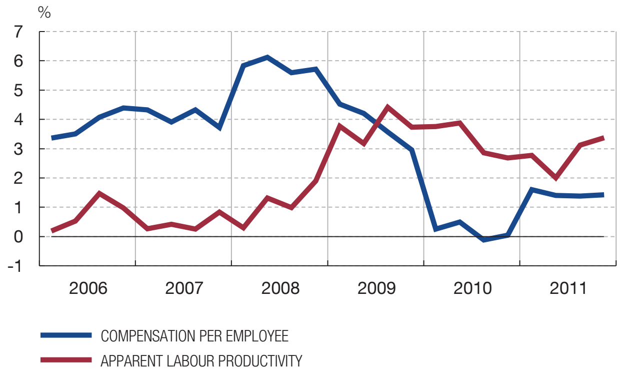
New hires registered at the National Public Employment Service (SPEE by its Spanish abbreviation) show an unfavourable scenario in 2011 Q4. The number of contracts dropped by 3% year-on-year, following the slackness in Q3 (0.2%). The decline in Q4 affected temporary contracts which had increased almost continuously for nearly two years. Permanent hires fell back substantially especially those relating to employment-promoting contracts. The weight of permanent contracts in total contracts decreased again to 5.6% in December 2011, the lowest figure since May 1997. Lastly, the year-on-year rate of decline in full-time hires intensified in the last quarter of 2011 and part-time hires, which had increased in previous quarters, decreased in Q4.

The numbers registered as unemployed with the SPEE increased by more than a quarter of a million in 2011 Q4, with the result that 4.4 million people were unemployed in December. The year-on-year rate of change in those unemployed increased by 3.2 pp to 7.4% in

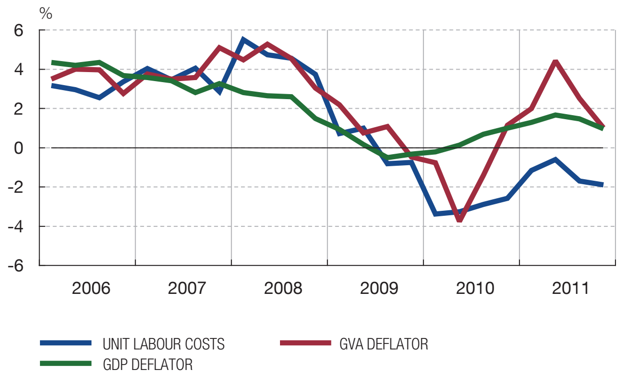
PRICES AND LABOUR COSTS IN THE MARKET ECONOMY

CHART 20

COMPENSATION PER EMPLOYEE AND PRODUCTIVITY (a)



UNIT LABOUR COSTS AND PRICES (a)



SOURCES: INE and Banco de España.

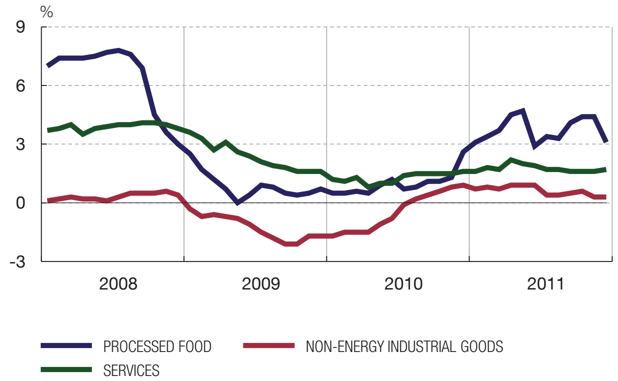
a Year-on-year rates based on seasonally adjusted QNA series.

PRICE INDICATORS (a)
Spain

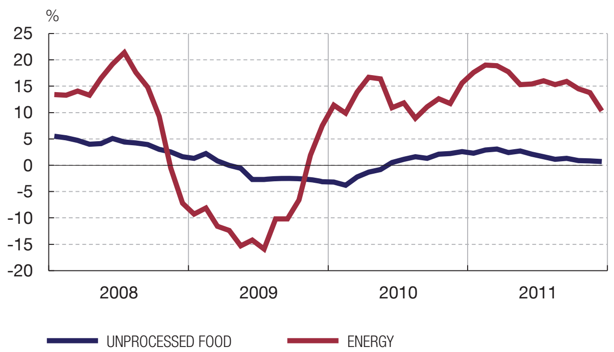
CHART 21

CONSUMER PRICE INDEX

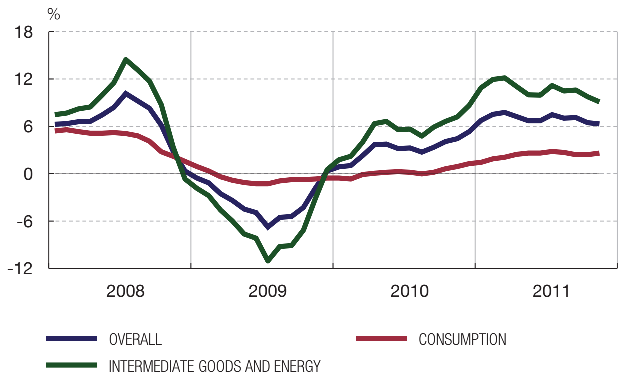
CONSUMER PRICE INDEX



CONSUMER PRICE INDEX



PRODUCER PRICE INDEX

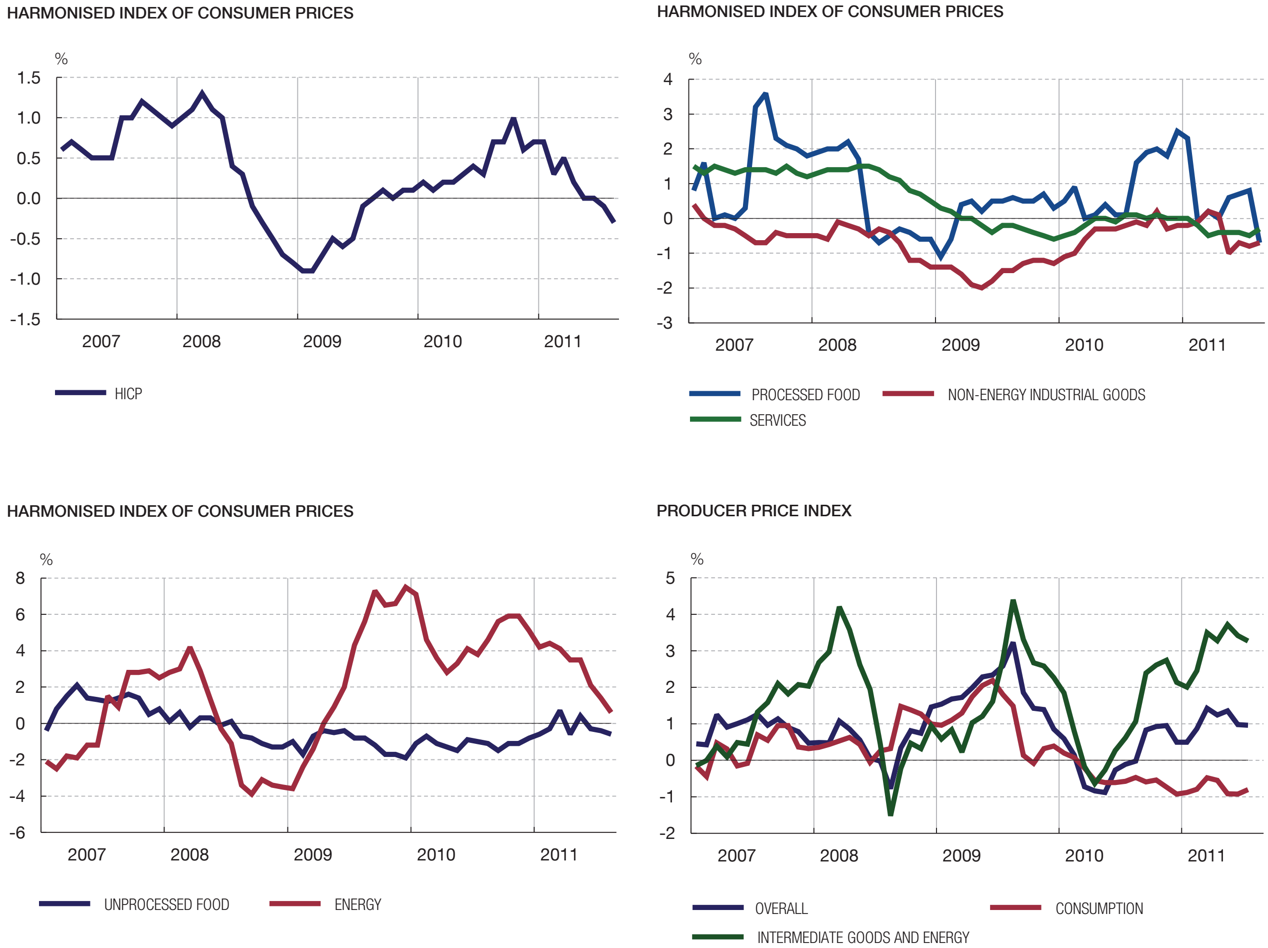


SOURCE: INE.

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

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.

2011 Q4. These developments are seemingly compatible with an unemployment rate of 22%, according to the EPA, which is around 2 pp higher than at end-2010. The labour force is estimated to have remained stable at similar levels to those of recent quarters since it seems that the rise in the female participation rate has continued to offset the decreases in the foreign labour force and in the male participation rate.

4.3 Costs and prices

The average wage settlement negotiated in collective agreements for 2011 was 2.5% in the period January to December against a backdrop in which the number of agreements reached at year end was ultimately very small. In fact, the number of workers affected was slightly more than six million, which represents nearly one million workers less than in the same month of 2010 and is the lowest figure since 1997. The average settlement in newly signed agreements – affecting slightly more than one million workers – amounted to 1.6% in line with the mid-point of the wage band recommended by the Agreement on Employment and Collective Bargaining (AENC by its Spanish initials) of 2010 (see the right-hand panel of Chart 19). However, most of the agreements registered corresponded to revisions of multi-year agreements signed in previous years, in which the settlements amounted to 2.7%. This is largely explained by the agreements being linked to the annual increase in the CPI in December 2010, which was 3%. The effect of wage indexation clauses linked to

GENERAL GOVERNMENT. NON-FINANCIAL ACCOUNT IN TERMS OF NATIONAL ACCOUNTS TABLE 4

€m and %

	Outturn 2010	Percentage change 2010/2009	Outturn Jan-Jun. Percentage change 2011/2010	2010 Jan-Sept	2011 Jan-Sept	Percentage change
	1	2	5	6	7	8 = 7/6
1 TOTAL RESOURCES	381,427	3.7	-1.4	272,244	270,061	-0.8
Current resources	381,293	3.7	-1.5	275,155	273,308	-0.7
Taxes on production and imports	108,699	17.7	-4.3	79,625	79,243	-0.5
Income and wealth taxes	99,698	-1.4	0.7	69,977	70,201	0.3
Social security contributions	140,170	0.0	-0.4	104,126	103,593	-0.5
Other current resources	32,726	-3.6	-1.8	21,427	20,271	-5.4
Captial resources	134	-1.5	10.3	-2,911	-3,247	-11.5
2 TOTAL USES	479,645	-1.1	-1.2	333,487	326,861	-2.0
Current uses	426,997	1.0	0.7	299,019	300,191	0.4
Employee compensation	124,781	-0.7	-2.4	90,170	88,536	-1.8
Other final consumption expenditure (a)	91,355	-2.5	2.0	59,838	58,973	-1.4
Social benefits (not in kind)	160,974	4.7	0.0	114,638	115,317	0.6
Interest payments	20,120	8.6	26.3	14,727	18,457	25.3
Subsidies	12,147	2.6	-0.4	7,695	7,441	-3.3
Other uses and current transfers	17,620	-8.7	-5.6	11,951	11,467	-4.0
Capital uses	52,648	-15.1	-17.4	34,468	26,670	-22.6
Gross capital formation	40,091	-14.3	-20.7	28,699	22,321	-22.2
Other capital expenditure (b)	12,557	-17.6	-0.4	5,769	4,349	-24.6
3 NET LENDING (+) / NET BORROWING (-) (3= 1-2)	-98,218	—	—	-61,243	-56,800	7.3
(As a percentage of nominal GDP)	-9.3	—	—	-7.9	-7.1	—
MEMORANDUM ITEM:						
Primary balance	-78,098	—	—	-46,516	-38,343	—
Final consumption expenditure	221,715	-0.8	0.1	154,760	153,212	-1.0

SOURCE: Ministerio de Economía y Hacienda.

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).

2010 inflation, yet paid in 2011, is estimated to have increased to 0.7 pp. Accordingly, approximately half of the workers with a registered agreement continue to be covered by an annual wage indexation clause. Firm-level agreements continued to be more in line with the labour market situation with wage increases of 1.9% in contrast to 2.5% in sector-level agreements.

These wage developments contrast with the greater moderation displayed by other indicators, such as the quarterly wage cost survey (ETCL by its Spanish initials), which showed a 1.5% year-on-year increase in Q3 (see left-hand panel of Chart 19), although labour costs per employee and month quickened in this period. The year-on-year increase in compensation per employee in the market economy in the closing months of the year is estimated to have held at 1.4% (see Chart 20). Given that a fresh increase in productivity is expected in the quarter, unit labour costs are likely to have continued to decline in the final months of the year, posting a fall of around 2% for Q4 as a whole.

In the period analysed, the deflators of the main components of demand recorded appreciably lower year-on-year growth than in the first half of the year. This was largely a result of the developments in domestic producer prices (as proxied by the GDP deflator), the rate of growth of which declined by 0.5 pp with respect to the previous quarter, but

SOCIAL SECURITY SYSTEM BUDGET OUTTURN TABLE 5

€m and %

	Initital budget 2010	Percentage change 2010/2009	Initital budget 2011	Percentage change 2011/2010	Outturn Jan-Sept. Percentage change 2011/2010	Outturn		
						2010 Jan-Nov	2011 Jan-Nov	Percentage change 2011/2010
	1	2	3	4 = 3 / 1	5	6	7	8 = 7 / 6
1 REVENUE	119,481	-3.4	123,405	3.3	-2.1	108,726	107,191	-1.4
Social security contributions	108,358	-4.4	111,778	3.2	-1.1	97,161	95,924	-1.3
Current transfers	8,357	12.3	8,154	-2.4	-11.8	8,370	8,050	-3.8
Other revenue	2,765	-6.7	3,473	25.6	-3.3	3,195	3,217	0.7
2 EXPENDITURE	116,601	1.9	118,826	1.9	3.1	98,006	101,271	3.3
Wages and salaries	2,483	1.2	2,378	-4.2	-1.8	2,100	2,064	-1.7
Goods and services	2,032	1.9	1,719	-15.4	-4.0	1,413	1,345	-4.8
Current transfers	111,557	1.9	114,279	2.4	3.4	94,287	97,659	3.6
Contributory pensions	95,320	2.1	99,090	4.0	5.0	81,044	85,005	4.9
Sickness	7,373	-9.5	7,009	-4.9	-9.6	5,272	4,853	-7.9
Other	8,864	11.0	8,181	-7.7	-4.6	7,971	7,801	-2.1
Other expenditure	529	-6.1	450	-15.0	-16.4	206	204	-1.0
3 BALANCE (3 = 1 – 2)	2,880	—	4,579	—	—	10,720	5,920	—

SOURCES: Ministerio de Hacienda, Ministerio de Trabajo e Inmigración and Banco de España.

also of the developments in the prices of imported goods, which displayed more moderate growth.

In 2011 Q4, the declining trend in the main consumer price indicators seen in previous months intensified. The annual rate of CPI inflation was 2.4% in December, down 0.7 pp from September (see Chart 21). In the same period, the CPI excluding unprocessed food and energy slowed by 0.2 pp to 1.5%. The lower growth rate of these indicators reflects the petering out of both the base effect of the increase in excise duties on tobacco in December 2010 and the comparison effects of energy prices. The rate of increase of non-energy industrial goods prices fell somewhat despite the higher prices of domestically produced and imported non-energy industrial goods against a backdrop of a depreciation of the euro. The rate of change of services prices increased by 0.1 pp after slowing for nine months. The energy component decelerated substantially, its growth rate fell back by 5.6 pp to 10.3%. The growth rate of unprocessed food prices also fell in Q4.

In the final months of 2011, the moderation of inflation [as measured by the harmonised index of consumer prices (HICP)] was sharper in Spain than in the euro area and, consequently the differential, which was zero in September, fell in Q4. Thus, inflation in Spain in December was 0.3 pp lower than in the euro area (see Chart 22). The differential in terms of the CPI excluding unprocessed food and energy was also negative (-0.6 pp). By component, the differential was only positive in the case of energy goods, which was due partly to higher increases in gas and electricity prices, as well as to higher rises in vehicle fuel prices in Spain. The other components posted a negative differential in December which ranged from 0.3 pp in services and 0.7 pp in non-energy industrial goods and processed food. In comparison with the end of the previous quarter, the largest change in the differential was in processed food since the prices of these goods posted lower increases in Spain than in the euro area, after the effect of the one-off rise associated with the increase in tobacco prices in December 2010 in Spain disappeared in December 2011.

The regional governments managed in 2010 (the latest figures available) 37% of total general government expenditure and are responsible for 55% of general government employees[1] and for almost 94% of public spending on health and education. Also, the new ordinary-regime regional government financing system significantly increased in 2010 the percentages assigned to regional governments of personal income tax (from 33% to 50%), of VAT (from 35% to 50%) and of excise duties on manufactured products (from 40% to 58%).

This relevance of regional governments in terms of responsibility for public revenue and expenditure underlines the importance of their contribution to budgetary stability. In this context, Spain's latest Stability Programme established guidelines for reducing the regional governments' deficit, in terms of National Accounts (NA), from -3.5% of GDP in 2010 to -3.3% and -1.3% of GDP in 2011 and 2012, respectively.[2] The government announced, however, on 30 December 2011 that the regional governments would miss the target set for 2011 by around 1.2 pp. The latest available data on regional government budget outturn for 2011 Q3, indicate that the source of this deviation has centred principally on weak revenue which fell by 3% to Q3, compared with a budget projection of a slight increase for 2011 as a whole. Developments in spending to Q3 have been in line with those included in the budget for the year as a whole.[3]

In the final months of 2011, the regional governments submitted their draft budgets for 2012, according to a set timetable. The main headings of these draft budgets are in the accompanying table.[4] According to these aggregate figures, these budgets indicate that there will be a deficit of -1.2% of GDP in 2012. By heading, note that the figures in the above-mentioned table refer to the estimated initial budgets and the settlement for 2011 is not available. As significant deviations arise in 2011 from the estimated initial budgets, the informativeness of the rate of change in the estimated initial budgets shown in the table will be invalidated. Furthermore, given the delay in the approval of the State budget for 2012, the estimate of revenue in the regional governments' budgets is more uncertain than in previous years. With these caveats, noteworthy in the aggregate information are the budgeted increases in direct and, especially, indirect taxes, although they do not offset the falls in revenue envisaged in charges and current transfers and in capital. As for expenditure, a fall of 2.1% in initially budgeted expenditure is projected which would be centred on the "capital" item (-14.5%). In particular, the level of investment is estimated to stand at end-2012 at practically half of the amount budgeted in 2008. The interest burden is the only item which is expected to increase, in this case by 35%, which is similar to that of previous years and is due to the rise in debt issued.

1 According to the latest statistical bulletin of general government personnel.

2 The deficit target was -1.3% of GDP in 2011, stripping out the effect of regional government payment deferrals to the central government as a result of the final settlement of revenue for 2009. It should be noted that in 2010 and 2011 there were notable differences between the estimated budget balance and the NA balance for the regional governments. In fact, under the financing system of regional governments, the latter receive annually the funds from the taxes transferred to them based on forecasts of tax receipts included in the State Budget. Subsequently, with a two-year lag, this revenue is settled definitively on the basis of final receipts. As a result of high revenue forecasts made in 2008 and 2009, in 2010 and 2011 the definitive revenue settlement is expected to mean that the regional governments should return the surplus funds received to the State. The State, however, has allowed the regional governments to delay these refunds until 2012 (and by up to 60 months), consequently, the regional governments' payments to the State are not reflected in their budgets for 2010 and 2011 and, consequently, nor are they reflected in their budget deficits for those years. The NA criterion, however, includes these payments in the years when they should be made, namely in 2010 and 2011; therefore, the above-mentioned deficits, net of those payments, would amount to -2.4 % of GDP in 2010 and to -1.3 % of GDP in 2011, ratios which are readily comparable with the budgeted figures of the regional governments, since they are also net of those payments.

3 It is important to point out that the regional governments' budget outturn figures published quarterly by the Ministry of Economy are not directly comparable with the regional governments' initial budgets. The Ministry makes certain adjustments for standardisation purposes based on information sources which are not public. In this respect, in Q1 the Ministry is also expected to publish the regional governments' initial budgets in homogeneous terms, which will differ, therefore, for certain items from the aggregate figures presented in the accompanying table.

4 Castilla-La Mancha and Castilla y León have extended their budgets to the next year; consequently, these regional governments were included as an average of the other regional governments.

€m and %

	2008	2009	2010	2011	2012 (a)	Rates of change			
						2009/2008	2010/2009	2011/2010	2012/2011
1 REVENUE	168,225	164,814	150,158	152,191	151,416	-2.0	-8.9	1.4	-0.5
Current revenue	159,416	155,318	141,858	142,557	142,889	-2.6	-8.7	0.5	0.2
Direct taxes	32,202	38,247	29,955	40,176	41,120	18.8	-21.7	34.1	2.4
Indirect taxes	56,114	44,725	36,114	50,570	55,953	-20.3	-19.3	40.0	10.6
Charges, prices and other revenue	4,546	4,753	4,882	4,978	4,473	4.5	2.7	2.0	-10.1
Current transfers	65,997	67,001	70,356	46,056	40,281	1.5	5.0	-34.5	-12.5
Interest and dividends	557	592	551	777	1,062	6.4	-6.9	41.0	36.7
Capital	8,808	9,495	8,300	9,634	8,527	7.8	-12.6	16.1	-11.5
Disposal of investments	630	633	518	2,197	1,591	0.4	-18.1	—	-27.6
Capital transfers	8,178	8,863	7,782	7,437	6,935	8.4	-12.2	-4.4	-6.7
2 EXPENDITURE	168,544	175,029	174,608	168,011	164,554	3.8	-0.2	-3.8	-2.1
Current expenditure	136,373	143,187	144,923	144,320	144,310	5.0	1.2	-0.4	0.0
Wages and salaires	52,328	55,335	56,507	53,721	53,581	5.7	2.1	-4.9	-0.3
Goods and services	28,033	28,924	29,467	28,470	28,344	3.2	1.9	-3.4	-0.4
Interest payments	2,489	2,741	3,714	4,942	6,669	10.1	35.5	33.1	34.9
Current transfers	53,347	55,978	54,998	57,071	55,345	4.9	-1.8	3.8	-3.0
Contingency fund	175	209	237	117	371	19.2	13.6	-50.8	—
Capital	32,171	31,842	29,685	23,691	20,245	-1.0	-6.8	-20.2	-14.5
Investment	16,381	15,975	13,276	9,899	8,381	-2.5	-16.9	-25.4	-15.3
Capital transfers	15,790	15,867	16,409	13,792	11,863	0.5	3.4	-15.9	-14.0
3 BALANCE (1-2)	-319	-10,215	-24,450	-15,820	-13,138	—	—	—	—
% of GDP	0.0	-1.0	-2.3	-1.5	-1.2	—	—	—	—
MEMORANDUM ITEMS (% of GDP):									
NA BALANCE (b)	-1.6	-2.0	-3.1	-3.3	-1.3	—	—	—	—
NA BALANCE with deferrals (% of GDP) (c)	-1.6	-2.0	-2.4	-1.3	-1.3	—	—	—	—

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

a All regional governments. The budget headings for Castilla-La Mancha and Castilla y León are taken as an average of those of the other regional governments.
b The NA balance includes deferrals among regional governments' payments, although they are not reflected in the budgets.
c The budget stability target included in the latest Updated Stability Programme is shown for 2012.

The producer price index moderated in Q4, posting a year-on-year rate of change of 6.3% in November, down 0.8 pp from September. This is essentially attributable to the lower rise in the prices of energy and intermediate products. The prices of consumer industrial goods and capital goods held at similar year-on-year rates of change to those of the previous quarter. For their part, the import and export price indices for industrial products moderated, to reach year-on-year rates of 8.8% and 4.4%, respectively, in November. In both cases the prices of energy products also displayed very high rates of change.

4.4 The State budget

At the meeting of the Council of Ministers of 30 December it was announced that the deficit of the general government sector as a whole, in National Accounts terms, was estimated to stand in 2011 at approximately 8% of GDP, which is a significant deviation from the official target of 6% of GDP. On information provided by the Government, all the constituent agents of general government appear to have experienced significant deviations,

STATE BUDGET OUTTURN

TABLE 6

€m and %

	Outturn 2010	Percentage change 2010/2009	Initial budget 2011	Percentage change 2011/2010	Outturn Jan-Sept. Percentage change 2010/2009	2010 Jan-Nov	2011 Jan-Nov	Percentage change
	1	2	3	4 = 3/1	5	6	7	8 = 7/6
1 REVENUE	127,337	24.8	106,020	-16.7	-20.1	119,210	97,314	-18.4
Direct taxes	59,262	9.5	55,239	-6.8	-14.6	57,057	49,592	-13.1
Personal income tax	39,326	29.2	35,494	-9.7	-15.6	37,055	32,055	-13.5
Corporate income tax	16,198	-19.8	16,008	-1.2	-12.3	16,489	14,611	-11.4
Other (a)	3,738	7.5	3,737	-0.0	-13.1	3,512	2,926	-16.7
Indirect taxes	51,825	80.8	36,142	-30.3	-32.0	49,735	34,815	-30.0
VAT	38,486	143.8	24,968	-35.1	-33.4	37,445	26,190	-30.1
Excise duties	10,338	1.9	8,179	-20.9	-36.1	9,515	5,884	-38.2
Other (b)	3,001	9.5	2,995	-0.2	0.8	2,775	2,740	-1.2
Other net revenue	16,251	-15.7	14,639	-9.9	4.2	12,419	12,908	3.9
2 EXPENDITURE	179,572	-5.1	150,056	-16.4	-19.5	162,257	135,863	-16.3
Wages and salaries	26,975	1.5	26,982	0.0	0.9	23,181	23,767	2.5
Goods and services	4,632	-4.7	3,384	-26.9	-10.1	3,542	3,308	-6.6
Interest payments	19,638	11.3	27,421	39.6	5.7	19,516	21,955	12.5
Current transfers	104,656	-6.9	74,598	-28.7	-27.9	95,404	72,905	-23.6
Investment	8,782	-16.1	5,793	-34.0	-26.9	7,352	5,472	-25.6
Capital transfers	14,890	-14.2	9,208	-38.2	-35.5	13,263	8,455	-36.2
3 CASH-BASIS BALANCE (3 = 1 – 2)	-52,235	—	-44,036	—	—	-43,047	-38,549	—
MEMORANDUM ITEM: TOTAL TAXES (State plus share of regional and local governments)								
TOTAL	**135,862**	**16.3**	**141,538**	**4.2**	**2.3**	**127,752**	**130,832**	**2.4**
Personal income tax	66,977	4.9	71,761	7.1	4.1	62,610	65,226	4.2
VAT	49,079	46.2	48,952	-0.3	1.9	46,947	48,126	2.5
Excise duties	19,806	2.4	20,825	5.1	-3.0	18,195	17,480	-3.9

SOURCE: Ministerio de Economía y Hacienda.

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

in particular regional and local governments which were responsible for two thirds of the total deviation. Full information about end-2011 will be available in March. This section reviews the latest statistical information published on the State budget.

The latest available data for the general government sector as a whole, in National Accounts terms, were published on 30 December and refer to 2011 Q3. According to this information source, the general government sector is estimated to have posted a deficit in the period January-September 2011 of 7.1% of GDP, 0.8 pp down on the deficit of 7.9% of GDP recorded in the same period of 2010 (see Table 4). Noteworthy by component were weak government receipts which fell by 0.8% between January and September, in contrast to the projection included in the latest Stability Programme of an increase in 2011 as a whole of more than 5%. For their part, total uses of general government decreased by 2% in the first three quarters of the year, more in line with the 2.5% reduction included in the Stability Programme.

By subsector, information is available to November on the budget outturn of the Social Security system (see Table 5). According to this information, worth noting is the weak

BALANCE OF PAYMENTS: MAIN COMPONENTS (a) — **TABLE 7**

€m

		January-October 2010	January-October 2011	Rate of change 2011/2010 (b)
CREDITS	Current account	278,444	314,498	12.9
	Goods	155,988	184,595	18.3
	Services	79,481	85,882	8.1
	Tourism	35,037	38,264	9.2
	Other services	44,444	47,619	7.1
	Income	30,974	29,142	-5.9
	Current transfers	12,000	14,878	24.0
	Capital account	6,455	5,445	-15.6
	Current + capital accounts	284,899	319,943	12.3
DEBITS	Current account	319,888	346,581	8.3
	Goods	195,188	218,637	12.0
	Services	54,247	54,620	0.7
	Tourism	10,596	10,344	-2.4
	Other services	43,651	44,276	1.4
	Income	49,511	52,868	6.8
	Current transfers	20,941	20,455	-2.3
	Capital account	1,356	1,164	-14.1
	Current + capital accounts	321,243	347,745	8.2
BALANCES	Current account	-41,444	-32,083	9,361
	Goods	-39,200	-34,043	5,157
	Services	25,234	31,262	6,028
	Tourism	24,441	27,920	3,479
	Other services	794	3,342	2,549
	Income	-18,537	-23,726	-5,188
	Current transfers	-8,941	-5,577	3,364
	Capital account	5,100	4,281	-818
	Current + capital accounts	-36,344	-27,802	8,542

SOURCE: Banco de España.

a Provisional data.
b Absolute changes for balances.

revenue from social security contributions which are likely to have contracted by slightly more than 1% in 2011 due to the negative trend in social security registrations. As for expenditure, contributory pensions seemingly grew by approximately 5%, although pensions (except for the minimum ones) had been frozen in 2011, reflecting a modest rise in the number of pensions paid and a slight increase in the average pension received, while spending on unemployment and other welfare benefits (mainly sickness benefits) is likely to have fallen substantially. Weak revenue, given the relatively persistent spending on benefits is estimated to have generated, according to the Government's estimate at end-2011, a deficit of the social security funds, as a whole, amounting to €0.7 billion, which would mean a negative deviation from the subsector's target, in National Accounts terms, of 0.5 pp of GDP.

For its part, the State recorded a deficit of €52.4 billion to November 2011, in National Accounts terms, which represented 4.8% of GDP (5.2% in the same period of 2010) compared with the target of 2.3% of GDP for the whole year. However, in December the State will record revenue from settlements under the regional government financing system, which on official figures is estimated to exceed 2 pp of GDP. In cash basis terms, the State posted a deficit between January and November 2011 of €38.5 billion (see Table 6) compared with the deficit budgeted for the whole of 2011 of €44 billion.

Information is also available to November 2011 on revenue from taxes shared by the State and regional and local governments, in budgetary accounting terms, which is likely to confirm the weak tax revenue for 2011 overall. In the area of indirect taxes, the growth rate of receipts from excise duties is estimated to be well below budget targets (-3.9% in the period January-November, compared with 5.1% budgeted for 2011), while VAT receipts are expected to be higher than projected (2.5% to November). Personal income tax receipts grew by 4.2% to November, compared with a growth rate of 7.2% projected for the year as a whole. Finally, corporate income tax receipts (State) fell in the period January–November by 11.4%, which was below the projected increase of 1.2% included in the budget. This was despite a slight rise in corporate income tax receipts in Q4 as a result of the changes in the timing of partial payments included in Royal Decree-Law 9/2011 of 19 August 2011.

4.5 Balance of payments

During the first ten months of 2011 there was an overall deficit on current and capital accounts of €27.8 billion, 24% down on the same period of 2010 (see Table 7). This decline is explained by the narrowing of the current account deficit which offset the contraction in the current account surplus. In turn, the fall in the current account deficit reflected the widening of the surplus on services and the reduction of the trade and current transfers deficits, which offset the increase in the income deficit.

In the first ten months of 2011, the trade deficit decreased by 13% to €34 billion, owing to the notable correction of the non-energy balance which amply offset the increase in the energy bill. The services surplus increased by 24% to €31 billion, thanks to the improvement in the tourism and other services balances. The current transfers deficit fell by 38% to €5.6 billion, while the income deficit widened by 28% to €24 billion. Finally, the capital account surplus decreased by 16% to €4.3 billion.

5.1 Highlights

Spain was again among the countries most strongly affected by the financial strains in the euro area associated with the sovereign debt crisis. This was reflected in high volatility of government debt yields, which in 10-year bonds reached nearly 7% at the peak of the tension in the second half of November. However, in 2011 Q4 the Treasury raised substantial funds in its auctions, which continued to meet with high demand (see Box 5). The turmoil also affected the credit risk premia on fixed-income securities issued by financial corporations, which rose during the fourth quarter of the year, while those on securities issued by non-financial corporations fell slightly. In the stock markets, the IBEX 35 exhibited considerable variability, and at end-2011 stood very near its end-September level, compared with gains of 6.3% and 11.2% by the EURO STOXX 50 and S&P 500, respectively. Thus the loss for the year amounted to 13.1% for the Spanish index and 17.1% for the European one, while the US indicator ended the year around its end-2010 level (see Chart 23).

2012 has so far seen high price volatility on the financial markets, a phenomenon accompanied by the downgrading by two notches of the rating assigned to the Kingdom of Spain by one of the main credit rating agencies, within the framework of a general upward reassessment of sovereign risk in the euro area. At the date this report went to press, the IBEX 35 had lost 0.4% since the beginning of the year (the S&P 500 and EURO STOXX 50 showed slight gains), while the yields on Spanish 10-year government debt and its spread over German debt of the same term stood at levels near to those at the end of last year. Meanwhile, the credit risk premia on private-sector securities decreased moderately.

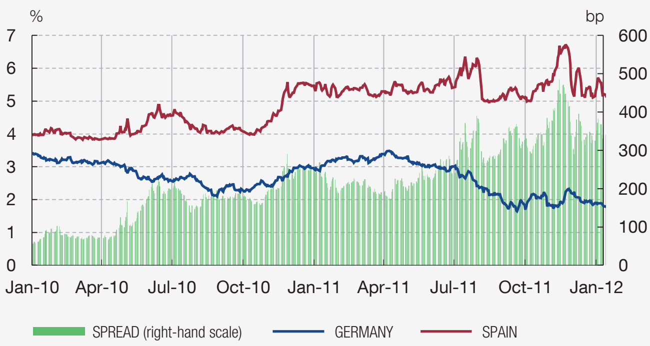
Against this background, credit institutions again encountered significant difficulties in raising funds on the fixed-income and interbank markets. On the fixed-income markets, however, net issuance was positive in October and November (latest available information), although it should be taken into account that relatively little debt matured in this period. On the interbank market, the net debtor position of banks vis-à-vis the rest of the world decreased in the same period as a result of the fall-off in funds raised in secured interbank transactions (for the first time since mid-2010) and, to a greater extent, in other funding. The considerable tensions persisting in this market have been reflected in a further widening of the spread between 1-year EURIBOR and EUREPO (cost of secured transactions) of the same term, which reached 174 bp at year-end. Thus the former scarcely fell (down by 14 bp in Q4 to 1.95%), despite the 50 bp drop in official interest rates in these months, while the EUREPO dropped more sharply (by 35 bp). Faced with this situation, banks turned to the Eurosystem to cover a significant part of their liquidity needs.

In the real estate market, unsubsidised housing prices continued to fall in the closing months of 2011, according to the latest data published by the Ministry of Infrastructure and Transport. Thus the year-on-year rate of decline stood at 6.8% in December, compared with a decrease of 5.6% at the end of the third quarter (see Chart 23). In quarter-on-quarter terms, the fall was 1.6%, somewhat more than that of September (1.3%). Hence the market value of this asset showed a cumulative fall of 19% from the beginning of 2008 to the end of last year (25% in real terms).

The interest rates on credit extended to households and firms showed scantly significant changes between September and November (latest available data). The moderate decline

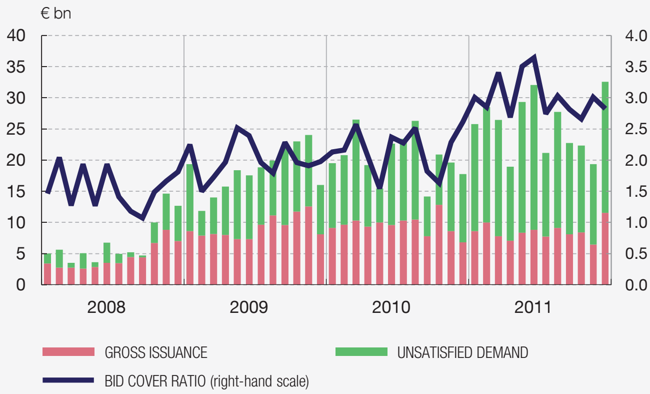
The closing months of 2011 were characterised by notable price volatility in the secondary government debt markets of Spain and other euro area countries. Thus, although Spanish 10-year government bond yields ended the year around their levels at the beginning of the fourth quarter (slightly above 5%, as shown by panel 1 of the accompanying chart), in the second half of November they reached nearly 7%, a level not seen since 1997. The yield spread over Germany, given the relative stability of German debt yields, moved above 450 basis points, amply exceeding the highs recorded last summer. This behaviour resulted from changes in agents'

1 10-YEAR GOVERNMENT BOND YIELDS AND SPREAD OVER GERMANY

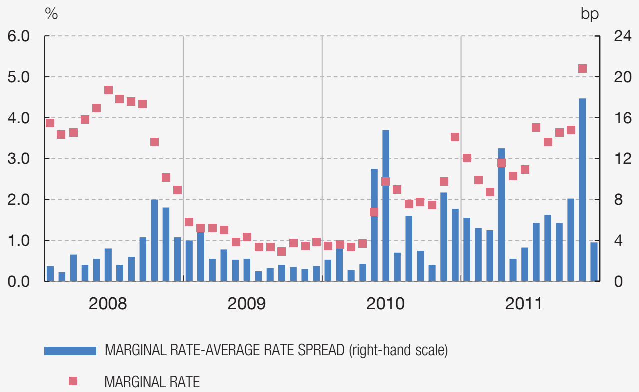


2 10-YEAR GOVERNMENT BONDS. BID-ASK SPREAD (a)

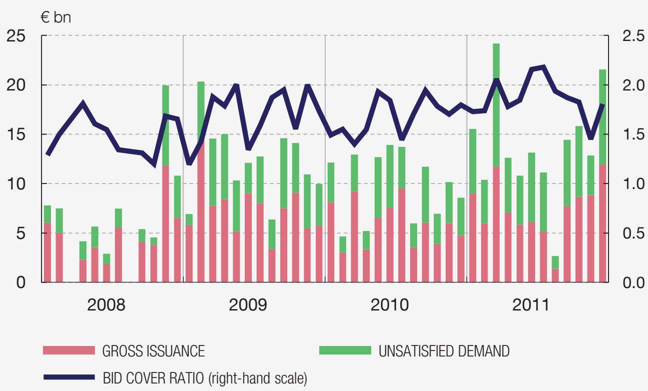
3 TREASURY BILL ISSUANCE



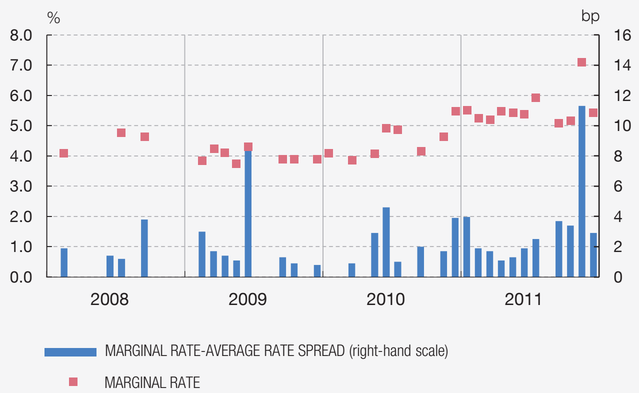
4 12-MONTH TREASURY BILL ISSUANCE



5 GOVERNMENT BOND ISSUANCE



6 10-YEAR GOVERNMENT BOND ISSUANCE



SOURCES: Bloomberg, Reuters and Banco de España.

a 5-day moving average.

perception of the challenges facing the euro area economies and of the scope and effectiveness of the measures adopted or being implemented.

Against this background, the main credit rating agencies downgraded the rating of Spanish government securities between one and two notches in October last year, based on a worsening of the medium-term growth outlook, on the risks associated with fiscal consolidation and on the intensification of the euro area crisis. Subsequently, in the framework of a general review of euro area sovereign risk, two of these agencies announced a new period of downward revision which, in one of the cases, resulted in Spanish sovereign debt being downgraded by another two notches on 13 January 2012.

The financial tensions also adversely impacted secondary market liquidity, although the behaviour of instruments was uneven. Thus the average monthly volumes traded in outright bond transactions decreased by 14% in October-November (latest available figures) with respect to the previous quarter, while they rose by 5% in Treasury bills. Nevertheless, in both cases the figures recorded were notably higher than in the closing months of 2010 (up 25% and 54%, respectively). Simultaneously, panel 2 of the accompanying chart shows that in the 10-year bond segment the bid-ask spread[1] (a more direct indicator of lack of liquidity) increased notably, returning to levels close to those in past bouts of high tension, as in May and December 2010.

Despite these tensions, the Spanish government managed to issue a total gross volume of €56 billion in those three months (40% more than in the previous quarter and 23% more than in the same period of 2010), and the €16 billion of net funds raised enabled it to meet satisfactorily the financing needs for the year as a whole. Thus total net issuance (of bills and bonds) in 2011 was €48.6 billion, slightly more than the target of €47.2 billion set at the beginning of the year.

A look at the instruments shows that net issuance in Q4 continued to focus on bonds, since less than €1 billion of bills were issued in net terms. Hence, despite the higher interest rates demanded for those maturities, the Treasury continued financing itself at relatively long terms (the average life of the debt at the end of the quarter was 6.4 years, compared with 6.5 year in September 2011). This strategy helped to reduce refinancing risk by limiting repayments in the upcoming quarters.

This was made possible because investor demand for funds continued to be significant. However, this demand decreased somewhat in the November auctions, coinciding with the moments of greatest secondary market tension. This is seen most clearly in panels 3 to 6 of the accompanying chart. In that month, the bid-cover ratio (volume of bids received in the auction divided by the volume of bids accepted) remained high in Treasury bill placements, but only at the expense of a reduction in the amounts allotted and a significant rise in the yields offered. Also, the spread between the marginal interest rate and the average of the bids accepted (which is also usually an indicator of the issuer's difficulty in placing the desired volumes on the market) widened to 18 basis points, the largest seen in the last four years. In the bond auctions conducted during that month, demand also fell appreciably, so the bid-cover ratio fell and the marginal rates and their spread over the average rate at issue rose. This situation reversed, however, in the last month of the year, in which (probably attracted by the high yields and by credit institutions' readier access to the Eurosystem derived from the latest unconventional measures approved by the ECB) bids increased notably and the Spanish Treasury was able to trim its financing costs moderately, while at the same time making the largest monthly gross issue of the year (€23 billion). Thus the marginal interest rate on 12-month Treasury bills fell to 4.05%, against 5.20% in November, with even more significant falls on 3- and 6-month bills. Meanwhile, the marginal rate of 5.4% in the 10-year bond auction was also notably lower than in November (7.09%).

Judging from the results of the first government debt auctions in 2012 (bonds on 12 January and bills on 17 January), this situation seems to have continued in the beginning of the current year. In those auctions, the Spanish government placed nearly €15 billion (above the envisaged maximum), with a strong demand and marginal yields around 1.5-2 percentage points lower than in the previous auction.

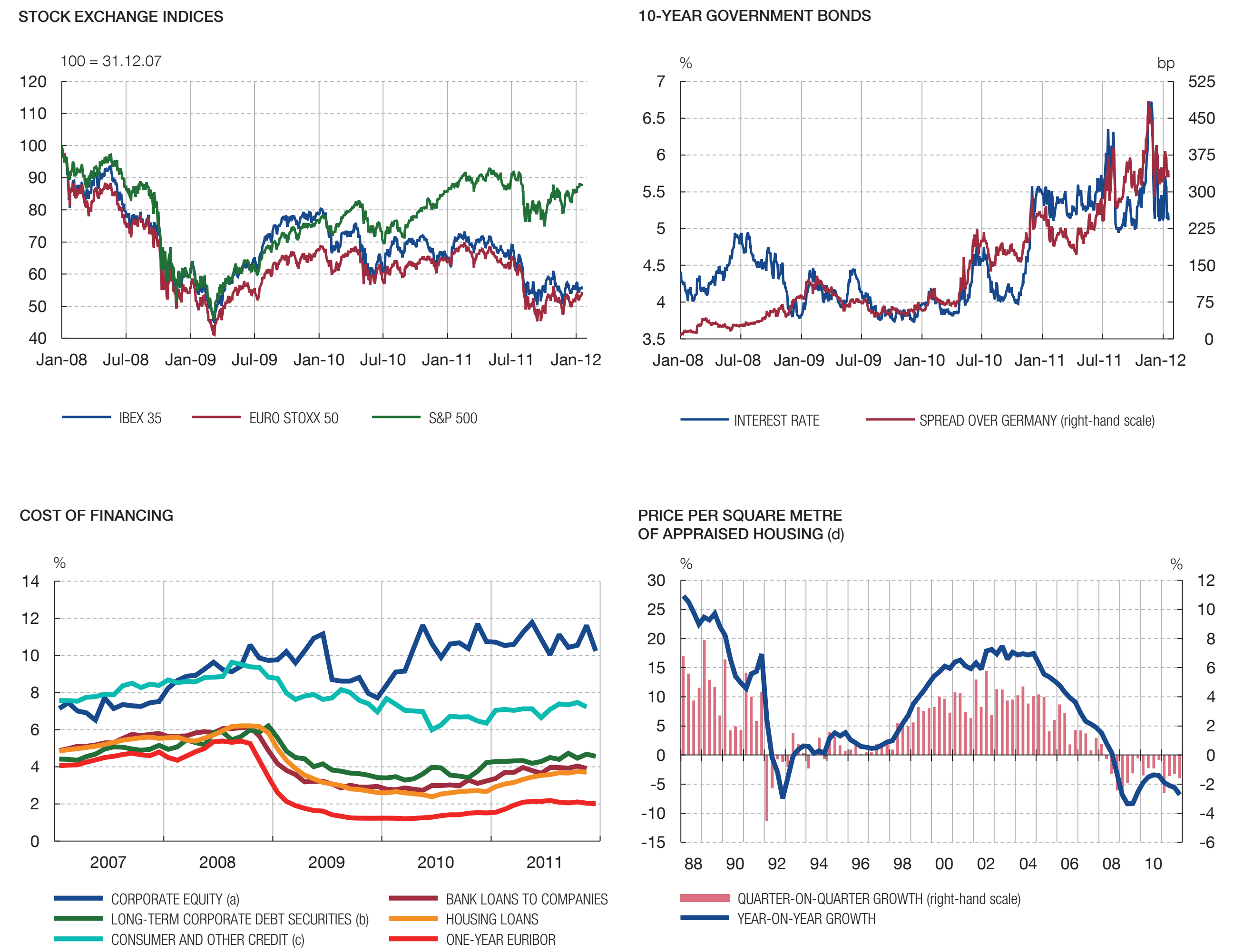
The estimated average issuance cost for the State in 2011 Q4[2] was 5.2% (against 5% in the preceding quarter and 3.8% in 2010), the highest since 2001. Having said that, the relatively long average life of the securities issued means that only a small part of this higher cost passes through to the total financing cost of the State. The future behaviour of the State's total financing cost will depend largely on euro area sovereign debt market tensions.

1 Difference between the ask price and bid price at which market-makers trade. The more liquid a market, the smaller this spread.

2 Calculated as the average cost resulting from each of the auctions of the various instruments, weighted by the outstanding balance at each maturity.

FINANCING CONDITIONS AND ASSET PRICES

CHART 23



SOURCES: Blommberg, Reuters, Datastrem, MSCI Blue Book, Ministerio de Vivienda 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.

in the interbank interest rates used as a benchmark in these transactions, which incorporated only partially the monetary policy easing in this period, was accompanied in most segments by a slight rise in the spreads applied to those benchmark rates by credit institutions. There was an increase in the cost of fixed-income security issuance by firms to end-2011 and a decrease in the cost of equity issuance.

The latest available data on financing to households and firms, relating to November, show rates of decline somewhat larger than those at the end of Q3. In the case of households, the contraction of credit stood, in year-on-year terms, at 2.1%, against 1.5% in September, as a result of the larger fall-offs in both house purchase loans and in consumer credit and other lending. Similarly, the year-on-year fall in corporate debt amounted to 2.1%, compared with 2% in September. By instrument, the fall in bank loans was 4.5%, whereas the growth rate of fixed-income securities slowed to 6%. The most recent information on loan purpose, relating to 2011 Q3, reflects contractions in the outstanding balance of bank loans in all economic sectors, sharper than those in June.

The behaviour of firms' and households' debt, in conjunction with that of their income and average financing costs, allowed their debt and debt burden ratios to fall further in 2011 Q3. In the case of households, net wealth continued to decline as a result of decreases in the value of both the real estate and the financial components. The prolongation of the patterns seen in debt and the behaviour of real asset prices suggest that the aforementioned trends will continue in the closing months of the year. In the case of firms, for the sample of corporations reporting to the CBQ, among which the biggest have a notable weight, there was a fall in activity and in corporate profits in the first three quarters of 2011 with respect to the same months of the previous year. This gave rise to a decrease in the return on equity. In addition, the debt to assets ratio and the debt to income ratios of these firms scarcely changed, while the associated debt burden edged up slightly. The overall outcome of these developments was that the indicators of financial pressure on investment and employment increased, interrupting the downward path followed until then.

Therefore, although the process of deleverage of households and firms proceeded in 2011 Q2, both sectors continued to be subject to considerable financial pressure, as reflected by the level of their doubtful assets ratios. Thus, the volume of loans classified as doubtful continued to rise in October, and this, along with the decrease in the overall debt granted to other resident sectors (in which firms and households are included), resulted in a rise of 0.26 pp in the doubtful assets ratio for this aggregate, pushing it up to 7.4%.

Although continuing to decelerate, general government debt grew at a brisk pace (12.6% year-on-year in November, 2.3 pp less than in September). By instrument, the rate of expansion decreased across the board, albeit particularly sharply in short-term securities, which slowed by 2.9 pp to 3.6%. The quarter-on-quarter stagnation of the general government liabilities and of GDP between June and September meant that in 2011 Q3 the sector's debt ratio failed to increase for the first time since the beginning of 2008, although the rise in the average cost of funds contributed to the further growth of the associated financial burden.

Further, according to the most recent financial accounts information, in 2011 Q3 the nation's net borrowing continued on its downward path to stand at 3.5% of GDP in 12-month cumulated terms, down 0.1 pp from June (see Table 8). This behaviour was the result of a decrease in the debtor position of general government (to 8.8% of GDP, down 0.4 pp from mid-year), an increase in household net lending, a fall in corporate net lending and scant changes in the credit balance of financial institutions. The breakdown by instrument shows that between June and September the bulk of foreign capital inflows were channelled through reductions in the interbank position of the Banco de España and, to a lesser degree, in secured transactions settled in central counterparty clearing houses.

To summarise, in 2011 Q4 financial developments in Spain were again marked by the intensification of financial tensions. This affected above all the cost of debt of the various resident sectors, since the potential impact on flows was cushioned by the access to Eurosystem funding, which has recently been made easier by the introduction of 3-year liquidity tenders.

5.2 Households

The cost of bank financing to households showed scantly significant changes between September and November. Thus the interest rate on house purchase loans increased by 5 bp, while that on consumer credit and other lending, which is more variable, decreased by 12 bp. These changes resulted from movements in the same direction in the spreads applied by credit institutions to interbank benchmark rates and from a slight decline in the latter.

NET FINANCIAL TRANSACTIONS
Four-quarter data

TABLE 8

% of GDP

	2006	2007	2008	2009	2010		2011		
					Q3	Q4	Q1	Q2	Q3
National economy	-8.4	-9.6	-9.2	-4.7	-4.4	-4.0	-4.1	-3.6	-3.5
Non-financial corporations and households and NPISHs	-11.5	-13.4	-6.5	5.1	4.6	4.4	4.3	4.8	4.6
Non-financial corporations	-9.8	-11.5	-6.7	-0.8	1.2	1.3	1.0	1.6	1.1
Households and NPISHs	-1.7	-1.9	0.2	5.9	3.4	3.1	3.3	3.2	3.5
Financial institutions	0.7	1.9	1.8	1.3	1.0	1.0	0.9	0.8	0.7
General government	2.4	1.9	-4.5	-11.2	-10.0	-9.3	-9.3	-9.3	-8.8
MEMORANDUM ITEM:									
Financing gap of non-financial corporations (a)	-17.4	-15.5	-11.9	-8.3	-0.4	-1.1	-1.5	-0.8	0.2

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.

Household debt decreased in November, in year-on-year terms, by 2.1%, 0.6 pp more than at the end of Q3, as a result of the larger falls in house purchase loans (down 1.2%, compared with 0.8% two months earlier) and in consumer credit and other lending (down 5%, 1 pp more than in September). In annualised quarter-on-quarter terms, the debt growth rates of the sector were also negative and, in absolute terms, were somewhat higher than in September and very similar to the year-on-year rates.

The contraction of household liabilities, along with a slight increase in income, resulted in a decrease of 2 pp in the ratio of debt to gross disposable income (GDI) between June and September, thereby extending the pattern of gradual deleveraging (see Chart 24). The debt burden contracted slightly relative to GDI due to a decrease in debt principal repayments, while the gross saving rate and the saving after debt service held on their downward path since the beginning of 2010. This was again compatible with an increase in net lending, since investment in housing continued to fall. Household net wealth also fell again in these months as a result of a decline in both the real estate and the financial components.

According to the Financial Accounts, for which information is available up to Q3, household investment in financial assets decreased further to 1.1% of GDP in 12-month cumulated terms (see Table 9). In fact, between June and September there was disinvestment in financial assets, the largest falls being in cash holdings (4.1% of GDP), sight deposits (3.6% of GDP) and long-term debt securities (1.1% of GDP). By contrast, investment in shares and other equity recovered and became positive after five consecutive quarters of disinvestment.

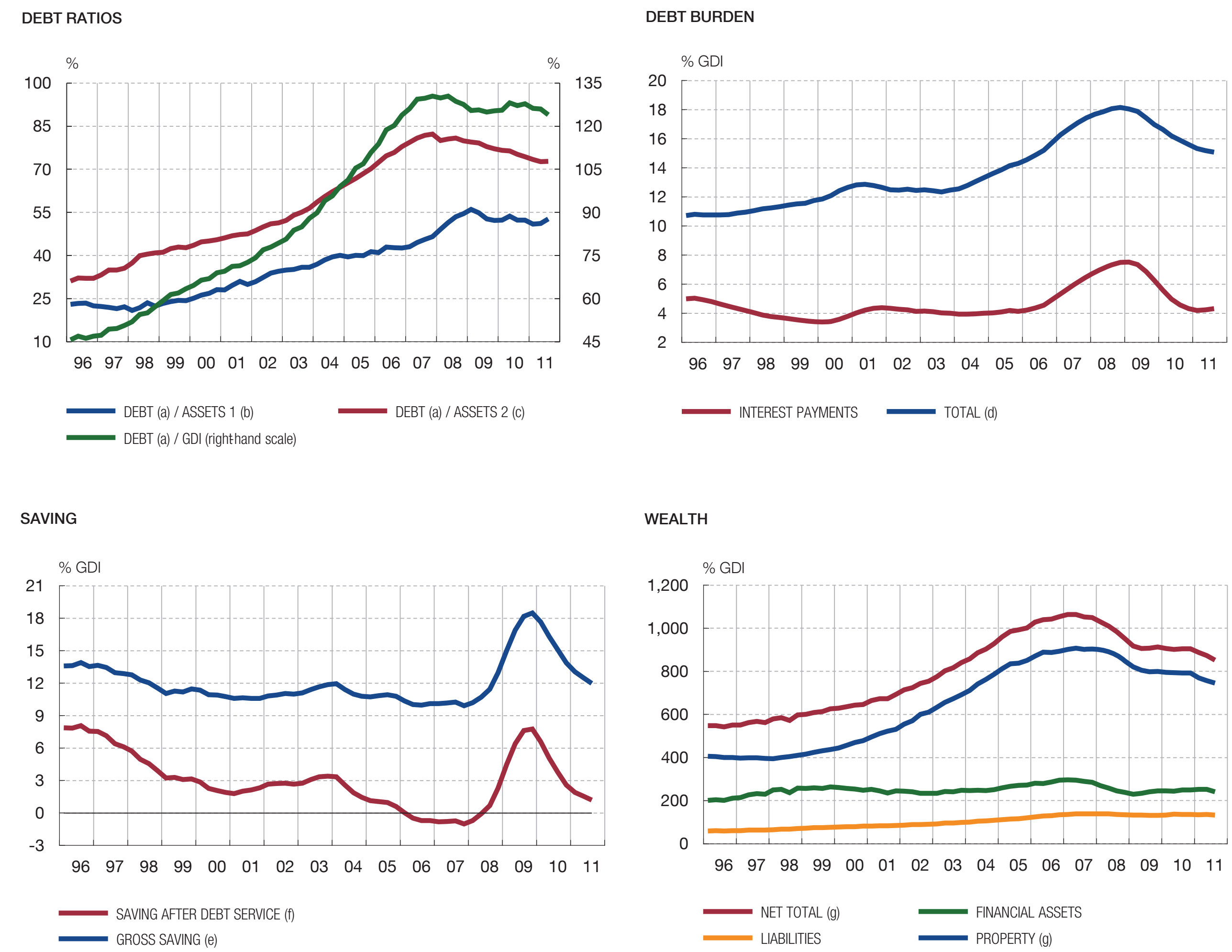
Finally, the sector's doubtful assets ratio rose further between June and September to stand around 2.7% for house purchase loans and at 7% for consumer credit and other lending, 0.17 pp and 0.41 pp, respectively, above the values in Q2.

5.3 Non-financial corporations

Between September and November interest rates on loans to firms behaved differently depending on the amount of the transaction. Thus there was an increase of 10 bp in the cost of loans up to €1 million and a decrease of 13 bp for loans exceeding this amount. These developments resulted from changes in the same direction in the spreads applied

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 Gross saving less estimated debt repayments.
g Calculated on the basis of the estimated changes in the stock of housing, in the average area per house and in the price per square metre.

by credit institutions to interbank benchmark rates and from a slight decline in the latter. As regards the cost of other sources of corporate finance, that of short-term debt security issuance increased by 67 bp between September and November, and that of long-term maturities rose by 9 bp between September and December. By contrast, the cost of equity decreased by 33 bp in the quarter as a whole, but showed notable volatility, in keeping with the volatility of share prices in these months.

According to the latest survey on SMEs' access to finance conducted by the ECB, Spanish SMEs reported a fresh decline in the availability of credit between April and September 2011, although at a somewhat slower rate than in the previous half, and expected this situation to continue between October 2011 and March 2012. Despite this, the proportion of Spanish SMEs whose loan applications were denied fell to 11%, compared with 16% in the previous half (and well below the 25% denial rate in 2009 H2). Also, the proportion of SMEs that declined a loan granted to them because they considered the associated cost

TRANSACTIONS OF HOUSEHOLDS, NPISHs AND NON-FINANCIAL CORPORATIONS **TABLE 9**
Four-quarter data

% of GDP

	2008	2009	2010	2011 Q1	2011 Q2	2011 Q3
HOUSEHOLDS AND NPISHs:						
Financial transactions (assets)	2.6	4.7	3.4	3.1	1.8	1.1
Cash and cash equivalents	-0.4	4.2	-0.1	0.0	-0.3	-0.1
Other deposits and fixed-income securities (a)	6.2	-0.8	3.2	3.5	2.8	1.8
Shares and other equity (b)	0.1	1.1	0.6	0.3	-0.5	-0.1
Mutual funds	-3.3	-0.1	-1.7	-1.6	-1.3	-0.7
Insurance technical reserves	0.5	0.8	0.4	0.3	0.3	0.0
Of which:						
Life assurance	0.3	0.6	0.1	0.1	0.3	0.3
Retirement	0.1	0.2	0.3	0.1	0.0	-0.3
Other	-0.5	-0.5	1.2	0.6	0.9	0.3
Financial transactions (liabilities)	2.4	-1.2	0.3	-0.2	-1.4	-2.3
Credit from resident financial institutions (c)	3.4	-0.5	0.1	-0.5	-1.3	-1.3
House purchase credit (c)	2.7	0.1	0.5	-0.1	-0.4	-0.5
Consumer and other credit (c)	0.8	-0.4	-0.3	-0.4	-1.0	-0.8
Other	-1.1	-0.7	0.2	0.2	0.0	-1.0
NON-FINANCIAL CORPORATIONS:						
Financial transactions (assets)	2.0	-8.7	7.9	6.5	4.2	-0.6
Cash and cash equivalents	-1.1	-0.3	-0.1	0.4	-0.5	-0.7
Other deposits and fixed-income securities (a)	2.1	-0.5	2.0	2.5	2.4	1.5
Shares and other equity	3.6	-0.5	3.0	2.5	1.4	0.3
Of which:						
Vis-à-vis the rest of the world	3.5	0.0	2.6	2.3	1.8	0.2
Trade and intercompany credit	-3.2	-7.4	3.2	1.0	0.1	-2.2
Other	0.6	0.1	-0.2	0.2	0.9	0.5
Financial transactions (liabilities)	8.7	-7.9	6.6	5.6	2.6	-1.7
Credit from resident financial institutions (c)	5.5	-3.0	-0.9	-1.5	-2.8	-3.7
Foreign loans	3.0	0.0	0.7	1.2	1.2	0.8
Fixed-income securities (d)	0.3	1.4	0.7	0.6	0.6	0.6
Shares and other equity	2.3	1.6	1.8	2.7	2.7	3.1
Trade and intercompany credit	-3.3	-7.0	3.3	1.1	0.1	-2.2
Other	0.9	-0.8	1.0	1.5	0.8	-0.3
MEMORANDUM ITEM: YEAR-ON-YEAR GROWTH RATES (%):						
Financing (e)	6.6	-0.8	0.5	0.0	-1.2	-1.8
Households and NPISHs	4.4	-0.3	0.2	-0.5	-1.6	-1.5
Non-financial corporations	8.2	-1.2	0.8	0.4	-0.9	-2.0

SOURCE: Banco de España.

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

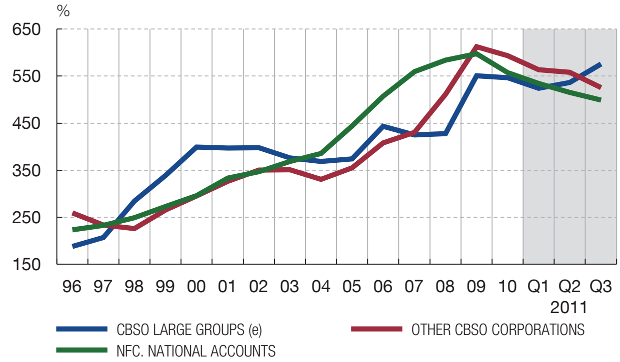
to be too high increased by 4 pp to 5%. SMEs perceived a notable tightening of the credit conditions applied in loans, similar to that reported by larger firms. Thus, in net terms, 80% of them had to pay higher interest rates on financing received and 45% had to provide more collateral.

The latest available data on corporate financing, relating to November, show year-on-year rates of contraction similar to those at the end of Q3 (2.1%, compared with 2% in September). By instrument, the fall in bank lending by resident credit institutions was 4.5%, 0.2 pp more than two months earlier, while the growth of debt securities slowed by 1.9 pp to 6%.

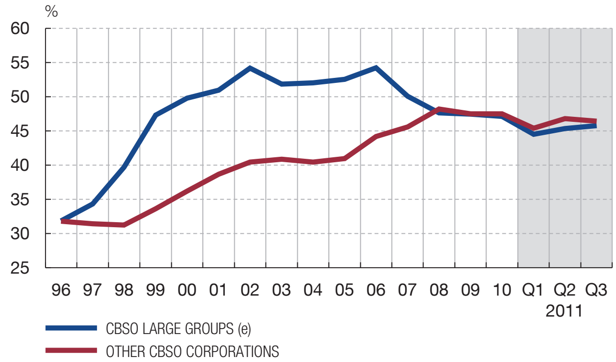
INDICATORS OF THE FINANCIAL POSITION OF NON-FINANCIAL CORPORATIONS (a)

CHART 25

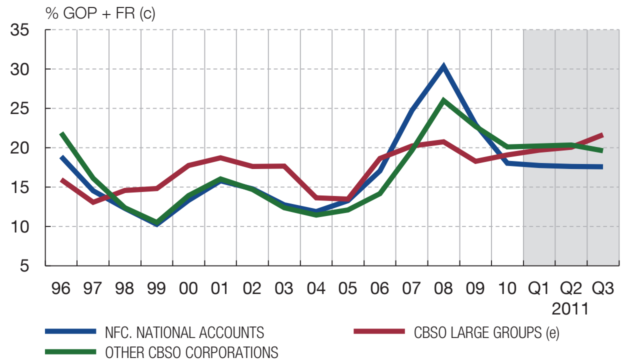
DEBT (b) / GOP + FR (c)



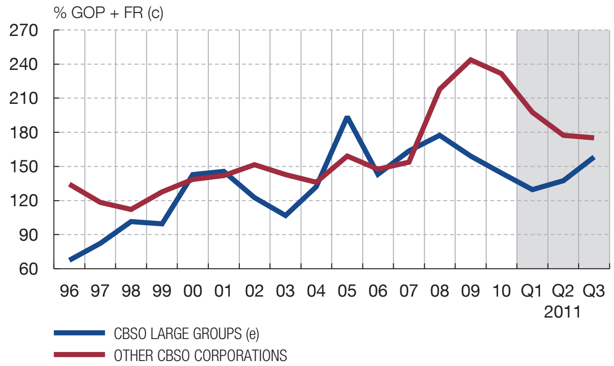
DEBT (b) / ASSETS (d)



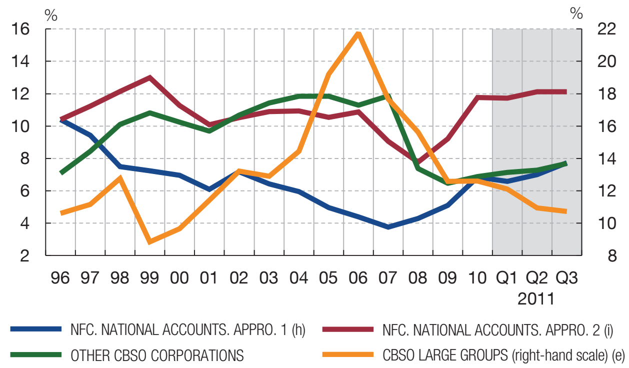
INTEREST DEBT BURDEN



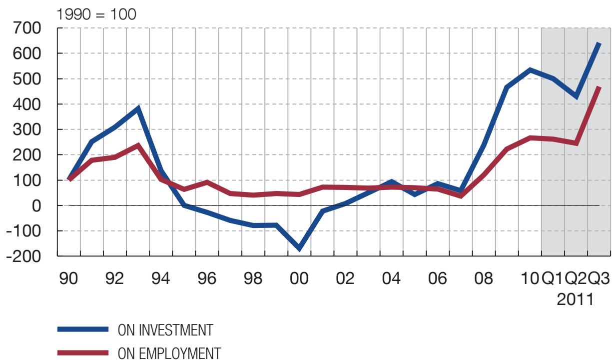
TOTAL DEBT BURDEN (f)



NET ORDINARY PROFIT / OWN FUNDS (g)



SYNTHETIC INDICATORS OF FINANCIAL PRESSURE (j)



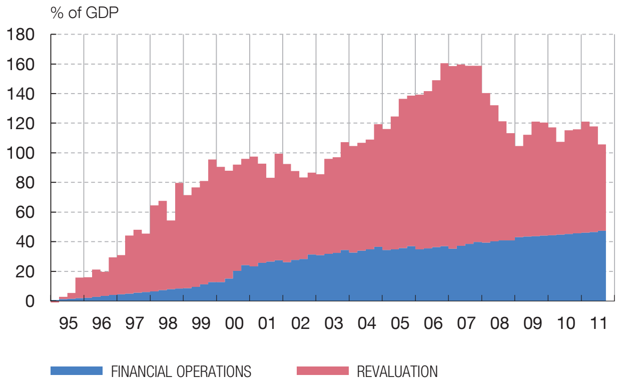
SOURCES: INE and Banco de España.

- **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.

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.

In annualised quarter-on-quarter terms, the debt growth rate of the sector was also negative (-1.7%), being, in absolute terms, somewhat higher than in September. The latest information on lending by loan type, relating to Q3, reflects decreases in the outstanding balance of bank financing in all sectors, these declines being sharper than in June. Once again, the fall-off was particularly sharp in construction (15.8% year-on-year) and in real estate services (5.2%), and comparatively more moderate in other services (1.4%). In industry it was 4.3%, against 3.9% in June.

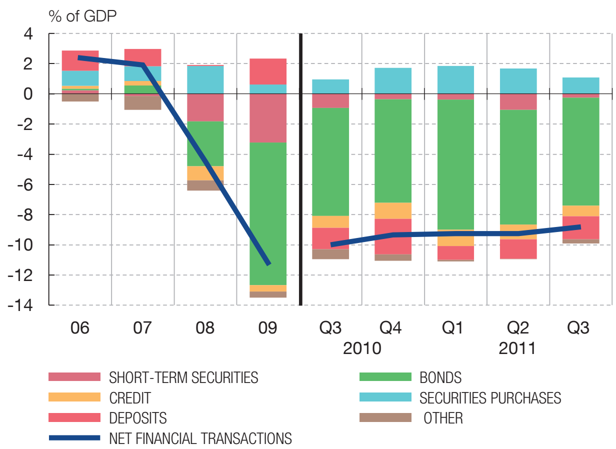
On Financial Accounts information, the credit balance of the corporate sector's net financial transactions decreased in 2011 Q3 to 1.1% of GDP in twelve-month cumulated terms, down 0.6 pp on June. Despite this, the drop in purchases in the rest of the world brought a narrowing of the financing gap, the 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 0.2% of GDP, compared with -0.8% at mid-year.

The stagnation of firms' liabilities, along with the moderate rise in their income shown by the National Accounts for 2011 Q3, meant that the debt ratio continued to decrease slowly, extending the trend initiated in 2009 (see Chart 25). As a result, despite the higher average cost of financing, the debt burden also declined slightly in this period. For the sample of CBQ reporting firms, among which the biggest have a notable weight, corporate activity and income fell in the first three quarters of 2011 with respect to the same months of 2010. Thus, after the recovery seen in 2010, the ordinary net profit of these firms decreased by 2.9%, resulting in a drop of more than 1 pp in return on equity to 6.5%. This fall, which was apparent in all sectors and particularly marked in information and communication, was compatible with a rise in average profitability, suggesting that the course of the aggregate indicator reflects the performance of the larger firms, the results of which were comparatively less favourable. Meanwhile, the debt-to-assets and debt-to-income ratios of these firms scarcely changed, against a backdrop in which their debt showed little variation, while the associated debt burden increased slightly. The overall result of these developments was the interruption of the downward path of the indicators of financial pressure on investment and employment, which rose, most markedly in the case of the

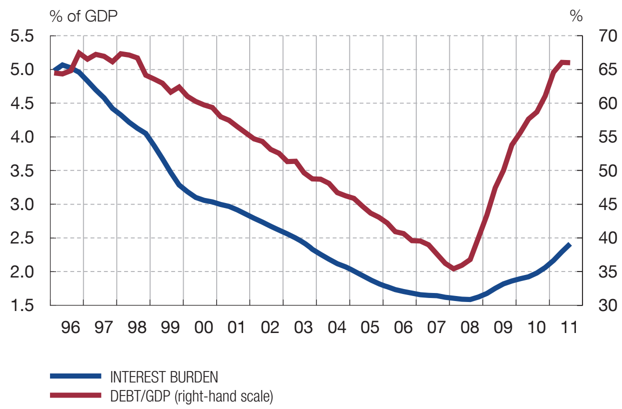
GENERAL GOVERNMENT
Four-quarter data

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.

latter. As far as the coming quarters are concerned, analysts revised downward the long-term growth expectations for the profits of listed companies and the same applies even more so to short-term expectations, which moved into negative territory for the first time since the beginning of 2010 (see Chart 26).

The doubtful assets ratio of non-financial corporations grew again in 2011 Q3, more sharply in lending to construction and real estate services firms (the ratio of which increased by 1.23 pp) than in other companies, the ratio of which was up by 0.33 pp. Consequently, the difference between the indicators of these two groups widened again, and in September stood at 18.2% and 4.7%, respectively.

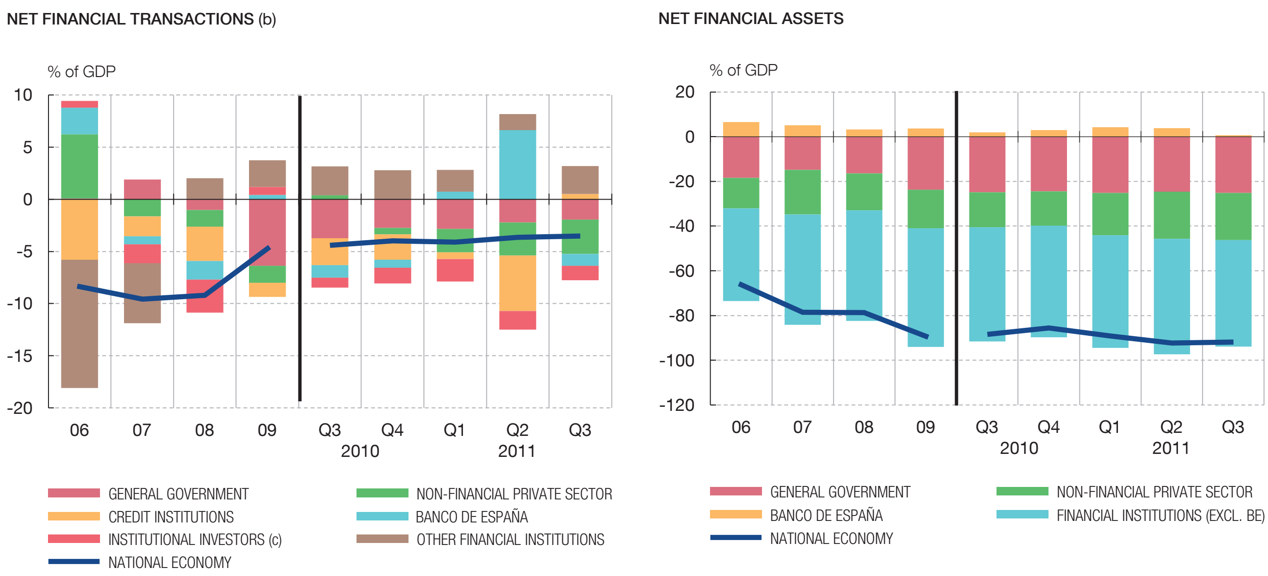
5.4 General government

The Financial Accounts show that in 2011 Q3 general government borrowing decreased by the equivalent of 0.4 pp of GDP in cumulated annual terms, although it continues to be high (8.8% of GDP) (see Table 8).

Once again, the main method of financing used by general government was bond issuance, through which funds equivalent to 7.4% of GDP were obtained, down 0.5 pp from June (see Chart 27). Also down were the funds raised through loans and short-term debt securities, which represented, respectively, 0.3% and 0.7% of GDP (0.8 pp and 0.3 pp less than at the end of H1). On the asset side, net acquisitions of securities decreased by 0.6 pp to 1.1% of GDP and the stock of deposits dropped again, this time by the equivalent of 1.5% of GDP, 0.2 pp more than in Q2.

The growth rate of general government debt decreased again between September and November. In year-on-year terms, it stood at 12.6% in November, 2.3 pp less than in Q3. The quarter-on-quarter stagnation of general government liabilities and of GDP between June and September meant that, for the first time since the beginning of 2008, the sector's debt ratio did not increase in 2011 Q3, remaining at 66% of GDP. However, the debt burden grew further to 2.4% of GDP, a development which contributed to the rise in the average cost of funds.

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



SOURCE: Banco de España.

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

5.5 The rest of the world

On the latest Financial Accounts information, 2011 Q3 saw a continuation of the downward path of the nation's net borrowing, which stood at 3.5% of GDP in 12-month cumulated terms, down 0.1 pp from June (see Table 8). This behaviour was the result of a decrease in the debtor position of general government, higher net lending of households, lower net borrowing of non-financial corporations and scant changes in the credit balance of financial institutions.

Sectoral analysis shows that, in net terms, households and non-financial corporations received external financing equivalent to 4% of GDP in Q3 (1.6 pp more than in the previous quarter). General government also received funds from non-residents, albeit to a lesser extent (1.1% of GDP and 1.9% of GDP, in twelve-month cumulated terms) (see Chart 28). By contrast, credit institutions switched to granting, in net terms, financing to the rest of the world, for a considerable amount, equivalent to 8.7% of GDP (0.5% in the past twelve months. There was also a rise in the capital inflows associated with the activity of institutional investors, which continued to reduce their holdings of foreign assets. 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 net borrowing. As a result, the balance of the Banco de España's net financial transactions with the rest of the world again showed a debit balance, for a considerable amount, equivalent to 13% of quarterly GDP (1.1% of GDP in twelve-month cumulated terms). The October balance of payments information shows that the financing of the Spanish economy in that month was covered by this latter means, while the net flow of funds raised by the other institutional sectors was negative.

The breakdown by instrument shows that the bulk of capital inflows in 2011 Q3 was channelled through the Banco de España intra-system position and, to a lesser extent, though collateralised transactions settled in central counterparty clearing houses. The funds raised in this way represented, in net terms, 14.4% and 7.6% of GDP, respectively

FINANCIAL TRANSACTIONS OF THE NATION
Four-quarter data

TABLE 10

% of GDP

	2008	2009	2010	2011 Q1	2011 Q2	2011 Q3
NET FINANCIAL TRANSACTIONS	-9.2	-4.7	-4.0	-4.1	-3.6	-3.5
Financial transactions (assets)	0.6	-0.5	-3.8	-1.5	1.1	2.6
Gold and SDRs	0.0	0.0	0.0	0.0	0.0	0.0
Cash and deposits	-1.3	-3.2	-1.4	0.7	0.4	1.6
Of which:						
Interbank - credit institutions	-0.5	-1.7	-1.3	0.5	0.2	0.9
Securities other than shares	1.3	0.0	-7.0	-7.2	-4.8	-2.7
Of which:						
Credit institutions	1.5	1.2	-3.1	-2.5	-0.4	0.7
Institutional investors	-0.5	-1.0	-2.9	-3.7	-2.8	-2.2
Shares and other equity	1.7	1.6	2.5	3.0	3.1	1.0
Of which:						
Non-financial corporations	3.5	0.0	2.6	2.3	1.8	0.2
Institutional investors	-2.3	0.5	1.0	1.1	1.0	0.6
Loans	0.8	0.2	0.3	0.5	1.3	1.3
Financial transactions (liabilities)	9.8	4.1	0.1	2.6	4.8	6.1
Deposits	8.0	-0.5	-0.5	-1.3	0.8	4.9
Of which:						
Interbank - credit institutions (a)	6.2	0.7	-7.4	-7.8	-1.8	-5.4
Repos - credit institutions (b)	0.2	0.1	5.8	6.2	8.3	8.4
Interbank - BE (intra-system position)	1.9	-0.8	0.2	-1.1	-6.5	1.7
Securities other than shares	-2.7	3.4	-2.0	-0.6	-0.5	-2.6
Of which:						
General government	1.1	5.1	1.9	2.3	2.0	1.7
Credit institutions	-1.9	1.0	-1.4	-0.9	-0.9	-1.6
Other non-monetary financial institutions	-1.9	-2.6	-2.6	-2.0	-1.5	-2.7
Shares and other equity	3.2	1.1	0.9	2.5	2.4	2.3
Of which:						
Non-financial corporations	2.4	0.3	1.3	2.5	2.3	2.2
Loans	2.9	0.2	1.0	1.5	1.6	1.2
Other, net (c)	0.3	-1.0	-1.2	-1.0	-0.7	-1.1
MEMORANDUM ITEMS:						
Spanish direct investment abroad	4.7	0.7	1.6	3.0	3.5	1.8
Foreign direct investment in Spain	4.8	0.6	1.8	2.2	2.4	1.9

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.

(1.7% and 8.4% of GDP in twelve-month cumulated terms) (see Table 10). By contrast, there was a significant fall in the balance of net interbank financing raised through bilateral transactions between credit institutions, amounting to 10.5% of GDP (6.3% in the past twelve months). Also seen was, for the fourth quarter running, a disinvestment by non-residents in debt securities issued by credit institutions, whereas those issued by general government switched to a positive flow. Also up were the funds raised through shares and other equity, although they fell slightly in twelve-month cumulated terms. Foreign direct investment in Spain fell by 0.5 pp to 1.9% of GDP in annual terms (0.9% of GDP in Q3).

Capital outflows decreased between June and September to 2.7% of GDP, although in twelve-month cumulated terms they increased to 2.6%. Analysis by instrument shows that net investment by residents in debt securities issued by the rest of the world turned positive again, following negative figures in the previous quarters, while there was a swing to disinvestment in shares and other equity.

Also down was Spanish foreign direct investment, which was practically zero and thus came to stand at 1.8% of GDP in the period between October 2010 and September 2011.

As a result of the developments in capital inflows and outflows 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 were equivalent to 91.9% of GDP in September 2011, down 0.4 pp from June (see Chart 28). This decrease was due to the reduction in the net external debt of the financial sector (excluding the Banco de España) and of firms to non-residents, which offset the decline in the credit balance of households and the rise in the debit balance of general government. For its part, the Banco de España's credit balance vis-à-vis the rest of the world decreased by 3.2 pp to become practically zero.

17.1.2012.

Summary

This report sets out the analysis conducted by the Banco de España's Directorate General for Economics, Statistics and Research on the situation of and outlook for the Spanish economy for the years 2012 and 2013, taking into account the information available to 13 January. The recent change in Government and the ensuing modification of the timetable for drafting and presenting the 2012 Budget mean the publication of the central bank's habitual macroeconomic projections report, hitherto released in its April *Economic Bulletin,* must be brought forward.

Moreover, unlike on previous occasions, this Report presents a macroeconomic scenario that entails strict compliance with the fiscal consolidation targets for 2012 and 2013 arising from our European commitments, and which, therefore, assumes that measures additional to those already approved will be adopted. The justification for this normative approach is twofold. First, the new Government has committed itself to compling strictly with these budgetary consolidation targets. Second, in light of the current extreme tensions on financial markets because of the European sovereign debt crisis, perseverance with the fiscal adjustment process is unavoidable, given that the costs of not doing so would be very high. For these reasons, the present projections are based on the adoption of budgetary measures on a sufficient scale to reduce the budget deficit from a level of around 8% in 2011, according to the latest Government estimate, to 4.4% of GDP in 2012 and 3% in 2013. To this end, it has been assumed that, along with the measures approved by the Council of Ministers on 30 December 2011, the adoption and application of others will be necessary to meet the targets set. It has further been assumed that, in the absence of specific information concerning their composition, these measures will be particularly centred on cutting public spending.

The projections published are subject to a very high degree of uncertainty, owing to the exceptional conditions under which the exercise has been performed and, in particular, to the normative fiscal assumptions adopted and to the complex situation facing the euro area and the financial markets, following the worsening of the sovereign debt crisis. Further, it is not known what the scope of the reforms of the labour market and of product markets to be implemented by the new Government will be. All these factors advise viewing these projections with particular caution.

The worsening since last summer of the strains on euro area financial markets, largely linked to the difficulties of finding a solution to the complex sovereign debt crisis problem, has weakened private agents' confidence and tightened financing conditions throughout the second half of 2011, adversely affecting the economic growth outlook. The Spanish economy is estimated to have contracted in 2011 Q4, posting a quarter-on-quarter decline in GDP of 0.3% (see the Quarterly report on the Spanish economy in this same *Economic Bulletin),* a trajectory which might continue in the current year.

Against this background, the macroeconomic projections described in this report envisage a substantial decline in the Spanish economy's output in 2012 (-1.5%) and a modest recovery in 2013 (0.2%), with positive rates from the first quarter of next year, meaning that the Spanish economy would progressively draw closer to its potential growth rate. The macroeconomic scenario considered here is the result of a significant contraction in national demand, partly countered by a high contribution of the net external balance. In turn,

the fall-off in national demand stems from the combination of a strong fall in both the public- and private-sector components of demand, in a setting in which household spending will be restricted by the impact of the fiscal consolidation on these agents' incomes and by lower employment. Against this backdrop, the fall in household consumption is forecast for the whole of the projection period, despite the fact that the household saving ratio remains on a declining course. Residential investment will continue to fall in 2012 and 2013, although the rate of decline will be more modest than in recent years, having overcome the hardest phase of the adjustment. Sluggish demand, the worsening economic outlook and tough financial conditions will mean further – though moderate – declines in private productive investment expenditure in the next two years.

Turning to foreign trade, the growth of goods and services exports is expected to weaken in 2012, given the worsening outlook for international markets. However, as in the past two years, a higher increase in sales to the rest of the world than in Spain's export markets is projected. This is because the ongoing improvement seen in the Spanish economy's competitiveness since the start of the crisis is expected to continue, albeit at a slacker place, while Spanish companies will carry on replacing domestic markets with foreign markets in light of the greater relative resilience of the latter. This, in combination with the decline imports will undergo over much of the projection period as a result of shrinking final demand, will give rise to a contribution of the net external balance which is expected, for the 2012-2013 period on average, to be as high as it was in 2011.

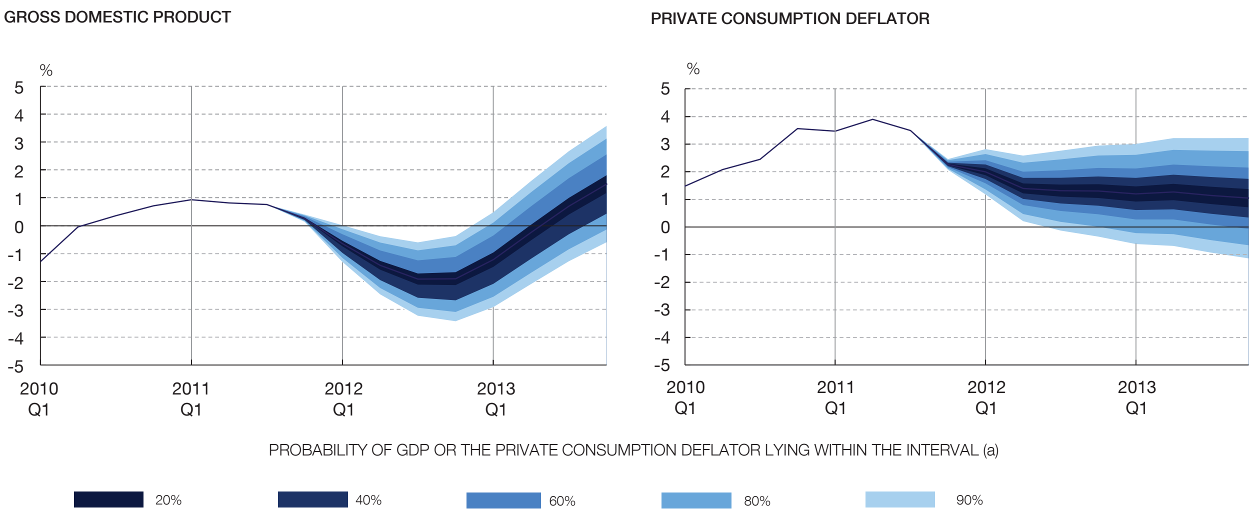
The fall in GDP will have an appreciable impact on employment which, without including further labour market measures, is specified to decline by 3% in 2012, following the more negative pattern observed in the final stretch of last year. The pattern would soften in 2013, and the second half of that year would see the start of employment creation in net terms. In the absence of far-reaching labour market reforms, that would give rise, in light of the projected trajectory of the labour force, to further increases in the unemployment rate during the current year, before it turned modestly downwards during 2013. More resolute action on structural reforms would enable a swifter reduction in unemployment and would set in place conditions more conducive to economic growth.

On the assumption that the oil price will behave in the future as its current futures market prices infer, inflationary pressures will continue to abate in the first half of 2012, furthering the pattern of the closing months of 2011. This exercise projects, moreover, an additional decline in unit labour costs over the next two years as a whole, albeit on a lesser scale than in the recent past. Along with a slowing increase in margins resulting from the weakness of demand, that will give rise to very moderate consumer price growth (of 1.5% and 1.2% in 2012 and 2013, respectively).

This additional adjustment of the Spanish economy will provide for the correction of some of the imbalances built up in the past which, had they persisted, would have ultimately choked medium-term growth prospects. Specifically, the macroeconomic scenario outlined here entails the elimination, in 2013, of the nation's net borrowing, whereas the goods and services balance would be expected to start running a surplus this year. From a sectoral perspective, this correction of the imbalance between the overall economy's saving and investment would come about chiefly from the reduction of the budget deficit, from a level of around 8%, recently estimated by the Government, to 3% of GDP in 2013, enabling public finances to move onto a path of stability. The correction of the Spanish economy's dependency on expenditure with respect to the rest of the world's saving is the crucial factor for ensuring that the foundations for sustained economic growth in the medium

GROWTH AND INFLATION OUTLOOK FOR SPAIN

CHART 1



SOURCES: INE and Banco de España.

a The chart shows the uncertainty surrounding the central projection. The intervals have probabilities of 20%, 40%, 60%, 80% and 90%, respectively, based on past forecasting errors.

Latest data: 2011 Q3.

term are laid down. It is likewise projected that the ongoing deleveraging of households and firms will continue.

These projections are formulated against a particularly uncertain background in which doubts over the sovereign debt crisis have not been fully dispelled. Likewise, there is much uncertainty over the final impact of the fiscal consolidation on economic activity in the short run, a matter which also hinges, among other things, on the fiscal consolidation measures that are finally pursued. One means of depicting the uncertainty surrounding the projections involves showing, drawing on past forecasting errors, the bands around which the main macroeconomic variables may be expected to trend to some degree of likelihood. Chart 1 illustrates this measure of uncertainty for the central GDP and private consumption deflator projections.

The risks of deviation from the GDP projections provided in this report are considered to be balanced. On one hand, possible episodes of rising tensions on financial markets or a more unfavourable performance by the world economy than that projected here might result in a harsher contraction in output. But, on the other, economic policies may provide for a reduction in the cost of the adjustment and alleviate its intensity. In particular, from the fiscal policy standpoint, an early definition of the composition of the measures devised to correct the budgetary imbalance would tend to lessen uncertainty; also, an improvement in the quality of the information available about the performance of public finances in the lower tiers of government and their early availability would allow a prompt reaction to any potential deviations in the budget outturn. As regards the labour market, the approval of a comprehensive reform of wage bargaining mechanisms, non-wage conditions and hiring arrangements would contribute to kick-starting medium-term growth and would generate positive effects on expectations. International investors' confidence could also be strengthened with further progress in the ongoing restructuring of the financial system.

Turning to inflation, the risks over the projection horizon are considered to be balanced. On one hand, inflationary pressures might be greater if tensions on the oil markets were to increase, if the upward inertia of wages reared once more or if greater resort were had to indirect tax rises in the consolidation programme. On the other, a labour market reform and other structural reforms that were to heighten the sensitivity of wages and prices to the economy's cyclical position would ease inflationary pressures to a greater extent.

The following two sections explicitly set out the external and fiscal assumptions underlying the projections formulated. The fourth section then outlines the diagnosis underlying the current outlook for the Spanish economy. Finally, the main risks to the central scenario described are analysed in the final section.

External assumptions underlying the projections

The projections presented in this report have been prepared from a set of assumptions about the course of specific exogenous variables in 2012 and 2013. The projections are thus conditional upon the hypotheses made about the path of these variables.

The procedure used to construct the trajectories of most of the exogenous variables in the period 2012-2013 coincides with that used in the quarterly projection exercises conducted by Eurosystem NCB and ECB experts. This is the case of the exchange rate, Spanish share prices, oil prices and three-month and ten-year interest rates, the assumptions for which are made drawing on changes in markets over a reference period covering the ten working days immediately prior to the cut-off date for gathering information for this report.[1] As regards the euro exchange rate, this variable is assumed to hold, throughout the projection period, at the level observed on the spot market in the reference period. In this case the exchange rate would stand at $1.28 per euro on average in 2012 and 2013, 8% down on 2011 (see Table 1). The path of oil prices, based according to the usual technical assumption on the latest information from the futures market for this commodity, envisages some stabilisation of the price in dollars; however, this is offset by the depreciation of the euro, meaning that the oil price in euro in 2012 and 2013 would be somewhat higher than last year. It cannot be ruled out that a heightening of geopolitical tensions may lead to more significant price rises.

In constructing the projections, assumptions are also made about three-month interbank market interest rates and ten-year government bond yields. The trajectory of short-term interest rates, obtained from expectations implicit in futures markets about changes in the three-month EURIBOR, shows a decline in this rate to below 1% in 2012 and 2013, compared with 1.4% in 2011. Ten-year bond yields are constructed on the basis of market expectations about interest rates in the euro area and the assumption that the Spanish sovereign yield spread over Germany will hold constant at around 350 bp. On these hypotheses, long rates in Spain would stabilise in 2012 at 5.4%, unchanged on the previous year, and would increase slightly to 5.7% in 2013.

On the basis of these assumptions about the path of these market interest rates, other hypotheses on the cost of financing for households and firms are made. Broadly, they have it that bank lending rates will hold stable over the projection horizon, since the projected widening of the spreads over EURIBOR – which reflect the increase in funding costs that credit institutions have undergone in recent quarters – is offset by the reduction in this latter rate. Further, it is assumed that banks will maintain, throughout the projection period, the current degree of tightness of credit conditions. The technical assumption made about

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1 In this case the cut-off date is 13 January. Considering solely the average prices of operations transacted on the markets on the same day as the cut-off date would offer the advantage of reflecting more accurately the latest relevant information for price formation. However, this advantage is considered not to make up for the potential drawback whereby some of the variables might be particularly affected by excessive market fluctuations on that specific trading day, which advises taking a longer period into account.

INTERNATIONAL ENVIRONMENT AND MONETARY AND FINANCIAL CONDITIONS (a) TABLE 1

Annual rates of change, unless otherwise indicated

	2008	2009	2010	2011	Projection 2012	Projection 2013	Difference between current and March 2011 projections reports 2011	Difference between current and March 2011 projections reports 2012
International environment								
World output	2.7	-0.8	5.1	3.8	3.5	4.2	-0.4	-0.6
Global markets	3.0	-11.0	12.4	6.6	4.5	6.8	-1.0	-3.0
Spain's export markets	2.7	-11.2	10.3	4.8	2.4	5.4	-1.4	-3.5
Oil price (in USD)	97.7	61.9	79.6	111.2	111.0	108.8	-0.6	-3.1
Competitors' export prices in euro	2.6	-3.7	6.8	4.5	4.3	1.6	1.6	2.4
Monetary and financial conditions								
Dollar/euro exchange rate (USD per euro)	1.47	1.39	1.33	1.39	1.28	1.28	0.01	-0.11
Short-term interest rate (3-month EURIBOR)	4.6	1.2	0.8	1.4	0.9	0.8	-0.1	-1.5
Long-term interest rate (10-year bond yield)	4.4	4.0	4.2	5.4	5.4	5.7	0.0	-0.3

SOURCES: ECB and Banco de España.

a Projection cut-off date: 13.1.2012.
Latest QNA data: 2011 Q3.

share prices suggests these will hold approximately at their current levels. As to housing, which along with share prices is the other major determinant of household wealth, it is projected that the ongoing adjustment in house prices will continue.

Turning to world trade, some slowing in the expansion of Spanish export markets is expected, with their growth dipping from a rate of 4.8% in 2011 to only 2.4% in 2012. The global and, above all, the European economy are expected to be more buoyant in 2013, meaning Spanish markets would grow by 5.4%.

Fiscal assumptions

As regards fiscal policy assumptions, the projections exercise this year has been conducted in exceptional circumstances in which the Spanish economy faces the need to undertake an unprecedented fiscal consolidation, which will be one of the main conditioning factors of macroeconomic developments over the forecasting horizon. In this respect, the incoming Government has announced strict compliance with the fiscal targets arising from commitments made in Europe, which involve placing the budget deficit at 4.4% of GDP in 2012 and at 3% of GDP in 2013.

The exceptional nature of the consolidation process in which the Spanish economy is immersed and its macroeconomic repercussions advise addressing the fiscal policy measures in these projections in a different way than in projection exercises conducted under normal conditions. The usual practice is to assume that fiscal policy does not change over the forecasting horizon, whereby only fiscal measures already approved are incorporated into the projections. As indicated in last year's projections report, this assumption is not suitable in situations marked by extraordinary fiscal adjustment, since their strict application would add significant bias to the macroeconomic projections. On this occasion their application would be even more problematic, since as a result of the general elections held late last year and the subsequent change in government, no draft Budget for 2012 – which will be unveiled in March – is available at the time of this report going to press. Moreover, following the European Semester schedule, Spain's Stability Programme Update will foreseeably be available in April as will, therefore, much more detailed information on the Government's fiscal consolidation strategy for the coming years. Lastly, the present projections exercise faces, on this occasion, the added difficulty whereby, at the time of going to press, the final public finances figures for 2011 are not available, although the Government announced at the Council of Ministers on 30 December that the general government deficit would stand at around 8% of GDP in 2011, signifying a 2 pp deviation from the target of 6% of GDP.

With these conditioning factors, the fiscal projections accompanying this forecasting exercise have been made under a *normative assumption* whereby, departing from the general government deficit of 8.1% of GDP in 2011, the Government will adopt the budgetary measures needed to meet the fiscal targets set. That involves incorporating into the forecasting scenario, firstly, the budgetary policy measures approved in the Council of Ministers on 30 December 2011[2], and, secondly, the additional fiscal effort needed to ensure attainment of these targets.

Specifically, expenditure-side measures include the inflation adjustment for pensions, the freeze on public-sector wages, the restrictions on public-sector employment[3] and the announcement that €8.9 billion of appropriations will not now be used in the State Budget (extended to 2012). The revenue side includes the increase in personal income tax rates on income from work and from saving, the reintroduction of the tax credit for first-home purchases under personal income tax, the maintenance of the increase in advance payments for large corporations under corporate income tax, the increase in property tax and the extension of the super-reduced VAT rate of 4% for house purchases[4]. The remaining fiscal effort to ensure compliance with the target has been defined assuming that it is concentrated on the public spending side. With these assumptions, the composition of the adjustment in 2012 would break down into 20% on the revenue side and 80% on the expenditure side, in the latter case distributed virtually symmetrically between current and capital spending. In 2013, the simulated adjustment would fall solely on the expenditure side. As a result of these assumptions, a reduction in the budget deficit of 3.6 pp of GDP is projected in 2012, with a decline in the weight of public spending relative to GDP of 2.8 pp and an increase in revenue of 0.8 pp. All the expenditure items would contribute to this reduction, with the exception of social benefits and the interest burden, which would increase by 0.2 and 0.4 pp of GDP, respectively. As to 2013, a decline in the budget deficit of 1.4 pp of GDP is projected, an adjustment which, as indicated, would be concentrated almost exclusively on public spending.

To the extent that the closing figures of the public finances for 2011 and the composition and/or scale of the fiscal adjustment in 2012 and 2013 may differ from those assumed in this report, the macroeconomic projections included here will also be affected; accordingly, they should be viewed with particular caution.

Outlook for the Spanish economy

In the first half of 2011 the slow recovery in the Spanish economy that had commenced in the previous year continued. However, the recovery came to a halt in the summer months, when activity stagnated, and subsequently moved into reverse, with GDP declining again in the fourth quarter of the year. Notwithstanding, GDP is estimated to have grown in 2011 by 0.7%, 0.1 pp less than the rate projected in the March 2011 projections report (0.8%) (see Table 2). In terms of components, developments were weaker than forecast in the case of national demand, especially on account of the slackness of private consumption, which reflected the higher destruction of employment and a less pronounced cut in the

2 Together with the information available on the regional government budgets for this year.
3 These restrictions entail a freeze on public-sector employment vacancies, with some exceptions where a replacement rate of 10% is permitted.
4 Also included is the reintroduction of wealth tax adopted in September 2011 and due to come into force in 2012.

PROJECTION OF THE MAIN MACROECONOMIC AGGREGATES OF THE SPANISH ECONOMY (a) **TABLE 2**

Annual rate of change in volume terms and % of GDP

				Projection		
	2008	2009	2010	2011	2012	2013
GDP	0.9	-3.7	-0.1	0.7	-1.5	0.2
Private consumption	-0.6	-4.3	0.8	0.0	-1.2	-0.5
Government consumption	5.9	3.7	0.2	-1.2	-6.3	-3.3
Gross fixed capital formation	-4.7	-16.6	-6.3	-4.7	-9.2	-2.2
Investment in capital goods	-2.9	-22.3	5.1	2.2	-7.0	-0.9
Investment in construction	-5.8	-15.4	-10.2	-7.8	-10.6	-3.1
Exports of goods and services	-1.0	-10.4	13.5	8.8	3.5	5.9
Imports of goods and services	-5.2	-17.2	8.9	1.4	-4.8	1.2
National demand (contribution to growth)	-0.6	-6.6	-1.0	-1.3	-4.0	-1.4
Net external demand (contribution to growth)	1.5	2.8	0.9	2.0	2.5	1.5
Private consumption deflator	3.6	-1.2	2.4	3.3	1.5	1.2
Unit labour costs	4.9	1.4	-2.6	-1.8	-0.8	0.1
Compensation per employee	6.1	4.3	0.0	0.5	0.8	1.0
Apparent labour productivity	1.1	2.9	2.6	2.4	1.6	0.9
Employment (full-time equivalent)	-0.2	-6.5	-2.6	-1.7	-3.0	-0.7
Unemployment rate (% of labour force)	11.3	18.0	20.1	21.5	23.4	23.3
Saving rate of households and NPISHs	13.5	18.5	13.9	11.8	10.2	10.6
National economy's net lending (+)/net borrowing (-) (% of GDP)	-9.2	-4.7	-4.0	-3.7	-1.4	0.0
General government net lending (+)/net borrowing (-) (% of GDP)	-4.5	-11.2	-9.3	-8.1	-4.4	-3.0

SOURCES: Banco de España and INE.

a Projection cut-off date: 13.1.2012.
Latest QNA data: 2011 Q3.

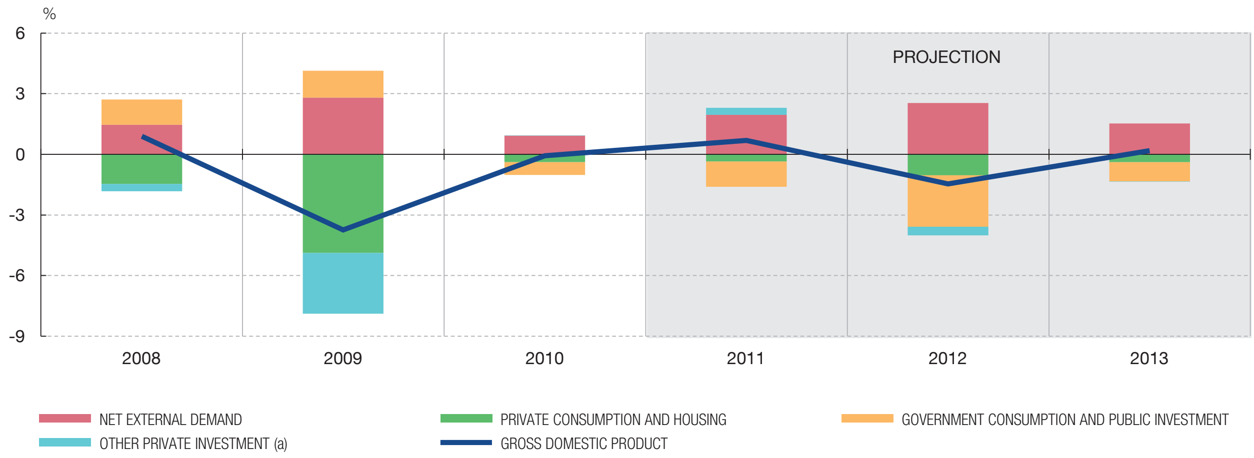
saving rate. For its part, net external demand made a larger contribution to GDP growth, due to the buoyancy of exports and less vigorous imports.

The weakness of activity in the second half stemmed from the renewed outbreak of financial strains in the summer, when the European sovereign debt crisis had a significant impact on the Spanish economy, worsening its financing conditions, damaging the confidence of agents and, in short, lowering growth expectations. The Spanish authorities reacted by adopting additional fiscal adjustment measures in August, which subsequently turned out to be insufficient to counter the risks detected of deviation from the budget deficit target, while in September a budget stability rule was incorporated into the Constitution, reaffirming the medium and long-term commitment of the Spanish authorities to the maintenance of a sound budget position as a necessary ingredient for sustainable economic growth. The heightened financial strains also affected other European economies, leading to significant downward revisions in growth prospects in many of them, which had adverse effects on both Spanish exports and the launching of new investment projects to meet external demand. All these circumstances led, in the second half of 2011, to a stepping up of the process of employment destruction, falls in private consumption, slacker investment and a decrease in the buoyancy of net external demand. As a result, GDP declined in the closing months of the year, at an estimated quarter-on-quarter rate of 0.3%, as detailed in the Quarterly report on the Spanish economy in this issue of the *Economic Bulletin.*

This contraction can be expected to continue in 2012. A 1.5% decline in GDP is projected for the year as a whole, as a result of the simultaneous private sector and public sector

CONTRIBUTIONS TO GDP GROWTH

CHART 2



SOURCES: INE and Banco de España.

a Includes changes in inventories.
Latest data: 2011 Q3.

adjustment. The budget austerity measures will have a direct effect on the public components of national demand but will also affect household spending. Households and firms are also expected to continue their deleveraging, with negative rates of change in credit, against a background of restrictive financing conditions. As in previous years, net external demand will cushion the impact of the decline in national demand on GDP, although in this case not so much because of the behaviour of exports, which will be limited by the weaker performance of the world – and especially the European – economy, but more because of imports, which will decline substantially in response to the fall in national demand (see Chart 2).

The rate of change of GDP projected for 2012 (-1.5%) is well below that projected in the March 2011 *Spanish economic projections report* (1.5%). Various factors account for this 3 pp difference: first, the variables that shape the international setting are now less favourable, as reflected in a smaller expansion of export markets; second, financing conditions have become considerably more restrictive, so that financial resources are more expensive and less readily available; third, the lack of success in meeting the fiscal consolidation targets in 2011 means that achieving the 2012 target will require much more ambitious adjustment measures; and finally, last year's projections report did not assume that the 2012 target would be strictly met (a deficit of 5.2% of GDP was projected for 2012), but this report does assume that the deficit will be reduced in line with commitments, to 4.4%, as already indicated.

By component, national demand is projected to decline sharply (-4%), and at a significantly higher rate than that estimated for 2011 (-1.3%), owing to the less favourable behaviour of almost all items, and in particular of government consumption and public investment. Also, following its stagnation in 2011, private consumption is projected to decline by somewhat more than 1% in 2012, despite a further fall in the saving rate. The decline in employment and the increase in personal income tax are the main factors weighing on household disposable income. Following the sharp adjustment over the last four years, housing investment is the only component whose rate of change in 2012 might not be lower than in 2011, although it is forecast to remain negative, with a fall of more than 4%. These estimates are based on the assumption that the number of housing starts will remain at a similar level to that observed recently and also that the demand for housing (and, therefore, for real estate services) will remain at around the same level as in 2011.

The weakness of demand, the worsening of the economic outlook and the tight financing conditions will affect the implementation of new projects by firms, so that both their investment in equipment and in construction is forecast to fall in 2012 (at a combined rate of around -3%). Thus, the purpose of most business investment will be to replace obsolete fixed capital.

As regards external developments, exports are projected to grow by 3.5%. This involves exports growing by approximately 1 pp more than Spanish export markets, which represents a moderation in gains in market share in comparison with the two-year period 2010-2011. In addition, the fact that some Spanish firms will probably replace domestic markets with foreign markets, given the greater relative strength of the latter, also helps to explain why the behaviour of exports will be moderately favourable. Imports, by contrast, will decline significantly (by around 5%), given the sharp adjustment in national demand. Thus, net external demand will contribute 2.5 pp to GDP growth, 0.5 pp more than in 2011.

The falls in activity will be relatively large until the end of the summer, after which they will become smaller, and in Q4 the phase of declining output will come to an end. A gradual expansion is projected for 2013, with positive growth rates from Q1, so that the Spanish economy will move towards its potential growth rate. In the year as a whole, however, the carryover effects of the negative GDP growth rates in 2012 will affect average annual growth, which will be only 0.2%. The increase in output in 2013 will mainly stem from the smaller budgetary adjustment required in comparison with the previous year – so that national demand will not be squeezed as strongly by this factor as it is projected to be in 2012 – and from greater stability in household spending, since private consumption will stop falling and the adjustment in residential investment will have been completed. Also, business spending will tend to stabilise against a background of less uncertainty and more sustained final demand. Real household disposable income will show a positive rate of change for the first time since 2009, while the saving rate will recover slightly. Exports will expand more vigorously, as also will imports, in response to more buoyant national demand, so that the contribution of net external demand, although highly positive, will be smaller than in 2012.

The decline in GDP in 2012 will have an appreciable impact on employment, which will fall by around 3%, following the more negative trend observed in the final quarter of 2011. This decline in employment will be compatible with lower growth in apparent labour productivity, the rate of which will decline from 2.4% in 2011 to 1.6% in 2012. In 2013 employment will continue to fall in average annual terms (-0.7%), although this fall will be due to the carryover effect of the previous year's rates, since net employment creation may begin to be seen, in quarter-on-quarter terms, in the second half of 2013. In that year, the growth rate of productivity will slow to around 1%. By sector, employment in the public sector is expected to decline significantly during the two-year period considered, taking into account the freeze on public-sector recruitment, the reduction in corporate activity in the public sector and the simplification and rationalisation of the administrative structure of central, regional and local government. The adjustment will also have a significant effect on the private sector, although it is estimated that net employment will begin to be created in the market economy in early 2013. However, it should be stressed that the current projections have been prepared on the assumption that labour market reform measures will not be adopted, since although reforms are expected to be approved, their extent is still unknown. Thus, if effective measures are launched to bring the remuneration of jobs into line with productivity and, in general, to enable employment conditions in the broad sense to be adjusted to the specific needs of businesses, the result will be the net creation of employment in the private sector of the economy sooner and at a higher rate.

Despite the projected decline in the labour force, these employment figures involve an increase in the rate of unemployment of almost 2 pp in 2012, to 23.4%, from which level it will fall only very marginally in 2013, assuming once again that there are no additional labour market measures. Bolder action on structural reforms would enable unemployment to be reduced more rapidly and would create more favourable conditions for economic growth.

The projections for compensation per employee are surrounded by a high degree of uncertainty, because when this report was written the scope of labour market reform and the factors that will determine the behaviour of wage costs this year and next were still not known. The pattern of wage increases observed in the past is characterised, on one hand, by a tendency for private sector wages to show a high degree of inertia in response to changes in the business cycle and excessive sensitivity to temporary fluctuations in inflation; and, on the other, by the relatively high weight of multi-year agreements (signed in previous years when conditions may have been very different). These projections incorporate a certain degree of wage moderation, although, as indicated, the degree of uncertainty over whether there will be a change in regime is high. Thus, wages are projected to increase in the market economy by around 1% both in 2012 and in 2013, which is somewhat less than the average expected inflation rates in each of these years. These rates of change will be the result of relatively high average wage settlements, of somewhat below 2%, and of negative wage drift. Unit labour costs in the market economy will thus continue to fall in 2012 (-0.8%) and will stabilise in 2013, so that the recovery in competitiveness vis-à-vis the euro area will continue, albeit at a slower rate than in the period 2010-2011. Naturally, any agreements to limit the growth of wage rates would lead to smaller increases in wages and in unit labour costs, which would help to strengthen the competitive position of firms and employment. In the case of general government the wage freeze agreed for 2012 is taken into account. In addition, it is assumed that this measure will be extended to 2013.

With regard to inflation, in recent months there has been a slowdown in the rate of growth of consumer prices. This is primarily explained by comparison effects, since the increase in energy prices and the rise in VAT and other taxes raised the CPI inflation rate in the corresponding months of 2010. This process is projected to continue in 2012, so that the average level of the CPI this year will be around 1.5%. These projections are determined by the external assumptions adopted, in particular regarding the price of oil, and by the assumption that indirect taxes remain unchanged.

Sluggish national demand and the favourable performance of exports would lead, again, to a significant decline in the nation's net borrowing in 2012 and 2013, which would bring it into balance in 2013, compared with the figure of 3.5% of GDP estimated for 2011. The goods and services balance would be in surplus as early as 2012, despite the high energy deficit, while the income balance would post a slightly higher deficit as a result of the build-up of net external liabilities and the higher cost of borrowing from the rest of the world.

From the standpoint of the institutional sectors, changes in the nation's net borrowing would be the result of a substantial cut projected in the budget deficit, while a modest decline is expected in the net lending of households and firms, whose capital accounts would nevertheless continue to show a positive net balance. In recent quarters, the financing raised by households and firms has shown negative growth rates, more sharply evident in consumer loans to households (down year-on-year by approximately 5% at end-2011) and in loans from resident institutions to firms, which fell at a similar pace in that period. Financing to households for house purchases decreased, albeit at more moderate rates (approximately -1% in the closing months of last year). This fall in credit is linked especially to sluggish private spending, although the financial strains during 2011 were also a contributory factor since they led to the continued relatively tighter financing conditions of credit institutions. Accordingly, the net lending of households and non-financial firms in recent years has facilitated the restructuring of their balance sheets and is likely to have led them to meet their expenses using their own resources, having less recourse to borrowed funds. This restructuring can be seen in private-sector debt ratios. On the latest available data (to Q3), household debt decreased in 2011 by 4 pp of disposable income to 124% (82% in terms of GDP), while corporate debt fell by almost 60 pp in respect of gross operating surplus and financial revenue to 500% (120% of GDP). The projections for 2012 and 2013 augur that this deleveraging is going to continue, which is pivotal for the recovery of private spending beyond the time span envisaged in these projections.

General government ended 2011 with a deficit of approximately 8% of GDP according to preliminary estimates announced by the new Government, 2 pp higher than the target set. By agent, on this information, the deviations occurred at all levels of government, although it was in the regional governments where they were highest. By component, the available information to Q3 shows that overall general government spending declined by 2% year-on-year in the first nine months of the year, not very far off the rate of -2.6% set as the target for the year as a whole, whereas government revenue, measured in that way, decreased by 0.8%, compared with a targeted increase of 5.4%. Thus, together with the current non-tax revenue, it seems that the main source of the deviation in 2011 was tax revenue, which was considerably lower than projected and even lower than could be expected given the tax base (proxied by nominal GDP growth, which was estimated to be approximately 2%). The fiscal projections for 2012 and 2013 are based, as indicated earlier, on strict compliance with the fiscal targets previously agreed with the European authorities of reducing the deficit to 4.4% of GDP this year and to 3% next year.

Risks to the projections

The projections contained in this report point to a substantial decline in activity in 2012, in a context in which it is considered imperative to urgently pursue fiscal consolidation in line with commitments made at European level, set against the ongoing restructuring of household and corporate balance sheets, significant strains in financial markets and a lower contribution from export markets to the growth of national output. In 2013, budget consolidation efforts would be more modest and this, in conjunction with the greater momentum of the world economy, would help to gradually bring the growth rate closer to its long-term potential, although the output gap would remain negative.

This projection exercise is subject to a very high degree of uncertainty stemming mainly from the normative nature of the fiscal assumptions made and from the extraordinary magnitude of the budget consolidation measures needed to meet the targets set (making it very difficult to accurately estimate their impact on spending and activity). The uncertainty also arises from the complex situation of the euro area and financial markets, following the deepening of the sovereign debt crisis, making it advisable to consider these projections with the utmost caution.

Aside from their considerable scale, the risks of deviations in respect of economic activity are overall probably balanced. Noteworthy among the downside risks would be the possibility of further strains emerging in financial markets which might arise, for example, from the difficulties of finding a coordinated response to the sovereign debt crisis or from an intensification of the negative feed-back loop between debt market strains and bank funding markets. This could spread to Spanish markets, further tightening the financing conditions of public and private agents in Spain. Nor can it be ruled out that the euro area and world economies may perform more unfavourably in 2012 than has been assumed in this report, given the scale of the imbalances which have built up in some regions and insufficient economic policy coordination. That would lead to lower growth of Spanish export markets and, consequently, a smaller contribution from net external demand to the expansion of GDP, the fundamental source of growth in Spain in the next two years.

As discussed above, the consolidation programme that must be implemented is essential and of a highly substantial magnitude. However, high uncertainty exists about its short-term impact on activity and it will surely differ from the impact included in these projections since the details of the consolidation programme are not known. In any event, certain measures could help minimise the possible risks of growth slippage with respect to the macroeconomic projections presented here (it could even have a less intense impact than that projected in this report). Accordingly, the early presentation of a full and clearly detailed consolidation programme would contribute to reducing uncertainty about the commitments acquired and would improve the outlook for Spanish public finances to swiftly resume a stable path. The fact that the bulk of the adjustment rests, as announced, on containing public spending instead of raising taxes would also be a positive factor, since consolidation programmes implemented in this way generally tend to be more successful. Finally, it is essential to minimise the risks of non-compliance with the targets set. For this purpose, mechanisms must be set in place to signal any possible deviations detected in the budget outturn and to permit a prompt response to them. Last year's experience indicates that it is necessary to substantially improve the instruments for monitoring general government accounts, in particular those of the regional governments.

Upside risks to the growth rates projected in this report would include those arising from a more favourable reaction from financial markets to the fiscal consolidation scenario and the gradual achievement of positive results in this area, which would reduce Spanish agents' (including general government's) borrowing costs, ease external and internal credit conditions, improve the confidence of various agents in the outlook for the Spanish economy and point to the implementation of new investment projects. An essential ingredient that would contribute to reviving medium and long-term growth would be the introduction of an ambitious reform of the labour market, especially of hiring and collective bargaining mechanisms, as well as establishing arrangements to contain, to a greater extent, wage increases in 2012 and 2013. Decisive measures in these areas would contribute to mitigating the cost in terms of employment of the projected decline in activity, at the same time as they would be highly useful, at a juncture when Spanish competitiveness is a crucial factor underpinning a sustained recovery. Lastly, these measures would boost the productivity of the Spanish economy and, as a result, its growth potential. Furthermore, action taken along these lines would improve the perception that Spain's external debt is sustainable which, once again, would improve borrowing conditions. The potential advantages of the aforementioned labour market reform were not considered in these projections, with the result that action taken in these spheres could give rise to a less negative performance of activity and employment in the next two years than that projected here. Finally, fresh progress in the financial restructuring process under way should improve finnancing conditions for credit institutions so that they are in a sounder position when the economy picks up.

The risks of deviation with respect to inflation also seem balanced. Inflationary pressures could be greater, if strains on the oil market increase or if greater recourse is had to raising indirect taxes in the consolidation programme. By contrast, there are factors which could lead to more moderate inflation rates such as weak demand, which would squeeze margins considerably, especially if accompanied by liberalising measures in certain markets to increase competition. Similarly, the above-mentioned labour market measures could bring an end to the existing wage inertia and increase the cyclical sensitivity of labour costs, which would help to restrict price rises.

17.1.2012.

RESULTS OF NON-FINANCIAL CORPORATIONS IN 2010 AND IN THE FIRST THREE QUARTERS OF 2011

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Overview[1]

In line with usual practice, this January edition of the Banco de España's *Economic Bulletin* presents an analysis of the results for the last but one year (in this case 2010) of the firms participating in the Central Balance Sheet Data Office Annual Survey (CBA) and those for 2011 Q1-Q3, based on information from the Central Balance Sheet Data Office Quarterly Survey (CBQ). The latter can be considered a preliminary indication of the results for the full year, which will be published in the April 2012 edition of the *Economic Bulletin.*

The CBA results for 2010 broadly confirm what has been anticipated by the CBQ sample for that period, i.e. that there was a slight recovery in the productive activity of non-financial corporations during this period, following the sharp declines during the two preceding years, which resulted in an increase in gross value added (GVA) of 2.1%. This expansionary trend was seen in most sectors, with the highest growth rate, of 9.2%, being recorded in industry. However, the GVA of small firms (with fewer than 50 workers) continued to contract last year, according to the CBA and the data compiled on the basis of the accounts filed with the Mercantile Registries, which is a much broader sample (see Box 1).

According to the CBQ data, the improvement in activity detected in 2010 has not continued in 2011. During the first three quarters of this year, against a background of weak national demand, GVA contracted by 0.5% in relation to the same period a year earlier. This deterioration was more pronounced in those sectors that depend most on private consumption developments, such as the wholesale and retail trade and accommodation and food service activities sector, and information and communication, in which GVA fell by 2.2% and 4.5%, respectively. Industry, by contrast, benefited from more buoyant exports, which enabled its activity to increase (by 2.4%, in terms of GVA), albeit by less than a year earlier.

Personnel costs changed very little, both in 2010 (when they fell by 0.4%) and in the first three quarters of 2011 (when they increased by 0.5%). In both periods, this behaviour was the result of two opposing effects; on one hand, the declines in employment, that have been recorded continuously since 2009 and, on the other, the rises in average compensation, which in the last two years have fluctuated around 1%. The adjustment in employment was concentrated in temporary employment, and affected practically all the sectors analysed, with certain notable exceptions, such as the wholesale and retail trade and accommodation and food service activities sector, in which, in the first nine months of 2011, the average headcount increased by 2.1%. For its part, average compensation rose by 0.8% in 2010, which was less than the 1.7% rate recorded a year earlier, while in 2011 it increased slightly, growing by 1.1%. The latest information on costs reveals, however, a high degree of dispersion across industries; in information and communication personnel costs per worker grew by 2.3%, while in other sectors, such as accommodation and food service activities, wages grew more moderately, by 0.5%.

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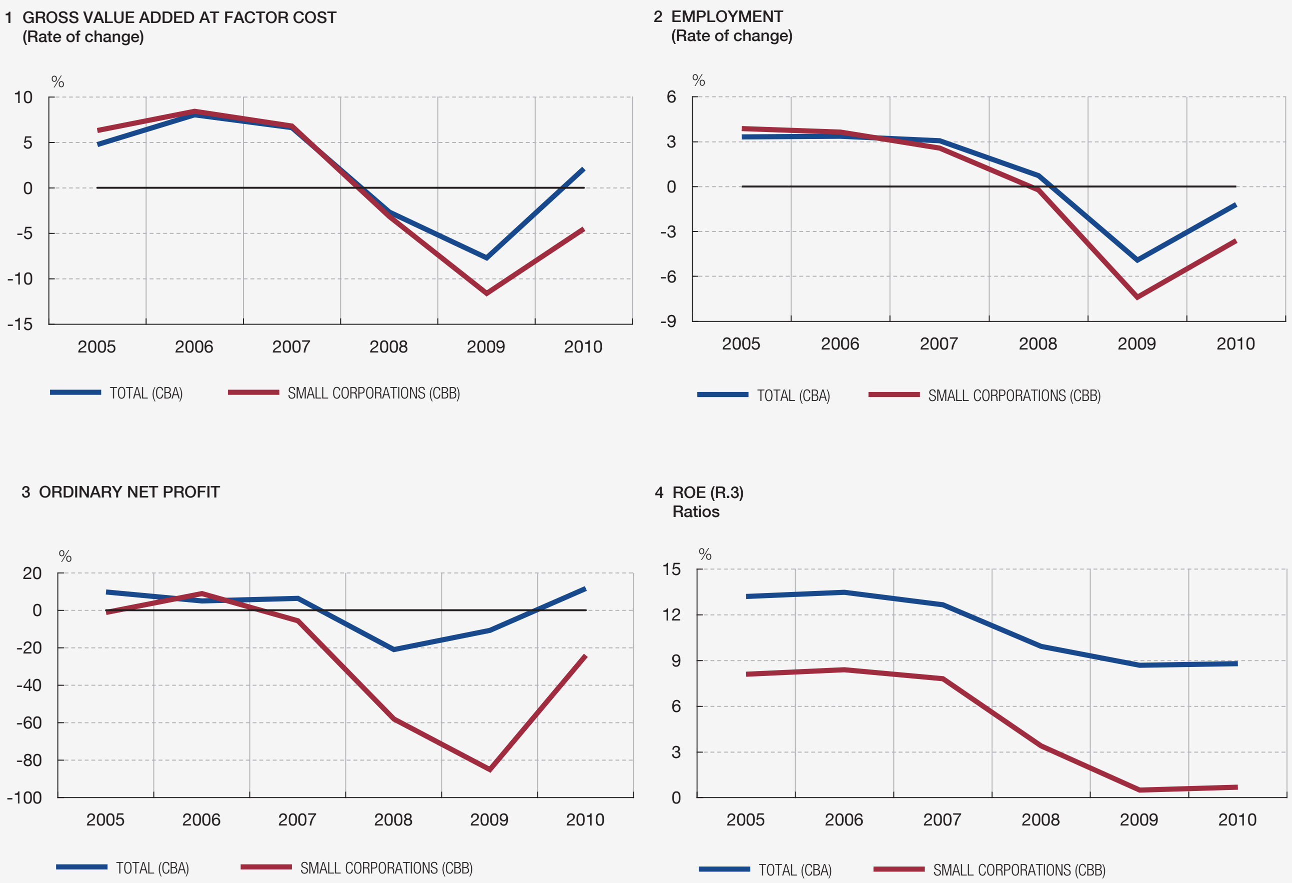
1 This article was prepared on the basis of the information supplied by the CBA for 2010 and by the CBQ for the first three quarters of 2011. In the case of the 2010 data, they come from a sample of 7,028 corporations that represent, in terms of GVA, 26.6% of the total non-financial corporations sector. The quarterly sample, meanwhile, is made up of the 749 corporations that had sent information to the CBQ by 15 November, which account for 12.6% of the GVA generated by the sector as a whole in this period.

The information in the CBA and in the CBQ provides for analysis of developments in the biggest non-financial corporations, since these are the best represented in these databases. However, smaller corporations are under-represented, which poses a significant drawback for the analysis of the more fragmented sectors, such as wholesale and retail trade and accommodation and food service activities, construction and real estate. This information deficit can be rectified to some extent by using the accounts filed by corporations in the Mercantile Registries. Drawing on the latter, the Central Balance Sheet Data Office has created a database (CBB) containing records of an extensive sample of small corporations, understood as those with fewer than 50 employees. Specifically, consistent data are available up to 2009 for somewhat more than 600,000 corporations, and on around 130,000 to 2010, for which year data continue to be received.

According to the CBB, in 2010 the activity of small corporations shrank once more, albeit at a more moderate rate than the previous year, showing a very similar pattern to that of the bigger CBA corporations in this same period. This trajectory is in contrast to that of the overall CBA sample (with medium-sized and large corporations accounting for a large weight), for which, as

RESULTS OF SMALL CORPORATIONS



		2005	2006	2007	2008	2009	2010
Number of corporations	CBA	9,123	9,276	9,321	9,639	9,792	7,028
	CBB (a)	579,866	558,901	604,575	471,663	602,664	131,440
% of GDP of the sector Non-financial corporations	CBA	32.6	33.5	33.9	31.6	30.7	26.6
	CBB (a)	21.7	19.3	20.1	13.7	15.5	3.2

SOURCE: Banco de España.

a In the case of the "Employment" chart, the data relate to the sub-set of corporations with consistent employment figures (70% of the CBQ total).

discussed in the main body of the text, there was some increase in productive activity during this year (see Panel 1). Thus, GVA for the aggregate of small corporations in the CBB fell in 2010 by 4.5%, compared with the reduction of 11.6% in 2009. The decline was practically across the board, although it was sharper in some sectors, such as construction, in which this indicator fell by 14.2%. Among the branches that posted a bigger decline are manufacturing industry and wholesale and retail trade and accommodation and food service activities, with respective falls of 4.2% and 2.8%.

Personnel costs fell by 3%, somewhat less than half their related contraction in 2009 (7.2%). The main reason for these declines is the sharp staffing adjustments made by small corporations both in 2009, when the average number of employees fell by 7.4%, and, to a lesser degree of intensity, in 2010, when the average headcount contracted by 3.6% (see Panel 2). As in the CBA sample, the bulk of the decline was centred on temporary personnel, with falls of 19.6% and 7.2% in the past two years for which information is available. Permanent employment, meanwhile, though it also fell back, showed a less pronounced decline over the two years (3.4% and 2.6%, respectively). Across the different sectors the declines were generalised, proving most marked in those which recorded a bigger downturn in their productive activity. As an exception, mention should be made of the electricity supply branch, in which the average number of employees grew by 11.2%, as a result of the favourable impact exerted by small corporations coming on stream in recent years in the renewable energy sub-sector.

The financial costs and revenues of small corporations in the CBB fell heavily in 2010, by 21.6% and 22.4%, respectively, owing to the decline in average financing costs and to the average return on assets during this period. The ordinary net profit of these corporations declined by 24% in 2010, a fall lower than that recorded a year earlier, when the attendant reduction was 85.1%. But it is in contrast to the increase reflected in the CBA for the aggregate of reporting corporations (see Panel 3). Against this background, the ordinary rate of return on equity remained at a very low level (0.5%) in 2010, and one similar to that recorded the previous year (see Panel 4). The downturn in rates of return at smaller corporations in the last two years analysed has been sharper in some sectors, such as construction, manufacturing industry and accommodation and food service activities, which posted negative figures for this indicator for the second year running.

In sum, according to the CBB, small Spanish corporations' productive activity shrank in 2010. While this decline was less sharp than in the previous year, it is in contrast to the increase observed in the CBA, where the weight of larger corporations is much more salient. This led to a fresh decline in profit generation and to a continuation of employment adjustment processes, which bore particularly on temporary employment and which were much more acute than those reflected in the CBA for the same year. This negative performance continued to affect practically all the sectors analysed, although it was in construction, manufacturing industry and wholesale and retail trade and accommodation and food service activities where the declines were biggest.

The positive performance of productive activity enabled gross operating profit (GOP) to grow by 5.7% in 2010, while in the first three quarters of 2011 this surplus declined by 1.4%. Financial revenue has increased in the last two years, driven by the growth in dividends received, although the stronger increase in 2011 was also due to the higher interest received as a consequence of the rise in interest rates. As regards financial costs, they grew again in 2011 (by 10.3%), following two consecutive years of decline, which was much more pronounced in 2009 than in 2010 (29.1% and 1.4%, respectively). The course of this expenditure has been determined essentially by interest rate changes and by their progressive pass-through to firms' costs, while the impact of borrowing has been low since 2009. During the first nine months of 2011, the item net depreciation, impairment and operating provisions grew by 6.5%, as a consequence of the larger provisions set aside by some real-estate firms to recognise the lower value of their stocks.

Ordinary net profit (ONP) increased in 2010 by 11.8%, while in 2011 Q1-Q3 it contracted by 2.9%. The increase in ordinary profits in 2010 was sufficient to ensure that the profit ratios remained at similar levels to the previous year. This year, however, the decline in activity has led to a fall in ordinary profits in all sectors. The ratio that measures the average cost of borrowing, which had been falling since 2009, increased slightly in the first three quarters of 2011, to stand at 3.5%. Thus, following the mild improvement in 2010, the difference between the return on investment and the cost of debt has fallen once again (to 1.6%) for the CBQ sample as a whole.

Finally, extraordinary costs and revenues had a negative impact on profits in 2010 and in 2011 Q1-Q3. In 2010 this was due to the gains (losses) from disposals and impairment, which after being highly positive in 2009 (due to the significant capital gains generated by asset sale transactions that year) turned negative in 2010, as a consequence of the higher impairment allowances. In the first nine months of 2011, there was a notable decrease in the gains from disposals of financial assets, in comparison with the amounts recorded during the same period of the previous year. In addition there was a sharp decline in other extraordinary profits, due to the existence of high extraordinary provisioning charges associated with the redundancy programmes at some large firms. As a result of all this, the profits fell both in 2010 (by 15.5%) and in the first nine months of 2011, when they declined by 27.4% from the same period a year earlier.

In short, there was a mild pick-up in business activity in 2010, but it then contracted again slightly in 2011, owing to the weakness of domestic consumption. Against this background, firms have still not created employment (the latter has declined in most of the sectors analysed), while average compensation has increased by around 1%, with some significant sectoral differences. At the same time, the growth in 2011 in financial costs (owing to higher interest rates) and in depreciation and operating provisions offset the increase in financial revenues, leading to a decline in ordinary profit. All this has entailed a reduction in profit rates and a decline in the difference between such rates and the average cost of borrowing.

Activity

The GVA of the non-financial corporations that reported annual data to the Central Balance Sheet Data Office increased in 2010 by 2.1% (see Table 1 and Chart 1), after two consecutive years of decline (by 2.7% and 7.7% in 2008 and 2009, respectively). Conversely, the activity of small firms (with fewer than 50 employees) continued to contract, according to the CBA and the CBB data for such firms, the latter being based on a much broader sample of firms. In both cases, GVA shows a decline for 2010 of around 4%, less sharp in any event than that experienced by these corporations the previous year. CBQ data for the first nine months of 2011 reveal a resumption of negative changes in GVA, of 0.5%. This more unfavourable recent development has come about against the background of the notable sluggishness of domestic demand, and some buoyancy in exports. In line with this, Table 2 illustrates how, during the first nine months of 2011, exports - and especially those targeted on other European Union countries - gained in weight relative to the total sales by the sample of CBQ corporations.

Making a more detailed sectoral analysis (see Table 3), it can be seen that, among the best represented branches, the sharpest increase in productive activity was in industry, both in 2010, when GVA increased by 9.2%, and during the first nine months of 2011, when it rose by 2.4%. The strong dynamism of exports has benefited corporations in this sector, largely accounting for the growth in both periods. Nonetheless, whereas in 2010 all the industrial sub-sectors posted increases in activity, in the first three quarters of the current year the performance is discernibly more mixed, with significant increases in GVA in the manufacture of transport equipment sub-sector (19.8%) and declines in others, such as the food, beverages and tobacco industry, and the manufacture of computer, electronic and optical products (9.7% and 6.3%, respectively). The energy sector also showed increases in this variable in the two periods analysed, more clearly so in 2010 (7.7%) and to a much lesser extent in the first three quarters of 2011 (0.7%). The favourable

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

TABLE 1

	CBA Structure	CBA		CBQ (a)		
DATABASES	2010	2009	2010	Q1-Q4 10/ Q1-Q4 09	Q1-Q3 10/ Q1-Q3 09	Q1-Q3 11/ Q1-Q3 10
Number of corporations		9.792	7.028	808	823	749
Total national coverage		30.7%	26.6%	13.2%	13.9%	12.6%
PROFIT AND LOSS ACCOUNT						
1 VALUE OF OUTPUT	100.0	-13.0	5.1	8.4	10.1	10.7
1 Of which:						
Net amount of turnover and other operating income	*148.4*	*-13.2*	*4.8*	*9.2*	*10.6*	*13.4*
2 INPUTS (including taxes)	66.3	-15.6	6.7	11.6	13.3	16.6
Of which:						
Net purchases	*95.1*	*-18.6*	*9.1*	*17.0*	*19.1*	*23.5*
Other operating costs	*22.2*	*-6.4*	*1.6*	*8.4*	*7.9*	*0.3*
S.1 GROSS VALUE ADDED AT FACTOR COST [1 – 2]	33.7	-7.7	2.1	2.7	4.5	-0.5
3 Personnel costs	19.0	-3.3	-0.4	-1.3	-1.2	0.5
S.2 GROSS OPERATING PROFIT [S.1 – 3]	14.6	-13.8	5.7	6.5	10.0	-1.4
4 Financial revenue	5.3	-14.9	3.7	5.2	-3.2	19.1
5 Financial costs	4.5	-29.1	-1.4	1.4	-0.2	10.3
6 Depreciation and operating provisions	6.4	-5.1	1.4	4.8	2.9	6.5
S.3 ORDINARY NET PROFIT [S.2 + 4 – 5 – 6]	9.0	-10.8	11.8	9.4	12.2	-2.9
7 Capital gains and extraordinary revenue (b)	-0.6	—	—	—	13.5	-36.3
7' As a percentage of GVA (7 / S.1)		4.6	-1.9	-2.8	7.7	4.7
8 Changes in fair value and other gains (losses) (b)	-1.0	4.2	39.5	47.1	-25.5	—
8' As a percentage of GVA (8 / S.1)		-4.5	-2.9	-3.8	-0.7	-7.6
9 Corporate income tax	1.2	35.9	29.9	24.5	32.8	-25.6
S.4 NET PROFIT [S.3 + 7 + 8 - 9]	6.3	54.7	-15.5	-12.6	9.0	-27.4
S. 4' As a percentage of GVA (S.4 / S.1)		20.8	18.7	26.3	34.9	25.5
PROFIT RATIOS	Formulas (c)					
R.1 Return on investment (before taxes)	(S.3 + 5.1) / AN	6.2	6.2	6.3	5.5	5.1
R.2 Interest on borrowed funds/ interest-bearing borrowing	5.1 / RAC	3.6	3.3	3.2	3.2	3.5
R.3 Ordinary return on equity (before taxes)	S.3 / PN	8.7	8.8	9.0	7.6	6.5
R.4 ROI – cost of debt (R.1 – R.2)	R.1 – R.2	2.7	2.8	3.1	2.3	1.6

SOURCE: Banco de España.

a All the data in this column have been calculated as the weighted average of the quarterly data.
b New P&L headings resulting from application of the new General Chart of Accounts (PGC 2007).
c 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).

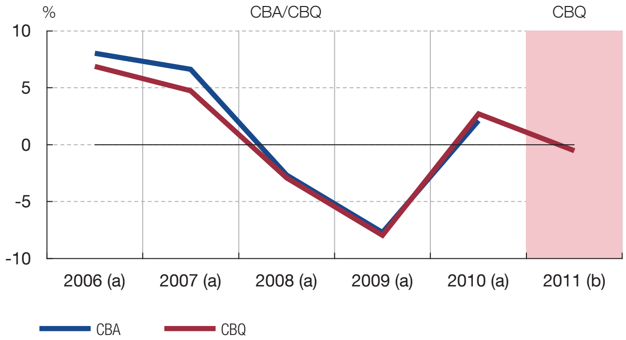
NB: In calculating rates, internal accounting movements have been edited out of items 4, 5, 7 and 8.

performance of activity in this aggregate in 2010 has been much influenced by the behaviour of oil refining corporations (whose GVA increased by 66.1%), against the backdrop of the rising trend in oil prices (see Chart 2), while in 2011 the contraction in margins undergone by the corporations in this sub-sector accounts for the increase in GVA of only 2%. The other major energy aggregate, comprising the utilities, posted increases in GVA of 3.8% in 2010 and of 0.7% to September 2011. Corporations in the wholesale and retail trade and accommodation and food service activities sector were affected by the weakness of consumption. Evidencing this was the decline in their activity (2.2%), following

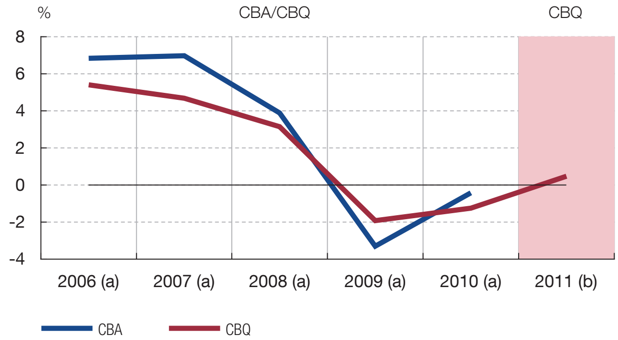
NON-FINANCIAL CORPORATIONS REPORTING TO THE CENTRAL BALANCE SHEET DATA OFFICE

CHART 1

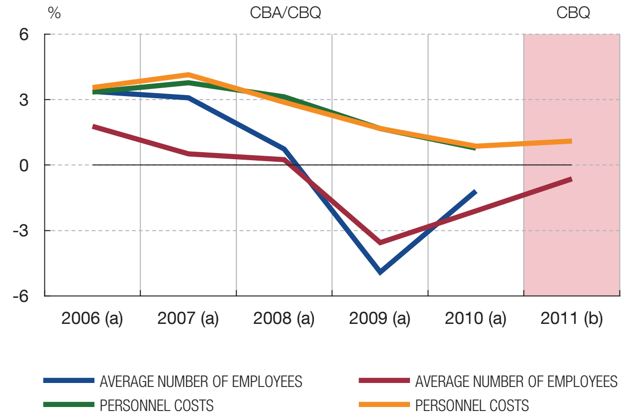
GROSS VALUE ADDED AT FACTOR COST
Rate of change



PERSONNEL COSTS
Rate of change



EMPLOYMENT AND WAGES
Rate of change



GROSS OPERATING PROFIT
Rate of change

REPORTING NON-FINANCIAL CORPORATIONS		2006	2007	2008	2009	2010	2011
Number of corporations	CBA	9,276	9,321	9,639	9,792	7,028	—
	CBQ	830	849	817	805	808	749
% of GDP of the sector Non-financial corporations	CBA	33.5	33.9	31.6	30.7	26.6	—
	CBQ	14.6	14.3	13.1	12.8	13.2	12.6

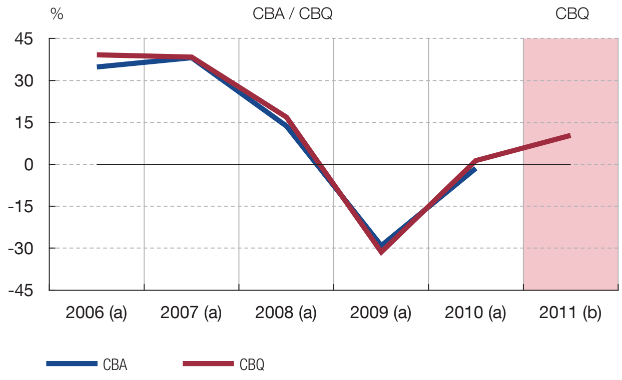
SOURCE: Banco de España.

a 2006, 2007, 2008, 2009 and 2010 data are the average data of the four quarters of each year (CBQ) in relation to the previous year for the corporations reporting to the annual survey (CBA).
b Data up to 2011 Q3 vis-à-vis the same period in 2010.

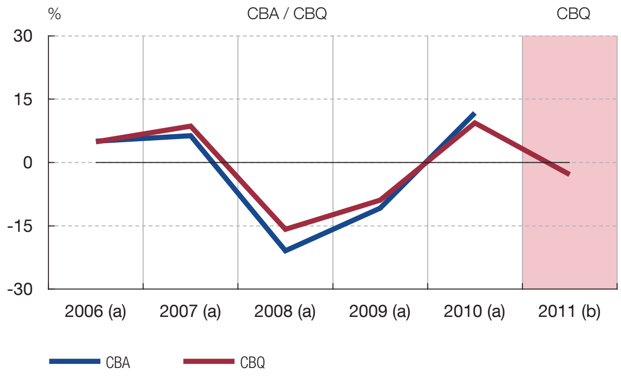
the increase recorded the previous year (1.9%). Activity in the information and communications sector held on a contractionary course in the two periods analysed, with reductions in GVA of around 4%. Accounting for this, in addition to the weakness of private consumption, is the environment of strong competition and diminishing margins in the telecommunications sub-sector. Lastly, GVA in the aggregate encompassing the remaining sectors declined in 2010 by 2.2%, largely due to the contractionary effect of construction and real estate corporations, while in the first nine months of 2011 it posted low growth (1.5%), although it should be borne in mind that these types of corporation are comparatively less represented in the CBQ.

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

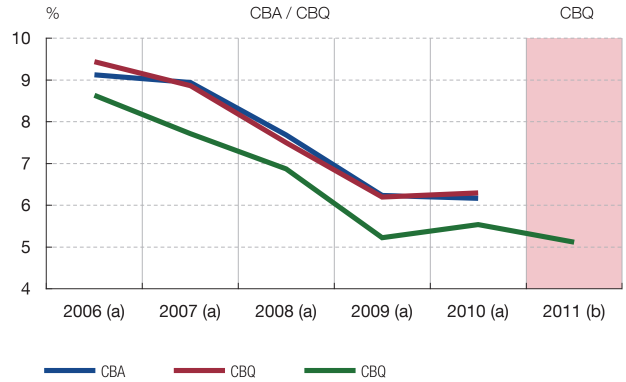
FINANCIAL COSTS
Rate of change



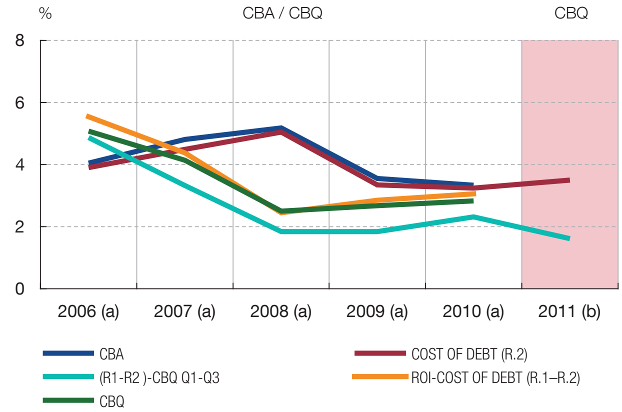
ORDINARY NET PROFIT
Rate of change



RETURN ON INVESTMENT (R.1)
Ratios



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



REPORTING NON-FINANCIAL CORPORATIONS		2006	2007	2008	2009	2010	2011
Number of corporations	CBA	9,276	9,321	9,639	9,792	7,028	—
	CBQ	830	849	817	805	808	749
% of GDP of the sector Non-financial corporations	CBA	33.5	33.9	31.6	30.7	26.6	—
	CBQ	14.6	14.3	13.1	12.8	13.2	12.6

SOURCE: Banco de España.

a 2006, 2007, 2008, 2009 and 2010 data are the average data of the four quarters of each year (CBQ) in relation to the previous year for the corporations reporting to the annual survey (CBA).
b Data up to 2011 Q3 vis-à-vis the same period in 2010.

Finally, Chart 3 shows the percentiles of the distribution of corporations on the basis of changes in GVA. It can be seen how the median corporation (50th percentile) posted, in the first three quarters of 2011, a slight decline in activity in year-on-year terms, albeit somewhat more moderately than what may be inferred from the aggregate indicators. The lesser dynamism in activity, compared with the same period a year earlier, is reflected essentially in the 75th percentile, which shows the situation of 25% of the corporations with higher increases in this variable. Conversely, in the lower part of the distribution, somewhat less sharp declines are seen. As a result, the dispersion among corporations declined in terms of the increase in GVA.

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

TABLE 2

		CBA		CBQ (a)	
		2009	2010	Q1-Q3 2010	Q1-Q3 2011
Total corporations		7,028	7,028	749	749
Corporations reporting source/destination		7,028	7,028	711	711
Percentage of net purchases according to source	Spain	68.5	65.5	81.3	82.1
	Total abroad	31.5	34.5	18.7	17.9
	EU countries	16.4	16.4	13.1	13.1
	Third countries	15.1	18.1	5.6	4.8
Percentage of net turnover according to destination	Spain	84.7	82.9	87.9	86.8
	Total abroad	15.3	17.1	12.1	13.2
	EU countries	10.3	11.4	8.4	9.6
	Third countries	5.0	5.8	3.7	3.6
Change in net external demand (exports less imports), rate of change	Industry	23.5	0.4	6.1	34.0
	Other corporations	39.9	-27.4	—	110.6

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

TABLE 3

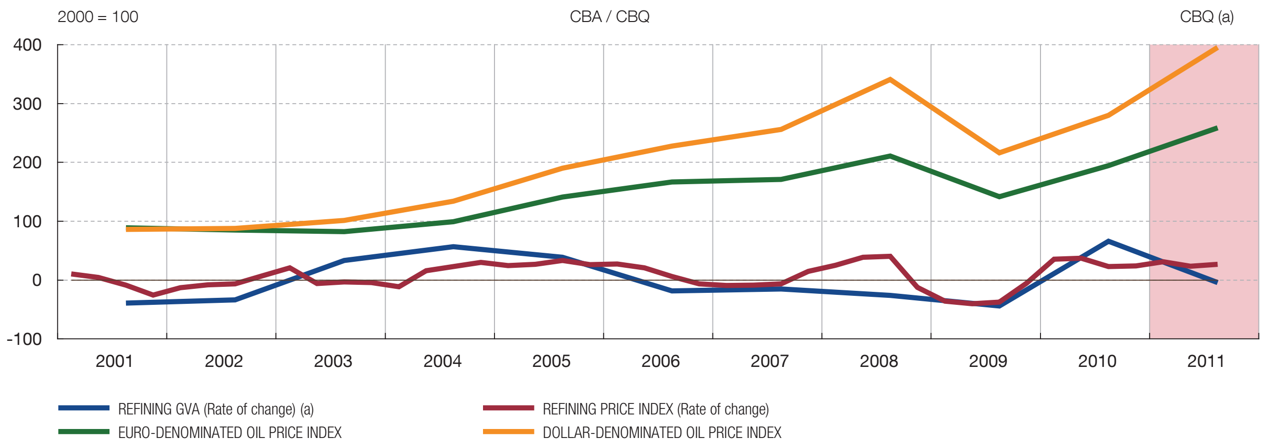
	Gross value added at factor cost				Employees (Average for period)				Personnel costs				Compensation per employee			
	CBA	CBQ (a)			CBA	CBQ (a)			CBA	CBQ (a)			CBA	CBQ (a)		
	2010	Q1-Q4 2010	Q1-Q3 2010	Q1-Q3 2011	2010	Q1-Q4 2010	Q1-Q3 2010	Q1-Q3 2011	2010	Q1-Q4 2010	Q1-Q3 2010	Q1-Q3 2011	2010	Q1-Q4 2010	Q1-Q3 2010	Q1-Q3 2011
TOTAL	**2.1**	**2.7**	**4.5**	**-0.5**	**-1.2**	**-2.1**	**-2.1**	**-0.6**	**-0.4**	**-1.3**	**-1.2**	**0.5**	**0.8**	**0.9**	**0.9**	**1.1**
SIZE:																
Small	-4.0	—	—	—	-4.3	—	—	—	-3.1	—	—	—	1.2	—	—	—
Medium	1.0	4.2	4.1	4.4	-2.1	-3.3	-3.7	-1.2	-0.6	-1.4	-1.8	0.8	1.5	2.0	2.0	1.9
Large	2.4	2.7	4.6	-0.7	-1.0	-2.0	-2.0	-0.6	-0.3	-1.2	-1.2	0.4	0.7	0.8	0.8	1.1
BREAKDOWN OF ACTIVITIES BEST REPRESENTED IN THE SAMPLE:																
Energy	7.7	8.8	9.7	0.7	-2.1	-2.2	-2.4	-0.6	0.5	0.2	-0.4	0.4	2.6	2.5	2.1	1.0
Industry	9.2	18.2	15.6	2.4	-2.4	-2.3	-2.8	0.0	0.1	-0.9	-1.5	2.2	2.5	1.4	1.3	2.2
Wholesale & retail trade & accomodation & food service activities	1.9	3.3	5.4	-2.2	-0.8	-0.8	-1.3	2.1	0.5	0.2	-0.3	2.6	1.3	1.1	1.1	0.5
Information and communication	-3.6	-5.3	-4.4	-4.5	-2.5	-1.7	-1.9	-0.5	-1.0	0.5	0.3	1.7	1.5	2.3	2.2	2.3
Other activities	-2.2	-0.9	3.4	1.5	-0.5	-3.0	-2.4	-2.8	-1.3	-2.9	-2.1	-1.6	-0.7	-0.9	3.4	1.5

SOURCE: Banco de España.

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

IMPACT OF OIL PRICES ON THE REFINING SECTOR

CHART 2

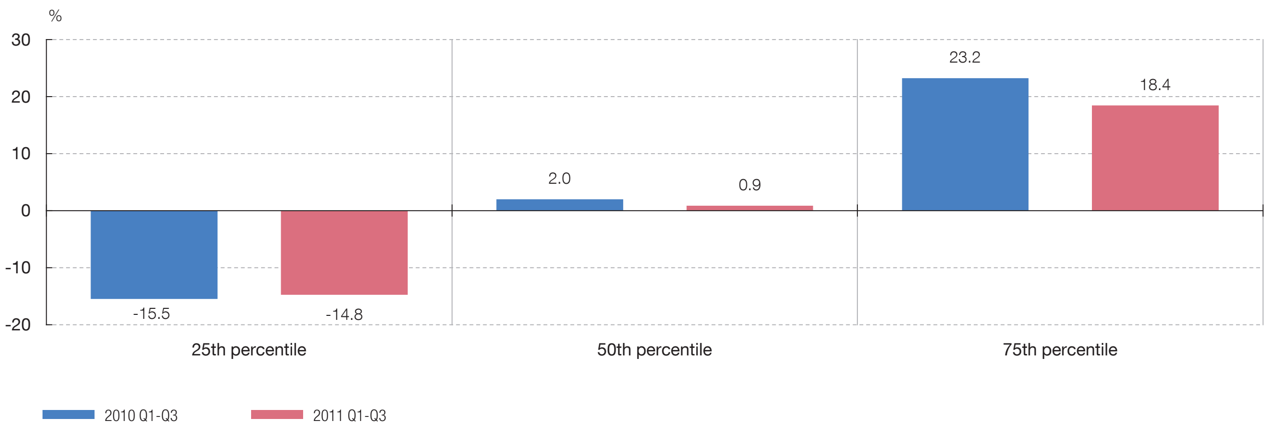


SOURCE: Banco de España and Ministerio de Industria, Turismo y Comercio (monthly price report).

a 2011 data relate to the CBQ.

DISTRIBUTION OF CORPORATIONS BY RATE OF CHANGE IN GVA

CHART 3



SOURCE: Banco de España.

Employment and personnel costs

There were scarcely any changes in personnel costs either in 2010, when they declined by 0.4%, or during the first three quarters of 2011, in which they increased by 0.5% (see Table 3). The behaviour of these costs is the result of two opposing effects; on one hand, employment continued to fall in the two periods analysed, whereas average compensation held at a growth rate of around 1%.

Indeed, employment remained firmly on a declining trend, dating back to 2009, meaning that both in 2010 and in the first nine months of 2011 average headcounts at corporations showed reductions (of 1.2% and 0.6%, respectively). The figures in Table 4 reveal how the declines in the average number of employees continued during 2011 to affect a majority of corporations in the sample (52.7%), although this percentage is somewhat lower than that recorded in the same period of 2010 (56.6%). The adjustments essentially affected temporary employment, while employees with a permanent contract trended more stably over these past two years, with the quarterly data for 2011 even showing a slight increase in permanent employment (0.5%). Analysis at the level of the productive branches shows that job destruction impacted aggregates across the board, affecting particularly sharply

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

TABLE 4

	CBA		CBQ (a)			
	2009	2010	Q1-Q4 2009	Q1-Q4 2010	Q1-Q3 2010	Q1-Q3 2011
Number of corporations	9,792	7,028	805	808	823	749
PERSONNEL COSTS	100	100	100	100	100	100
Falling	57.4	48.1	57.2	49.6	51.0	47.4
Constant or rising	42.6	51.9	42.8	50.4	49.0	52.6
AVERAGE NUMBER OF EMPLOYEES	100	100	100	100	100	100
Falling	54.7	46.2	62.6	55.7	56.6	52.7
Constant or rising	45.3	53.8	37.4	44.3	43.4	47.3

SOURCE: Banco de España.

a Weighted average of the relevant quarters for each column.

the sector encompassing other activities, which posted a decline of 2.8%, almost 0.5 pp up on the same period in the previous year for the CBQ sample. As an exception to the broad trend, the average number of employees in the wholesale and retail trade and accommodation and food service activities sector rose in 2011 by 2.1%.

The growth rate of average compensation fell in 2010 to 0.8%, almost 1 pp down on the previous year. Conversely, in the first three quarters of 2011, these costs quickened slightly, at a rate of 1.1%, compared with that of 0.9% recorded in the same period the previous year (see Table 3). This rise is more clearly discernible in certain branches, such as information and communications, which was the aggregate in which average personnel costs grew most sharply in 2011 (2.3%), or industry, where average compensation rose by 2.2%, almost 1 pp up on the same period a year earlier. At the other extreme, the wholesale and retail trade and accommodation and food service activities sector showed the smallest expansion in wage costs, with an increase of 0.5%. In an intermediate position is the energy aggregate and that encompassing other activities, which saw increases in average compensation of 1% and 1.2%, respectively, during the first nine months of 2011. The information in Table 5 shows sharper growth in employee wages (2.5%) at corporations with staff cuts, while those at which the average number of employees held or grew posted much lower growth in compensation (0.2%).

Profits, rates of return and debt

In line with the developments in productive activity, gross operating profit (GOP) also grew in 2010, by 5.7%, partially recovering from the strong declines recorded in the two previous years (10.2% in 2008 and 13.8% in 2009). In the first three quarters of 2011, GOP once again moved on a slightly contractionary course, with a decline of 1.4% year-on-year.

Financial revenue grew in the two periods analysed, albeit with greater intensity in 2011 (19.1%), as a result both of higher dividends, largely from foreign subsidiaries, and of the increase in interest received, against the background of interest-rate rises.

Financial costs fell by 1.4% in 2010, after having declined almost 30% in 2009. During the first nine months of 2011, in contrast, they increased by 10.3%, which has translated into a further rise in the ratio measuring the interest burden (see Chart 4). The latest growth in these costs has been basically due to the effect of the rise in interest

EMPLOYMENT AND PERSONNEL COSTS
Details based on changes in staff levels

TABLE 5

		Total CBQ corporations Q1-Q2 2011	Corporations increasing (or not changing) staff levels	Corporations reducing staff levels
Number of corporations		749	381	368
PERSONNEL COSTS:				
Initial situation Q1-Q3 2010 (€m)		22,129.8	11,413.6	10,716.2
Rate Q1-Q3 2011 / Q1-Q3 2010		0.5	4.8	-4.2
AVERAGE COMPENSATION				
Initial situation Q1-Q3 2010 (€)		33,249.3	32,372.0	34,426.0
Rate Q1-Q3 2011 / Q1-Q3 2010		1.1	0.2	2.5
NUMBER OF EMPLOYEES				
Initial situation Q1-Q3 2010 (000s)		664	353	311
Rate Q1-Q3 2011 / Q1-Q3 2010		-0.6	4.6	-6.5
Permanent	Initial situation Q1-Q3 2010 (000s)	571	306	265
	Rate Q1-Q3 2011 / Q1-Q3 2010	0.5	4.1	-3.7
Non-permanent	Initial situation Q1-Q3 2010 (000s)	93	46	46
	Rate Q1-Q3 2011 / Q1-Q3 2010	-7.4	7.9	-22.9

SOURCE: Banco de España.

rates, while the impact associated with changes in debt was virtually negligible (see Table 6). In line with the lower recourse to fresh borrowed funds, the E1 debt ratio (which divides interest-bearing debt by net assets) has held virtually unchanged since 2009 (see Chart 4). The E2 ratio, which proxies repayment capacity, moved on a declining course over the past two years, to which the growth of GOP and, more recently, the buoyancy of financial revenue contributed in 2010. Developments in financing are consistent with slack investment by these corporations since the onset of the crisis. Thus, both the CBA information for 2010 and the more recent CBQ data to September 2011 show that gross fixed capital formation fell considerably: by 5.7% and 20.1%, respectively.

In this context, average supplier-payment periods, proxied using accounting data, tended to fall somewhat in 2010, while average collection periods scarcely changed (see Box 2). Nonetheless, the levels in both cases held above those prior to the crisis. The breakdown by size shows how the average term of net trade financing extended by small corporations increased once again last year.

Costs relating to net depreciation, impairment and operating provisions, which grew by scarcely 1.4% in 2010 for the CBA sample, climbed by 6.5% in the CBQ in the first nine months of 2011, largely owing to the provisions set aside by certain real estate corporations, so as to recognise the lower value of their stocks.

This led ONP to grow by 11.8% in 2010, in line with the expansionary trend shown by the previous profit figures analysed, while in the first three quarters of 2011 this aggregate has declined by 2.9%. The increase in ordinary profits in 2010 allowed rates of return to hold at similar levels to those of the previous year: 6.2% for ROI, and 8.8% for ROE. Conversely, in 2011, these indicators have clearly declined. In the case of ROI, the related

DEBT RATIOS

CHART 4

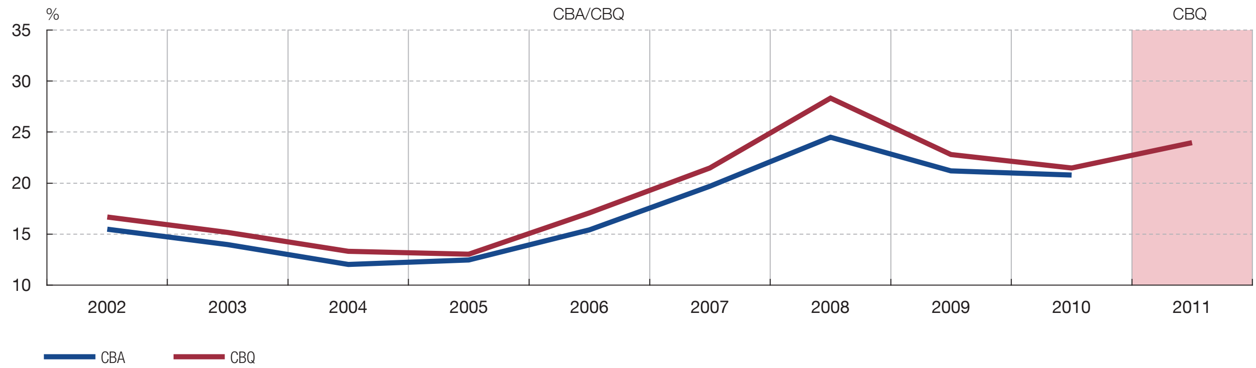
E1. INTEREST-BEARING BORROWING / NET ASSETS (a)
Ratios

	2006	2007	2008	2009	2010	2011
CBA	46.9	46.9	48.3	47.6	47.4	
CBQ	45.1	45.6	46.7	46.7	46.8	47.2

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

	2006	2007	2008	2009	2010	2011
CBA	427.7	438.7	505.9	592.8	579.8	
CBQ	536.2	539.0	593.3	696.6	682.8	665.3

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	21.2	20.8	
CBQ	16.7	15.2	13.3	13.0	17.1	21.5	28.3	22.8	21.5	24.0

SOURCE: Banco de España.

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

ANALYSIS OF DEVELOPMENTS IN FINANCIAL COSTS

TABLE 6

	2009-2010	2011 Q1-Q3 / 2010 Q1-Q3
Change in financial costs	**-1.4**	**10.3**
A. Interest on borrowed funds	-1.8	11.0
1. Due to the cost (interest rate)	-6.3	11.3
2. Due to the amount of interest-bearing debt	4.5	-0.3
B. Other financial costs	0.4	-0.7

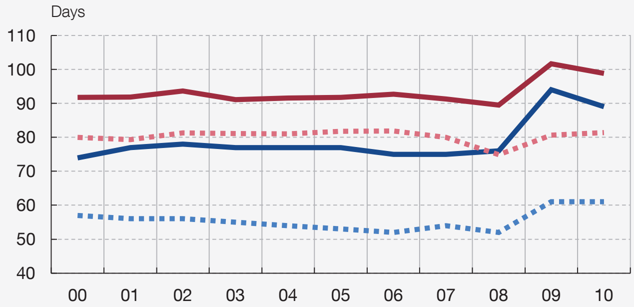
SOURCE: Banco de España.

RECENT DEVELOPMENTS IN AVERAGE CUSTOMER-COLLECTION AND SUPPLIER-PAYMENT PERIODS AND IN NET TRADE FINANCING EXTENDED BY NON-FINANCIAL CORPORATIONS

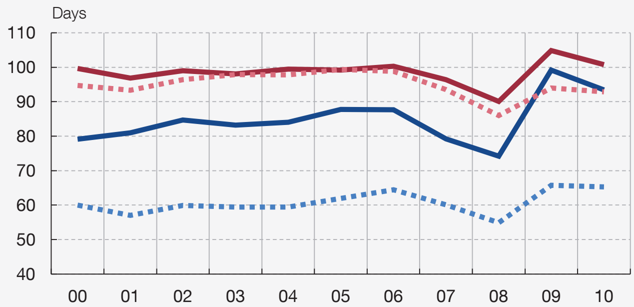
Analysis of the flows associated with trade credit is a key element, especially during periods of economic crisis, for assessing the financial pressure to which corporations may be subjected. Thus, a lengthening of average supplier-payment periods may be a sign of greater liquidity problems. Likewise, an extension of customer-collection periods that cannot be passed through to suppliers or offset with great resort to borrowing might affect investment decisions and, at the limit, the very survival of certain corporations.

AVERAGE COLLECTION AND PAYMENT PERIODS

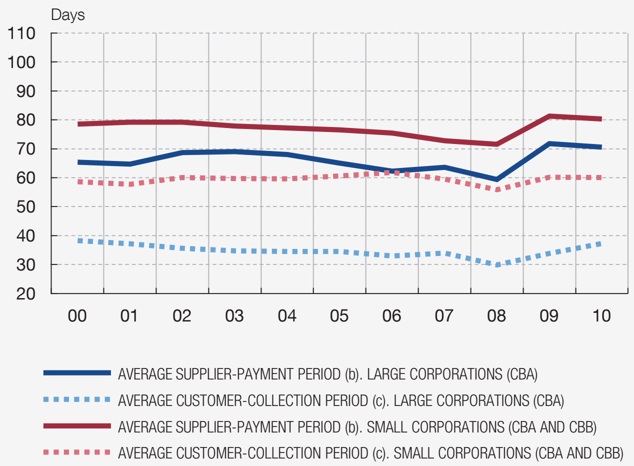
1 TOTAL



2 INDUSTRY

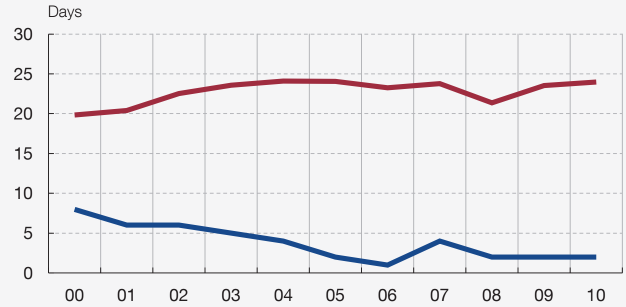


3 WHOLESALE AND RETAIL TRADE & ACCOMMODATION AND FOOD SERVICE ACTIVITIES

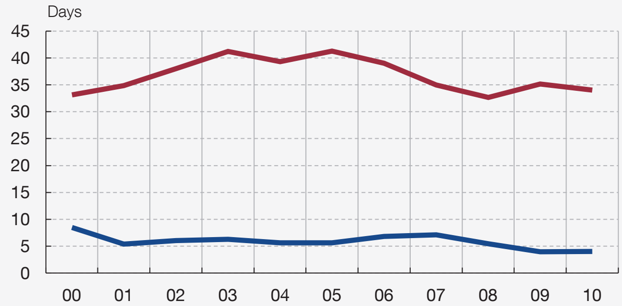


NET TRADE FINANCING EXTENDED (a)

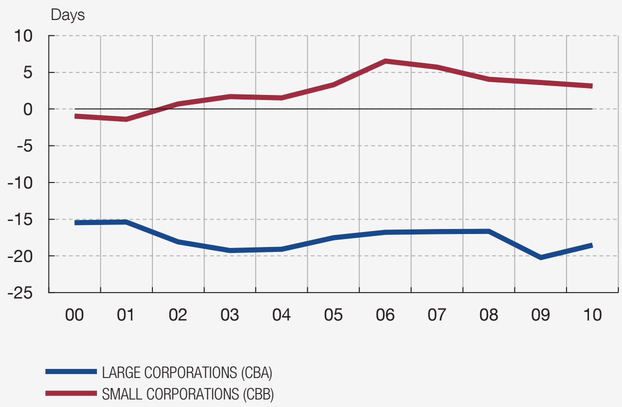
1 TOTAL



2 INDUSTRY



3 WHOLESALE AND RETAIL TRADE & ACCOMMODATION AND FOOD SERVICE ACTIVITIES



SOURCE: Banco de España.

a Ratio defined as the net balance of customers and suppliers divided by annual sales and multiplied by 365.
b Ratio defined as suppliers divided by annual purchases multiplied by 365.
c Ratio defined as customers divided by annual sales multiplied by 365.

The databases available to the Central Balance Sheet Data Office (CBSO) allow, drawing on aggregate accounting data, for the approximate calculation of average supplier-payment and customer-collection periods, along with the average period of net trade financing extended[1], which indicates the average number of days that the corporation grants (or receives, if the figure is negative) funds, in net terms, as a result of its commercial transactions. In any event, it should be stressed that the data thus obtained are approximations; they are useful for analysing changes and the trend in average periods, but they cannot be taken as a reference for verifying the degree of compliance with the legal limits set for these periods.[2] The accompanying panels show the figures obtained for these three ratios, between 2000 and 2010, for the total sample of CBSO corporations and for two sectors in particular, namely industry and wholesale and retail trade and accommodation and food service activities. A distinction is made between corporation size, presenting on one hand large corporations (those with more than 250 employees) and, on the other, small and medium-sized corporations (for which the information available in the CBA and that existing in the database created from filings with the Mercantile Registries, the CBB, has been aggregated).[3]

Firstly, it can be seen that, throughout the period under analysis, average supplier-payment and customer-collection periods are higher for small corporations than for larger corporations, the difference between both being smaller for supplier-payment periods (see left-hand panels). Further, it is revealed that the corporations in the sample tend to extend, in net terms, financing to other agents (general government, households and the external sector), at average terms which are substantially longer for small corporations (see right-hand panels). In the wholesale and retail trade and accommodation and food service activities sector, by contrast, the bigger corporations obtained funds, in net terms, as a result of their commercial transactions.

The economic recession in 2009 had a most considerable impact on average customer-collection and supplier-payment periods, which lengthened notably during that year, revealing corporations' greater liquidity difficulties. The rise was particularly marked in the industrial sector and, to a lesser extent, in the wholesale and retail trade and accommodation and food service activities sector, which were two of the branches that were most affected by the economic crisis. The average term of net financing extended by small corporations also lengthened, while that relating to large corporations hardly changed.

In 2010, against the backdrop of some recovery in productive activity, average supplier-payment periods tended to shorten somewhat, although they held above pre-crisis levels, whereas customer-collection periods scarcely changed. The biggest decline in average payment periods was detected in the industrial sector, which was one of those that most forcefully recovered in terms of its GVA and profits. The average period of net trade financing extended by small corporations continued to lengthen.

In conclusion, the findings in this Box show that, during 2009, there was a significant lengthening in non-financial corporations' average customer-collection and supplier-payment periods, suggesting greater liquidity difficulties for the corporations, against the background of a contraction in activity. Some shortening of average supplier-payment periods is detected in 2010, perhaps resulting from an improvement in corporations' treasury position, although the reduction in the legal maximum terms may also have contributed here. As a result of commercial transactions, the average period of financing extended by small corporations increased during the past two years, a situation which suggests that this type of company may be experiencing a growing degree of financial pressure in this connection.

1 Specifically, the average supplier-payment period is calculated as the ratio of this variable to annual purchases, multiplied by 365. The average customer-collection period is calculated similarly (customers divided by annual sales multiplied by 365), and the average period of net trade financing extended is obtained as the difference between the balance of customers and of suppliers, divided by total annual sales, multiplied by 365.

2 With the aim of restricting average supplier-payment periods, a European Directive (2000/35/EC) was promulgated in 2000. It proposed measures to combat late payment in commercial transactions. The Directive has been transposed into Spanish legislation through Law 15/2010 (amending Law 3/2004), which sets, for at the latest by 1 January 2013, a maximum payment term covering commercial transactions, both between companies and with the general government sector. In this connection a transitory period establishing progressive reductions is set, obtaining by 2013 a maximum supplier-payment period of 60 days in the case of transactions between corporations, and of 30 days if they are with the general government sector.

3 The figures for the different ratios are linked taking into account the changes in a sample of corporations common to each of the years of the period analysed.

figure was 5.1%, compared with 5.5% in the first nine months of 2010, while ROE fell to 6.5%, more than 1 pp down on the figure for the same period the previous year (7.6%). This adverse performance affected all sectors without exception (see Table 7). However, the recent decline in rates of return for the overall CBQ sample has proven compatible with an increase in the related return at medium-sized corporations and with a shift in the distribution of this indicator towards somewhat higher levels of profitability (see Table 8). That suggests that the aggregate data are greatly influenced by the behaviour of bigger

GROSS OPERATING PROFIT, ORDINARY NET PROFIT, RETURN ON INVESTMENT AND ROI-COST OF DEBT (R.1 – R.2). BREAKDOWN BY SIZE AND MAIN ACTIVITY OF CORPORATIONS **TABLE 7**

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

	Gross operating profit				Ordinary net profit				ROI (R.1)				ROI-Cost of debt (R.1-R.2)			
	CBA	CBQ (a)			CBA	CBQ (a)			CBA	CBQ (a)			CBA	CBQ (a)		
	2010	Q1-Q4 2010	Q1-Q3 2010	Q1-Q3 2011	2010	Q1-Q4 2010	Q1-Q3 2010	Q1-Q3 2011	2010	Q1-Q4 2010	Q1-Q3 2010	Q1-Q3 2011	2010	Q1-Q4 2010	Q1-Q3 2010	Q1-Q3 2011
TOTAL	**5.7**	**6.5**	**10.0**	**-1.4**	**11.8**	**9.4**	**12.2**	**-2.9**	**6.2**	**6.3**	**5.5**	**5.1**	**2.8**	**3.1**	**2.3**	**1.6**
SIZE:																
Small	-6.1	—	—	—	6.0	—	—	—	3.5	—	—	—	0.0	—	—	—
Medium	3.8	13.8	13.8	9.5	16.1	35.8	33.5	17.9	5.2	5.6	5.4	6.4	2.0	2.5	2.6	3.2
Large	6.0	6.3	9.9	-1.7	11.6	8.8	11.7	-3.5	6.2	6.3	5.5	5.1	2.9	3.1	2.3	1.6
BREAKDOWN OF ACTIVITIES BEST REPRESENTED IN THE SAMPLE:																
Energy	11.3	11.3	12.7	0.8	6.1	1.7	9.2	-3.0	6.2	6.4	5.8	5.3	2.9	3.1	2.5	2.0
Industry	26.7	76.4	61.1	2.8	76.0	145.4	86.4	34.3	6.2	4.6	4.2	3.1	2.4	0.7	0.4	-0.9
Wholesale & retail trade & accomodation & food service activities	4.6	8.9	16.4	-9.9	4.5	14.8	27.4	-13.9	8.1	7.6	7.1	6.0	4.3	4.4	4.0	2.4
Information and communication	-5.0	-7.1	-6.0	-6.9	-4.8	-10.4	-8.4	-10.5	21.7	27.1	28.1	26.6	17.7	22.7	23.5	22.1
Other activities	-4.7	4.1	17.3	8.5	7.6	40.2	45.9	27.7	4.8	5.1	4.1	3.9	1.7	2.0	1.1	0.5

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-Q3	2011 Q1-Q3	2010 Q1-Q3	2011 Q1-Q3
Number of corporations		823	749	823	749
Percentage of corporations by profitability bracket	R <= 0	30.0	29.6	34.4	33.8
	0 < R <= 5	25.8	23.2	18.1	15.8
	5 < R <= 10	14.9	16.5	10.8	11.4
	10 < R <= 15	7.1	8.1	7.8	9.2
	15 < R	22.2	22.5	28.9	29.8
MEMORANDUM ITEM: Average return		5.5	5.1	7.6	6.5

SOURCE: Banco de España.

corporations, which have evidenced a comparatively less favourable performance. The ratio measuring the cost of debt turned around in 2011, driven by interest rate rises, which have progressively passed through to corporate costs, leading this ratio to rise slightly in 2011 (to 3.5%), following the low recorded the previous year (3.3%). The upward course of these costs, combined with the downturn in the ROI, meant that the difference between both ratios declined in 2011 to 1.6%, compared with 2.3% a year earlier. The worsening of this difference was evident in all sectors of activity, even turning negative in some, such as industry (-0.9%).

Lastly, the analysis of extraordinary gains (losses) highlights the negative influence that these results have had on the growth of final profit in the two periods analysed. Thus, in 2010 it can be seen how the gains (losses) from disposals and impairment (the most significant item under this heading) declined strongly, as a result of the lower gains recorded in 2010 compared with the previous year, and of the presence of certain high provisions recorded by corporations in the valuation of their financial asset portfolios, which has led this heading to show a negative figure in this period. During the first three quarters of 2011, the declining trend of gains associated with asset sales, chiefly of shares and other equity, has continued, leading the heading of gains (losses) from disposals and impairment to show a reduction of 36.3%. To this must be added the impact arising from redundancy programmes, which has obliged some large corporations to set aside significant extraordinary provisions which have been recorded, as an expense, under the heading of changes in fair value and other extraordinary gains (losses). Accordingly, profit for the year posted significant declines: 15.5% in 2010 and 27.4% to September 2011. Expressed as a percentage of GVA, this profit fell in 2010 to 18.7%, 2 pp less than the previous year, while in 2011 to date it declined by more than 9 pp compared with the same period the previous year, for the CBQ sample, standing at 25.5%.

15.11.2011.

LABOUR FLOWS IN THE EU AT THE BEGINNING OF THE CRISIS

The authors of this article are José María Casado, Cristina Fernández-Vidaurreta and Juan F. Jimeno, of the Directorate General Economics, Statistics and Research.

Introduction

One of the most significant aspects of the current crisis is its varying impact on the labour market variables of different EU countries. For instance, in some, during the initial phase of the crisis the unemployment rate scarcely rose and, in fact, in Germany it decreased by approximately 1 pp. Four years after the crisis began, the unemployment rate in Germany is at a record low (of 5.8%), while in other countries – especially Spain and Ireland – it has reached similar or even higher levels than those recorded in the first half of the 1990s (see Chart 1).[1] Understanding the reasons behind the different impact of the crisis on the labour market is crucial for designing policies which encourage job creation and accelerate the recovery.

An increase in the unemployment rate may reflect higher job destruction, lower job creation, an increase in the labour force (due, for example, to the inflow into the unemployment pool of new population groups which were previously inactive in the labour market) or various combinations of these three basic driving forces. The type of shock received by an economy, the employment policies implemented in response to it and labour market institutional arrangements determine variations in these three underlying variables of the unemployment rate. Consequently, a mere international comparison of aggregate unemployment rates will generally offer an incomplete picture that will not analyse in enough detail all the different factors behind the change in unemployment in a given country, nor will it analyse the contribution of employment policies and labour market institutional arrangements to said change.

Given the divergent performance of the unemployment rate in EU labour markets at the beginning of the crisis, it is reasonable to anticipate that the contribution to rising unemployment of higher job destruction, lower job creation and a fluctuating labour force has also been very mixed. In order to analyse the reasons for these differences, it is necessary to analyse labour flows and their demographic breakdown, i.e. the characteristics of the individuals comprising such flows. This type of analysis may also identify better the role played by employment policies and labour market institutional arrangements. For example, the impact of short-time working schemes, such as those implemented in Germany[2] and Austria, among other countries, should affect transitions in the labour market from employment to unemployment. Similarly, changes in unemployment due to the "discouragement effect" (the unemployed who give up looking for work) or the "additional worker effect" (an individual who becomes active in response to another member of the family unit becoming unemployed) are observed more directly when studying flows between employment/unemployment and inactivity.

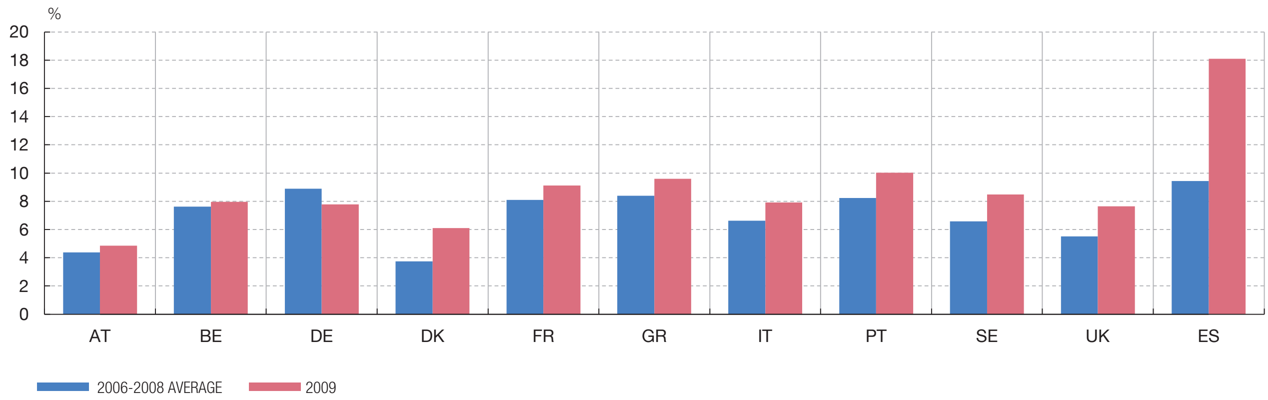
This article analyses the variation in flows of workers between statuses of employment, unemployment and inactivity at the onset of the crisis, in order to identify some of the factors which may underpin the cross-country differences observed in the increase of unemployment

1 See IMF, *Economic Outlook,* April 2010; OECD, *Employment Outlook,* 2010; and European Commission, *Employment in Europe,* 2010, for a detailed description of the different impact of the crisis on the unemployment rates of the various euro area countries.

2 Burda and Hunt (2011).

UNEMPLOYMENT RATE BY COUNTRY

CHART 1



SOURCE: EU-LFS.

during that period. For this purpose, using the micro data of the European Labour Force Survey published annually by Eurostat, the size of flows of workers between the three possible labour market states (employment, unemployment and inactivity) is quantified as well as its contribution to the rise in the unemployment rate at the onset of the crisis. The advantage of using this database is that a relatively homogeneous comparison can be made both in terms of definition of the variables and data collection between various EU countries. Thus, in this analysis the results obtained for 11 EU countries are compared: Austria, Belgium, Germany, Denmark, Spain, France, Greece, Italy, Portugal, Sweden and the United Kingdom. Furthermore, the micro breakdown of the survey not only makes it possible to quantify changes in the flows, as has been done in other studies,[3] but also to identify the demographic characteristics of their constituent individuals. By contrast, Eurostat makes these data available with a slight lag which limits the time span for performing this analysis.[4]

A further caveat worth pointing out is that the results are influenced by the annual frequency of the data used, since with this sample frequency it is not possible to observe labour transitions which occur in a period of less than 12 months. These transitions may be important for certain population groups and, especially, in countries where the labour market institutional arrangements favour high labour turnover. Thus, the analysis presented below generally provides a lower level for the probabilities of moving between the three relevant labour market states: employment, unemployment and activity/inactivity.

Labour flows and changes in the unemployment rate

If the probabilities of moving between labour inactivity, employment and unemployment remained constant over time, the unemployment rate would ultimately also converge on a constant value formally known as the *steady-state unemployment rate.*[5] Based on this

3 Shimer (2007), Elsby et al. (2011), and Petrongolo and Pissarides (2008).

4 The latest available data refer to 2009.

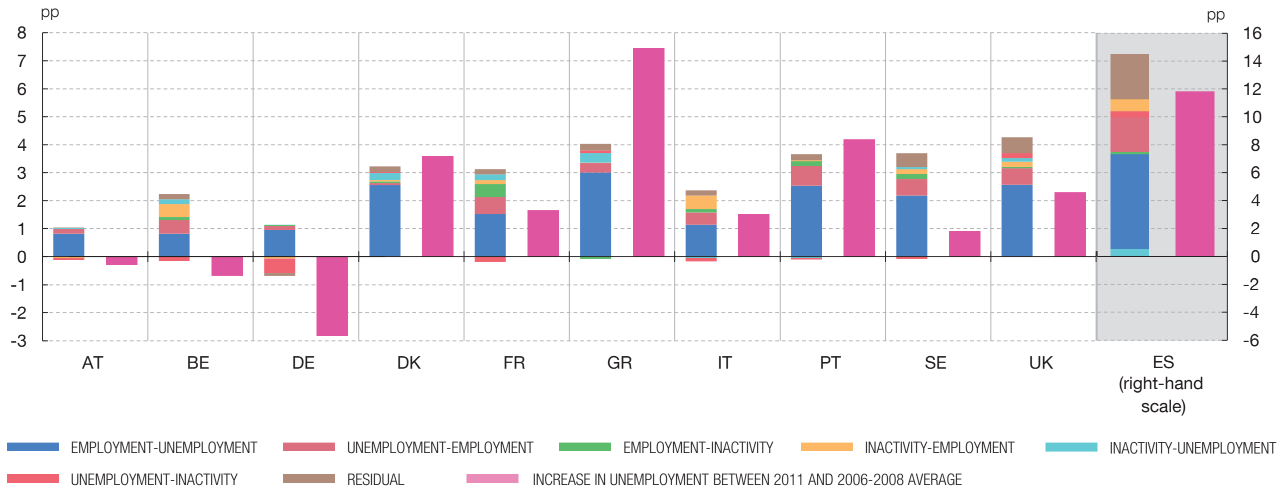
5 As detailed in Pissarides (1986), the steady-state unemployment rate can be defined on the basis of the six probabilities of moving between the three statuses of activity – employment, unemployment and inactivity –:

$$\bar{u} = \frac{h_{eu} + \frac{h_{iu}}{h_{ie} + h_{iu}} * h_{ei}}{h_{eu} + \frac{h_{iu}}{h_{ie} + h_{iu}} * h_{ei} + h_{ue} + \frac{h_{ie}}{h_{iu} + h_{ie}} * h_{ui}}$$

where each h_{kj} refers to the probability of transition between two states of activity, e represents the status of employment, u that of unemployment and i that of inactivity.

CONTRIBUTIONS OF FLOWS TO THE INCREASE IN THE STEADY-STATE UNEMPLOYMENT RATE: 2009 COMPARED WITH 2006-2008

CHART 2



SOURCES: EU-LFS and Banco de España.

NOTE: The information referring to Spain is shown in the grey shaded area and on the right-hand scale.

relationship between labour flows and the unemployment rate, it is possible to proxy the respective contributions of variations in job creation, in job destruction and in the labour force to changes in the unemployment rate. Thus, for example, the contribution of job destruction to the variation in the unemployment rate can be calculated as the change in the (steady-state) unemployment rate which would have arisen if only the probability of transition between employment and unemployment had changed, while all the other transition probabilities remained constant.

It must be taken into account, however, that this breakdown of the variations in the unemployment rate in terms of the contributions of its three basic underlying factors is only an approximation. Aside from the sum of the contributions of each of the six possible transitions envisaged, there is a residual factor which, in most of the countries, is relatively small.[6] Additionally, it should be considered that this article compares a period of expansion (2006-2008) with one of recession (2009). It is still too early to determine the duration of the recessionary period and its final effect on transition probabilities. However the estimated transition probabilities provide a *steady-state unemployment rate* which is closer to that seen in 2011 than that recorded in 2009 (see Chart 2).

Chart 2 shows the results of the breakdown, explained above, of the variations in the unemployment rate, by comparing the period immediately before the crisis (2006-2008) with 2009, the year in which the deterioration of the labour market began. According to these calculations, in most of the countries analysed it is the increase in the probability of moving from employment to unemployment (i.e. job loss and becoming unemployed) which has a higher weight in said change, followed by the decrease in the probability of the unemployed finding a job. In fact, in countries such as Denmark, Greece, Portugal and the United Kingdom more than 2 pp of the change in the unemployment rate can be attributed to the increase in the probability of job loss. Also, the decline in the probability of moving from unemployment to employment represented around 0.5 pp of the contribution to unemployment in France, Portugal, Sweden and the United Kingdom, while in Austria, Ger-

6 This residual factor arises because the relationship between the steady-state unemployment rate and the transition probabilities is not linear.

many and Denmark the probability of finding a job hardly decreased and, consequently, its contribution to the change in unemployment was virtually zero. In Spain, where the increase in the unemployment rate was substantially higher, the changes in these two flows explain 9.3 pp in total (6.8 pp for the transition between employment and unemployment, and 2.5 pp for the transition in the opposite direction).

With regard to the flows between inactivity and activity, it should be highlighted that the increase in the outflow from unemployment to inactivity made the unemployment rate in Germany decrease (by around 0.5 pp), while in the United Kingdom and in Spain the increase in the probability of moving from employment to inactivity (mainly related to retirements) would add 0.2 pp and 0.5 pp, respectively, to the unemployment rate. Due to the brief period of time analysed, a significant increase in the unemployment-inactivity flow related to the discouragement effect is not observed, except in the case of Germany, where its performance practically offsets the weak deterioration in the probability of job loss. And, finally, the change in the probability of moving from inactivity to unemployment has had practically no relevance in countries like Germany, Portugal, Sweden and the United Kingdom. However, in Spain, Greece, Denmark and France a slight – yet positive – contribution is observed to the increase in unemployment (of 0.5 pp for Spain and around 0.2 pp in the other cases), which may arise both from fewer employment opportunities for recent graduates and the higher trend during crises towards participation of traditionally inactive groups, which is related to the additional worker effect.

Job creation and destruction: a demographic breakdown

As described in the previous section, the increase in the probability of becoming unemployed, together with the decrease in the probability of finding a job, explain almost all of the increase in the unemployment rate in 2009 in most of the countries analysed. However, not all population groups (on the basis of age, gender and educational attainment level) were affected by the adjustment to the same degree. According to the estimates made, the changes in job destruction and creation during this crisis were not the same for all the groups in the same country nor for all the countries in respect of a specific group. A brief description follows of the most important characteristics of the demographic breakdown of the labour flows in the 11 EU countries considered (see summary in Table 1), which are obtained from the estimates of the probabilities of moving from one labour state to another in which individuals' age, gender and educational attainment level are used as explanatory variables (see Table 2).[7]

TRANSITIONS FROM EMPLOYMENT TO UNEMPLOYMENT

Panel A of Chart 3 shows the effect the crisis has had on the probability of job loss for the various demographic groups considered.[8] Two features which characterise the early stages of this recession are immediately discernible in the countries selected. On one hand, the increase in the probability of job loss and becoming unemployed seems to have affected males more strongly and this is particularly pronounced in Germany, Belgium and Austria. On the other, in countries such as Austria, Germany, France and Portugal the educational attainment level could have acted as insurance against job

7 For each flow a logit model was estimated in which the dependent variable takes a value of 1, if the individual moves from one state to another between t-1 and t, and takes a value of 0, if the individual remains in the same status reported in t-1. 18 reference dummies were included as independent variables. These dummies are the result of matching gender (male and female), educational attainment level (low, medium and high) and age (16-35, 36-55 and 56-65), in addition to the interaction of each dummy with the dichotomic variable referring to the fact that the observation is from the 2009 sample. These interacted variables are of interest since they quantify the effect that the crisis has had on the probability of transition from one labour state to another for each demographic group considered.

8 For the sake of brevity, the results are presented only for those countries in which each of the flows analysed was considered most representative. The detail of all the estimates will be published shortly in a working paper.

PERFORMANCE OF FLOWS BY COUNTRY IN 2009 COMPARED WITH 2006-2008

TABLE 1

AUSTRIA	
(the steady-state unemployment rate would increase by 1 pp)	
Increase in the transition between employment and unemployment, essentially centred on males with a medium and low educational attainment level.	Decrease in the probability of finding a job, especially for young people and middle-aged males with medium and low educational attainment levels.
BELGIUM	
(the steady-state unemployment rate would increase by 2 pp)	
All flows contributed to this increase. Job loss affected essentially all males of any age and educational attainment level.	The decrease in the probability of finding a job particularly influenced males and young people. The inflow into employment from inactivity also increased to a greater degree for males.
GERMANY	
(the steady-state unemployment rate would increase by 0.5 pp)	
Job loss increased among males without university studies.	The increase of the flow from employment to unemployment was offset by the increase of the flow from unemployment to inactivity which essentially affected middle-aged men and women.
DENMARK	
(the steady-state unemployment rate would increase by 3.2 pp)	
All population groups experienced job loss, but males to a greater degree. The transition from inactivity to employment decreased among young people.	The transition from inactivity to unemployment increased among young people and middle-aged workers.
FRANCE	
(the steady-state unemployment rate would increase by 3 pp)	
Similar to the case of Belgium. All flows contributed to some extent. The probability of job loss increased more for workers without university studies.	The probability of moving from employment to inactivity increased for young people. The probability of moving from inactivity to unemployment increased only in the case of women over 45 years old with a medium educational attainment level.
GREECE	
(the steady-state unemployment rate would increase by 4 pp)	
More than 75% of said increase is due to the increase in the probability of job loss which affected to a lesser degree women over 45 years old and men over 45 years old with university studies.	The probability of moving from inactivity to unemployment increased among middle-aged males.
ITALY	
(the steady-state unemployment rate would increase by 2.2 pp)	
Approximately half of this increase is due to the rise in the transition from employment to unemployment which affected all population groups.	The contribution of the transition between inactivity and employment was also high, especially for individuals without university studies.
PORTUGAL	
(the steady-state unemployment rate would increase by 3.6 pp)	
The probability of job loss increased to a lesser degree among population groups with higher educational attainment levels.	The decrease in the probability of finding a job is especially pronounced among population groups with a low educational attainment level.
SWEDEN	
(the steady-state unemployment rate would increase by 3.6 pp)	
The decrease in the probability of finding a job affected to a lesser degree population groups with a higher educational attainment level. The probability of moving from employment to inactivity increased among young people and those over 45 years old with a medium educational attainment level.	High decrease in the probability of moving from inactivity to employment, especially for young people.
UNITED KINGDOM	
(the steady-state unemployment rate would increase by 4.3 pp)	
Increase in the probability of job loss for all population groups. The decrease in the probability of finding a job is especially sharp for young people.	Women and young males are especially affected by the decrease in the transition from inactivity to employment.
SPAIN	
(the steady-state unemployment rate would increase by 14.5 pp)	
All population groups experienced job loss, but males experienced it to a greater extent. All population groups experienced a decrease in the probability of gaining access to employment, but individuals under 45 years old experienced it to a greater degree.	Moving from unemployment to inactivity decreased for all individuals with a low educational attainment level. The probability of moving from inactivity to employment decreased for young people. The probability of moving from inactivity to unemployment increased for women with medium and low educational attainment levels.

SOURCE: Banco de España.

PROBABILITY OF MOVING BETWEEN LABOUR MARKET STATES

TABLE 2

%

Country	Years	Employment-unemployment	Unemployment-employment	Employment-inactivity	Inactivity-employment	Unemployment-inactivity	Inactivity-unemployment
Austria	2006-2008	2.0	41.4	4.4	21.9	30.8	2.8
	2009	2.6	38.3	4.4	23.5	32.5	2.9
	2006-2009	2.2	40.7	4.4	22.3	31.2	2.8
Belgium	2006-2008	2.1	20.4	2.5	7.8	43.8	4.1
	2009	2.6	16.4	2.7	6.4	46.1	4.4
	2006-2009	2.3	19.5	2.5	7.4	44.3	4.1
Germany	2006-2008	2.5	28.6	2.1	15.5	20.0	4.1
	2009	3.0	27.6	2.2	16.4	26.0	4.1
	2006-2009	2.6	28.4	2.1	15.7	21.3	4.1
Denmark	2006-2008	1.5	46.8	3.3	28.7	31.1	5.1
	2009	3.6	45.5	3.7	26.6	29.8	6.9
	2006-2009	2.0	46.5	3.4	28.2	30.8	5.5
France	2006-2008	3.1	34.0	3.8	10.4	26.2	4.2
	2009	4.0	29.8	4.8	9.6	28.1	4.7
	2006-2009	3.3	33.1	4.1	10.2	26.6	4.3
Greece	2006-2008	1.6	24.7	1.4	3.2	11.9	3.0
	2009	2.7	23.1	1.4	3.2	11.1	3.7
	2006-2009	1.8	24.3	1.4	3.2	11.7	3.2
Italy	2006-2008	1.4	30.3	3.0	5.6	43.5	2.8
	2009	2.1	24.2	3.3	4.3	46.3	2.7
	2006-2009	1.6	28.7	3.1	5.3	44.2	2.8
Portugal	2006-2008	2.7	39.3	1.7	6.1	10.4	2.9
	2009	4.1	34.5	1.9	5.8	11.0	2.7
	2006-2009	3.0	38.1	1.7	6.0	10.5	2.8
Sweden	2006-2008	1.6	52.2	2.5	30.1	18.1	8.2
	2009	3.2	40.7	3.1	24.9	20.5	9.3
	2006-2009	2.1	48.5	2.7	28.3	18.9	8.6
United Kingdom	2006-2008	2.1	46.4	3.1	16.5	16.4	5.6
	2009	3.8	39.7	3.0	15.1	13.2	6.8
	2006-2009	2.5	44.6	3.1	16.1	15.5	5.9
Spain	2006-2008	4.0	42.0	3.4	10.0	22.3	6.0
	2009	8.9	28.4	3.7	6.6	17.3	7.7
	2006-2009	5.2	37.5	3.5	9.2	20.6	6.4

SOURCES: EU-LFS and Banco de España.

loss, with the result that individuals with university studies, irrespective of gender or age, did not see an increase in the probability of moving from employment to unemployment. Factors explaining this result are likely to be government policies which have encouraged a reduction in the number of hours worked over job destruction, together with the fact that in many of these countries the skilled labour shortage has boosted incentives for firms to hoard their most highly qualified employees in the face of a temporary slowdown.[9]

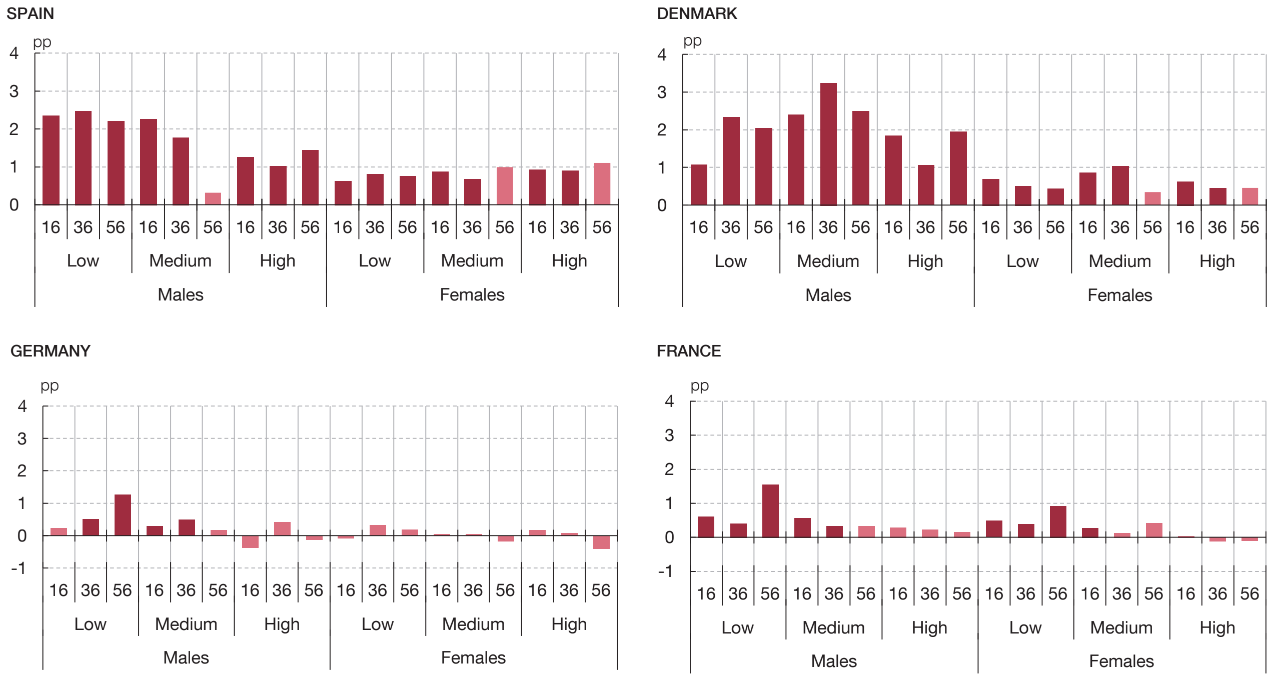
In Spain, as in other European countries, a relatively stronger rise in the probability of job loss for men than for women can be observed, which may be related to the Spanish

9 See “Determinants of the asymmetrical behaviour of employment in the euro area”. *Annual Report*, 2010, Banco de España.

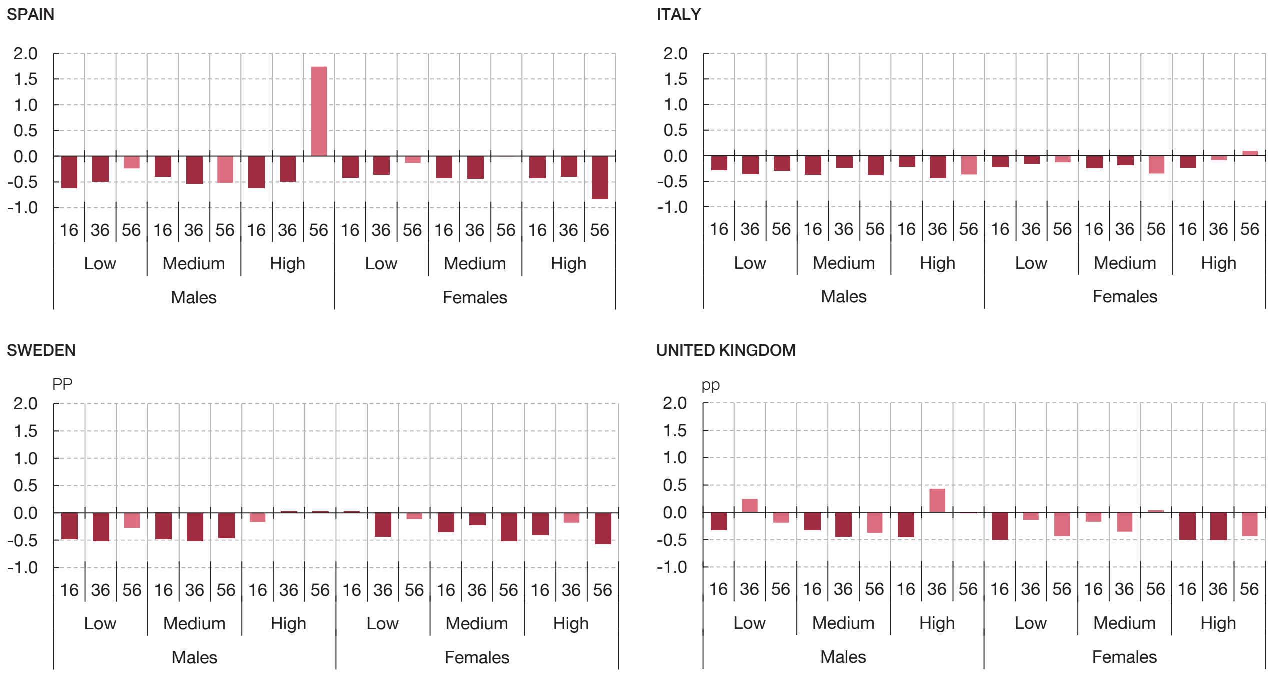
INCREASE IN 2009 OF THE PROBABILITY OF MOVING BETWEEN STATES BY CHARACTERISTICS

CHART 3

PANEL A: INCREASE IN THE PROBABILITY OF MOVING FROM EMPLOYMENT TO UNEMPLOYMENT



PANEL B: INCREASE IN THE PROBABILITY OF MOVING FROM UNEMPLOYMENT TO EMPLOYMENT



The lighter bars indicate that the coefficient does not differ significantly from zero.

SOURCES: EU-LFS and Banco de España.

NOTE: each bar can be interpreted as the percentage points by which the probability of moving from one state in the labour market to another increases or decreases during the crisis.
Each chart depicts the results of the 18 dummy variables included in the estimate resulting from matching gender (male and female), educational attainment level (low, medium and high) and age (16-35, 36-55 and 56-65) with the dichotomic variable referring to the fact that the observation is from the 2009 sample.

economy's specialisation in the construction sector. However, in the case of Spain, the educational attainment level did not mean a relatively lower incidence of the probability of job loss, which may be explained by the fact that in Spain there is no relative skilled labour shortage which could account for the "hoarding of skilled workers" seen in Germany. Thus, due to the educational boom of the eighties and nineties, in Spain the replacement rate of employees with university studies (defined as the ratio between the 25 to 34 age cohort in the labour force and the 50 to 59 age cohort with university studies) is higher than 2.4, compared with 0.9 in Germany.

TRANSITIONS FROM UNEMPLOYMENT TO EMPLOYMENT

The probability of finding a job decreased at aggregate level in most of the countries considered, except for Germany, Denmark and Greece, where it remained in 2009 at very similar levels to those in the pre-crisis period. However, in those countries where this probability did decrease, two different patterns emerge (Panel B of Chart 3). On one hand, in Spain, Italy and Sweden the adjustment had a uniform effect on the different demographic groups considered, while, on the other, in the United Kingdom and Belgium it was centred fundamentally on the youngest unemployed. Being aware of this is fundamental for correctly designing active employment policies which help to recover the employability of those population groups most affected by the crisis, especially in a scenario of tight budget restrictions in which it is vital to devise more effective active policies and, therefore, more tailored to the profile of the unemployed with the greatest difficulties in finding a new job.

Flows between activity and labour inactivity: a demographic breakdown

A new development in the adjustment of European labour markets at the onset of the crisis is that, contrary to previous recessionary phases, the labour participation rate has not decreased significantly in most countries. Given the demographic breakdown of the flows between activity and labour inactivity certain conjectures can be made about the causes of this change.

TRANSITIONS FROM ACTIVITY TO INACTIVITY

In past recessions, the probability of moving from employment to inactivity used to increase essentially among the groups of workers close to retirement age. However, during 2009, despite observing an increase in the probability of transition to inactivity from employment, on this occasion it has not been led by the oldest cohorts but by the youngest ones (Panel A of Chart 4). In fact, government reforms, due to debt sustainability problems, have targeted extending working lives more than encouraging early retirements, as occurred in previous recessions and, consequently, public and private retirement incentives decreased. Also, the sharp fall in stock market prices has prompted many workers to delay their decision to retire pending the recovery of the value of their pension funds.

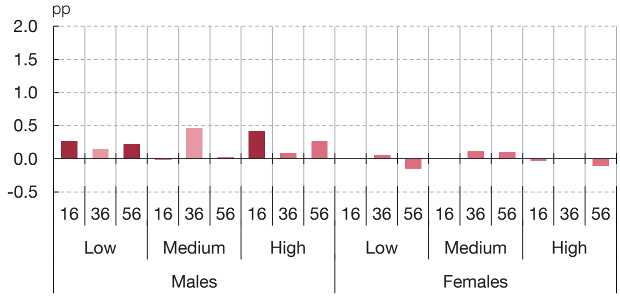
The unemployment-inactivity flow is traditionally associated with what the literature calls the "discouragement effect", namely, after a long period of looking for work the unemployed are discouraged due to their lack of success and stop looking, they go back into the education system or avail themselves of early retirement programmes. Since the data are only available to 2009, it is probably too soon to see substantial changes in the probability of moving from unemployment to inactivity, although two exceptions are observed in opposite directions: Germany and Spain. Thus, while in Germany there has been an increase in the probability of moving from unemployment to inactivity (essentially among the middle-aged unemployed), in Spain the unemployed with a lower educational attainment level, irrespective of gender and age, were not affected by this effect and their propensity to continue to look for work increased with the consequent increase in the unemployment rate (Panel B of Chart 4).

INCREASE IN 2009 OF THE PROBABILITY OF MOVING BETWEEN STATES BY INDIVIDUALS' DEMOGRAPHIC CHARACTERISTICS

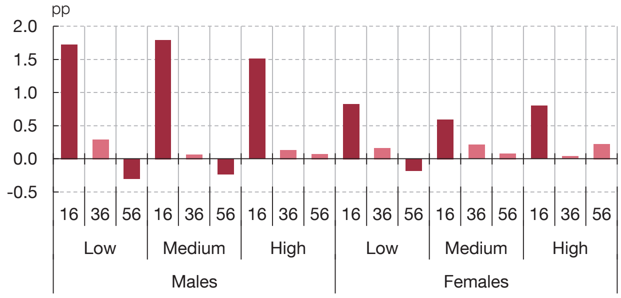
CHART 4

PANEL A: INCREASE IN THE PROBABILITY OF MOVING FROM EMPLOYMENT TO UNEMPLOYMENT

SPAIN

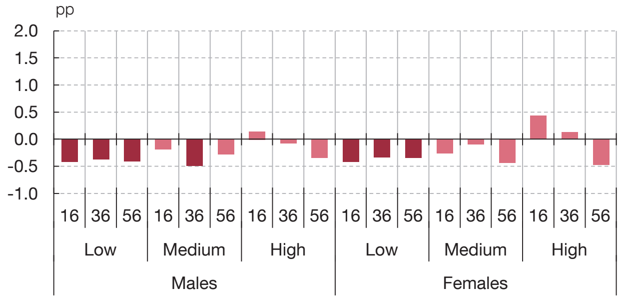


FRANCE

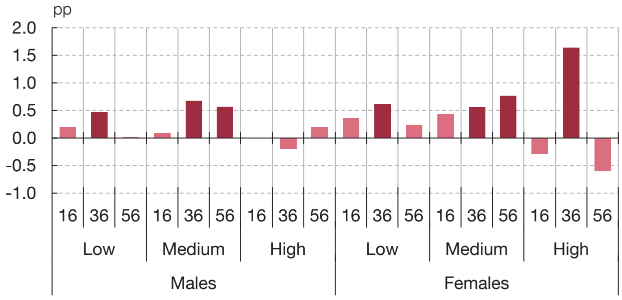


PANEL B: INCREASE IN THE PROBABILITY OF MOVING FROM UNEMPLOYMENT TO INACTIVITY

SPAIN

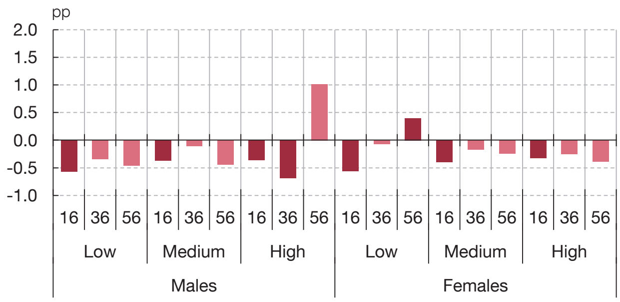


GERMANY

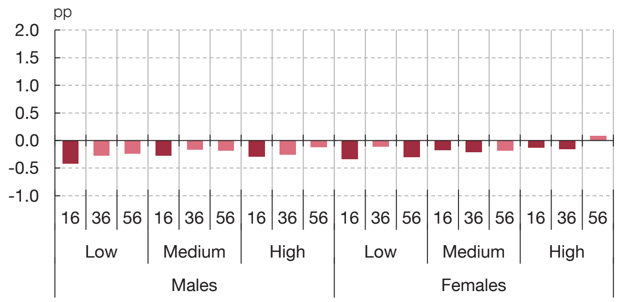


PANEL C: INCREASE IN THE PROBABILITY OF MOVING FROM INACTIVITY TO EMPLOYMENT

SPAIN

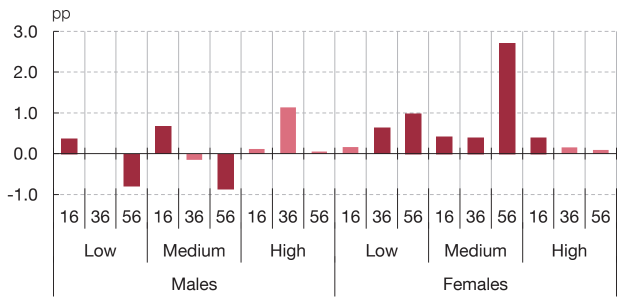


SWEDEN

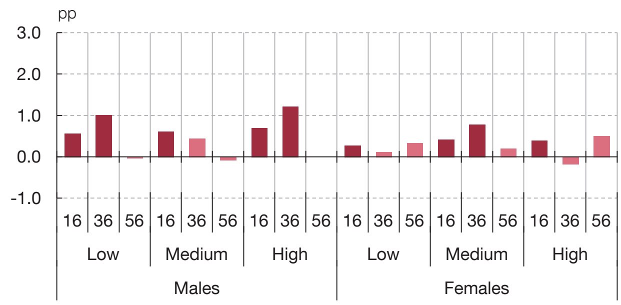


PANEL D: INCREASE IN THE PROBABILITY OF MOVING FROM INACTIVITY TO UNEMPLOYMENT

SPAIN



DENMARK



The lighter bars indicate that the coefficient does not differ significantly from zero.

SOURCES: EU-LFS and Banco de España.

NOTE: each bar can be interpreted as the percentage points by which the probability of moving from one state in the labour market to another increases or decreases during the crisis.
The results of the 18 dummy variables are represented in each chart. These dummy variables are included in the estimate resulting from matching sex (male and female), educational attainment level (low, medium and high) and age (16-35, 36-55 and 56-65) with the dichotomic variable referring to the fact that the observation is from the 2009 sample.

TRANSITIONS FROM INACTIVITY TO ACTIVITY

Changes in the probability of entering the labour force through employment are closely tied to changes in the probability of joining the labour force through unemployment, since a decrease in the former – a reduction in job opportunities – will be immediately reflected in an increase in the latter.

This is precisely what has been observed, with some exceptions (Austria and Germany), in most of the countries analysed during 2009; it is the youngest cohorts that have led the adjustment of the probability of moving from education to employment, having to begin their working lives as part of the unemployed (Panel C of Chart 4).

Furthermore, in Spain an additional effect can be seen on the probability of moving from inactivity to unemployment: the additional worker effect. Thus, as the incidence of unemployment has had a greater effect on households,[10] traditionally inactive members (especially women) have started to look for work to a greater extent (Panel D of Chart 4).

Conclusions

The results obtained in this article show how the increase in unemployment rates in most EU countries during the early stages of the crisis masked very different behaviour with regard to labour flows between the different statuses of activity – employment, unemployment and inactivity – and, fundamentally, in respect of the demographic characteristics of the individuals driving each of these flows.

Thus, for example, in Denmark the increase in the unemployment rate during 2009 (of 3 pp) is mostly due to the increase in the probability of job loss for all the population groups analysed; but also, albeit to a lesser degree, to the probability of joining the labour force through employment declining substantially among young people who completed their studies and began their working lives as part of the unemployed. However, in Belgium, where the rise in the unemployment rate was 2 pp, the contribution of the probability of job loss was much lower than in the case of Denmark (by around 50%) and, furthermore, exclusively affected males. The remainder of the increase in the Belgian unemployment rate was prompted by the reduction in the probability of finding a job among young unemployed males and inactive males.

These findings indicate that, although in many EU countries similar deteriorations have been observed in unemployment rates, the origin of this rise may be quite mixed. Consequently, the design of employment policies and institutional reforms of the labour market to combat the rise in unemployment and its persistence, should take into account the specific characteristics in this respect of each country. Although presenting employment policy proposals and institutional reforms for the Spanish case is beyond the scope of this article, the results described here show that a clear dysfunctionality exists which in recessionary phases causes higher job destruction and lower job creation than in other European countries. Consequently, measures aimed at correcting this dysfunctionality should have a prominent place on the economic policy agenda.

18.11.2011.

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10 See Casado et al. (2010), "La incidencia del desempleo en los hogares", *Boletín Económico*, November, Banco de España.

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COMPETITIVENESS INDICATORS: THE IMPORTANCE OF AN EFFICIENT ALLOCATION OF RESOURCES

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Introduction

Given the nature of the current crisis and the levels of public and private-sector debt, which limit the capacity to reactivate the economy by stimulating domestic demand, competitiveness gains have become a crucial resource for relaunching growth in a significant number of economies. In addition, in the context of Economic and Monetary Union, competitiveness plays a central role as a macroeconomic adjustment variable and, thus, in the stability of the euro area. However, there is no common agreed definition of competitiveness and the term is used with different shades of meaning depending on the context. For example, in macroeconomics textbooks the concept of competitiveness is similar to that of relative prices between countries. In Porter (1990) it is defined as the productiveness with which a nation uses its resources, whether natural or accumulable (capital and labour), which is close to the definition of the Davos Forum, according to which competitiveness has to do with the set of institutions, policies and factors that determine a nation's level of productivity. The OECD considers it to be a country's ability to sell its products on international markets, while Krugman (1994) refers to it as "a poetic way of saying productivity", and warns of the dangers of an obsession with the competitiveness of a country. The European Commission also has its own definition of this concept, perhaps the broadest and most abstract, which associates improvements in competitiveness with increases in living standards accompanied by the lowest possible level of involuntary unemployment.

Many of these definitions of competitiveness have some connection with a country's relative position in international trade, which depends in principle on price and cost factors. If these move unfavourably relative to those of other economies, the ability to sell products at home and abroad is impaired. This probably explains why competitiveness indicators based on relative (national or sectoral) price comparisons are among those used most regularly. But there are also other factors that affect the ability of a country to sell its output, such as, for example, the quality of the products and the economy's productive specialisation. The composition of a country's human capital, the efficiency of its infrastructure, its business regulatory framework, the integration of its firms into global production chains and their innovative capacity are factors that have a decisive influence on these determinants of competitiveness and that are not satisfactorily reflected in the usual price-competitiveness indicators. Also, most of the empirical approximations to the concept of competitiveness adopt an aggregate approach (rarely descending below the sector level), which does not necessarily permit all the problems underlying a loss of competitiveness to be identified.

This article reviews the usual measures of competitiveness and their limitations, when all the relevant information is aggregated, and discusses alternative indicators, based on microeconomic information (at the firm level), which enable certain distortions that prevent resources from being efficiently allocated between firms and sectors of the economy to be identified.

The usual competitiveness indicators

The measurement of competitiveness usually concentrates on indicators of relative prices and costs, partly due to the difficulties of measuring other factors and party because: i) these indicators are readily calculated using data available for most countries; ii) they are available with a high frequency, which makes them especially attractive for short-term analysis, and iii) they facilitate the diagnosis of crucial elements in the discussion of macroeconomic imbalances, principally the current account deficit.

Relative inflation developments between countries are one example of these price-competitiveness indicators. Among other problems, however, it should be noted that general price indices include the prices of non-tradable products. A frequently used alternative is provided by relative export price developments. However this alternative is also unsatisfactory as it fails to capture developments in those goods which, despite being tradable, are not actually exported as they are not sufficiently competitive. This problem could in principle be resolved by using the prices of tradable goods, irrespective of whether or not they are traded.

Traditionally, cost-competitiveness has been measured using relative wage developments (with all the sectoral variants discussed previously) or relative developments in unit labour costs (ULCs), which measure the labour cost per unit of output, whether in real or nominal units.[1] One drawback of these measures is that a simple comparison of the price or cost developments in two countries does not give any information about competitiveness if these countries produce different goods and sell them in different markets. It is for this reason that real effective exchange rates are also constructed. These provide an indicator of relative price or cost developments that takes into account which are a country's most important export destinations (i.e. the developments are weighted in accordance with these elements), as well as the exchange rate developments in these destinations. However, even then they still only capture just one of the important elements underlying the concept of competitiveness and are exposed to problems of interpretation such as those associated with the so-called Balassa-Samuelson effect, whereby productivity increases in the tradable sector are transmitted to the economy's total wage costs.

With so many limitations it is not surprising that, as the world economy has become more complex, the ability of price/cost indicators to explain export behaviour has declined. For example (see Table 1), it is estimated[2] that, although there is a long-term relationship between relative-price-based competitiveness indicators and exports, the real exchange rate in most cases explains well below 10% of the variance in exports, that world trade developments are the variable that best explains export developments (about 80%), and that the other 15% is determined by other unknown factors that are reflected in this estimation in the past behaviour of exports themselves.[3]

Another, closer, illustration of the limited predictive power of price/cost competitiveness indicators is what has come to be colloquially called "the Spanish competitiveness paradox",

1 An implicit assumption when using these labour-cost based measures is that the level of capital is given in the short term and that the cost of capital is equalised across borders, given that it is a mobile factor, so that the cost of capital should not differ between similar countries. This assumption may also amount to a limitation for these measures; see Felipe and Kumar (2011).

2 This estimation is based on an error correction mechanism using a sample of ten countries for the period 1995 Q1-2011 Q3, in which the exports of each country are a function of the volume of world exports (general world trade developments) and its relative price/cost competitiveness. Three alternative measures of competitiveness are used, all of which are supplied by the European Commission, namely the real exchange rate calculated using ULCs (measure 1), manufacturing wages (measure 2) and the GDP deflator (model 3). The results are summarised in Table 1. The type of identification imposed is the Cholesky one, under which world exports and the real exchange rate affect exports contemporaneously.

3 This absence of a significant relation is even found in auto-regressive models that exclude world trade developments.

BREAKDOWN OF THE VARIANCE OF EXPORTS IN THE PERIOD 1995 Q1 - 2011 Q3 (a)

TABLE 1

	World trade volume	Real exchange rate	Lagged exports
SPAIN			
ULC-based exchange rate	87.7	1.6	10.7
Manufacturing wage-based exchange rate	85.5	4.1	10.4
GDP deflator-based exchange rate	92.0	0.8	7.2
FRANCE			
ULC-based exchange rate	87.0	6.8	6.2
Manufacturing wage-based exchange rate	87.4	4.5	8.1
GDP deflator-based exchange rate	83.6	8.2	8.2
UNITED KINGDOM			
ULC-based exchange rate	58.3	2.1	39.5
Manufacturing wage-based exchange rate	55.4	1.8	42.8
GDP deflator-based exchange rate	59.8	1.2	39.0
UNITED STATES			
ULC-based exchange rate	84.8	9.0	6.2
Manufacturing wage-based exchange rate	81.7	10.2	8.1
GDP deflator-based exchange rate	81.2	13.8	5.0
GERMANY			
ULC-based exchange rate	87.0	1.1	11.9
Manufacturing wage-based exchange rate	83.8	5.9	10.3
GDP deflator-based exchange rate	89.5	0.2	10.3
ITALY			
ULC-based exchange rate	86.9	0.3	12.8
Manufacturing wage-based exchange rate	88.3	0.2	11.5
GDP deflator-based exchange rate	91.1	1.3	7.7
PORTUGAL			
ULC-based exchange rate	89.1	0.7	10.2
Manufacturing wage-based exchange rate	87.6	0.8	11.6
GDP deflator-based exchange rate	89.1	0.8	10.1
GREECE			
ULC-based exchange rate	76.9	1.6	21.5
Manufacturing wage-based exchange rate	67.3	20.8	11.9
GDP deflator-based exchange rate	72.0	7.7	20.3
JAPAN			
ULC-based exchange rate	79.0	3.7	17.4
Manufacturing wage-based exchange rate	78.5	4.4	17.1
GDP deflator-based exchange rate	87.4	4.0	8.6
IRELAND			
ULC-based exchange rate	52.5	23.8	23.6
Manufacturing wage-based exchange rate	54.7	7.6	37.7
GDP deflator-based exchange rate	60.5	3.1	36.4
AVERAGE			
ULC-based exchange rate	78.9	5.1	16.0
Manufacturing wage-based exchange rate	77.0	6.0	16.9
GDP deflator-based exchange rate	80.6	4.1	15.3

SOURCE: Banco de España.

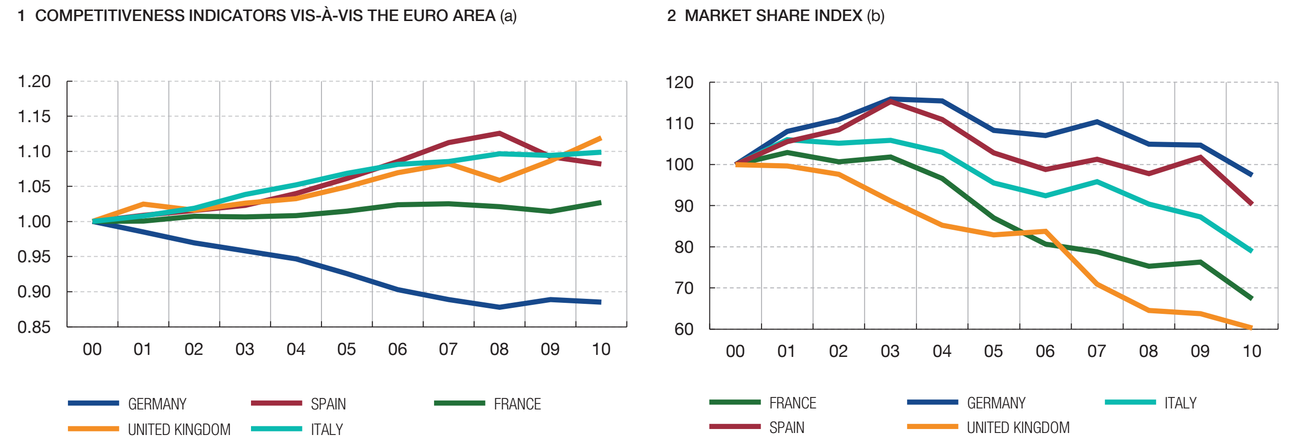
a The variables considered are the world trade volume as measured by exports, the real exchange rate and the logarithm of exports.

which is illustrated in panels 1 and 2 of Chart 1. On the one hand, it is found that, during the decade starting in 2000, ULCs in Spain grew more quickly than in the main developed economies; on the other hand, Spain's export shares did not fall by as much as those of the main developed economies, with the sole exception of Germany.

However, using world export market shares as the main indicator of competitiveness is not a definitive solution either, since these shares are affected by other factors, such as the geographical location, size, sectoral specialisation, integration into production chains and effi-

COMPETITIVENESS

CHART 1



SOURCES: ECB and WTO.

a An increase in the index implies a loss of competitiveness.
b An increase in the index implies a gain of market share.

ciency of the imports of the country in question. Some authors (e.g. Krugman (1994)) criticise the emphasis on international market shares as competitiveness indicators, insofar as they give an overly mercantilist view and cannot say anything about the competitiveness of the nation as a whole, but only of its exports.

One option followed in the literature consists in modifying the aggregated sectoral price/cost measures so that they better capture non-price elements of competitiveness. A promising example of this approach, albeit still incapable of capturing all the relevant factors, is the one that appears in Bennett et al. (2009). These authors argue that non-price elements of competitiveness should be reflected in the elasticity of substitution of each product. Accordingly, they construct real exchange rates which allow such elasticity to differ from product to product.

Finally, it should also be pointed out that there are a number of indicators that attempt to measure the institutional characteristics of each country that may influence competitiveness. This is the case, for example, of the Davos World Economic Forum's *Global Competitiveness Report* and of the World Bank's *Doing Business Report.* In general, these indicators are constructed by conducting surveys of various experts of each country on the ease of doing business in their country, which are sometimes supplemented with macroeconomic indicators. This is a very valuable alternative that provides useful information, since it enables areas to be identified in which some countries are clearly lagging. That said, the information is subjective, there is sometimes a lack of robust empirical links between the variables analysed and competitiveness, and it is impossible to draw quantitative conclusions to guide economic policy.

Given this wide range of alternative measures of competitiveness and the limitations of each, it is not surprising that, for the purposes of the alert mechanism in the context of macroeconomic surveillance and the excessive imbalances procedure recently launched at the European level, it has been decided to monitor the developments in a broad set of competitiveness measures. These measures include the current account balance, ULCs, export shares and CPI-deflated real exchange rates.

INTENSIVE AND EXTENSIVE EXPORT MARGINS (a) **TABLE 2**

Panel A: Extensive margin of exports, by country and company size.

Size (b)	Austria	France	Germany	Hungary	Italy	Spain	United Kingdom
10-19	69.8	44.7	45.7	58.0	65.4	51.2	54.9
20-49	63.8	59.1	65.4	64.7	73.3	63.5	62.8
50-249	88.6	75.4	78.2	79.3	86.6	76.2	76.8
Over 249	90.8	87.6	84.0	97.4	92.6	88.0	80.7
Total	**72.6**	**57.9**	**63.4**	**67.3**	**72.2**	**61.1**	**61.0**

Panel B: Intensive margin of exports, by country and company size.

Size (b)	Austria	France	Germany	Hungary	Italy	Spain	United Kingdom
10-19	26.2	23.0	25.9	30.2	30.4	21.4	26.2
20-49	33.3	27.0	28.1	43.6	34.2	24.5	27.8
50-249	55.9	33.0	33.9	53.2	42.2	33.3	33.2
Over 249	64.7	41.2	37.8	66.6	52.6	40.6	34.2
Total	**40.4**	**28.5**	**30.0**	**44.8**	**34.6**	**25.9**	**29.1**

SOURCE: Barba-Navaretti et al. (2011).

a Data are shown as percentages.
b Company size refers to the number of employees.

The importance of firm heterogeneity for the measurement of competitiveness

When measuring a nation's competitiveness, the indicators described in the previous section do not adequately capture the role of firms and their heterogeneity. Table 2 illustrates why an adequate measure of competitiveness should take this heterogeneity into account. Panel A shows, for each country in the EFIGE database,[4] the probability that a firm exports (the extensive margin) according to its size, while Panel B shows the percentage of production that each firm exports (the intensive margin). One can see that for firms that are similar in size but located in different countries, the probability that they export and the proportion of production exported (in the case of firms that do export) are similar. In other words, differences in exports aggregated by size, by sector or by country have little to do with differences between firms with similar characteristics and basically stem from differences in the distribution of factors of production across sectors and differences in the firm size distribution within each sector. For example, Barba Navaretti et al. (2011) estimate that, if Spain had the industrial structure and firm size distribution of Germany, Spanish exports would be around 25% higher.

Another example of the importance of obtaining an adequate firm breakdown is offered by the work of Antrás et al. (2010), who show how, when ULC developments are considered at the firm level, instead of at the aggregate economy level, Spain's experience is less paradoxical. Thus, the ULCs of the largest firms have behaved best over the last decade and, in turn, their exports have grown by more than those of other firms. The different relative weights of these firms in aggregate ULCs and in total exports may, therefore, help

4 The EFIGE project, *European Firms in a Global Economy: internal policies for external competitiveness,* is a project led by Bruegel that has various European universities, research centres, central banks and international agencies as partners. One of the main tasks of this project has been to design, construct and implement a database based on a survey, this being the first database to provide detailed and comparable information for seven European countries, i.e. Germany, Austria, France, Hungary, Italy, Spain and the United Kingdom, on the characteristics of their manufacturing firms, with an important emphasis on internationalisation activities. For more details, see: www.efige.org.

explain what was referred to above as the “Spanish paradox”. An adequate measure of competitiveness should be capable of capturing these elements.

To understand the reason for this high degree of heterogeneity across firms the concept of productivity is essential (see Porter (2005)). Productivity allows an economy to have high wages and capital returns. The productivity of a firm, irrespective of its propensity to export, depends on its organisation and the legal and regulatory framework within which it operates. The recent literature on industrial organisation and international trade has provided abundant empirical evidence to support the idea that the path of macroeconomic aggregates depends largely on the decisions and characteristics of firms and, in particular, on the behaviour and productivity of a sub-set of them, i.e. those firms with the highest productivity. This is clear in the case of exporting firms. It is normal to find as much heterogeneity among the firms belonging to a single sector as between firms belonging to different sectors. Moreover, the exporting firms of one sector (and country) are a minority (those that perform best in terms of productivity, size, innovation, etc.). This superior performance exists before these firms export, i.e. exporting is the effect and not the cause of the competitiveness of a particular firm.[5]

But also, still controlling by sector, within any one sector those firms with extreme productivity levels have a high weight (following a pattern more similar to the Pareto than the normal distribution), which means that the behaviour of the sector aggregates are strongly influenced by the behaviour of the largest and most productive firms (Di Giovanni and Levchenko (2009)). This not only distorts the measures of competitiveness, but also their dynamic behaviour, since the empirical evidence shows that firms react differently to different shocks according to their size and productivity (see, for example, Altomonte et al. (2010)).

The results in Antrás et al. (2010) suggest that the aggregate indicators of price/cost competitiveness do not adequately reflect the importance of these factors, which operate at the individual firm level. This may be due, first, to the fact that when there is firm heterogeneity with regard to export behaviour and, for example, profit margins or wages, this gives rise to problems when designing the sample for collecting data to construct aggregate statistics (see Broda and Weinstein (2007) for the implications of product creation and destruction for the CPI). Second, even when the sampling is appropriate, the construction of aggregate price and cost indicators based on arithmetic means of firm level data is not sufficient to understand the aggregate behaviour, especially if the productivity distribution is strongly influenced by extreme values, as Altomonte et al. (2011) argue.[6]

As an example of this latter argument, a simple experiment has been conducted consisting in breaking down the aggregate ULCs for four countries using the firm-level data available in the EFIGE database. This exercise analyses whether the aggregate path of ULCs over the period 2002-07 adequately captures the behaviour of this same variable for firms considered individually.[7] The methodology used breaks down the path of ULCs into three main elements. The first element reflects, taking the initial domestic market share distribution as fixed, the importance of the average changes in ULCs at the firm level (constant shares).

5 See Bernard et al. (2011).

6 This problem affects aggregation within a sector, but would be even more relevant when aggregating across sectors.

7 Regrettably, the poor coverage of Germany in Amadeus prevents us from starting in 2001. In order to eliminate outliers, the most extreme values of ULCs for each country are eliminated (the same criterion being applied in all the countries).

The second component would keep the initial ULCs constant and would quantify the reallocation of resources (market shares) within the domestic economy (reallocation). Finally, the third element would reflect the interaction of these two elements (interaction).[8] If a significant loss of competitiveness is occurring at the firm level, one should observe that the first component has greater weight. On the other hand, if the economy's resources have been reallocated towards those firms that had lower ULCs at the beginning of the period, the second component would have greater weight. Finally, the third component has no immediate interpretation by itself, since firms whose price competitiveness is deteriorating would be losing domestic market share to those with favourable ULC developments.[9]

The results of this breakdown are shown in Panel A of Table 3. The first thing to note is that, on average over the period as a whole, real ULCs fell in all the countries, a result that is also obtained using the EU KLEMS database. Second, the weight of changes in competitiveness in specific firms is small, while resource reallocation and the interaction effect explain around 90% of the changes in ULCs for all the countries in the sample. The relative strength of each factor varies from country to country, with the reallocation effect being more important in those countries – France and Germany – that had lower aggregate ULC growth. Finally, in Panel B, which breaks down the changes in ULCs relative to Germany into the contributions of each of the above factors, one can see, for example, that in the period 2002-07 lower resource reallocation (in comparison with Germany) led to cost competitiveness losses of around 3.5% in the case of France, 5.5% in Italy, and 10% in Spain.

Thus, the changes in ULCs at the firm level play an important role in explaining the changes in ULCs relative to Germany, but the capacity to reallocate resources between firms within a single economy is even more important. In other words, lower resource reallocation, in comparison with Germany, towards firms that initially had lower ULCs explains more than 50% of the relative aggregate changes in ULCs.[10]

Fortunately, the instruments necessary to develop measures of competitiveness that take into account the reallocation of resources between firms with different characteristics are starting to become available (see Melitz (2003)). In addition, recent studies have estimated the extent to which aggregate productivity differences between the United States, India and China relate to inefficient resource allocation (Hsieh and Klenow (2009)) and what the export potential of France, Italy and Spain would be if they had a similar allocation of resources to Germany (Barba Navaretti et al. (2011)). In future, the development of these approaches will play an important role in the analysis of the determinants of competitiveness.

Conclusions

Although competitiveness is relevant to various aspects of economic analysis, its empirical measurement runs up against a number of problems, arising from the vagueness of a concept

8 A fourth element (inflow and outflow) would capture how much of the change in ULCs at the aggregate level is due to differences in the changes in these indicators in the firms that are present during the whole period and in those that enter and/or leave at some point. Unfortunately, the design of the EFIGE survey does not allow inflows and outflows to be adequately captured, so that it was decided to ignore these elements in the discussion of the analysis.

9 Insofar as the exercise considers manufacturing firms only, it would have its limits. However, recent studies perform similar exercises using sectoral data, demonstrating that the effect of resource reallocation at the sector level is also key to an understanding of the changes in aggregate ULCs.

10 This role of resource reallocation confirms Altomonte et al. (2011), who show that a large part of the changes in relative aggregate productivity between France and Sweden is explained by greater resource reallocation across firms in the latter country.

CHANGES IN UNIT LABOUR COSTS (a) TABLE 3

Panel A: Changes in the ULCs of each country (annualised rate), 2002-2007 (b)

	Total	Constant shares	Reallocation	Interaction
France	**-2.5**	-1.2	-1.7	-0.6
Germany	**-3.0**	-1.7	-2.4	-0.4
Italy	**-1.5**	0.2	-1.4	-1.4
Spain	**-2.0**	-0.3	-0.7	-1.6

Panel B: Changes in the ULCs of each country relative to Germany, 2002-2007

	Total	Constant shares	Reallocation	Interaction
France	**5.7**	3.0	3.5	-0.9
Italy	**10.7**	10.2	5.4	-4.9
Spain	**11.2**	7.6	9.7	-6.0

SOURCES: EU-EFIGE/Bruegel-UniCredit dataset and Banco de España.

a Data are shown as percentages.
b The three components do not add up to the total because a fourth component that reflects inflows and outflows of companies is not shown.

that is used differently depending on the context. Moreover there is a lack of disaggregated indicators that adequately capture the wide range of factors relevant to competitiveness.

This article has presented evidence to support the idea that a complete analysis of competitiveness should combine the macroeconomic data that are normally used with microeconomic firm-level data reflecting the high degree of heterogeneity that exists, both across sectors and among the firms within a single sector, with regard to productivity and the propensity to export. In a preliminary attempt to make progress in this direction, evidence has been presented to suggest that the Spanish economy's loss of competitiveness in recent years does not seem to have occurred among the largest firms, with the greatest presence in international trade, but that it may be mainly the result of a lack of flexibility, which prevents resources from being efficiently reallocated between sectors and firms. In this case, improving Spain's competitiveness would require significant reforms in competition policy and in the labour market, given the rigidities in these areas that delay or prevent the achievement of an efficient allocation of resources.

19.12.2011.

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Introduction

In 2011 Q4 numerous financial provisions were promulgated, as is usual in the last part of the year.

The European Central Bank (ECB) has instituted three new measures: 1) it has updated the Eurosystem's monetary policy instruments and procedures, which were promptly incorporated by the Banco de España in its general clauses; 2) it has changed the minimum reserve requirements; 3) it has made certain changes to the TARGET2 rules, which the Banco de España promptly included in its TARGET2-BE.

Various legal provisions were promulgated in the area of credit institutions: 1) several new features were introduced in solvency legislation, thereby completing the transposition of EU legislation in this area; 2) the public and confidential financial reporting rules and formats were updated; 3) the three deposit guarantee funds were merged; and 4) legal changes were approved in the areas of bank transparency and customer protection.

The calculation of market makers' participation in the second round of government bond auctions has been made more flexible and the law on cross-border economic transactions has been updated.

In the stock market, a considerable number of measures have been promulgated: 1) the Securities Market Law was amended to update, among other things, the securities clearing, settlement and registration system, introducing the central counterparty, for which purpose the legal regime applicable to Iberclear was amended and a regulatory regime for central counterparties was set in place; 2) significant changes were made to the law on investment firms, affecting their solvency regime, their accounting rules and brochures of fee and commission charges; 3) substantial changes were made to the legal regime governing collective investment institutions (CIIs) to adapt it to EU legislation; and 4) the accounting rules for CIIs, official secondary market operators (except the Banco de España), multilateral trading facility operators and the System Operator were updated.

In the EU area, new cases in the calculation of the annual percentage rate (APR) in consumer credit contracts were defined.

Finally, the article summarises the financial aspects of three pieces of legislation enacted in the fourth quarter of the year: 1) urgent budgetary, tax and financial measures for remedying the budget deficit; 2) new legislation to expedite legal proceedings; and 3) the reform of the Insolvency Law.

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

Guideline ECB/2011/14 of 20 September 2011 (OJ L of 14 December 2011), in addition to introducing certain changes into Guideline ECB/2000/7 of 31 August 2000 on monetary policy instruments and procedures of the Eurosystem, recasts and repeals it.

Also, the *Resolution of 18 October 2011* (BOE of 27 December 2011) of the Executive Commission of the Banco de España amends the resolution of 11 December 1998[1] ap-

1 See "Financial Regulation: 1998 Q4", *Economic Bulletin*, January 1999, Banco de España, pp. 78-82.

proving the general clauses applicable to monetary policy operations in order to adopt the amendments set out in the aforementioned Guideline.

The main new developments are described below.

General clause II "Monetary policy operations" add to the requirements which institutions have to meet to carry out monetary policy operations the obligation that they be aware of and comply with all the obligations imposed on them by legislation on the prevention of money laundering and terrorist financing.

General clause VI "Collateral" specifies that all the discretionary measures applied by the Banco de España to the issuer, debtor, guarantor or counterparty solvency level to ensure prudent risk management shall be applied and calibrated in a proportionate and non-discriminatory manner. Those taken vis-à-vis an individual counterparty shall be duly justified.

Finally, general clause VIII "Effects of default events" also requires that the principles of proportionality and non-discrimination be applied if the Banco de España suspends, limits or excludes a counterparty's access to monetary policy operations (open market operations and standing facilities), whether it be on the grounds of prudence or following an event of default.

The Guideline and the Resolution became applicable on 1 January 2012.

European Central Bank: amendment of minimum reserve requirement

Regulation 1348/2011 of the ECB (ECB/2011/26) of 14 December 2011 (OJ L of 21 December 2011) amended Regulation 1745/2003 (ECB/2003/9) of 12 September 2003 on the application of minimum reserves.[2]

A reserve ratio of 0% shall apply to the following liabilities: 1) deposits with agreed maturity over two years; 2) deposits redeemable at notice over two years; 3) repos; 4) debt securities issued with an agreed maturity over two years. A reserve ratio of 1 % shall apply to all other liabilities included in the reserve base. Also, the reserve ratio of 2% is reduced to 1% for all other liabilities included in the reserve base.

The Regulation came into force on 24 December 2011 and will apply from the maintenance period[3] beginning on 18 January 2012.

Update of TARGET2 rules

Guideline ECB/2011/15 of 15 October 2011 (OJ L of 26 October 2011) amended Guideline ECB/2007/2 of 26 April 2007[4] on a Trans-European Automated Real-time Gross settlement Express Transfer system (TARGET2), and the *Resolution of 15 November 2011* of the Executive Commission of the Banco de España amended the resolution of 20 July 2007[5] approving

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2 According to the ECB Statute, each credit institution must hold its minimum reserves in one or more reserve accounts with the national central bank in the Member State in which it is established, in relation to its reserve base in the corresponding Member State, in line with Eurosystem monetary policy targets. The following are subject to minimum reserve requirements: 1) credit institutions; 2) branches that have their registered or head office located in a participating Member State; and 3) branches of credit institutions established in the participating Member States that are located outside the participating Member States shall not be subject to minimum reserves. The ECB may exempt from reserve requirements, on a non-discriminatory basis, certain credit institutions, such as those subject to restructuring measures or those subject to the freezing of funds or other measures imposed by the Community or a Member State restricting the use of their funds or a decision of the ECB's Governing Council suspending or excluding their access to open market operations or the Eurosystem's standing facilities.

3 The schedule of maintenance periods is adapted to the schedule of the ECB Governing Council meetings in which the monthly assessment of monetary policy stance is to be carried out.

4 See "Financial Regulation: 2007 Q3", *Economic Bulletin*, October 2007, Banco de España, pp. 151-152.

5 See "Financial Regulation: 2007 Q3", *Economic Bulletin*, October 2007, Banco de España, pp. 152-153.

the general clauses relating to the uniform conditions of participation in TARGET2-BE, for the purpose of adapting it to the aforementioned Guideline.

The basic purpose of the Guideline is to include the "grounds of prudence" among the criteria on the basis of which a national central bank (NCB) may reject an application for participation in TARGET2 and among the reasons why a participant's participation in TARGET2 may be suspended or terminated without notice.

"Grounds of prudence" are also added to the reasons for suspending, limiting or terminating a participant's access to intraday credit, in which case the participating NCB shall immediately notify the ECB and other participating NCBs.

Also added are new requirements for TARGET2 participants related to administrative and restrictive measures and to other similar matters.

Specifically, participants, when acting as the payment service provider of a payer or payee, shall comply with all requirements resulting from administrative or restrictive measures imposed pursuant to the Treaty on the Functioning of the European Union (EU), including with respect to notification and/or the obtaining of consent from a competent national authority in relation to the processing of transactions.

When the NCB is the payment service provider of a participant that is a payer or payee, the participant shall make the required notification or obtain consent on behalf of the NCB that is primarily required to make notification or obtain consent, and shall provide evidence of having done so. Also, the participant shall not enter any credit transfer order into TARGET2 until it has obtained confirmation from the NCB that the required notification has been made or the consent has been obtained by or on behalf of the payment service provider of the payee.

The Guideline and the Resolution were applied from 21 November 2011.

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

Circular CBE 4/2011 of 30 November 2011 (BOE of 9 December 2011) amended CBE 3/2008 of 22 May 2008[6] on determination and control of minimum own funds.

The Circular completes the transposition of current EU legislation on own funds.[7] This transposition was initiated with Sustainable Economy Law 2/2011 of 4 March 2011[8] and followed up by Law 6/2011 of 11 April 2011,[9] which amended Law 13/1985 of 25 May 1985[10] on investment ratios, own funds and reporting requirements for financial intermediaries, Law 24/1988 of 28 July 1988[11] on the securities market and Legislative Royal Decree 1298/1986 of 28 June 1986 on the adaptation of current credit institution law to EU legislation, and, finally, by Royal Decree 771/2011 of 3 June 2011 amending Royal Decree 216/2008 of 15 February 2008 on the own funds of financial institutions.

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6 See "Financial Regulation: 2008 Q2", *Economic Bulletin*, July 2008, Banco de España, pp. 133-143.
7 Contained in Directive 2009/111/EC of the European Parliament and of the Council and in Directive 2010/76/EU, also of the European Parliament and of the Council.
8 See "Financial Regulation: 2011 Q1", *Economic Bulletin*, April 2011, Banco de España, pp. 159-163.
9 See "Financial Regulation: 2011 Q2", *Economic Bulletin*, July 2011, Banco de España, pp. 135-143.
10 See "Regulación financiera: segundo trimestre de 1985", *Boletín Económico*, July-August 1985, Banco de España, pp. 51 and 52.
11 See "Regulación financiera: tercer trimestre de 1988", *Boletín Económico*, October 1988, Banco de España, pp. 61 and 62.

Also, headway was made in adapting Spanish prudential regulation to the new criteria set by the Basel Committee on Banking Supervision in the so-called "Basel III" rules.[12]

Table 1 sets out the main new developments in the Circular.

CHANGES IN THE CALCULATION OF OWN FUNDS

Original own funds (tier 1 capital), additional own funds (tier 2 capital) and ancillary own funds (tier 3 capital)

As regulatorily specified, original own funds (tier 1 capital) consist of eligible capital and reserves, net of losses, intangible assets and other deductions directly affecting this capital (prior year losses and own shares, among others), plus preference shares and non-voting shares or similar equity meeting the requirements of the Circular, as discussed below.

The previously established limitations remain in place: 1) original own funds (tier 1 capital) shall exclude preference shares and non-voting shares exceeding 30% of tier 1 capital, and 2) eligible capital and reserves, net of losses, intangible assets and the other deductions mentioned above must exceed 50% of tier 1 capital.

The composition of additional own funds (tier 2 capital) and ancillary capital (tier 3 capital – outstanding short-term subordinated debt) undergoes no substantial change.

Share capital

It is specified that credit institutions may not, at the time of share issuance, create any expectation that the share capital will be bought back, rescued or redeemed. In this respect, the contribution of share capital to the absorption of losses of the issuer shall be deemed to be less if it carries some kind of preferential right in the distribution of corporate earnings or in liquidation, and particularly if the dividend or coupon fails to meet one or more of the following conditions: it must be paid out of positive net profit for the year or out of distributable reserves that are sufficient in amount to meet such payment; 2) it may not exceed the distributable amount formed by the positive net profit for the year and the distributable reserves; 3) it may not in any way be linked or tied to the amount paid in at issuance; and 4) it is not subject to a stipulated limit, except as legally envisaged for credit cooperatives.

Furthermore, neither the issuer nor any firm in its economic group may secure or guarantee the amount paid in or the dividend/coupon, which, moreover, may not be the subject of guarantees, commitments or agreements of any kind that legally or economically improve the seniority of the claim.

Preference shares

A new legal regime for preference shares is set in place in conformity with the changes introduced by Royal Decree 771/2011, the most notable of which are set forth below.

The payment of remuneration shall be cancelled if the issuing or parent credit institution, or its consolidable group or sub-group, does not meet the minimum capital requirements, and, in any event, shall be conditional on the existence of distributable profit or reserves at the issuing or controlling credit institution. Also, the Banco de España may order its cancellation based on the financial and solvency situation of the issuing or parent credit institution or of its consolidable group or sub-group. Nevertheless, payment of the remuneration may (if so permitted by the terms of issue) be replaced by the delivery of ordinary shares, non-voting equity

12 Specifically, firstly, regulatory capital instruments, particularly those eligible to form part of tier 1 capital, to strengthen banks' loss absorbing capacity in stress situations and their stability, and, secondly, progress in improving, inter alia, the provisioning of exposures to trading book risk, securitisation risk, liquidity risk, off-balance-sheet risk and counterparty risk derived from exposures in derivatives, among other.

DETERMINATION AND CONTROL OF THE MINIMUM OWN FUNDS OF CREDIT INSTITUTIONS

TABLE 1

CBE 3/2008 of 22 May 2008	CBE 4/2011 of 30 November 2011
Determination of own funds	
The share capital dividend/coupon shall be conditional on the existence of positive net profit for the year or, upon prior authorisation from the Banco de España, of distributable reserves of sufficient amount to meet such payment.	Dividend/coupon requirements are broadened. Also, it is specified that credit institutions may not, at the time of share issuance, create any expectation that the share capital will be bought back, rescued or redeemed.
Not envisaged.	The related legal regime is developed and broadened in accordance with the changes introduced by Royal Decree 771/2011. Notable among the new developments are that it is prohibited to offer early redemption incentives and that the payment of remuneration may be replaced by the delivery of ordinary shares or similar instruments.
Preference shares may not contain clauses providing for rescue, buy-back or early redemption at the option of the holder, although the debtor may redeem them early at any time upon prior authorisation from the Banco de España if the institution's solvency is unaffected.	Early redemption is only permitted once the first five years have elapsed from payment of the issue, provided that the institution's financial situation or solvency is unaffected, subject to prior authorisation by the Banco de España.
Not envisaged.	The conditions applying to subordinated debt are stipulated. Specifically, it cannot be secured or covered by a guarantee of the issuer or other agreement of any kind that legally or economically enhances the seniority of the claim vis-à-vis general creditors.
The calculation of own funds involves the deduction of certain items, such as prior year losses and own shares, among others.	Those established in CBE 3/2008 are retained and new items added.
Securitisation	
It is stipulated when a credit institution other than the originator, sponsor or original lender may assume an exposure to the credit risk of a securitisation position in its trading book or non-trading book.	It is stipulated when a credit institution other than the originator, sponsor or original lender may assume an exposure to the credit risk of a securitisation position in its trading book or non-trading book, if the originator, sponsor or original lender has explicitly disclosed to the credit institution that it will retain, on an ongoing basis, a material net economic interest, which in no case may be less than 5%.
Credit institutions must know totally and in detail each and every one of their securitisation positions.	Credit institutions must be able to demonstrate to the Banco de España that they know totally and in detail each and every one of their securitisation positions and that they have applied the appropriate formal policies and procedures in proportion to the risk profile of their investors in securitised positions.
Not envisaged.	Originator and sponsor credit institutions must apply to securitised exposures the same credit extension criteria set in the Circular for credit and counterparty risk.
Not envisaged.	The concept of re-securitisation is introduced. Re-securitisation positions shall receive the same risk weight as that assigned to the securitisation positions, and the same credit quality shall be applied to them.
Not envisaged.	Additional capital requirements are imposed for negligence or lack of due diligence of the credit institution exposed to the securitisation position risk.
Liquidity risk management	
Not specifically envisaged.	Institutions have to adjust their internal strategies and policies and to prepare effective emergency plans addressing an adequate range of time horizons, including intraday, to ensure that they hold an appropriate level of liquidity.
Credit institutions' remuneration policies	
Credit institutions shall have sound internal governance procedures commensurate with the nature, scale and complexity of their activities.	Among other things, credit institutions must considerably reduce variable remuneration when their financial performance is mediocre or negative.
Not envisaged.	Those institutions which have, for restructuring or write-down purposes, received government financial support that has not yet been fully paid back may not pay variable remuneration to their directors and managers, unless adequately justified to the Banco de España.
Other new developments	
Calculation techniques are laid down for trading book positions, counterparty credit risk, market risk and external credit assessments.	Certain technical changes are made in relation to trading book positions, counterparty credit risk, market risk and external credit assessments.
Rules are laid down for ECAIs.	The rules for ECAIs are updated to adapt them to European legislation.

SOURCES: Official State Gazette and Banco de España.

units or contributions to the capital of credit cooperatives by the issuing or parent credit institution, provided that this allows its financial resources to be preserved. Such delivery of equity instruments shall only be admissible if certain conditions set out in the Circular are met:

1) The board of directors or equivalent body of the issuing or parent credit institution has full discretion to cancel, whenever considered necessary, payment of the remuneration for an unlimited period.

2) If the issuing or parent credit institution, or its consolidable group or subgroup, suffers material losses or a significant fall in the indicators of compliance with capital requirements, the terms of issue of the preference shares must set in place sufficiently clear mechanisms[13] that ensure preference shareholders will share in the absorption of current or future losses and that do not hinder any recapitalisation processes, whether they be through the conversion of preference shares into ordinary shares, non-voting equity units or capital contributions to credit cooperatives, of the issuing or parent credit institution, or through the reduction of the nominal value.

3) In the event of early redemption of preference shares on the issuer's initiative, the issuer may only redeem them early from the fifth year after they were paid in, following prior authorisation from the Banco de España and provided the institution's financial situation and solvency are unaffected. As a new feature, the Circular signals the cases in which an institution's solvency is not altered: 1) when the institution replaces the redeemed instrument with eligible capital items of the same or higher quality and such replacement is done at conditions which are sustainable for the income capacity of the institution, or 2) the institution demonstrates that its regulatory capital suitably exceeds the minimum requirements after the transaction.

The contractual clauses governing preference shares may not include early redemption incentives, whether direct, such as step-ups in the associated interest rate, or indirect, such as remuneration which rises if the credit quality of the issuer or firms in its group decreases; nor may the issuer create any expectation whatsoever that the call option will be exercised or that the preference shares will be redeemed in any other way. Also, they must stipulate that failure to pay remuneration or repay principal will not empower the investor to call for declaration of bankruptcy or demand that maturity of the issue be brought forward. Finally, the institution may not create any expectation whatsoever that the call option will be exercised or that the preference shares will be redeemed in any other way.

Subordinated debt

The conditions are stipulated under which subordinated debt financing[14] received by a credit institution will form part of own funds. Thus the issue agreements and prospectuses

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13 These mechanisms shall apply in either of the following circumstances: 1) the issuing or parent credit institution, or its consolidable group or sub-group, has a predominant capital ratio below 5.125%. For this purpose, predominant capital is defined as tier 1 capital, having regard to the recommendations of the Basel Committee on Banking Supervision on certain deductions (such as, for example, deferred tax assets, the realisation of which depends on the future profitability of the institution) which detract from the loss-absorbing capacity of that capital in situations of stress, or 2) the tier 1 capital ratio, calculated taking the same base as for the solvency ratio, is below 6% and the issuing or parent credit institution, or its consolidable group or sub-group, incurs material accounting losses. Material losses are deemed to be incurred when the cumulative loss in the past four quarters has reduced the previous capital and reserves of the institution by one-third.

14 Subordinated debt financing is defined as that which, for debt seniority purposes, ranks below all general creditors.

shall clearly state its nature of subordinated debt for creditors, meaning it cannot be secured or covered by a guarantee of the issuer or of any firm in its economic group or other agreement of any kind that legally or economically enhances the seniority of the claim vis-à-vis said general creditors.

The Circular provides that standard subordinated debt (that with an original maturity of not less than five years) may be redeemed early by the debtor, but only once the first five years have elapsed from disbursement of the financing, provided that the institution's solvency is unaffected, subject to prior authorisation by the Banco de España.[15]

Regarding perpetual subordinated debt, i.e. that which does not have a maturity date, the Circular retains the possibility of early redemption from the fifth year after the financing was paid in, provided the institution's solvency is unaffected, subject to prior authorisation by the Banco de España.

In both cases, the conditions under which the institution's solvency is unaffected are spelled out: 1) when the redeemed instrument is replaced with own funds of the same quality or with elements qualifying as tier 1 capital, and that replacement is done at conditions which are sustainable for the income capacity of the institution, or 2) when the institution demonstrates that its regulatory capital amply exceeds the minimum requirements after the transaction.

Further, unlike previously, the contractual clauses permitting early redemption at the issuer's option may not include redemption incentives, such as, for example, interest rate step-ups if the call option is not exercised. Moreover, expectations may not be created that the call option will be exercised and it is not allowed to include clauses containing indirect redemption incentives, such as remuneration which rises if the credit quality of the issuer or firms in its group decreases.

Non-voting shares and other instruments

To qualify as tier 1 capital, the non-voting shares issued by Spanish firms have to meet the requirements imposed on preference shares and must be available to cover the risks and losses of the issuer in the event of write-offs or winding-up. The securities analogous to non-voting shares issued by foreign firms must meet these requirements, taking into account their corporate law.

Lastly, own funds include mandatory convertible debt instruments and those issued in accordance with the third transitional provision of Royal Decree 2/2011 of 18 February 2011 on the strengthening of the Spanish financial system, provided that they meet the requirements for preference shares to qualify as capital.[16]

Deductions from own funds

In addition to the elements specified in the previous rules, the following shall be deducted from own funds: 1) indirect positions in shares, contributions or other securities qualifying as own funds of the institution held through net positions in indices which include them, and 2) financing to third parties for the purpose of acquiring shares, contributions or other securities qualifying as own funds of the institution included in the previous legal rules. The Circular stipulates that the deduction will apply whatever the purpose of the acquisition

15 Previously, early redemption was allowed at any time provided it did not affect the institution's solvency, subject to prior authorisation by the Banco de España.

16 See Article 7.1 and the additional provision of Law 13/1985 on investment ratios, own funds and reporting requirements for financial intermediaries.

and although the purchased securities are included in the trading portfolio or the purchase is made as a result of market-making activity.

Securitisations which receive a 1250% risk weight continue to be deducted, except when this amount has been included in the calculation of risks weighted for the calculation of capital requirements for securitised assets. The Circular stipulates that this applies regardless of whether or not they are included in the trading portfolio.

RISK WEIGHTS

Certain changes are made to the risk weights of covered bonds,[17] which in general will continue to receive a risk weight based on that assigned to the risk assets or exposures serving as security for those bonds. Thus, if the collateral is unsubordinated securities which are issued by securitisation vehicles regulated by the legislation of a Member State and which securitises loans secured by residential or commercial mortgages, and complies with the former legal rules, those unsubordinated securities may not exceed 10% (previously 20%) of the nominal value of the assets assigned to the secured bonds.

As regards risk exposures to regional governments and local authorities, which have so far had a weight of 0%, they will be assigned a weight of 20% if the exposures are denominated in their national currency, although this will not apply until 1 January 2016.

CONSOLIDABLE GROUPS OF CREDIT INSTITUTIONS

Institutional protection schemes are added to the list of consolidable groups of credit institutions in accordance with Law 13/1985.[18]

In these cases the central institution of an IPS is considered to be the parent entity for all the purposes of this Circular. Also, when the institutions forming part of an IPS assign to the central institution all their financial business,[19] or pool all their profits, they shall deem certain individual solvency requirements stipulated in the Circular to have been met.

Savings banks which have assigned the direct pursuit of their financial activity, and are excluded from the consolidable group to which they belong, must continue complying with solvency requirements individually. However, they shall be exempt from complying with the financial statement submission obligation set in the Circular, without prejudice to the disclosures which may be requested by the Banco de España in the framework of its supervisory actions.

SECURITISATION

As set out in Law 6/2011, implemented by Royal Decree 771/2011, a credit institution other than the originator, sponsor or original lender may only be exposed to the credit risk of a securitisation position in its trading book or non-trading book if the originator, sponsor or original lender has explicitly disclosed to the credit institution that it will

17 "Covered bonds" are defined as the mortgage-backed securities referred to in Law 2/1981 of 25 March 1981 on mortgage market regulation, the territorial covered bonds regulated by Law 44/2002 of 22 November 2002 on financial system reform measures and the others listed in Royal Decree 1309/2005 of 4 November 2005 enacting the implementing regulations of the collective investment institutions law and Directive 85/611/EEC that are backed by certain assets ear-marked exclusively for protecting the bond-holders against losses.

18 In conformity with the amendments made by Law 36/2007 of 16 November 2007.

19 In accordance with the third additional provision of Royal Decree-Law 2/2011 of 18 February 2011 on the strengthening of the Spanish financial system.

retain, on an ongoing basis, a material net economic interest,[20] which in no case may be less than 5%. This interest shall be measured at source and must be ongoing and not subject to any credit risk reduction, to any short position or to any hedging. As an exception, the Circular specifies certain cases in which this rule will not apply, such as, for example, when the securitised exposures are loans unconditionally and irrevocably guaranteed by general government of Member States, the institutions to which a risk weight of 50% or less has been assigned or the securitisation originators or sponsors, except in the case of own liabilities which transfer credit risk vis-à-vis third parties (credit-linked notes).

Before investing, credit institutions must be able to demonstrate to the Banco de España that they know totally and in detail each and every one of their securitisation positions and that they have applied the appropriate formal policies and procedures in proportion to the risk profile of their investors in securitised positions.

Credit institutions shall regularly conduct stress tests appropriate for their securitisation positions. For this purpose, the financial models developed by an external credit rating agency (ECAI[21]) may be used, provided they can demonstrate, when so required, that prior to the investment they checked the methodology, pertinent assumptions and results.

Originator and sponsor credit institutions must apply to the exposures to be securitised by them the same sound and well defined credit extension criteria which, under the rules set in the Circular for credit and counterparty risk, they apply to the exposures to be retained by them. For each securitisation, the information must be available or cited on the website of at least one of the following institutions and, whenever possible, in the following order: originator, sponsor and original lender. This does not mean that they are necessarily the ones that provide the information, since they may just refer the interested party to the place where that information can be found. Thus the provider of the information may be, for example, the manager of the securitisation.

Finally, the Circular introduces two new developments: first, "re-securitisation",[22] which means a securitisation where the risk associated with an underlying pool of exposures is tranched and at least one of the underlying exposures is a securitisation position. Re-securitisation positions shall receive the same risk weight as that assigned to the securitisation positions, and the same credit quality shall be applied to them.

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20 "Retention of net economic interest" means: a) retention of no less than 5% of the nominal value of each of the tranches sold or transferred to the investors, or, equivalently, retention of at least 5% of the nominal amount of each of the securitised exposures. In the case of ABCP (asset-backed commercial paper) programmes, the retention requirement may be met by the provision of liquidity facilities provided they fulfil certain conditions set in the Circular; b) in the case of securitisations of revolving exposures, retention of the originator's interest of no less than 5% of the nominal value of the securitised exposures; c) retention of randomly selected exposures, equivalent to no less than 5% of the nominal amount of the securitised exposures, provided that the number of potentially securitised exposures is no less than 100 at origination; or d) retention of the first loss tranche and, if necessary, other tranches having the same or a more severe risk profile than those transferred or sold to investors and not maturing any earlier than those transferred or sold to investors, so that the retention equals in total no less than 5% of the nominal value of the securitised exposures. For this purpose, the retention may consist of the provision of a guarantee (through a letter of credit or other similar type of credit backing), provided that it meets certain requirements set in the Circular.

21 External Credit Assessment Institution.

22 Transposing the related provisions in Directive 2010/76/EU of the European Parliament and of the Council of 24 November 2010 amending Directives 2006/48/EC and 2006/49/EC as regards capital requirements for the trading book and for re-securitisations, and the supervisory review of remuneration policies.

Further, additional capital requirements are imposed for negligence or lack of due diligence of the credit institution exposed to the securitisation position risk. In this case, the institution must, for so long as this circumstance persists, apply a proportionate additional risk weight of not less than 250% of the risk weight, and progressively raise it, subject to an upper limit of 1250%, for each subsequent non-compliance detected by the Banco de España.

LIQUIDITY RISK MANAGEMENT

In accordance with Royal Decree 771/2011, substantial changes have been made in liquidity risk management policy.[23] In this respect, institutions have to adjust their internal strategies and policies regarding this risk and to prepare effective emergency plans addressing an adequate range of time horizons, including intraday, to ensure that credit institutions hold an appropriate level of liquidity. Also, they have to adopt liquidity risk mitigation tools, particularly a system of liquidity limits and buffers to cope with diverse scenarios of tension, and an appropriately diversified financing structure and access to funding sources. These measures will be reviewed regularly.

To deal with liquidity crises, institutions must have emergency plans establishing suitable strategies along with appropriate measures for applying them. These plans will have to be regularly tested, updated on the basis of the results of the alternative scenarios considered, and submitted to senior management for approval, so that the internal policies and procedures can be adapted as required.

The internal risk-measurement models, as well as meeting the requirements set in the previous legal provisions, must assess the risk arising from less liquid positions. The approximations shall be duly conservative and may be used only where available data is insufficient or is not reflective of the true volatility of a position or portfolio.

An assessment should also be made of the impact that the alternative scenarios have on liquidity needs, including, among other things, the effect that the downgrading of an institution's credit rating has on the additional margin requirements or collateral to cover certain positions.

The Banco de España will regularly assess overall liquidity risk management by credit institutions and promote the development of sound internal methodologies. In conducting these examinations, the Banco de España will take into consideration the role played by credit institutions in financial markets and the possible impact of their decisions on the stability of the financial system of all the other Member States affected.

Finally, credit institutions must submit monthly to the Banco de España new statements relating to their liquidity situation (projected cash inflows and outflows, liquid assets, undrawn credit facilities, etc.), which are set out in the annexes to the Circular.[24]

CREDIT INSTITUTIONS' REMUNERATION POLICIES

The new rules introduced by Royal Decree 771/2011 were developed in detail and others were added to complete the transposition of Directive 2010/76/EU of the European Parliament and of the Council of 24 November 2010.

23 The Circular retains as major rules the "supplementary guidelines" on liquidity risk management included in Circular 9/2010 of 22 December 2010 amending CBE 3/2008, which also included certain provisions to strengthen internal organisation, risk management and internal control, as well as other significant matters.

24 However, individual institutions may be granted a longer submission deadline or exempted from submitting some statements upon a request substantiating the scant complexity of their operations.

Credit institutions must develop remuneration policies and practices consistent with the promotion of sound and effective risk management. Specifically, they must considerably reduce variable remuneration when the institution's financial performance is mediocre[25] or negative, taking into account both current remuneration and reductions in payouts of amounts previously earned. For this purpose, mechanisms shall be set in place for malus or clawback arrangements.

Additionally, those institutions which have, for restructuring or write-down purposes, received government financial support that has not yet been fully paid back, must give priority to the creation and maintenance of a sound capital base and to the repayment of the government aid received. Hence they may not pay variable remuneration to the top-level directors and managers directing the institution's day-to-day business, unless adequately justified to the Banco de España.[26] In any event it may not be paid without prior authorisation by the Banco de España.

Also, as envisaged in Royal Decree 771/2011, the conditions for the creation of a Remuneration Committee are specified. Thus it will be compulsory to have such a committee by 31 March 2012 for Spanish credit institutions whose total assets in 2010 or in 2011 exceed €10 billion. In those institutions whose total assets reach or exceed this amount in the future, this committee must be set up, or, should it already exist, its composition and functions adapted to those required by the Circular within a period of six months from the closing date of the financial year in which that level of total assets was reached.

Nevertheless, institutions which have not reached the aforementioned total assets figure may, for reasons relating to their internal organisation or the nature, scope or complexity of their activities, be required by the Banco de España to set up a remuneration committee. Similarly, the Spanish subsidiaries of groups of credit institutions whose parent is located in Spain or in another European Economic Area country that so request may, after an individual assessment, be exempted from this requirement.

Finally, credit institutions have to furnish to the public and periodically update, at least once a year, numerous items of information listed in the Circular about their remuneration practices, including salaries and discretionary pension benefits, in respect of their directors and other senior managers, and those employees who are risk takers and whose professional activities have a material impact on the risk profile of the institution, as well as staff engaged in control functions.

OTHER SIGNIFICANT ASPECTS OF THE CIRCULAR

Regarding counterparty credit risk, from now on credit institutions can decide to include systematically all credit derivatives not included in the trading book and purchased as protection to cover an exposure of its banking book or an exposure subject to counterparty risk, provided that credit risk coverage is recognised as stipulated in the Circular.

25 To assess the mediocrity of results, regard must be had to whether they evidence a downward trend either compared with those of the institution itself or with those of its peers, and to parameters such as the degree of achievement of the projected targets or the performance of the institution as a whole or of the business unit to which the employee in question belongs and of the exposures which may have been generated.

26 This remuneration must in any event be associated with the achievement of the aforementioned priority objectives of creating and maintaining a sound capital base and of repaying the government aid received.

Trading book[27] positions must be marked to market whenever possible. Marking to market is the at least daily valuation of positions at close out prices that are sourced independently. It is specified that the prices used for this purpose may include exchange prices, screen prices, or quotes from several independent reputable brokers. Where marking to market is not possible, credit institutions shall conservatively mark to model[28] their positions and portfolios before applying trading book capital treatment.

As regards market risk on credit derivatives, the positions of protection sellers shall be valued, as before, at the notional amount of the credit derivative contract, and, for the purpose of calculating the specific risk charge, other than for total return swaps, the maturity of the credit derivative contract is applicable instead of the maturity of the reference obligation. However, credit institutions may now decide to replace that notional amount with the difference between the notional amount and any change in market value undergone by the credit derivative since it was purchased.

A new requirement is added for external credit assessments. Specifically, such assessments must not be based either totally or partially on guarantees provided by the credit institution itself. Meanwhile, in credit assessments of structured financial instruments, ECAIs must explain publicly how the overall behaviour of the securitised exposures affects their ratings.

Lastly, the law on ECAIs is adapted to EU legislation. Specifically, an ECAI's assessment methodology is considered to comply with the requirements of objectivity, independence, ongoing review and transparency if that ECAI is registered in accordance with Regulation (EC) 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies. Also, the name of the Committee of European Banking Supervisors (CEBS) was changed to the European Banking Authority (EBA), which will be the new body entrusted with setting guidelines on the recognition of ECAIs.

Save certain exceptions, the Circular came into force on 31 December 2011.

OTHER NEW DEVELOPMENTS REGARDING SOLVENCY

On 5 December 2011 the Executive Commission of the Banco de España resolved to adopt as its own rules nine guidelines published by the CEBS before the EBA took over its functions. They contain more detailed guidance on matters introduced by Directive 2009/111/EC (CRD II) and Directive 2010/76/EU (CRD III) in the Capital Requirements Directive (CRD), i.e. Directive 2006/48/EC, and their purpose is to promote effective and harmonised compliance with EU legislation. Thus, in order to adopt the principles set out in these guidelines, the CRD had previously to be transposed in full into Spanish law. This process culminated in the approval of CBE 4/2011 of 30 November 2011 amending CBE 3/2008 of 22 May 2008 on determination and control of minimum own funds, incorporating the basic features of those directives.

Consequently, the guidelines adopted in Spain, without prejudice to Spanish positive law, which already contains many of their provisions, are as follows: Implementation guidelines regarding instruments referred to in Article 57(a) of Directive 2006/48/EC, Implementation

27 The trading book of an institution shall consist of all positions in financial instruments and commodities held either with trading intent or in order to hedge other elements of the trading book and which are either free of any restrictive covenants on their tradability or able to be hedged.

28 For these purposes, marking to model is defined as any valuation which has to be benchmarked, extrapolated or otherwise calculated from a market input.

guidelines for hybrid capital instruments, Guidelines on the implementation of the revised large exposures regime, Implementation guidelines on Article 106(2)(c) and (d) of Directive 2006/48/EC recast, Guidelines to Article 122a of the Directive 2006/48/EC, Guidelines on remuneration policies and practices, Guidelines on liquidity cost benefit allocation, Guidelines on liquidity buffers and survival periods and Guidelines on the management of operational risks in market-related activities. The texts of these guidelines and their translation to Spanish can be found on the Banco de España website in the section "Guidelines the Banco de España has adopted as its own".

Credit institutions: amendment of public and confidential financial reporting rules

CBE 5/2011 of 30 November 2011 (BOE of 9 December 2011) amended CBE 4/2004 of 22 December 2004[29] on public and confidential financial reporting rules and formats.

From now on, credit institutions have to publish annually, at both individual and consolidated level, qualitative and quantitative information on the mortgage market and on financing for construction, real estate development and house purchase, and that relating to assets received in satisfaction of debt corresponding to business in Spain, with data as at each 30 June. This information shall be made public via the same channel used to meet the market disclosure obligations in the area of solvency[30] or on their internet website.

In the notes to their annual accounts, institutions must disclose the policies and strategies set in place by them to deal with the troubled loans granted to finance real estate projects, including urban development and subsequent building work.

The disclosures shall include all significant matters regarding the situation and prospects of recovery of the liquidity of this class of financial assets, including, where applicable, those of the collateral taken, so as to make more readily understandable the risks and uncertainties associated with these assets. In any event, these disclosures shall include at least: 1) the gross amount, the excess of this amount over the value of the collateral, and the specific provisions for impairment of all loans; 2) the gross amount of these loans classified as write-offs and thus derecognised; 3) the gross amount of construction and real estate development loans, broken down into those with and without mortgage collateral;[31] and 4) the gross amount of total loans to households for house purchases, with a breakdown of doubtful loans, and distinguishing in both cases whether they are secured by mortgage collateral. Also, loans shall be distributed in certain tranches based on the risk expressed as a percentage of the amount of the latest appraisal of the collateral taken (40% or less, over 40% but less than or equal to 60%, over 60% but less than or equal to 80%, over 80% but less than or equal to 100%, and over 100%).

Further, credit institutions must explain their policies and strategies for dealing with foreclosed real estate assets and those received in satisfaction of debt. The information must include all significant aspects of the strategy followed to re-establish the liquidity of this class of assets, so as to make it easier to understand the risks and uncertainties associated with these assets.

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29 See "Financial Regulation: 2004 Q4", *Economic Bulletin*, January 2005, Banco de España, pp. 3-7.

30 In accordance with CBE 3/2008 of 22 May 2008 on determination and control of minimum own funds, under which credit institutions must set in place a formal policy, approved by the Board of Directors or equivalent body of the institution or group, specifying, among other things, the frequency and place of publication, and the verification of the information they have to furnish to the market.

31 Those with mortgage collateral have to be broken down by type of collateral into those secured by completed buildings (distinguishing between dwellings and others), buildings under construction (dwellings and others) and land (developed land and other).

The Circular specifies more precisely the individual financial statement footnote in which the board of directors or equivalent body of the credit institution has to make an express manifestation on the existence of express policies and procedures for its mortgage market activities approved by that governing body or by another to which it has delegated powers, and in which manifestation that governing body makes itself expressly responsible for compliance with mortgage market regulations.

As regards the confidential information which institutions must submit to the Banco de España at both individual and consolidated level, certain changes are made in the formats of the existing confidential returns and other new ones are added. Specifically, the following individual returns covering a half-yearly reporting period, to be submitted by the end of the following month, are added: "S.6 Mortgage market information", "S.7 Information on construction, real estate development and house purchase financing (business in Spain)" and "S.8 Information on assets received in satisfaction of debt (business in Spain)". The new consolidated returns, both of them half-yearly, are as follows: "C.17 Information on construction, real estate development and house purchase financing by credit institutions (business in Spain)" and "S.8 Information on assets received in satisfaction of debt by the credit institution (business in Spain)".

Finally, the Circular makes certain technical improvements, adding additional information in the special accounting books for mortgage activities.

The Circular came into force on 10 December 2011. First-time application of the rules on the annual accounts will be in those as at 31 December 2011, except as stipulated for the new confidential returns, which, exceptionally, may be submitted to the Banco de España by 31 March 2012.

Unification of the credit institution deposit guarantee funds

Royal Decree-Law 16/2011 of 14 October 2011 (BOE of 15 October 2011), amended by Royal Decree-Law 19/2011 of 2 December 2011 (BOE of 3 December 2011), created the Credit Institution Deposit Guarantee Fund, which replaces the three existing funds.[32]

Table 2 sets out the main new developments with respect to the previous regulations.

The Royal Decree-Law has two aims. The first is to unify the funds in a single Credit Institution Deposit Guarantee Fund which retains the functions and characteristic features of those it replaces, particularly their dual functional nature of not only guaranteeing deposits,[33] but also strengthening the solvency and functioning of institutions. The second aim is to bolster the aforementioned latter function of the system by broadening the range of situations in which the Fund can act.

Regarding the first aim, the Royal Decree-Law regulates the creation and subrogation of the new Fund to all the rights and obligations of its predecessors, as well as its legal regime, its assets and liabilities and its governing bodies.

The Fund will receive assets in the form of annual contributions from affiliated credit institutions, the maximum amount of which increases from 2‰ to 3‰ of the deposits guaranteed, depending on the type of credit institution. It will also be able to call for supplementary con-

32 The commercial bank, savings bank and credit cooperative deposit guarantee funds.
33 The guaranteed amount of deposits remains at €100,000 or, if denominated in another currency, at the equivalent amount obtained by applying the related exchange rates. Similarly, the guarantee to investors that have entrusted securities or financial instruments to a credit institution remains at a maximum of €100,000 per depositor or investor.

CREDIT INSTITUTION DEPOSIT GUARANTEE FUNDS

TABLE 2

Royal Decree 2606/1996 of 20 December 1996	Royal Decree-Law 16/2011 of 14 October and Royal Decree-Law 19/2011 of 2 December 2011
Legal regime	
Existence of three deposit guarantee funds: commercial banks, savings banks and credit cooperatives.	Unification of the three funds in a single credit institution deposit guarantee fund.
The various funds were governed and administered by the respective management committee, consisting of eight members appointed by the Minister of Economic Affairs and Finance, of which four represented the Banco de España and four represented the affiliated credit institutions.	The Fund is governed and administered by a Management Committee of twelve members, six designated by the Banco de España and six by associations representing affiliated credit institutions.
Assets	
Up to 2‰ of the deposits at year-end plus 5% of the market value on the last trading day of the year, in the relevant secondary market, of the guaranteed securities existing at year-end. If the uncommitted assets become negative, the affiliated institutions will be called on to make the supplementary contributions needed to eliminate that deficit.	Up to 3‰ of the deposits guaranteed, depending on the type of credit institution. It will also be able to call for supplementary contributions from affiliated credit institutions and to raise funds on the stock market and to receive funds from loans or any other borrowings. In addition, if the Fund has insufficient assets to carry out its functions, it may take the necessary action to restore them to a sufficient level.
Contributions shall be suspended when the assets not committed to operations proper to the end-purpose of the Funds equal or exceed 1% of the deposits of the affiliated institutions.	No significant changes.
Functions	
Guarantees of up to €100,000 on deposits, as well as a maximum of €100,000 per depositor or investor for investors that have entrusted securities or financial instruments to a credit institution.	No significant changes.
The funds may take preventive and reorganisation measures designed to promote an institution's viability so it can successfully exit a situation of crisis, within the framework of an action plan proposed by the institution and approved by the Banco de España.	The Fund's ability to act and the flexibility of its actions to strengthen the capital base of institutions have been raised. The Fund is also endowed with a greater capacity to take measures if it is decided to restructure a credit institution or to provide financial support to strengthen its capital base, all within the framework of the action plan approved by the Banco de España.

SOURCES: Official State Gazette and Banco de España.

tributions from affiliated credit institutions, distributed according to the same proportions as for the annual contributions, and to raise funds on the stock market and to receive funds from loans or any other borrowings. In any event, when the Fund has insufficient assets to carry out its functions, it shall take the necessary action to restore them to a sufficient level.

The contribution regime shall be temporary until an EU-wide system based on the risk profile of each institution is established.

As before, contributions shall be suspended when the assets not committed to operations proper to the end-purpose of the Fund equal or exceed 1% of the deposits of its affiliated institutions.

The Fund shall be administered by a Management Committee of twelve members, six designated by the Banco de España and six by associations representing affiliated credit institutions within the two months following the entry into force of this Royal Decree-Law. Its characteristics and functions are similar to those in the previous funds.[34]

34 Under the previous legislation, the various funds were governed and administered by the respective management committee, consisting of eight members appointed by the Minister of Economic Affairs and Finance, of which four represented the Banco de España and four represented the affiliated credit institutions.

Should the new members of the Management Committee not be elected in the aforementioned period, the affiliated institutions' representatives on the Committee shall be those who formed part of the management committees of the three funds extinguished upon the entry into force of the Royal Decree-Law and who shall together carry 50% of the Committee members' total votes. Similarly, the Banco de España's representatives shall be those who formed part of the management committees of the three funds extinguished, who shall together carry 50% of the Committee members' total votes.

As to the second aim, the Fund's ability to act and the flexibility of its actions to strengthen the capital base of institutions have been raised.

Thus, to the previous case in which the Fund could take preventive and reorganisation measures,[35] has been added another case in which the Fund may take similar measures if it is decided to restructure a credit institution[36] or to provide financial support to strengthen its capital base,[37] all within the framework of the action plan approved by the Banco de España.

The actions contained in the related action plan may be: 1) financial assistance, which may consist of non-refundable aid, the provision of guarantees, soft loans, subordinated debt financing, acquisition by the Fund of impaired or non-performing assets on the institution's balance sheet and any other financial support; 2) capital restructuring of the institution, which may entail, among other measures, the appropriate use of the institution's own funds to absorb losses, having regard to the special features of each case; 3) facilitate merger or acquisition processes with other institutions of recognised solvency or the transfer of its business to another credit institution; subscription by the Fund of capital increases and the adoption by the related governing bodies of the institution concerned of all resolutions to ensure the appropriate application of the assistance provided by the Fund; and 4) management measures to improve the institution's organisation and procedural and internal control systems. These measures must be aimed at achieving the viability of the institution within a period judged reasonable by the Fund, either by strengthening the institution's assets and solvency or by facilitating its merger with or acquisition by another institution of recognised solvency or the transfer of its business to another credit institution.

Lastly, Royal Decree 2606/1996 of 20 December 1996[38] on deposit guarantee funds of credit institutions remains in effect in those parts that are not inconsistent with the Royal Decree-Law, until such time as the government approves the related implementing regulations.

Royal Decree-Law 16/2011 came into force on 15 October 2011 and Royal Decree-Law 19/2011 on 3 December 2011.

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35 When the situation of a credit institution, according to the information furnished by the Banco de España, is such that foreseeably the obligation to pay will fall on the Fund for the reasons envisaged in the regulations. In this case, the measures are taken within the framework of an action plan proposed by the institution and approved by the Banco de España.

36 Carried out under the related plan approved by the Banco de España in the cases listed in Article 7.1 of Royal Decree-Law 9/2009 of 26 June 2009 on bank restructuring and strengthening of the capital of credit institutions.

37 Pursuant to Article 9 of Royal Decree-Law 9/2009 of 26 June 2009 on bank restructuring and strengthening of the capital of credit institutions.

38 See "Regulación financiera: cuarto trimestre de 1996", *Boletín Económico*, January 1997, Banco de España, pp. 106-109.

Transparency and protection of banking services customers: updating of regulations

Order EHA/2899/2011 of 28 October 2012 (BOE of 29 October 2012) on transparency and protection of banking services customers has been published. This Order repeals the Order of 12 December 1989[39] on the interest rates and fees, rules of behaviour, customer information and advertising of credit institutions, the Order of 5 May 1994[40] on the transparency of the financial conditions of mortgage loans, and Order PRE/1019/2003 of 24 April[41] on price transparency in banking services provided through ATMs. It also amends Order EHA/1608/2010 of 14 June 2010[42] on transparency of conditions and information requirements applicable to payment services.

The new Order shall apply to the banking services offered or supplied to existing or potential customers in Spain by Spanish credit institutions or the branches of foreign credit institutions. Its aim is twofold: to implement the advances in banking transparency introduced by the Sustainable Economy Law 2/2011 of 4 March 2011, in relation to the protection of banking customers; and to gather together in a single text the various regulations existing in relation to transparency and customer protection, in order to improve their clarity and make them more readily accessible to the public.

Table 3 shows the most important changes introduced, with respect to the previous regulations.

GREATER BANKING SERVICE INFORMATION OBLIGATIONS

Fees and interest rates

As provided previously, the fees and, where applicable, interest rates charged for banking services will continue to be set freely by credit institutions and their customers. However, credit institutions will henceforth make available to customers the fees and interest rates that they normally charge for the services they most frequently provide, as well as the expenses they pass on to the customer in respect of such services,[43] and also these will be presented in a standard format established by the Banco de España. This system replaces the one that has been in force up until now, whereby a list of rates had to be registered at the Banco de España in order to be applicable.

For mortgage loans and credits, the annual percentage rate (APR) needs to be defined and calculated. This rate equalises, on an annual basis, the current value of all the existing and future commitments (credit drawdowns, repayments and charges) assumed by the institution and by the customer. To calculate this rate, the total cost of the loan to the customer is determined, without including the charges the latter would have to pay for breach of any of its obligations under the loan agreement.[44] From now on, the total cost of the loan will also include the following items: 1) the costs of maintaining an account when it is compulsory to open one in order to obtain the loan;[45] 2) the costs relating to the use of a means of payment that enables payment and credit drawdown transactions to be made and, where applicable, 3) the costs of the payment transactions.

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39 See "Regulación financiera: cuarto trimestre de 1989", *Boletín Económico*, January 1990, Banco de España, p. 35.

40 See "Regulación financiera: segundo trimestre de 1994», *Boletín Económico*, July-August 1994, Banco de España, pp. 46-48.

41 See "Financial regulation: 2003 Q2", *Economic Bulletin*, July 2003, Banco de España, pp. 80-82.

42 See "Financial regulation: 2010 Q2", *Economic Bulletin*, July 2010, Banco de España, pp. 141-144.

43 This information shall be available at all branches of credit institutions, on their websites and on the Banco de España website and shall be available to customers at any time, free of charge.

44 Under the previous regulations (CBE 8/1990, which implemented the now repealed Order of 12 December 1989), certain expenses and fees, such as brokerage fees, notary expenses, taxes and charges for insurance or guarantees, were not taken into account when calculating the rate.

45 Unless the costs of such account have been clearly and separately specified in the loan agreement or in any other agreement with the customer.

TRANSPARENCY AND PROTECTION OF BANKING SERVICES CUSTOMERS

TABLE 3

Order of 12 December 1989; Order of 5 May 1994; Order PRE/1019/2003 of 24 April 2003 and Order EHA/1608/2010 of 14 June 2010	Order EHA/2899/2011 of 28 October 2011
Greater banking service information requirements	
Fees for banking services are freely set. They may only be charged for services that have been requested and actually provided	No significant changes.
The interest rates applicable to banking services, in both deposit and lending transactions, are also freely set by the parties, whatever the type and maturity of the transaction.	No significant changes.
After registering it with the Banco de España, institutions must publish a list of their maximum rates of fees and charges and may not charge higher rates or amounts or for items not included on the list	Credit institutions must make available to their customers the fees and interest rates normally charged for the services they most frequently provide, as well as the expenses they pass on to the customer in respect of such services, which will be presented in a standard format established by the Banco de España.
Not provided for.	Credit institutions will supply customers, free of charge, with all relevant precontractual information, so that they can make informed decisions on banking services and compare similar offers.
There are certain exceptions to the obligation to deliver a document that includes the contractual information, unless it is expressly requested by the customer.	The obligation to deliver to the customer a document containing the contractual information is extended to cover all banking services.
Not expressly provided for.	When advising customers, credit institutions are obliged to act in the customer's best interests, considering both the latter's personal and financial situation and preferences and objectives.
Not provided for.	In the case of banking services linked to the purchase of another service, credit institutions must inform the customer, in an understandable way, whether or not it is possible to purchase each service independently and on what terms.
Reasonable notice must be given of the application of any change in the terms of an agreement to provide a banking service. Alternatively, the change may be published in a national newspaper, and in some cases it is sufficient for it to appear on the institution's noticeboard.	Customers must be given at least one month's personal notice of any change to the terms of a contract for banking services.
Not provided for.	Notification, in January each year, with information on the fees, charges and interest rates applied to each banking service provided during the previous year.
New information requirements in relation to bank deposits	
Not provided for.	Customers must be sent free of charge, at least once a month, a statement of all the movements in their current account.
Not provided for.	Content of the contractual documents for structured or hybrid time deposits.
Improved bank loan and credit granting practices	
Not specifically provided for.	Credit institutions must have internal procedures to assess customers' solvency.
Not provided for.	"Pre-agreement information card" (FIPRE), which institutions must provide free of charge, with clear and sufficient information on the loans and credits they offer.
Not provided for.	"Individualised information card" (FIPER), which institutions must provide, free of charge, with the individualised information necessary to respond to their demand for credit, before the customer is bound by any agreement or offer.
Not provided for.	"Mortgage Loan Access Guide" available at credit institutions, on their websites and at the Banco de España.
When mortgage loans have "floor" and "ceiling" clauses, these must appear in the contractual documentation.	When loans have these clauses, in addition to appearing in the contractual documentation they will be included in a FIPER annex.
Other changes	
Not provided for.	The transparency rules for reverse mortgages are regulated. In general such mortgages are subject to the information obligations of this Order, with certain particularities. In addition, a "Reverse Mortgage Access Guide" will be prepared.

SOURCES: BOE and Banco de España.

Pre-contractual and contractual information

Another of the changes made by the Order is the obligation on credit institutions to supply certain pre-contractual information to customers, free of charge, so that they can make informed decisions on banking services and compare similar offers. This information must be clear, sufficient, objective and delivered in advance or, in any event, before the customer is bound by a contract or offer.

As regards contractual information, the obligation on credit institutions to deliver to the customer, whether or not requested thereby, the relevant copy of the contractual document in which such services are agreed is extended to cover all banking services received.[46] In addition, the minimum content of such documents relating to banking services to raise repayable funds, especially deposits, and to grant loans and credits, in addition to the other content requirements that may be established by the Banco de España, is extended and specified. Inter alia, credit institutions shall supply their customers with appropriate explanations to enable them to understand the essential terms of the banking services offered, taking into account their needs and financial situation.

Credit institutions that market banking services linked to the purchase of another service, whether or not financial, must inform the customer, in an understandable way, whether or not it is possible to purchase each service independently and on what terms. If it is only possible to purchase the banking service along with others on the terms offered, the customer must be informed of the part of the total cost that corresponds to each of the services, provided that this information is available, and of the effects that not purchasing it by itself or cancelling it early will have on the total cost of the banking services.

Customer advice

The Order expressly mentions advice to customers,[47] which used not to be specifically addressed in our legal system, distinguishing it from the direct marketing of banking products. In this respect, when credit institutions and customers decide to enter into a contract for advice, the former shall specifically notify the latter of this circumstance and, unless the service is free of charge, of the remuneration payable therefor. When providing this service institutions are under an obligation to act in the customer's best interests, on the basis of an objective and sufficiently broad analysis of the banking services available on the market, and taking into consideration the customer's personal and financial situation and preferences and objectives.

Notifications to the customer

As regards notifications to customers in respect of services provided, certain changes have been introduced. Thus, when the credit institution has the right to modify any term of a banking service contract unilaterally, it is now under an obligation to give the customer at least one month's personal notice of such modification. In cases of modification of limits or the ability to draw down further amounts, when the customer has been in breach of its obligations, at least ten days' notice must be given.[48]

In addition, credit institutions must send to their customers, in January each year, a notification with full and detailed information on the fees, charges due and interest rates actu-

46 In the previous regulations (CBE 8/1990, which implemented the now repealed Order of 12 December 1989), certain exceptions were established, such as, for example, for certain transactions (time deposit transactions, or transactions to raise funds using bank promissory notes or similar instruments; repurchase agreements, transactions in financial instruments traded on organised secondary markets, and loan or credit transactions, including those involving credit cards) for an amount of at least €60,000, unless the customer expressly asked for it.

47 Advice shall be deemed to be any personal recommendation made by a credit institution to a specific customer with respect to one or more banking services available on the market.

48 In the previous regulations (CBE 8/1990), which implemented the now repealed Order of 12 December 1989) there was no time limit, but rather reasonable notice had to be given. Moreover, such notice could be replaced by publication in a nationwide newspaper, and in some cases a notice on the institution's noticeboard was sufficient.

ally applied to each banking service provided to the customer during the previous year. The Banco de España will establish a standard document for these notifications. In the event of the death of the customer, the heirs thereof, when their status has been evidenced, must be informed of the deceased's financial position with the credit institution.

NEW INFORMATION REQUIREMENTS IN RELATION TO BANK DEPOSITS

In relation to sight deposits, credit institutions are now obliged to supply customers, free of charge and at least once a month, with a statement of all the movements in their current accounts, specifying in each case the date, the item and the amount of the transaction.

With regard to structured and "hybrid" time deposits, the contractual documents must set out explicitly and clearly, the obligation on the institution to repay the principal amount of the deposit upon maturity, as well as the nominal interest rate, the APR or some other equivalent expression of the effective total remuneration in terms of annual interest, taking into account the effects on the remuneration of both the main contract and the implicit derivative.

Finally, the contractual documents relating to banking deposit services must include a reference to the deposit guarantee fund to which the institution belongs.

IMPROVED BANK LOAN AND CREDIT GRANTING PRACTICES

The contributions made by Law 2/2011 of 4 March 2011 in respect of the responsible extension of loans, especially regarding customer "solvency assessment", have been implemented. Thus, before any credit or loan agreement is entered into, the credit institution shall assess the customer's ability to meet the attendant obligations on the basis of sufficient information obtained by means appropriate to this end. Such means include, most notably, information provided by customers themselves. Furthermore, credit institutions shall have specifically developed internal procedures to conduct this assessment, which should envisage specific aspects of the customers such as: 1) assessment of the customer's working, wealth and financial situation; 2) the customer's financial capacity to assume significant changes in instalments over the course of the life of the operation in the event of credit or loans at variable interest rates; 3) the capacity of the guarantors to meet their payment obligations, and 4) a prudent valuation of real guarantees in the case of mortgage credit or loans.

As regards mortgage credit and loans, new transparency regulations[49] have been implemented to replace those of the Ministerial Order dated 5 May 1994 on transparency of the financial conditions of mortgage loans, which are along the lines of the current Law 16/2011 of 24 June 2011[50] on consumer credit agreements. One new feature here is the "Mortgage Loan Access Guide" that will be drafted by the Banco de España, so that those demanding mortgage loan banking services may have, prior to entering into the related agreements, appropriate information with which to adopt their financing decisions. The guide shall be available, free of charge, in all commercial establishments of credit institutions, on their websites, and at the Banco de España.

A so-called "Pre-agreement Information Card" (FIPRE by its Spanish abbreviation) has been introduced, which credit institutions must provide, free of charge, to customers requesting information on the mortgage credit and loans offered, and which shall contain clear and sufficient information on these loans. A so-called "Individualised Information

49 Applicable to mortgage credit on loan banking services entered into with an individual customer, in which the mortgage is on a dwelling or whose end-purpose is to acquire or maintain ownership rights over land or buildings that have been constructed or are to be constructed.

50 See "Financial regulation: 2011 Q2», Economic Bulletin, July 2011, Banco de España, pp. 154-156.

Card" (FIPER) has also been created. This card will be provided for customers, likewise free of charge, once they have made over to the credit institution the FIPRE information, the institution having obtained from customers the information needed in respect of their financing requirements, their financial situation and their preferences. The FIPER provides the individualised information needed to respond to customers' demand for credit, allowing customers to compare mortgage credit and loans available on the market, to assess the implications and to adopt a grounded decision on whether they should subscribe to the agreement or not. The content of the FIPRE and the FIPER is regulated in detail in the annexes to the Ministerial Order.

If the customer and credit institution have expressed their willingness to enter into a specific mortgage credit or loan agreement and, among other requirements, the appraisal of the real estate is available and customer solvency has been assessed, then the latter may request that the credit institution make a binding offer. The previous regulations already covered this, the novelty now being that the FIPER will provide for this, additionally specifying that what is involved is a binding offer and the term of its applicability, which may not in general be fewer than 14 calendar days (previously it was 10 working days) from the delivery date.

Further, transparency and information disclosure obligations regarding floor and ceiling clauses in mortgage loans have been reinforced. Thus, should such clauses have been set in these loans, the minimum and maximum interest rates and the maximum and minimum instalment payments shall be included in an annex to the FIPER. Previously, it was only necessary to include this information in the loan agreement documentation.

Finally, in accordance with the provisions of Law 36/2003 of 11 November 2003 on economic reform measures, credit institutions shall be required to provide specific additional information to their customers on interest rate hedging instruments for mortgage loans for which an adjustable rate has been agreed. This information, if any, shall also be included in an annex to the FIPER.

OTHER CHANGES IN THE REGULATIONS

The transparency arrangements governing reverse mortgages[51] have been regulated. This type of mortgage will be subject, in general, to reporting obligations laid down in this Order, with certain particularities. Thus, delivery of the FIPRE, the FIPER, the binding offer and the provision of a prior independent assessment service – at the latest as at the delivery date of the binding offer – shall be obligatory.

The Banco de España, along with the Directorate General for Insurance and Pension Funds, shall draw up a "Reverse Mortgage Access Guide", in similar terms to those envisaged for the above-mentioned "Mortgage Loan Access Guide".

Further, the regulations govern official interest rates, in keeping with the powers conferred

51 The reverse mortgage was regulated in the first additional provision of Law 41/2007 of 7 December 2007, which amended Law 2/1981 of 25 March 1981 on mortgage market regulation and other mortgage and financial system rules, regulating reverse mortgages and dependency insurance, and establishing a specific tax regulation. A reverse mortgage is defined as a mortgage loan or credit taking the form of a mortgage over real property constituting the principal residence of the applicant, provided that it meets the following requirements: a) the applicant and any beneficiaries designated by him or her must be aged 65 or over or in a situation of severe or considerable dependency; b) the mortgagor must draw the loan amount in periodic withdrawals or as a lump sum; c) the debt must only be claimable by the creditor and the security interest enforceable upon the death of the borrower or, if so stipulated in the contract, upon the death of the last of the beneficiaries; and d) the mortgaged residence must have been appraised and insured against damage.

and included in Law 26/1988 of 29 July 1988 on the discipline and intervention of credit institutions, with the aim of integrating them with the existing benchmark rates on European markets, and of increasing the alternatives for choosing rates across institutions and customers. In this way, the BOE (Official State Gazette) shall publish monthly the following official interest rates, which will also be available on the Banco de España website: 1) average rate of mortgage loans at over three years, for the purchase of open-market housing, granted by credit institutions in Spain; 2) average rate of mortgage loans at between one and five years, for the purchase of open-market housing, granted by credit institutions in the euro area; 3) internal rate of return on the secondary market for government debt at between two and six years; 4) one-year interbank benchmark (Euribor); 5) five-year interest-rate swap, and 6) Mibor, applicable exclusively for mortgage loans entered into prior to 1 January 2000.

The Order shall come into force, with certain exceptions, on 29 April 2012.

Government debt market-makers: amendment of the regulations

The Directorate General of the Treasury and Financial Policy *Resolution of 29 November 2011* (BOE of 1 December 2011) has been published, amending that dated 18 November 2008,[52] which sets the conditions under which Spanish government debt market-makers may act.

Greater flexibility has been introduced when calculating the share of market-makers in the second round of medium- and long-term government bond auctions. Each market-maker may, as the maximum for each medium- or long-term bond in this second round, following submission of the related application, obtain 24% of the face value awarded to the entity in the aggregate of the auction of that bond and a comparable auction. Under the change, the maximum amount that it may buy will be the result of multiplying the total awarded face value at the auction phase for this same medium- or long-term bond by an auction-share ratio, multiplied in turn by a ratio constituting a bonus for the market-maker function.

The auction-share ratio shall reflect the share of each market-maker in the allotments of the latest comparable auctions. The calculation of this ratio shall be made following objective methodology set by the Treasury, further to consultation with medium- and long-term bond market-makers.

The bonus ratio may have four possible non-cumulative tranches: 1) 24%, which the Treasury may grant to those market-makers that have met the minimum bond prices established in this rule and that have proven most active in the latest evaluation periods prior to the auction; 2) 20%, which the Treasury may grant to those market-makers that have met, in the latest evaluation period prior to the auction, the minimum prices and, yet, have not proven most active in the latest evaluation periods prior to the auction; 3) 4%, for those which, in the Treasury's opinion, feature as most active in the latest evaluation periods prior to the auction and which, however, have not met, in the latest evaluation period prior to the auction, the minimum bond prices established in this rule, and 4) 0% for those that have not met, in the latest evaluation period prior to the auction, the minimum prices established in this rule, and that do not feature either as most active in the latest evaluation periods prior to the auction.

Further, there has been an amendment of the obligation as to the time prices must remain

52 See "Financial regulation: 2008 Q4", *Economic Bulletin*, January 2009, Banco de España, pp. 109-110.

on the screens of regulated markets or multilateral trading facilities[53], to conform to habitual international market practices and, therefore, to make bond market pricing conditions uniform.

The Resolution came into force on 1 December 2011.

Regime on cross-border transactions: updating of attendant regulations

Royal Decree 1360/2011 of 7 October 2011 (BOE of 8 October 2011), amending Royal Decree 1816/1991 of 20 December 1991,[54] on cross-border economic transactions, and *Ministerial Order EHA/2670/2011* of 7 October 2011 (BOE of 8 October 2011), amending the Order dated 27 December 1991, which implemented Royal Decree 1816/1991, have been published. Their aim is to align Spanish regulations in this area to those in force in practically all the Member States, and to act in anticipation of the forthcoming reform of Regulation 924/2009, of the European Parliament and of the Council of 16 September 2009 on cross-border payments in the Community.[55]

Apart from certain improvements in aspects relating to the accreditation of resident and non-resident status, the main content of the recent regulations amends the reporting system for statistical purposes of cross-border economic transactions.

Under the previous system, entities had to identify transactions entailing a cross-border payment, demanding data of customers to complete the information on the transactions in which they were taking part, and to submit such information to the Banco de España. The new regulations eliminate the obligation to submit that information which is not immediately available to them and automatable. Furthermore, for those making cross-border transactions, the obligation is included to furnish the information that the Banco de España may require of them.

The Banco de España shall determine the content, procedure for and frequency of the information, provided that its compilation should not affect the direct automated treatment of payments, and can be done fully automatically.

Hence, the information for statistical purposes from these transactions shall be obtained in two ways: the automatic information furnished by registered entities, and that obtained from the data required by the Banco de España of those conducting cross-border acts, business, transactions and operations.

Lastly, the current reporting system remains in place temporarily until 31 December 2013, without prejudice to compliance with the new reporting obligations.

The Royal Decree and the Order shall enter into force on 1 June 2012.

Securities Market: amendment of regulations

Law 32/2011 of 4 October 2011 (BOE of 5 October 2011) was published. This legislation amends Law 24/1988 of 28 July 1988[56] on the Securities Market, and is intended, among other aspects, to reform securities clearing, settlement and registration arrangements.

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53 Which will be for at least five hours between 08.30 and 17.15 of each working day, according to the calendar approved by the Treasury.

54 See “Regulación financiera: cuarto trimestre de 1991”, *Boletín Económico*, January 1992, Banco de España, pp.58-60.

55 This Regulation established a revision clause whereunder, before 31 October 2011, the European Commission would submit a report on the advisability of eliminating the national reporting obligation in respect of payments, which will soon take the form of a legislative initiative.

56 See “Regulación financiera: tercer trimestre de 1988”, *Boletín Económico*, October 1988, Banco de España, pp.61-62.

SECURITIES MARKET

TABLE 4

Law 24/1988 of 28 July 1988	Law 32/2011 of 4 October 2011
Changes to the legal regime governing IBERCLEAR	
Not envisaged.	It must have an audit committee, a risks committee and an appointments and remuneration committee.
Not envisaged.	It shall have mechanisms in place so that opinions may be expressed on the performance of its functions and rules aimed at preventing potential conflicts of interest.
Not envisaged.	it may enter into agreements with other residents and non-resident entities, public and private alike, that perform all or some analogous functions, with central counterparties and others.
Changes to the legal regime governing central counterparties (CCPs)	
Not envisaged.	Their corporate status shall be that of a public limited company legally separate from IBERCLEAR.
Not envisaged.	They must have minimum capital and own funds suited to their activity, and these shall be established in regulatory terms.
Not envisaged.	Internal rules shall be drawn up and approved by the Minister of Economy and Finance further to reports by the CNMV, the Banco de España and the Regional Governments whose charter entrusts them with powers in respect of the regulation of securities trading centres. Among other aspects, regulations shall cover the entity's working regime and the services provided by it.
Not envisaged.	It must have an audit committee, a risks committee and an appointments and remuneration committee.
Not envisaged.	It shall have mechanisms in place so that opinions may be expressed on the performance of its functions and rules aimed at preventing potential conflicts of interest.
Other changes	
There are mechanisms of insurance on delivery in securities registration, clearing and settlement systems.	Eliminated.
Establishment of a control system based on registration references for equity.	Eliminated.
Not envisaged.	Unification of registration system is introduced by means of book-entry balances of equity, fixed-income and public debt.

SOURCES: BOE and Banco de España.

Table 4 indicates the most significant changes in relation to the previous regulations.

AMENDMENT OF THE LEGAL REGIME GOVERNING IBERCLEAR[57]

IBERCLEAR shall be obliged to have, at least, an audit committee, a risks committee and an appointments and remuneration committee. Further, it shall have the mechanisms so that users and other interested parties may express their opinions on the performance of its functions, also including in its internal regulations a set of rules aimed at preventing potential conflicts of interest to which it might be exposed as a result of its relations with shareholders, directors and managers, participating entities and customers. All these aspects shall be under the conditions that should so be determined in regulatory terms.

The implementation of these regulations shall also determine the specific surveillance and control functions it shall exert over its participating entities, solvency requirements, techni-

57 Law 44/2002 of 22 November 2002 on financial system reform measures created the Management Company of the Securities Registration, Clearing and Settlement Systems (called IBERCLEAR) via the merger of the Spanish Book-Entry Debt System and the Securities Clearing and Settlement System.

cal resources, specific reporting obligations to the Spanish National Securities Market Commission (CNMV) and other aspects deemed necessary for its proper functioning.

IBERCLEAR may enter into agreements with other resident and non-resident entities, public and private alike, that perform all or some analogous functions, with central counterparties or with others. The adoption and amendment of these resolutions will require prior approval by the CNMV, subject to a report by the Banco de España or the regional government with competence in this area, in the case of regional markets.

AMENDMENT OF THE LEGAL REGIME FOR CENTRAL COUNTERPARTIES

A new regulatory regime has been developed for central counterparties (CCPs). As a result, in addition to the requirements laid down for their authorisation, a series of changes has been introduced. For instance, the corporate status of CCPs shall be that of a public limited company legally separate from IBERCLEAR. Their articles of association and the amendments thereto, with the regulatorily established exceptions, shall require authorisation by the Ministry of Economy and Finance further to a report by the CNMV. They must likewise have minimum capital and own funds suited to their activity, and these shall be established in regulatory terms. The overriding aim is to ensure the solvency of the entity and of the system it may manage, and sound capacity to manage compliance failures by their members.

It is stipulated that internal regulations shall be required, the content of which shall be defined in the rule and which shall be approved by the Minister of Economy and Finance further to reports by the CNMV, the Banco de España and the Regional Governments whose statutes of autonomy entrusts them with powers in respect of the regulation of securities trading centres. Among other aspects, regulations should cover the entity's working regime, the services provided by it, access requirements for membership status, the types of members, specification of the technical and solvency requirements demanded and the economic regime of CCPs.

Like IBERCLEAR, they should have an audit committee, a risks committee and an appointments and remuneration committee, along with mechanisms so that users and other interested parties may express their opinions on the performance of its functions, and a set of rules aimed at preventing potential conflicts of interest to which it might be exposed as a result of its relations with shareholders, directors and managers, participating entities and customers.

A regulatory framework has been introduced for cases where a member or a customer were to cease to meet, in full or in part, the obligations incurred vis-à-vis the central counterparty or vis-à-vis the member, in which case they may use the assets pledged by the non-complying party and adopt the necessary measures for their satisfaction in the terms established in the entity's regulations.

If any member (or any of its customers) were to be subject to bankruptcy proceedings, the CCP would enjoy an absolute right of separation of the financial instruments and cash posted by the member as guarantees, in keeping with the regime established in the regulation of the entity. The amount remaining after settlement of the guaranteed operations shall be incorporated into the customer's or member's bankruptcy assets and liabilities.

CCPs may enter into agreements with other resident and non-resident entities whose functions are analogous or which manage securities clearing and settlement systems, participate as shareholders in these entities or admit them as shareholders. These agreements, and those that may be entered into with markets or multilateral trading facilities, will require approval by the CNMV, following a report by the Banco de España, and they must meet the regulatory requirements laid down.

CCPs shall remain subject to supervision by the CNMV and the Banco de España, in their respective areas of competence, and the provisions of Law 41/1999 of 12 November 1999[58] on securities payment and settlement systems shall be applicable to them, for systems regulated by this legislation.

Finally, to facilitate the performance of these functions, they may have access to IBERCLEAR participant status.

OTHER CHANGES IN THE RULE

A more precise framework has been designed for entities entrusted with the recording of book-entry securities or of depositary institutions for cases of creditors' meetings, in a similar fashion to CCPs and to the existing regime for participating entities. The right of separation is therefore established for holders in respect of securities registered on their behalf, and they may exercise this by requesting their transfer to another entity. Also, the rights arising from operations in the course of being settled at the time bankruptcy is declared have been regulated, having regard in this connection to the rules of the corresponding clearing, settlement and registration system.

Another notable change in stock market operations is the obligation for a CCP to intervene for equity transactions traded multilaterally both on an official secondary market and under the multilateral trading facilities system. This obligation responds to the need to provide legal security to relations between investors and the CCP so as to provide for orderly settlement and the successful completion of the operations.

The current mechanisms of insurance on delivery[59] in securities registration, clearing and settlement systems have been eliminated. In their place, the resolution of incidents is allowed through cash settlements should it prove impossible to gain access to the securities, which enhances the system's stability. However, investors will retain a high level of protection, since, essentially, any relation is entered into solely with the central counterpart entity, which minimises - although it does not eliminate - the risk of failure in delivery. In addition, should a failure occur, cash settlements shall be appropriate to the security concerned and to the change in price that has taken place during the process.

The current control system based on registration references for equity has been eliminated, and the unification of registration systems has been introduced by means of book-entry balances of equity, fixed-income and public debt, the content of which shall be implemented in regulatory terms.

Finally, the CNMV shall maintain as official registers, along with those it currently has, another register to which the public shall have free access: this register relates to the clearing, settlement and registration systems, and central counterparts.

58 See "Financial regulation: fourth quarter of 1999", *Economic Bulletin*, January 2000, Banco de España, pp. 103-105.

59 Insurance on delivery has traditionally been interpreted as the commitment to settle all buy and sell operations, always delivering securities in kind in exchange for cash. To do this, a system of collective guarantees was set in place with which to finance securities or cash-obtainment procedures in operations that could not be settled in time.

The Law came into force on 6 October 2011.

Investment firms: amendment of solvency regulations and accounting standards

CNMV *Circular 5/2011 of 12 December 2011* (BOE of 15 December) has been published, amending Circular 12/2008 of 30 December 2008,[60] on investment firms (IFs) and their consolidable groups, as has Circular 7/2008 of 26 November 2008[61] on accounting standards, annual accounts and confidential reporting returns for IFs, management companies of CIIs and management companies of venture capital companies.

SOLVENCY-RELATED CHANGES

As is the case for credit institutions, the Circular makes the final transposition of European solvency regulations. This began with Law 2/2011 of 4 March 2011 on the sustainable economy, followed by Law 6/2011 of 11 April 2011, amending Law 13/1985 of 25 May 1985, on investment ratios, own funds and reporting obligations of financial intermediaries, and, finally, by Royal Decree 771/2011 of 3 June 2011, amending Royal Decree 216/2008 of 15 February 2008 on financial institutions' own funds.

The Circular amends subordinated financings received by IFs and subordinated financings without a specific maturity date, which should meet similar conditions to those demanded of credit institutions. It also introduces instruments other than the aforementioned ones that have to comply with a series of requirements[62] in order to be eligible as own funds.

Under the methods for calculating own funds, the requirements laid down in the Circular for hedging exchange rate risk, settlement risk and commodities risk are introduced.

In relation to the regime for major exposures, those incurred vis-à-vis a natural or legal person, or a group of natural persons acting systematically in concert that controls a company or group, shall be combined with those of that company or group.

Certain amendments are made to the internal models for calculating exposures within the trading portfolio, and remuneration policies are reflected in similar terms to those discussed for credit institutions.

Finally, the Circular does not include changes to the headings that amend the determination of own-funds requirements for credit risk arising on securitisations or "resecuritisations", since these are regulated in the case of IFs by CBE (Banco de España Circular) 3/2008 of 22 May 2008 on the determination and control of minimum own funds, amended by above-mentioned CBE 4/2001 of 30 November 2001.

CHANGES TO ACCOUNTING STANDARDS

The Circular amends Circular 7/2008 of 26 November 2008 in order to include, among the standards relating to business combinations and consolidation, the precepts of CBE 4/2004 of 22 December 2004 on credit institutions: public and confidential financial reporting rules and formats.

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60 See "Financial regulation: 2009 Q1", *Economic Bulletin*, April 2009, Banco de España, pp. 188-193.

61 See "Financial regulation: 2008 Q4", *Economic Bulletin*, January 2009, Banco de España, pp. 114-116.

62 Including most notably the following: 1) they shall have no maturity date, or the initial maturity shall be at least 30 years; 2) they may include one or several purchase options, at the discretion of the issuer, but they shall not be repayable until five years have elapsed since their date of issue, and 3) if the terms of issue of the instruments without a specific maturity date include some incentive for their repayment by the entity, in the opinion of the CNMV, such incentive may not become effective until ten years have elapsed since their date of issue. In the case of instruments with a specific maturity, no repayment incentive shall be allowed at any date other than their maturity date.

The classification of consolidable groups of IFs has been broadened; not only does this encompass those in which there is a decision-making unit because there is a situation of control, but also those in which systematic action in concert is taken. Also, the cases in which the CNMV shall decide how consolidation should be conducted have been broadened.[63]

As a result of the amendments in respect of solvency, amendments to the definition of own funds, reserves and net worth, among others, have been made in order to maintain consistency between both circulars. Under this same criterion, the existence of significant influence in an entity or consolidable group has been updated, being evidenced in the following situations, inter alia: 1) representation on the board of directors, or on the equivalent management body of the investee; 2) participation in the policy-setting process, including those related to dividends and other distributions; 3) existence of significant transactions between the investor and the investee; 4) exchange of senior management personnel, and 5) furnishing of essential technical information.

In the analysis to determine whether there is significant influence on an entity, the importance of the investment in the investee, the number of years of representation on the governing bodies of the investee and the existence of potentially convertible or exercisable voting rights as at the date to which the financial statements refer shall all be taken into account. It shall also be presumed, unless proven otherwise, that there is significant influence when the investor, individually or together with the other entities in the group, holds at least 20% of the voting rights in the investee.

Finally, a series of necessary technical amendments is introduced for the more efficient application of Circular 7/2008, clarifying and specifying certain items and amending others in order to facilitate the application of accounting standards. These include, among others, those relating to goodwill, hedges of net investment in foreign operations, the identification of impaired non-financial assets and non-current assets held for sale.

The Circular came into force on 1 January 2012.

Investment firms: brochure of fee and commission charges and content of standard contracts

CNMV *Circular 7/2011 of 12 December 2011* (BOE dated 24 December 2011) on the brochure of fee and commission charges and content of standard contracts has been published.

The Circular, availing itself of the powers conferred by Ministerial Order 1665/2010 of 11 June 2010,[64] completes the new regulatory framework covering relations between retail customers and institutions providing investment services, resulting from Directive 2004/39/CE of the European Parliament and of the Council of 21 April 2004[65] on markets in financial instruments (MIFID). It repeals Circular 1/1996 on standards of conduct, transparency and identification in securities market transactions, and Circular 2/2000 on standardised formats of standard contracts for the discretionary and individualised management of investment portfolios, and other implementations that still remained in force.

The regime for transparency with customers has been implemented, covering aspects such as the following:

63 These cases are the following: 1) when the IF exerts significant influence over one or several IFs or financial institutions, without however owning a share in or having other capital links to these institutions, and 2) when two or more IFs or financial institutions are under a single management structure, without this having had to be established by contract or by means of statutory clauses.
64 See "Financial regulation: 2010 Q2", *Economic Bulletin*, July 2010, Banco de España, pp. 139-140.
65 See "Financial regulation: 2004 Q2", *Economic Bulletin*, July 2004, Banco de España, pp. 110-114.

1) The means of preparing and electronically transmitting the brochures of the maximum fee and commission charges applicable to retail customers has been established. That allows for a notable improvement in the procedure, control and publicity of the information that the CNMV receives, and for the electronic treatment of the data received from entities, making their comparison easier.

2) The bases for calculation and the definitions of some of the more habitual transactions provided to retail customers are specified, including most notably equity broking on domestic and foreign markets, safekeeping and administration of financial instruments (without stretching to the exercise of the rights corresponding to these instruments), portfolio management and investment consultancy. To this end, the brochure format comprises a fixed section that uniformly lays down the fee and commission charges applicable to the above-mentioned operations, and a variable section in which each entity will reflect the fees and commissions for other operations or services that it might provide. The aim here is that investors should have sufficient criteria to assess whether the fees and commissions are commensurate with the quality of the service provided. The commissions applicable to professional investors, not included within the scope of Ministerial Order EHA 1665/2010, shall be freely determined by the contracting parties, without having to be subject to the regime regulating brochures of fee and commission charges.

3) Turning to standard contracts, if there is no prior control by the CNMV in respect of their content, obligatory content is implemented, regulating expressly those aspects that supervisory practices and customer claims and consultations have highlighted as needing greater transparency and which were not properly understood by investors. In particular, the specific content of standard contracts for safekeeping and administration of financial instruments and for the individualised management of portfolios has been established.

4) In relation to publicity, it is established that the information brochures of fee and commission charges and of standard contracts must be made available to customers and potential customers in all customer service centres, including at external agents, and on websites, in a readily accessible location. The CNMV is further empowered with disseminating the data contained in the fixed section of the brochure.

A new statement has been added, which IFs shall send to the CNMV on the confidential data[66] of the IFs that provide investment services, so as to ascertain the fee and commission charges actually applied to customers in the most habitual operations.

Lastly, there have been changes to the statements containing the necessary complementary information for determining the contribution to the Investment Guarantee Fund of the management companies of CIIs and IFs, in Circular 7/2008.

The Circular shall come into force on 24 June 2012.

66 Information is requested on the average and the most frequent figure for commissions actually charged to customers, and on the maximum and minimum values of the extreme intervals.

COLLECTIVE INVESTMENT INSTITUTIONS

TABLE 5

Law 35/2003 of 4 November 2003	Law 31/2011 of 4 October 2011
Updating of legal regime	
Directors or managers of entities are required to have recognised commercial and professional standing.	Individuals who represent legal entities on the board are required to have recognised commercial and professional standing.
Not envisaged.	Members of the board of directors, like those of credit institutions, are required to have recognised commercial and professional standing.
Enlargement of cross-border activity	
Not envisaged.	Community passport for cross-border management of investment funds so that CII management companies may manage investment funds in other Member States.
Requirements for cross-border marketing included reporting to the competent authority in the home Member State and submitting documentation to the competent authority in the host Member State.	Simplification of administrative steps: documentation is reduced and only notification between competent authorities is required. Deadlines are shortened for marketing of CII's shares and units and the need for the CII to notify the competent authority in the host Member State is eliminated.
Strengthening of investor protection	
Existence of full and simplified prospectuses. The latter summarised information about the CII, the fund or company's objectives and the investment policy, with a brief assessment of the CII's risk profile.	The simplified prospectus is replaced by the "key investor information document" which includes essential information of the CIIs in an abridged form that can be easily understood by average investors without the need to have recourse to other documents.
There were legal provisions for sending the annual, six-monthly and any quarterly reports free of charge by telematic means when so requested by unit-holders or shareholders.	Compulsory communications sent to unit-holders and shareholders free of charge may also be sent by telematic means.
Not envisaged.	CII management companies which manage funds and companies established in another EU Member State, must attend to and resolve complaints or claims in the language or in one of the official languages of the home Member State of the CII.
Not envisaged specifically and restricted to exchange of information between competent supervisory authorities.	Strengthening of the mechanisms for cooperation, consultation, exchange of information and professional secrecy between the competent supervisory authorities and with the European Securities and Markets Authority.
Improvement of competitiveness in the sector	
Not envisaged.	Possibility of using global accounts for the marketing in Spain of funds domiciled here.
Not envisaged.	Possibility of CIIs being able to provide as a guarantee part of the assets included in their net assets.
Possibility of CII management companies marketing CII's shares or units through agents or authorised parties.	Furthermore, possibility that CII management companies may market CIIs' shares and units via entities authorised to provide investment services or through other CII management companies.

SOURCES: BOE and Banco de España.

Changes to the Collective Investment Institutions Law

Law 31/2011 of 4 October 2011 (BOE of 5 October 2011) amended Collective Investment Institutions (CIIs) Law 35/2003 of 4 November 2003[67] in order to adapt it to recent EU legislation.[68]

Table 5 includes the most significant new features of Law 31/2011 compared with the previous Law.

AMENDMENT OF THE LEGAL REGIME

Certain technical improvements and various qualifications are introduced in respect of the requirements for taking up and pursuing the activity of CIIs. Specifically, at investment companies not only the members of the board of directors but also those individu-

67 See "Financial Regulation: 2003 Q4", *Economic Bulletin*, January 2004, Banco de España, pp. 84-87.

68 Specifically in order to transpose Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (consolidating in a single text Directive 85/611/EEC) and 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 Banking Authority, the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority.

als who represent legal entities on the board are required to have recognised commercial and professional standing. Furthermore, the concept of commercial and professional standing is adjusted in a similar way to that required for credit institutions. Thus, those individuals with a personal history of respecting business laws and others regulating economic and business activity, as well as of observing good business and financial practices are deemed to be of such standing.

MODIFICATION OF CROSS-BORDER ACTIVITY

Cross-border management

The main change consists of introducing the "Community passport" for the cross-border management of investment funds,[69] as envisaged by Directive 2009/65/EC. Thus, collective investment institution management companies (CII management companies) may manage investment funds in other Member States, either through setting up a branch or via the freedom to provide services.

There are two sides to cross-border management: the activity abroad of Spanish CII management companies and the activity in Spain of foreign CII management companies. Furthermore, the Law sets out different requirements according to whether they are EU or non-EU CII management companies. It also establishes different procedures for opening branches and the freedom to provide services and contains additional requirements for the management of the CII in the host country.

In any event, under the new Law the provision of services in another Member State by an EU CII management company does not require any authorisation from the supervisory authority in the host country; only certain information must be sent by the supervisory authority in the home country.

Cross-border marketing

The cross-border marketing regime within the EU is simplified. Under the previous regulations, reporting to the competent authority in the home Member State was required as well as submitting a series of documents to the competent authority in the host Member State, which considerably prolonged these formalities. From now on, in addition to reducing the documentation,[70] the procedure will involve the notification between the competent authorities of the CII management company's request and the monitoring solely by the competent authority in the home Member State of fulfilment of the necessary requirements to sell shares or holdings of the CII to investors in Member States other than that in which the CII is domiciled. The deadlines for commencing the marketing of the CII management companies' shares and units[71] are also shortened and the need for the CII to provide notification to the competent authority of the host Member State is eliminated.

In keeping with the following section (strengthening investor protection), the CIIs domiciled in Member States will provide investors located in a Member State, other than their home Member State, with all the information and documentation in the form set out in the Law

69 Management companies, investment funds and harmonised investment companies already had a Community passport for the cross-border marketing of their shares and holdings. The change comprises introducing the passport for the cross-border management of funds between EU Member States.

70 In addition to the notification letter, the CII must only submit the investment fund rules or the instruments of incorporation of the company, its prospectus, the latest annual report and the following six-monthly report, if any, the document containing the key investor information and the attestation that it complies with the conditions imposed by Directive 2009/65/EC.

71 Previously, it was necessary to wait for at least two months from when the documentation was submitted, unless a reasoned decision was issued rejecting it, whereas under the new Law marketing may commence from when the competent authority in the home Member State informs the CII that the letter of notification and the documentation required has been sent to the competent authority in the host Member State.

and in its implementing regulations. This includes, inter alia, the investment fund rules or the instruments of incorporation of the investment company, key investor information, the prospectus, annual and six-monthly reports and the changes thereto.

Finally, a framework of supervision and cooperation is established between competent authorities in the Member States in respect of cross-border marketing by CIIs.

STRENGTHENING OF INVESTOR PROTECTION

The most important aspect of the Law is the introduction of a new informative document called the "key investor information document"[72] which replaces the previous simplified prospectus. The two major changes contained in the new document with respect to the simplified prospectus are, on one hand, that it is standardised so as to make harmonised funds and companies in any Member State perfectly comparable. On the other, it includes only the essential information of the CIIs which will be presented in an abridged form that can be easily understood by average investors, in order that they can understand the basic characteristics, nature and risk of the investment product on offer and take well-founded investment decisions without the need to resort to other documents.[73]

New cases in respect of amendments to an investment fund's management rules are included, such as: setting or raising fees, modifications of the frequency of calculation of the unit redemption price, transformations into a CII divided into sub-funds, or into sub-funds of other CIIs, the replacement of the depositary and other cases which will be determined in regulations. As with the aforementioned cases, they will have to be authorised by the CNMV and communicated by the CII management company to the unit-holders prior to their entry into force.

The communications which must be sent to unit-holders or shareholders, as required by the Law or by its implementing regulations, must be sent by telematic means when investors specifically choose this communication channel.[74]

The CII management companies which manage funds and companies established in another EU Member State, must attend to and resolve complaints or claims in the language or in one of the official languages of the home Member State of the fund or company.

Another means of investor protection arises from the strengthening of the mechanisms for cooperation, consultation, exchange of information and professional secrecy between the competent supervisory authorities, similar to that which was established for credit institutions. Thus, the CNMV will cooperate with the competent authorities of the Member States and with the European Securities and Markets Authority to undertake the functions established in this Law.

It will also assist the competent authorities of the other Member States to provide the necessary information for these authorities to perform their functions as well as to collabo-

72 The document with the key investor information will provide, inter alia, the following information: identification of the CII, a brief description of its investment objectives and its investment policy; a presentation of past returns or, if appropriate, profitability scenarios; the associated costs and expenses and the investment's risk/remuneration profile with the appropriate guidelines and warnings in respect of the risks associated with investments in the CII.

73 The prospectus and key investor information may be provided in a durable medium or via the investment company's or management company's website. A paper copy of these documents will be delivered free of charge to investors on request.

74 Previously, there were legal provisions only for sending the annual, six-monthly and any quarterly reports free of charge by telematic means when so requested by unit-holders or shareholders.

rate in investigation or supervisory activities. Similarly, it may request the cooperation of another Member State in a supervisory activity for an onsite verification or an investigation in the other Member State's territory in the framework of the powers conferred in this Law and its implementing regulations.

Finally, the CNMV may request the temporary suspension of the issuance, redemption or repurchase of the units or shares of authorised CIIs in Spain, when it is not possible to determine their price or for other reasons of *force majeure*.

INCREASE OF COMPETITIVENESS IN THE SECTOR

An essential change with a view to strengthening the competitiveness of Spain's investment industry is the possibility of using global accounts for the marketing in Spain of funds domiciled here, in a similar way to the foreign CIIs which have been using this marketing mechanism and for which they must fulfil a series of requirements.[75]

Along these lines of strengthening competitiveness, CIIs are granted the possibility of being able to provide as a guarantee part of the assets included in their net assets, thus improving their financing possibilities, especially through framework agreements on contractual compensation. Throughout the articles other measures are established for encouraging the competitiveness of this industry in Spain by reducing the administrative burdens and making procedures more agile.

CII management companies are permitted to market CIIs' shares and units via agents or representatives, either through entities authorised to provide investment services or through other CII management companies. These units must be included in the CII management company's register of unit-holders under the corresponding unit-holder's name with at least the tax identification number and the marketing entity through which the units were acquired. Each marketing entity must keep a register that identifies the unit-holders who subscribed units through it.[76]

OTHER NEW FEATURES OF THE LAW

The Law establishes new cases for the suspension[77] and revocation[78] of the licenses of CII management companies. If the CII management company performs the functions of administration, representation, management of investment and management of subscriptions and redemptions of CII authorised in another EU Member State, the competent authority of the host Member State (the CNMV in the case of Spain) will consult the competent authorities of the home Member State prior to withdrawing the license. If the license of a CII management company domiciled in a non-EU Member State were revoked, it would also mean that the license of the branch operating in

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75 The following requirements should be noted: a) the marketing entity will notify, as frequently as the fund handles the subscription and redemption of its units, the corresponding CII management company of every subscription and redemption operation, identifying all unit-holders channelled through the marketing entity by their corresponding tax identification numbers; b) the contracts entered into by the CII management company and the marketing entity must stipulate the latter's obligation to provide, at least, the tax identification number of each unit-holder channelled through said marketing entity for the purposes of complying with the material and formal tax obligations for which the management entity is responsible, and c) these contracts must also stipulate that the marketing entity must send to the CNMV all the information on the CII's unit-holders channelled through it. Under current legislation in force, the marketing entity must refer the CII management company to the CNMV provided that the CII management company does not have said information.

76 It may be established in regulations that, as an alternative to the identification system, a third-party entity be entrusted with keeping the centralised register of unit-holders.

77 The new cases are: non-fulfilment of obligations in respect of the registers, non-compliance with obligations vis-à-vis the Investments Guarantee Fund and insolvency of the entity.

78 The new grounds for revoking the license are: serious and systematic non-compliance with obligations in respect of the registers, non-compliance with obligations vis-à-vis the Investments Guarantee Fund for three months and when the auditor's report on the annual accounts includes a disclaimer of opinion.

Spain would be revoked. In this case, the CNMV will adopt the appropriate measures so that the entity does not commence new activities in Spain and investor interests are safeguarded.

Lastly, the penalty regime of CIIs is updated by adding new cases of serious and very serious infringements and the imposition of the corresponding penalties.

The Law came into force on 6 October 2011.

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

CNMV *Circular 4/2011 of 16 November 2011* (BOE of 6 December 2011) was published, which partially amends CNMV Circular 4/2008 of 11 September 2008,[79] on the content of quarterly, half-yearly and annual reports of CIIs, and of the statement of position.

In order to replace the simplified prospectus by the key investor information (KII), it is necessary to adapt certain information which is currently included in the periodic public information to bring it into line with the KII. Specifically, this information refers to the expense ratio (known to date as TER or Total Expense Ratio), expressed as a percentage of its average net assets, which is redefined,[80] and the performance-based management fee which will have to be reported separately. Furthermore, the KII requires that a chart with the CII's past returns be published which, although it does not form part of the periodic public information, will be sent out with it.

Also, the Law includes the obligation for management companies to report the costs arising from the analysis services, specific circumstances and other relevant information which has led, to the creation of any CII or special-purpose sub-fund and the most important aspects of the winding up or liquidation of real estate investment funds.

CIIs must detail transactions with derivatives[81] in the periodic public information. Additionally, they must specify the chosen method of measuring total exposure to market risk (commitment approach, absolute VaR or relative VaR) and the maximum, minimum and average levels of VaR and of leverage existing at the end of the reference period.

The Circular came into force on 31 December 2011.

Modification of the accounting rules of secondary market governing companies, excluding the Banco de España, of multilateral trading facilities, the system operator and of other entities

CNMV *Circular 6/2011 of 12 December 2011* (BOE 23 December 2011) amends Circular 9/2008 of 10 December 2008[82] on accounting rules, confidential and public returns and annual accounts of official secondary market governing companies (excluding the Banco de España), multilateral trading facilities (MTFs), the system operator, the central counterparties, the Sociedad de Bolsas, the companies controlling all the shares of the secondary market governing companies and multilateral trading facilities, and any other market clearing and settlement systems that may be established under the provisions of the Securities Market Law.

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79 See "Financial Regulation: 2008 Q4" *Economic Bulletin*, January 2009, Banco de España, pp. 15 and 16.

80 The numerator will include: the direct expenses borne by the CII, except for the performance-based management fee, comprising the management fee based on net assets, the depositary's fee, the periodic CNMV registration fees, expenses for external services (apart from financing expenses), plus any other current management expense borne by the CII, excluding fees from the purchase or sale of its financial assets or any other expense corresponding to payments made directly by the unit-holder or the shareholder such, for example as the subscription and redemption fees.

81 These transactions are undertaken either with the aim of hedging risk or the investment, or within the framework of management to achieve a targeted rate of return.

82 See "Financial Regulation: 2009 Q1" *Economic Bulletin*, April 2009, Banco de España, pp. 195 and 196.

The Circular introduces various improvements. Thus, first it includes formats for the public intermediate consolidated financial statements. It also updates the confidential consolidated financial returns.

Second, several technical improvements are introduced in the structure of the data in the formats for financial statements and for supplementary information as well as in the procedures, deadlines and formalities in respect of the submission and publication of the information. All these improvements have been advised on the basis of experience, comparative analysis with other jurisdictions and general practice. Thus, various data have been eliminated from the monthly and quarterly statements whose cost/benefit analysis in practice has proven to be unreasonable. The formalities for certifying approval of the public intermediate statements and making them public have been simplified; the obligation to file public individual intermediate statements at those entities which are part of a group that files public intermediate consolidated statements has been eliminated and, at the same time, the deadlines for submission of confidential and public quarterly financial statements and supplementary information have been extended.

Finally, the breakdowns of confidential information on revenue have been restructured. The most notable changes are the addition of a new segment for the activity of clearing and acting as a central counterparty in anticipation of a central counterparty being formed in Spain in the near future, as well as the reorganisation of the other revenue segments and the grouping together of some of them with similar segments within the same operational activity.

The Circular came into force on 1 January 2012.

Credit agreements for consumers: updating of Community law

Commission Directive 2011/90/EU of 14 November 2011 (OJ L 15 November 2011) amends Part II of Annex I to Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008,[83] relating to credit agreements for consumers.

The new Directive sets out additional assumptions for the calculation of the annual percentage rate (APR), since the assumptions established in Directive 2008/48/EC do not suffice and in certain circumstances are not adapted any more to the commercial situation at the market.

Specifically, new assumptions are introduced for open-end credit agreements.[84] In these cases, for the purposes of calculating the APR, it will be assumed that: 1) the credit is provided for a period of one year starting from the date of the initial drawdown; 2) the capital is repaid by the consumer in twelve equal monthly payments, and 3) the final payment made by the consumer clears the balance of capital, interest and other charges.

Also, certain additional assumptions are adopted for fixed-term credit agreements. Specifically, for the following cases: 1) if the date of conclusion of the credit agreement is not known; 2) if the date or amount of a repayment of capital to be made by the consumer cannot be ascertained, and 3) if a credit agreement provides different ways of drawdown with different charges or borrowing rates.

83 See “Financial Regulation: 2008 Q1” *Economic Bulletin*, April 2008, Banco de España, pp. 23-25.

84 An open-end credit agreement is a credit agreement without fixed duration and includes credits which must be repaid in full within or after a period but, once repaid, become available to be drawn down again.

The Member States will adapt their legal system to the contents of the new Directive by 31 December 2012 and the provisions used for this purpose will be applied from 1 January 2013.

Urgent budgetary, tax and financial measures to correct the budget deficit

Royal Decree-Law 20/2011 of 30 December 2011 (BOE 31 December 2011) on urgent budgetary, tax and financial measures to correct the budget deficit has been published.

MEASURES REGARDING THE FINANCIAL SYSTEM

The following sections should be underlined from the standpoint of financial regulation.

As for the indirect exercise of the financial activity of savings banks envisaged in Royal Decree-Law 11/2010 of 9 July 2010,[85] it was provided that the savings banks could pursue their declared purpose as a credit institution through a commercial bank to which they would transfer all their financial operations. It was also envisaged that if the savings bank reduced its holding below 50% of the voting rights in the credit institution, it should give up its authorisation to operate as a credit institution and transform itself into a foundation. This has been modified now so that giving up the authorisation and the subsequent transformation into a savings bank should be undertaken when control is no longer held, in the terms provided for in Article 42 of the Spanish Commercial Code.[86]

As for the Institutional Protection Schemes (IPSs),[87] formed by savings banks, the Royal Decree-Law specifies that the central institution must be a public limited company and must be controlled jointly by all the savings banks.

FISCAL MEASURES

A supplementary levy was introduced to raise the gross personal income tax payable at state level which will be applied in the 2012 and 2013 tax periods.[88] Thus, the gross tax payable at state level will be increased progressively according to a specific scale from 0.75% (for tax bases up to €17,707.20) to 7% (for tax bases above €300,000.20).

A supplementary levy was also introduced on the tax base for income from savings. Thus, it is progressively increased according to a specific scale from 2% (for tax bases up to €6,000) to 6% (for tax bases above €24,000).

The tax credit on homeownership has been re-introduced irrespective of taxpayers' income (previously it could be applied if taxpayers obtained income of less than €24,107.20). The ceiling for this credit remains at €9,040 per year and will comprise the amounts paid to acquire or renovate dwellings, including the expenses which have arisen and been paid by the purchaser and in the case of borrowed funds, the repayments, interest and the cost of instruments for hedging the floating rate interest risk on mortgage loans and other expenses arising therefrom.

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85 See "Financial Regulation: 2010 Q3" *Economic Bulletin*, October 2010, Banco de España, pp. 137-142.

86 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.

87 The IPSs were regulated by Royal Decree-Law 6/2010 of 9 April 2010 on measures to promote economic recovery and employment and adapted to savings banks through Royal Decree-Law 11/2010 of 9 July 2010 on governing bodies and other aspects of the legal regime of savings banks.

88 The withholding amounts will be increased further by the percentages established for the State's portion for that period.

The tax credit on homeownership may also be taken by taxpayers who refurbish and undertake construction work on their dwelling, including communal parts of the building and areas through which passage is necessary to obtain access to the building. The maximum deduction base is €12,080 per year and the percentage of the tax credit is 10%, irrespective of taxpayers' income (previously it could be applied if recipients earned income of less than €24,107.20.)

Similarly, this credit may be applied to amounts deposited at credit institutions in accounts which meet the formalisation and draw down requirements and are established in regulations, provided that they are used to buy a first home or refurbish a principal residence, with the annual limit of €9,040 and the income limit of €24,107.20 was also eliminated.

As for corporate income tax, a series of measures which ended on 31 December 2011 were extended throughout 2012. They included the reduced rate of corporate income tax for maintaining or creating jobs which applies to microenterprises[89] and the percentage of gross tax payable under the advance partial payments system remained at 18%.

The standard tax rate applicable to non-residents' income was increased from 24% to 24.75%. The tax rate applicable to the following income was raised from 19% to 21%: 1) income obtained by permanent establishments of non-resident entities which is transferred abroad; 2) dividends and other income arising from shareholdings in any type of firm; 3) interest and other income obtained from the transfer of capital to third persons, and 4) capital gains disclosed on transfers of assets.

Another measure, concerning value added tax, which ended on 31 December 2011 was extended and the reduced rate of VAT of 4% (instead of the standard rate of 8%) will be applied to housing sales.

The real estate tax has been increased temporarily for exceptional reasons during 2012 and 2013. It will be increased by the following rates: 1) 10% for municipalities which have been subject to a general collective valuation procedure for urban real estate as a result of a complete valuation report[90] approved prior to 2002, the minimum additional rate may not be lower than 0.5% in 2012 and 0.6% in 2013; 2) 6% for municipalities which have been subject to a general collective valuation procedure for urban real estate as a result of a complete valuation report approved between 2002 and 2004, the minimum additional tax may not be lower than 0.5% and 3) 4% for municipalities which have been subject to a general collective valuation procedure for urban real estate arising from a complete valuation report approved between 2008 and 2011.

This will not apply to municipalities whose valuation reports have been approved between 2005 and 2007, nor will it be effective for 2013 in those municipalities in which a complete valuation report is approved in 2012.

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89 Entities whose turnover is less than €5 million and have average headcount of less than 25 employees. These entities will be taxed according to the following scale: 1) the tax base between €0 and €300,000, will be taxed at 20% for tax periods which began between 2011 and 2012, and 2) the remainder of the tax base will be taxed at 25%.

90 The valuation report includes the criteria, valuation modules, town planning and other factors required to determine the rateable value of real estate.

OTHER MEASURES OF INTEREST

During 2012 government and certain public entities and companies[91] may not make contributions to occupational pension schemes or group insurance contracts which include coverage of retirement contingencies.

Similarly, during this period, remuneration of public sector employees may not undergo any increase. Contributory pensions paid by the social security system and those of retired state employees will increase by 1% in 2012.

The Royal Decree-Law came into force on 1 January.

Measures to expedite proceedings

Law 37/2011 of 10 October 2011 (BOE 11 October) contains measures to expedite proceedings. These measures are of different types: some are designed to guarantee the public's basic rights, as in the criminal sphere and others are geared towards optimising the proceedings by eliminating unnecessary steps or replacing them by shorter ones and others are earmarked for limiting the abusive use of the courts.

From a financial and social point of view, the key measures are briefly detailed below.

The minimum amount for which creditors can request the foreclosure of property is reduced from 60% to 50% of the appraised value of said property, if there should have been no bidder at the attendant auction of property, or to the amount which creditors are owed in respect of all items, provided that the property is not the debtor's principal residence.[92]

If there was a bidder and the amount offered was below 70% of the reserve price and the party subject to the foreclosure had not submitted a bid, the creditor may request the foreclosure of the property at the aforementioned 70% or for the amount owed in respect of all items provided that this amount is higher than the best bid.[93]

The "juicio monitorio" system (fast procedure for debt recovery) is extended to eviction proceedings on account of non-payment with the result that should the tenant not abandon the property, pay or submit an objection following the order, the next step is eviction, notification of the eviction date is provided in the order.

The quantitative limit of the "juicio monitorio" is abolished (previously it was set at €250,000) thus bringing it into line with the same proceeding in Europe in order to avoid limiting access to it.

Finally, remedy of appeal is excluded from oral proceedings if the amount in question does not exceed €3,000.

The Law came into force on 31 October.

91 Including, inter alia, central government and its independent bodies and state agencies, universities, regional government, local government and their dependent bodies, administrative entities and common services of the health and social services, public mercantile companies and public business entities and other public organisations and bodies in the state, regional and local public sector.

92 In the case of principal residences, the minimum amount for which creditors can request the foreclosure of the property remains at 60%. This amount had been raised from 50% to 60% by Royal Decree-Law 8/2011 of 1 July 2011.

93 Previously, it was conditional upon that amount being higher than 60% of its appraised value and higher than the best bid.

Reform of the Insolvency Law

Law 38/2011 of 10 October 2011 (BOE of 11 October), reforming Insolvency Law 22/2003 of 9 July,[94] has been published. It introduces a series of amendments in order to correct errors of approach detected in practice and to update the attendant regulations on the basis of the experience and the application thereof.

The Law affords insolvency proceedings the following: greater legal certainty; the opening up of alternatives which seek to strike a balance between the firm's viability and the necessary legal guarantees; the promotion of electronic media, and simplified and more flexible proceedings.

Greater headway has been made in the alternatives to insolvency, known as "pre-insolvency institutes". These offer those subject to insolvency a more flexible and economical solution to their crisis through refinancing agreements with creditors,[95] provided that they follow a viability plan that provides for the continuity of professional or business activity in the short and medium term, and prior to the announcement of the insolvency.

The so-called "fresh money privilege" has been incorporated into Spanish law. This specifically considers as claims against the debtor's estate 50% of the credit entailing fresh income for the debtor and which have been granted under a refinancing agreement with the creditors, the former being senior in the event of the subsequent winding up of the entity.

Along similar lines is the consideration as claims against the debtor's estate of credit granted to the debtor that originated following the legal approval of the agreement in the event of the initiation of the liquidation phase.

As regards cases of exemption from the prohibition to vote in the creditors' meeting,[96] these are extended to financial institutions subject to supervision if they should have acquired their credit after the announcement of insolvency.[97]

Insolvency proceedings have been simplified and made more flexible, thereby favouring earlier liquidation, promoting and regulating a shorter procedure and offering specific solutions in the common phase and in the agreement.

There has been an improvement to the regime governing insolvency disclosure for registration purposes, which has increased notably, and to the Insolvency Public Register which, unlike under current regulations, features as an instrument for the disclosure and transparency of insolvencies, providing a safeguard for all parties that may be affected.

The requirements for appointment as insolvency administrator have been reinforced, allowing a better assessment by the insolvency judge of the experience and specific training needed to perform the role. Two fundamental measures have been taken along these

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94 See "Financial regulation: 2003 Q3" *Economic Bulletin*, October 2003, Banco de España, pp. 97-99.

95 Refinancing agreements should meet certain requirements: 1) they must be entered into by creditors whose loans account, at least, for three-fifths of the debtor's liabilities, and 2) they must be accompanied by a favourable report from an independent expert designated for prudent arbitration purposes by the mercantile registrar of the debtor's domicile. The expert report shall contain a technical judgment on the sufficiency of the information provided by the debtor, on the reasonableness and feasibility of the viability plan and on the proportionality of the guarantees in accordance with normal market conditions at the time of the agreement being signed.

96 As envisaged under the previous regulations, holders of subordinate loans and those who acquired their credit through inter-vivos proceedings after the declaration of insolvency will continue to have no right to vote in the creditors' meeting, barring the aforementioned exceptions.

97 Previously, this possibility was only envisaged when the acquisition of the credit was by way of universal accession as a result of an obligatory enforcement.

lines: 1) the extension of cases in which insolvency administration involves a single member, cases which will not solely be shortened insolvency procedures, which has a clear repercussion on the functioning of the administration, on decision-making, and on the cost savings it will entail; and 2) the recognition of the legal person as insolvency administrator.

Notwithstanding the foregoing, it is envisaged that, for insolvency procedures of particular importance that are defined under law, a significant creditor should also be present along with the insolvency administrator. The possibility of designating general government with creditor status is even envisaged in any case in which a cause of public interest is involved.

Finally, the regime governing connected insolvencies is reinforced, especially in relation to groups of companies, enabling the accumulation of insolvencies of several debtors, which may come about through a joint declaration application or through the accumulation of insolvencies that have already been declared.

The law came into force on 1 January 2012.

5.1.2012.

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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).

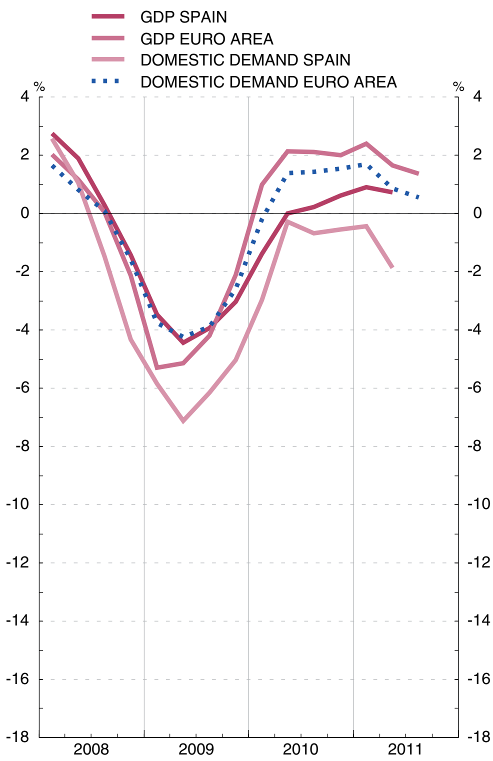
1.1. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES, REFERENCE YEAR 2000=100. DEMAND COMPONENTS. SPAIN AND EURO AREA (a)

■ Series depicted in chart.

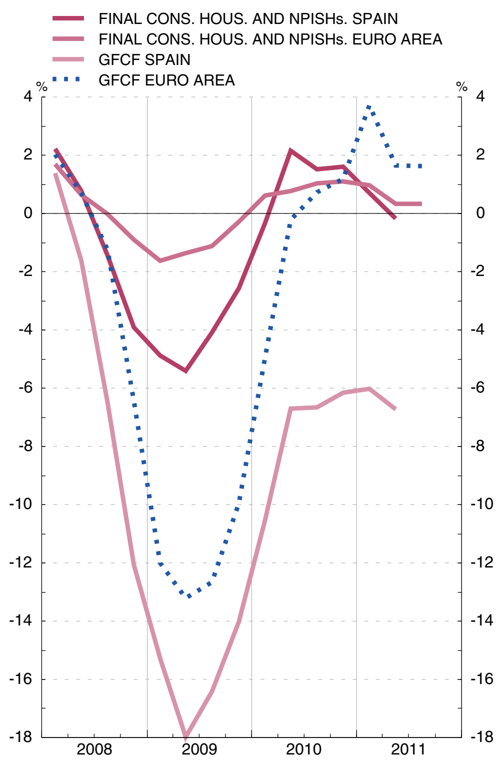
Annual percentage changes

		GDP		Final consumption of households and NPISHs		General government final consumption		Gross fixed capital formation		Domestic demand		Exports of goods and services		Imports of goods and services		Memorandum item: GDPmp (current prices) (g)	
		Spain	Euro area	Spain (b)	Euro area (c)	Spain	Euro area (d)	Spain	Euro area	Spain (e)	Euro area	Spain	Euro area (f)	Spain	Euro area (f)	Spain	Euro area
		1 ■	2 ■	3 ■	4 ■	5	6	7 ■	8 ■	9 ■	10 ■	11	12	13	14	15	16
08	P	0.9	0.3	-0.6	0.4	5.8	2.3	-4.8	-1.2	-0.5	0.2	-1.1	0.8	-5.3	0.8	1 088	9 238
09	P	-3.7	-4.2	-4.2	-1.1	3.2	2.5	-16.0	-12.0	-6.0	-3.6	-11.6	-12.6	-17.8	-11.5	1 054	8 929
10	P	-0.1	1.8	1.2	0.9	-0.7	0.4	-7.6	-0.8	-1.1	1.0	10.3	10.9	5.4	9.1	1 063	9 154
08 *Q3*	P	0.3	0.0	-1.5	-0.0	6.0	2.4	-6.5	-1.2	-1.5	0.1	-3.4	0.8	-8.2	0.9	273	2 316
Q4	P	-1.4	-2.1	-3.9	-0.9	6.4	2.5	-12.1	-6.4	-4.3	-1.6	-7.8	-6.2	-15.6	-5.0	270	2 285
09 *Q1*	P	-3.5	-5.3	-4.9	-1.6	5.9	2.6	-15.3	-12.0	-5.8	-3.8	-16.5	-16.2	-21.5	-12.9	266	2 228
Q2	P	-4.4	-5.1	-5.4	-1.4	4.4	2.6	-18.0	-13.2	-7.1	-4.2	-15.8	-16.4	-22.2	-14.6	263	2 222
Q3	P	-3.9	-4.2	-4.1	-1.1	2.7	2.6	-16.4	-12.7	-6.1	-3.9	-11.0	-12.7	-17.2	-12.1	262	2 235
Q4	P	-3.0	-2.1	-2.6	-0.3	0.2	2.4	-14.0	-10.0	-5.0	-2.6	-2.1	-5.3	-9.2	-6.5	263	2 244
10 *Q1*	P	-1.4	1.0	-0.3	0.6	-1.1	1.1	-10.5	-5.0	-3.0	-0.2	9.4	7.2	2.0	4.1	264	2 256
Q2	P	-0.0	2.1	2.1	0.8	-0.1	0.6	-6.7	-0.2	-0.3	1.4	11.9	13.0	9.6	11.2	265	2 284
Q3	P	0.2	2.1	1.5	1.0	-0.7	0.3	-6.7	0.7	-0.7	1.4	9.4	11.9	5.0	10.4	266	2 304
Q4	P	0.6	2.0	1.6	1.1	-0.9	-0.2	-6.1	1.2	-0.6	1.5	10.5	11.5	5.3	10.7	268	2 310
11 *Q1*	P	0.9	2.4	0.7	1.0	2.6	0.3	-6.0	3.7	-0.4	1.7	12.1	9.7	6.3	8.1	271	2 338
Q2	P	0.7	1.7	-0.2	0.3	-1.0	0.1	-6.7	1.6	-1.9	0.9	8.4	6.2	-1.7	4.4	272	2 351

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



DEMAND COMPONENTS. SPAIN AND EURO AREA
Annual percentage changes



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

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

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

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

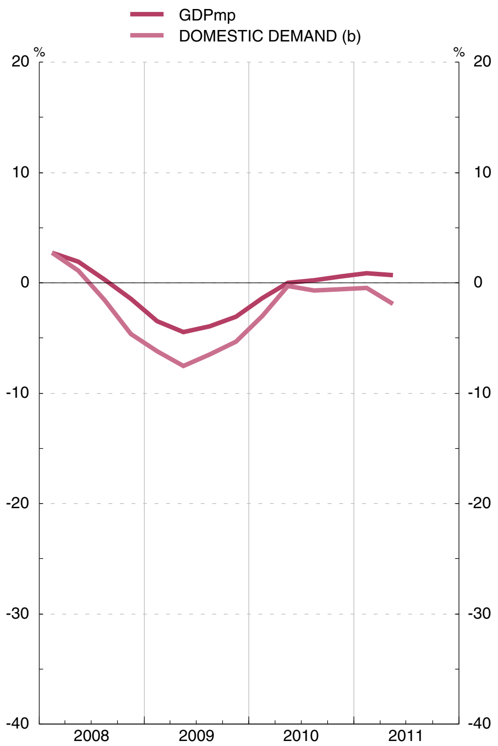
1.2. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES. REFERENCE YEAR 2000=100. DEMAND COMPONENTS. SPAIN: BREAKDOWN (a)

■ Series depicted in chart.

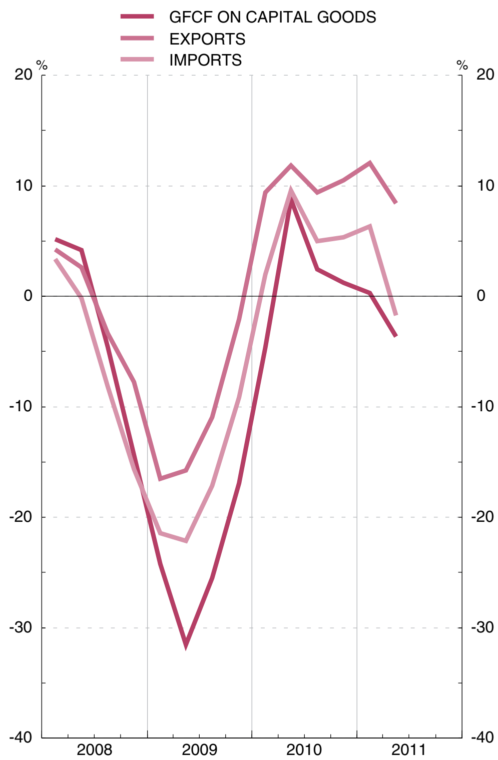
Annual percentage changes

		Gross fixed capital formation				Change in Stocks (b)	Exports of goods and services				Imports of goods and services				Memorandum items:	
		Total	Capital goods	Construc-tión	Other products		Total	Goods	Final con-sumption of non-resi-dents in economic territory	Services	Total	Goods	Final consumption of residents in the rest of the world	Services	Domestic demand (b) (c)	GDP
		1	2 ■	3	4	5 ■	6	7	8	9	10 ■	11	12	13	14 ■	15 ■
08	P	-4.8	-2.5	-5.9	-4.1	0.1	-1.1	-1.9	-4.3	4.6	-5.3	-6.0	-6.0	-1.6	-0.6	0.9
09	P	-16.0	-24.8	-11.9	-16.2	-0.0	-11.6	-12.5	-9.6	-10.0	-17.8	-19.2	-13.4	-12.5	-6.4	-3.7
10	P	-7.6	1.8	-11.1	-8.2	0.1	10.3	13.6	2.5	5.5	5.4	6.2	2.6	3.1	-1.1	-0.1
08 *Q3*	P	-6.5	-4.6	-7.5	-6.0	0.2	-3.4	-2.8	-4.7	-4.2	-8.2	-9.3	-11.6	-2.2	-1.6	0.3
Q4	P	-12.1	-14.4	-11.1	-11.7	0.1	-7.8	-10.6	-10.1	5.4	-15.6	-18.0	-13.1	-4.6	-4.6	-1.4
09 *Q1*	P	-15.3	-24.2	-12.2	-12.1	0.0	-16.5	-20.0	-13.9	-5.3	-21.5	-23.7	-19.5	-11.1	-6.2	-3.5
Q2	P	-18.0	-31.5	-12.0	-16.9	-0.0	-15.8	-18.4	-9.4	-10.9	-22.2	-24.4	-18.3	-12.0	-7.5	-4.4
Q3	P	-16.4	-25.5	-11.7	-18.7	-0.0	-11.0	-11.5	-9.3	-10.2	-17.2	-18.4	-8.7	-13.5	-6.5	-3.9
Q4	P	-14.0	-16.9	-11.9	-17.2	-0.1	-2.1	2.1	-5.4	-13.3	-9.2	-8.3	-5.6	-13.4	-5.3	-3.0
10 *Q1*	P	-10.5	-4.6	-11.4	-15.8	0.0	9.4	14.7	-0.2	0.1	2.0	3.0	-0.7	-1.4	-3.0	-1.4
Q2	P	-6.7	8.7	-11.3	-11.0	0.1	11.9	16.3	0.2	6.8	9.6	10.4	2.8	7.5	-0.3	-0.0
Q3	P	-6.7	2.4	-11.2	-3.0	0.1	9.4	11.3	5.8	5.8	5.0	5.8	4.9	1.6	-0.7	0.2
Q4	P	-6.1	1.2	-10.6	-1.5	0.1	10.5	12.3	4.4	9.5	5.3	5.6	3.2	5.0	-0.6	0.6
11 *Q1*	P	-6.0	0.3	-10.4	-0.4	0.0	12.1	15.8	4.6	4.3	6.3	7.4	-2.2	3.6	-0.4	0.9
Q2	P	-6.7	-3.7	-9.3	-2.7	-0.1	8.4	8.5	9.0	7.7	-1.7	-1.1	-6.9	-3.3	-1.9	0.7

GDP. DOMESTIC DEMAND
Annual percentage changes



GDP. DEMAND COMPONENTS
Annual percentage changes



Source: INE (Quarterly National Accounts of Spain. Base year 2000).
a. Prepared in accordance with ESA95, seasonally- and working-day-adjusted series (see Economic bulletin April 2002).
b. Contribution to GDPmp growth rate.
c. Residents' demand within and outside the economic territory.

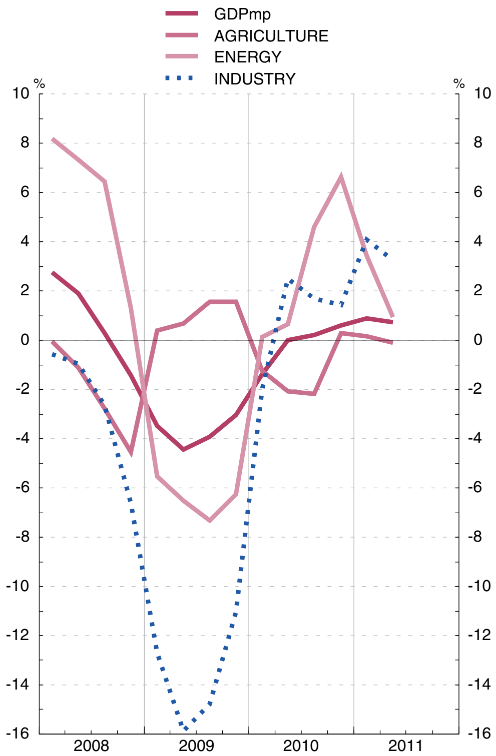
1.3. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES. REFERENCE YEAR 2000=100. BRANCHES OF ACTIVITY. SPAIN (a)

■ Series depicted in chart.

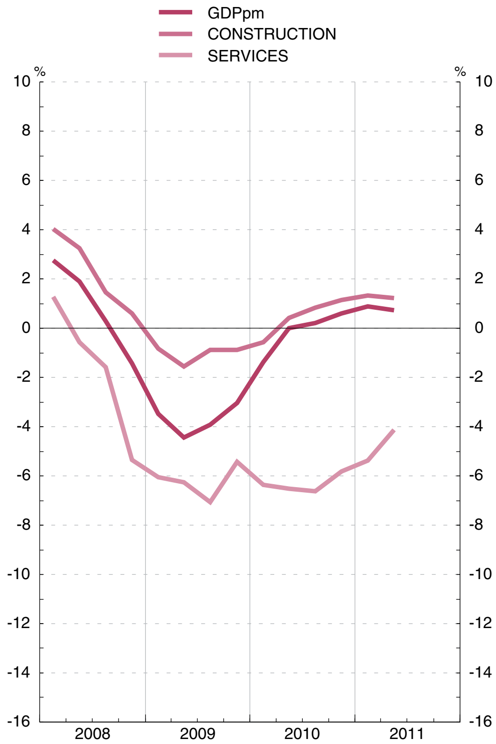
Annual percentage changes

		Gross domestic product at market prices	Agriculture and fisheries	Energy	Industry	Construction	Services			VAT on products	Net taxes linked to imports	Other net taxes on products
							Total	Market services	Non-market services			
		1 ■	2 ■	3	4 ■	5 ■	6 ■	7	8	9	10	11
08	P	0.9	-2.1	5.8	-2.7	-1.6	2.3	1.7	4.7	-1.3	-1.0	-0.7
09	P	-3.7	1.0	-6.4	-13.6	-6.2	-1.0	-1.9	2.1	-5.0	-9.9	-7.4
10	P	-0.1	-1.3	3.0	0.9	-6.3	0.5	0.4	0.8	-0.7	14.4	1.9
08 *Q3*	P	0.3	-2.8	6.4	-2.6	-1.6	1.5	0.7	4.3	-2.0	-3.1	-1.2
Q4	P	-1.4	-4.6	1.3	-6.6	-5.4	0.6	-0.2	3.6	-3.6	-6.7	-1.3
09 *Q1*	P	-3.5	0.4	-5.5	-12.7	-6.1	-0.8	-1.8	2.5	-4.8	-10.6	-7.2
Q2	P	-4.4	0.7	-6.5	-15.9	-6.3	-1.6	-2.6	2.2	-6.0	-12.3	-8.1
Q3	P	-3.9	1.6	-7.3	-14.8	-7.1	-0.9	-1.7	2.0	-5.2	-10.7	-8.4
Q4	P	-3.0	1.6	-6.3	-11.0	-5.4	-0.9	-1.6	1.6	-4.0	-5.7	-6.1
10 *Q1*	P	-1.4	-1.2	0.1	-2.0	-6.4	-0.6	-1.0	0.7	-2.1	3.1	0.6
Q2	P	-0.0	-2.1	0.6	2.5	-6.5	0.4	0.3	0.9	-0.3	12.7	4.3
Q3	P	0.2	-2.2	4.6	1.7	-6.6	0.8	0.9	0.7	-0.4	19.7	1.6
Q4	P	0.6	0.3	6.6	1.4	-5.8	1.1	1.3	0.7	-	22.7	1.1
11 *Q1*	P	0.9	0.2	3.4	4.1	-5.4	1.3	1.5	0.9	1.1	15.7	-4.3
Q2	P	0.7	-0.1	0.9	3.2	-4.1	1.2	1.4	0.5	-0.1	3.7	-3.2

GDP. BRANCHES OF ACTIVITY
Annual percentage changes



GDP. BRANCHES OF ACTIVITY
Annual percentage changes



Source: INE (Quarterly National Accounts of Spain. Base year 2000).
a. Prepared in accordance with ESA95, seasonally- and working-day-adjusted series (see Economic bulletin April 2002).

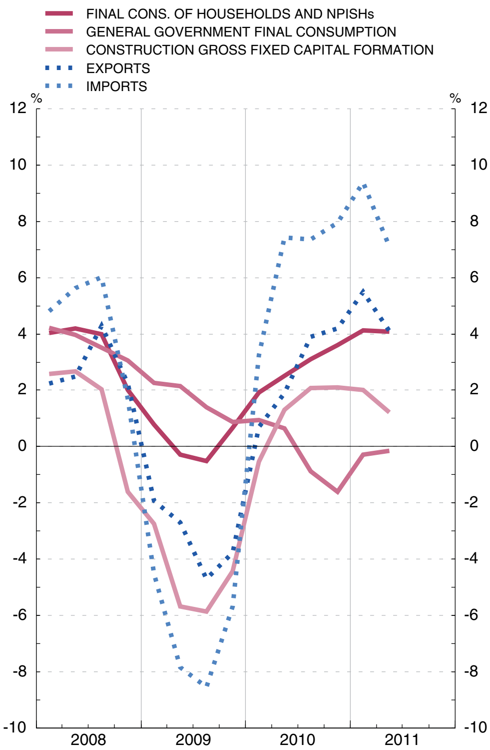
1.4. GROSS DOMESTIC PRODUCT. IMPLICIT DEFLATORS. SPAIN (a)

■ Series depicted in chart.

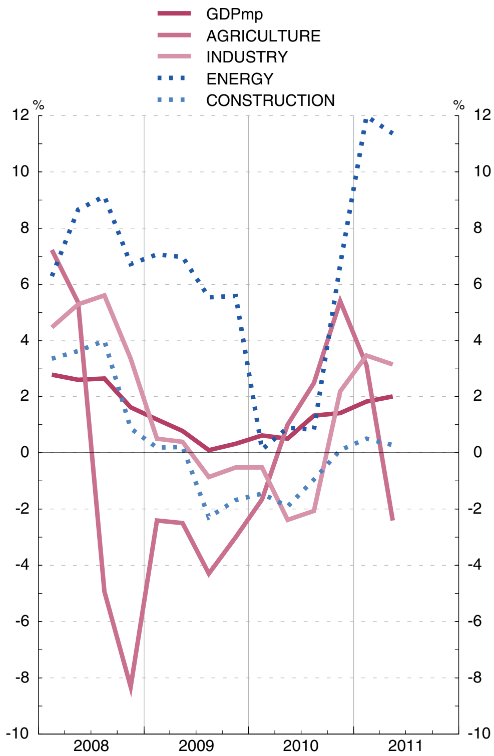
Annual percentage changes

		Demand components							Gross domestic product at market prices	Branches of activity					
				Gross fixed capital formation										Of which	
		Final consump-tion of households and NPISHs (b)	General government final consump-tion	Capital goods	Construc-tion	Other products	Exports of goods and services	Imports of goods and services		Agricul-ture and fisheries	Energy	Industry	Construc-tion	Services	Market services
		1 ■	2 ■	3	4 ■	5	6 ■	7 ■	8 ■	9 ■	10 ■	11 ■	12 ■	13	14
08	P	3.5	3.7	0.9	1.4	1.4	2.8	4.5	2.4	-0.5	7.7	4.7	2.9	4.5	4.7
09	P	0.1	1.7	-0.8	-4.7	-2.9	-3.3	-6.7	0.6	-3.0	6.3	-0.1	-0.9	2.8	2.8
10	P	2.8	-0.2	2.3	1.2	4.7	2.7	6.5	1.0	1.7	2.2	-0.7	-1.1	-0.6	-0.6
08 *Q3*	P	4.0	3.5	0.7	2.0	1.5	4.3	6.0	2.6	-4.9	9.1	5.6	4.0	4.6	4.9
Q4	P	2.0	3.1	0.3	-1.6	0.1	2.2	1.7	1.6	-8.3	6.7	3.4	0.9	4.0	4.1
09 *Q1*	P	0.8	2.3	-0.0	-2.8	-2.5	-1.9	-4.5	1.2	-2.4	7.1	0.5	0.2	3.4	3.8
Q2	P	-0.3	2.2	-1.0	-5.7	-3.4	-2.7	-7.8	0.8	-2.5	7.0	0.4	0.2	3.6	3.6
Q3	P	-0.5	1.4	-1.3	-5.9	-4.0	-4.7	-8.5	0.1	-4.3	5.5	-0.8	-2.3	2.3	2.2
Q4	P	0.6	0.9	-0.9	-4.4	-1.9	-3.8	-5.7	0.3	-3.0	5.6	-0.5	-1.7	1.8	1.7
10 *Q1*	P	1.9	0.9	1.2	-0.5	1.9	0.7	3.2	0.6	-1.6	0.1	-0.5	-1.5	0.6	0.4
Q2	P	2.5	0.6	1.9	1.3	4.6	1.9	7.4	0.5	1.0	0.9	-2.4	-1.9	-1.3	-1.8
Q3	P	3.1	-0.9	2.7	2.1	5.9	3.9	7.3	1.3	2.5	0.8	-2.1	-0.9	-1.3	-1.3
Q4	P	3.6	-1.6	3.6	2.1	6.4	4.2	7.9	1.4	5.4	6.7	2.2	0.1	-0.4	0.2
11 *Q1*	P	4.1	-0.3	4.1	2.0	6.9	5.5	9.4	1.8	3.1	12.0	3.5	0.5	1.3	2.0
Q2	P	4.0	-0.2	3.6	1.2	5.2	4.1	7.1	2.0	-2.4	11.4	3.1	0.3	1.6	2.6

GDP. IMPLICIT DEFLATORS
Annual percentage changes



GDP. IMPLICIT DEFLATORS
Annual percentage changes



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

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

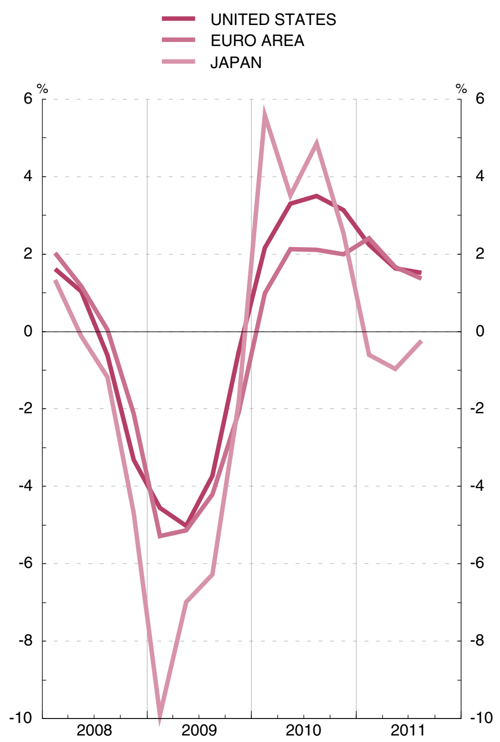
b. Final consumption expenditure may take place on the domestic territory or abroad (ESA95, 3.75). It therefore includes residents' consumption abroad, which is subsequently deducted in Imports of goods and services.

2.1. INTERNATIONAL COMPARISON. GROSS DOMESTIC PRODUCT AT CONSTANT PRICES

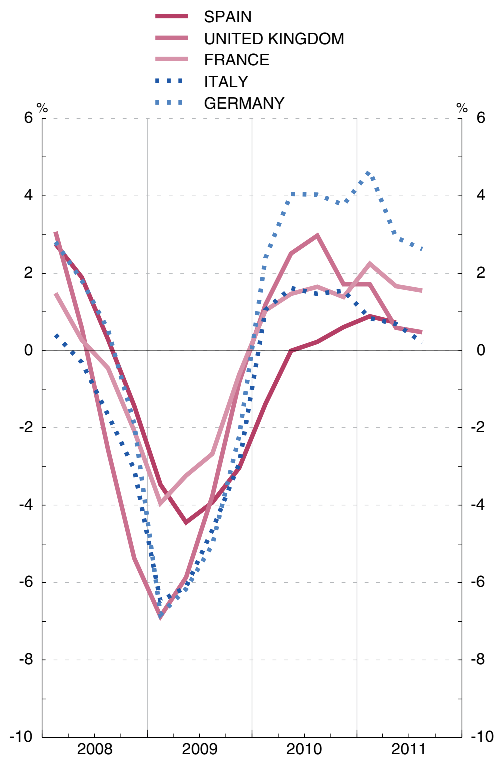
■ Series depicted in chart. *Annual percentage changes*

	OECD 1	EU-27 2	Euro area 3 ■	Germany 4 ■	Spain 5 ■	United States 6 ■	France 7 ■	Italy 8 ■	Japan 9 ■	United Kingdom 10 ■
08	0.1	0.2	0.3	0.8	0.9	-0.3	-0.2	-1.2	-1.2	-1.1
09	-3.8	-4.2	-4.2	-5.1	-3.7	-3.5	-2.6	-5.1	-6.3	-4.4
10	3.1	1.9	1.8	3.6	-0.1	3.0	1.4	1.4	4.1	2.1
08 *Q3*	-0.1	-0.1	0.0	0.5	0.3	-0.6	-0.5	-1.7	-1.2	-2.6
Q4	-2.9	-2.6	-2.1	-1.9	-1.4	-3.3	-2.1	-3.1	-4.7	-5.4
09 *Q1*	-5.5	-5.4	-5.3	-6.8	-3.5	-4.5	-3.9	-6.5	-9.9	-6.9
Q2	-5.1	-5.3	-5.1	-6.2	-4.4	-5.0	-3.2	-6.1	-7.0	-5.9
Q3	-3.8	-4.2	-4.2	-5.0	-3.9	-3.7	-2.7	-4.6	-6.3	-3.8
Q4	-0.8	-1.9	-2.1	-2.2	-3.0	-0.5	-0.6	-2.9	-1.9	-0.8
10 *Q1*	2.6	1.0	1.0	2.4	-1.4	2.2	1.0	1.0	5.6	1.2
Q2	3.4	2.2	2.1	4.1	-0.0	3.3	1.5	1.6	3.5	2.5
Q3	3.4	2.4	2.1	4.0	0.2	3.5	1.6	1.5	4.9	3.0
Q4	3.0	2.1	2.0	3.8	0.6	3.1	1.4	1.6	2.5	1.7
11 *Q1*	2.4	2.4	2.4	4.6	0.9	2.2	2.2	0.8	-0.6	1.7
Q2	1.8	1.7	1.7	2.9	0.7	1.6	1.7	0.7	-1.0	0.6
Q3	...	1.4	1.4	2.6	...	1.5	1.5	0.2	-0.2	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.

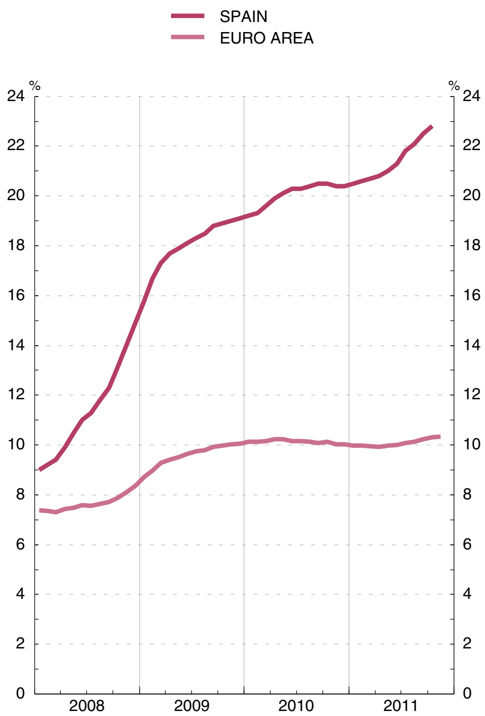
2.2. INTERNATIONAL COMPARISON. UNEMPLOYMENT RATES

■ Series depicted in chart.

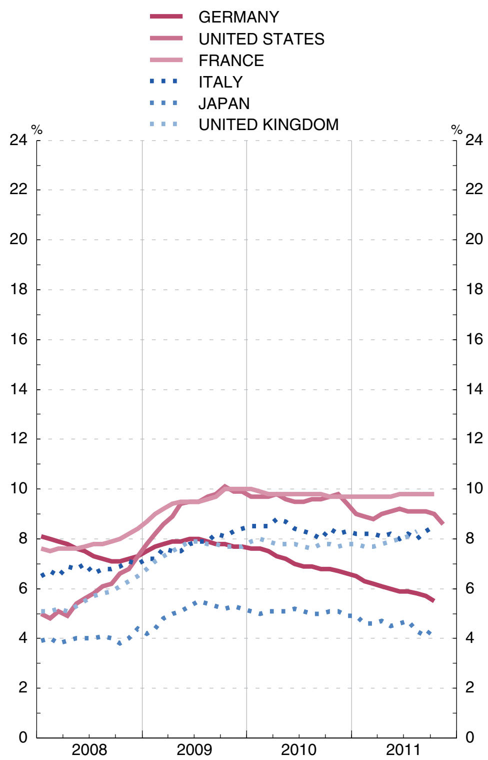
Percentages

	OECD	EU-27	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3 ■	4 ■	5 ■	6 ■	7 ■	8 ■	9 ■	10 ■
08	6.1	7.1	7.7	7.5	11.4	5.8	7.8	6.8	4.0	5.6
09	8.4	9.0	9.6	7.8	18.0	9.3	9.5	7.8	5.1	7.6
10	8.6	9.6	10.1	7.1	20.1	9.6	9.8	8.4	5.1	7.8
10 *Jun*	8.6	9.7	10.2	7.0	20.3	9.5	9.8	8.4	5.2	7.8
Jul	8.5	9.6	10.1	6.9	20.3	9.5	9.8	8.3	5.1	7.7
Aug	8.6	9.6	10.1	6.9	20.4	9.6	9.8	8.2	5.0	7.6
Sep	8.5	9.6	10.1	6.8	20.5	9.6	9.8	8.0	5.0	7.8
Oct	8.6	9.6	10.1	6.8	20.5	9.7	9.7	8.4	5.1	7.8
Nov	8.5	9.6	10.1	6.7	20.4	9.8	9.7	8.2	5.1	7.7
Dec	8.4	9.6	10.0	6.6	20.4	9.4	9.7	8.3	4.9	7.8
11 *Jan*	8.3	9.5	10.0	6.5	20.5	9.0	9.7	8.2	4.9	7.8
Feb	8.2	9.5	10.0	6.3	20.6	8.9	9.7	8.2	4.6	7.7
Mar	8.2	9.4	10.0	6.2	20.7	8.8	9.7	8.2	4.6	7.7
Apr	8.2	9.5	9.9	6.1	20.8	9.0	9.7	8.1	4.7	7.8
May	8.2	9.5	10.0	6.0	21.0	9.1	9.7	8.2	4.5	7.9
Jun	8.3	9.6	10.0	5.9	21.3	9.2	9.8	8.0	4.6	8.0
Jul	8.3	9.6	10.1	5.9	21.8	9.1	9.8	8.2	4.7	8.1
Aug	8.2	9.7	10.1	5.8	22.1	9.1	9.8	8.0	4.3	8.3
Sep	8.2	9.7	10.2	5.7	22.5	9.1	9.8	8.3	4.1	...
Oct	8.3	9.8	10.3	5.5	22.8	9.0	9.8	8.5	4.5	...
Nov	...	...	...	...	...	8.6	...	...	...	...

UNEMPLOYMENT RATES



UNEMPLOYMENT RATES



Source: OECD.

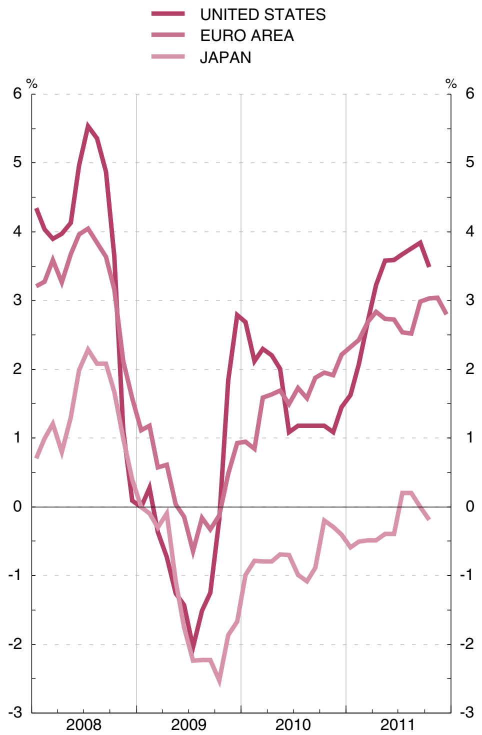
2.3. INTERNATIONAL COMPARISON. CONSUMER PRICES (a)

■ Series depicted in chart.

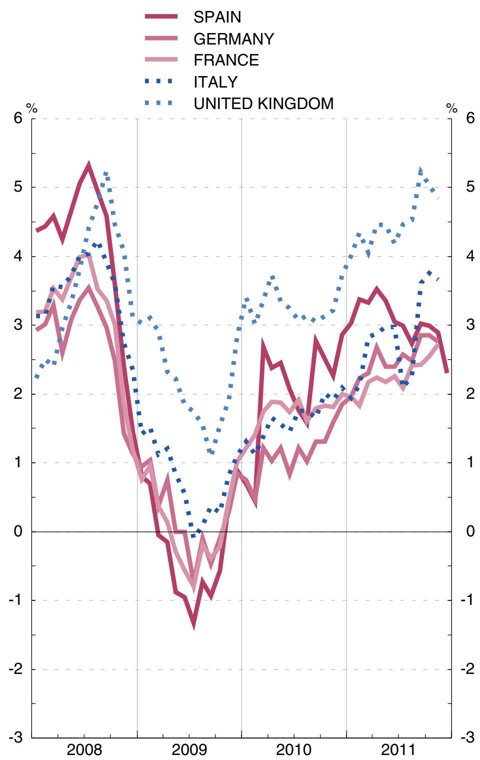
Annual percentage changes

	OECD	EU-27	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3 ■	4 ■	5 ■	6 ■	7 ■	8 ■	9 ■	10 ■
08	3.7	3.7	3.3	2.8	4.1	3.8	3.2	3.5	1.4	3.6
09	0.6	1.0	0.3	0.2	-0.2	-0.3	0.1	0.8	-1.3	2.2
10	1.9	2.1	1.6	1.2	2.0	1.6	1.7	1.6	-0.7	3.3
10 *Jul*	1.6	2.1	1.7	1.2	1.8	1.2	1.9	1.8	-1.0	3.1
Aug	1.5	2.0	1.6	1.0	1.6	1.2	1.6	1.8	-1.1	3.1
Sep	1.7	2.2	1.9	1.3	2.8	1.2	1.8	1.6	-0.9	3.0
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	2.8	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	2.5	2.6	3.0	3.7	2.1	2.1	0.2	4.5
Aug	3.2	2.9	2.5	2.5	2.7	3.8	2.4	2.3	0.2	4.5
Sep	3.3	3.3	3.0	2.9	3.0	3.8	2.4	3.6	-	5.2
Oct	3.2	3.3	3.0	2.9	3.0	3.5	2.5	3.8	-0.2	5.0
Nov	...	3.4	3.0	2.8	2.9	...	2.7	3.7	...	4.8
Dec	...	...	2.8	...	2.3	...	...	...	...	...

CONSUMER PRICES
Annual percentage changes



CONSUMER PRICES
Annual percentage changes



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

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

■ Series depicted in chart.

Average of daily data

	Exchange rates			Indices of the nominal effective exchange rate vis-à-vis the (a) developed countries 1999 QI=100			Indices of the real effective exchange rate vis-à-vis the developed countries (b) 1999 QI=100					
							Based on consumer prices			Based on producer prices		
	US dollar per ECU/euro	Japanese yen per ECU/euro	Japanese yen per US dollar	Euro	US dollar	Japanese yen	Euro	US dollar	Japanese yen	Euro	US dollar	Japanese yen
	1 ■	2 ■	3 ■	4	5	6	7 ■	8 ■	9 ■	10	11	12
08	1.4707	152.31	103.36	110.4	78.2	98.3	109.9	86.6	76.9	107.7	90.5	74.9
09	1.3940	130.30	93.57	111.7	81.1	112.4	110.6	89.5	86.6	104.9	92.7	84.9
10	1.3267	116.42	87.78	104.7	79.1	120.7	103.0	87.6	90.7	98.8	93.2	87.8
10 *J-D*	1.3267	116.42	87.78	104.7	79.1	120.7	103.0	87.6	90.7	98.8	93.2	87.8
11 *J-D*	1.3918	111.00	79.74	104.4	74.5	128.6	102.4	82.9	93.0	98.7	90.1	88.6
10 *Oct*	1.3898	113.67	81.79	106.0	75.8	126.1	104.1	83.8	94.6	100.3	89.7	91.0
Nov	1.3661	112.69	82.51	104.7	76.3	125.8	102.7	84.4	94.0	99.0	90.5	90.2
Dec	1.3220	110.11	83.29	102.6	77.5	126.2	100.6	85.5	93.7	96.9	91.7	90.2
11 *Jan*	1.3360	110.38	82.63	102.4	76.6	126.5	100.3	85.2	93.7	96.9	90.9	89.9
Feb	1.3649	112.77	82.63	103.4	75.6	125.1	101.1	84.1	92.2	97.8	90.2	88.2
Mar	1.3999	114.40	81.72	105.2	74.4	125.2	103.1	82.9	91.7	99.4	89.8	87.4
Apr	1.4442	120.42	83.39	107.0	73.2	120.7	104.9	81.8	88.0	101.0	89.1	84.0
May	1.4349	116.47	81.17	106.0	73.2	124.3	103.8	82.0	90.4	99.7	90.0	86.0
Jun	1.4388	115.75	80.45	106.1	73.2	125.3	104.0	82.1	91.0	99.9	89.6	86.8
Jul	1.4264	113.26	79.40	105.2	72.8	127.2	102.6	81.8	92.5	99.0	89.4	88.0
Aug	1.4343	110.43	77.00	104.9	72.5	130.9	102.3	81.5	95.1	98.8	88.7	90.5
Sep	1.3770	105.75	76.79	103.8	74.6	134.1	101.4	83.7	97.2	97.6	91.3	92.4
Oct	1.3706	105.06	76.65	104.0	75.1	134.9	101.7	84.0	97.8	98.1	91.6	92.7
Nov	1.3556	105.02	77.47	103.5	75.7	134.1	101.3	...	...	97.7	...	...
Dec	1.3179	102.55	77.81	101.7	76.7	135.1	...	...	...	...	...	...

EXCHANGE RATES

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

Sources: ECB and BE.

a. Geometric mean calculated using a double weighting system based on (1995-1997),(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.

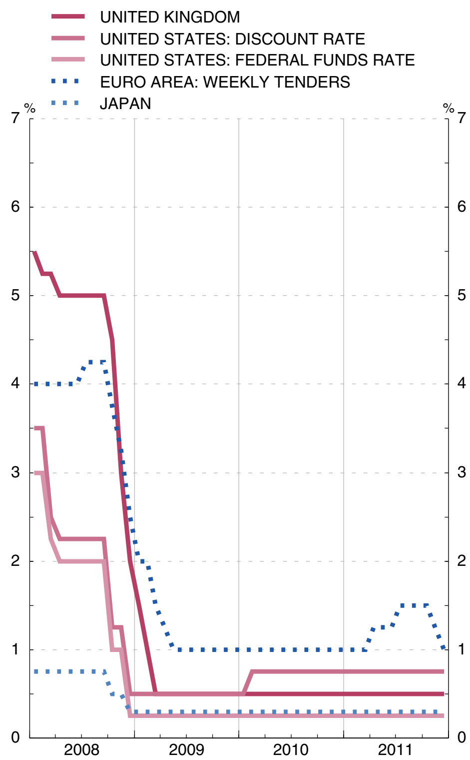
2.5. OFFICIAL INTERVENTION INTEREST RATES AND SHORT-TERM INTEREST RATES

■ Series depicted in chart.

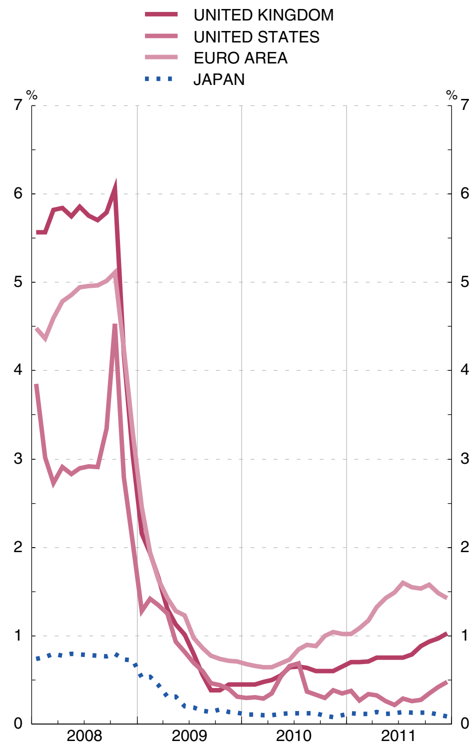
Percentages

	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 ■
08	2.50	0.50	0.25	0.30	2.00	3.45	4.75	4.63	-	4.62	3.07	-	-	0.77	5.41
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
10 *Jul*	1.00	0.75	0.25	0.30	0.50	0.75	0.83	0.85	-	1.12	0.69	-	-	0.12	0.65
Aug	1.00	0.75	0.25	0.30	0.50	0.64	0.86	0.90	-	1.00	0.37	-	-	0.12	0.64
Sep	1.00	0.75	0.25	0.30	0.50	0.63	0.84	0.88	-	0.93	0.33	-	-	0.13	0.60
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

OFFICIAL INTERVENTION INTEREST RATES



3-MONTH INTERBANK RATES



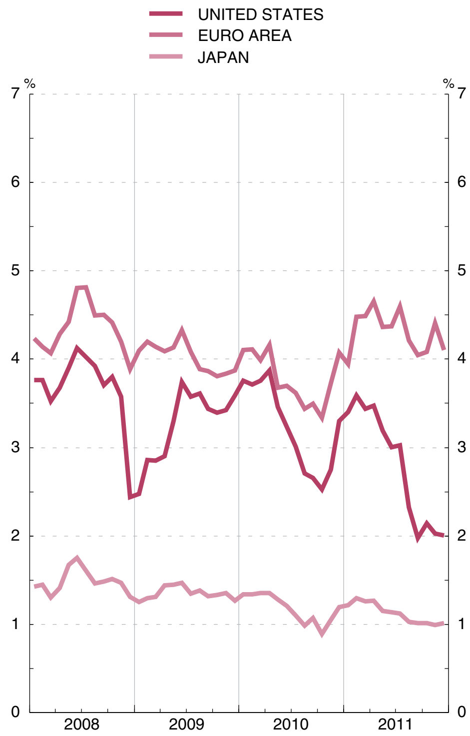
Sorces: ECB, Reuters and BE.
a. Main refinancing operations.
b. As from January 2003, the Primary Credit Rate.
c. Discount rate.
d. Retail bank base rate.

2.6. 10-YEAR GOVERNMENT BOND YIELDS ON DOMESTIC MARKETS

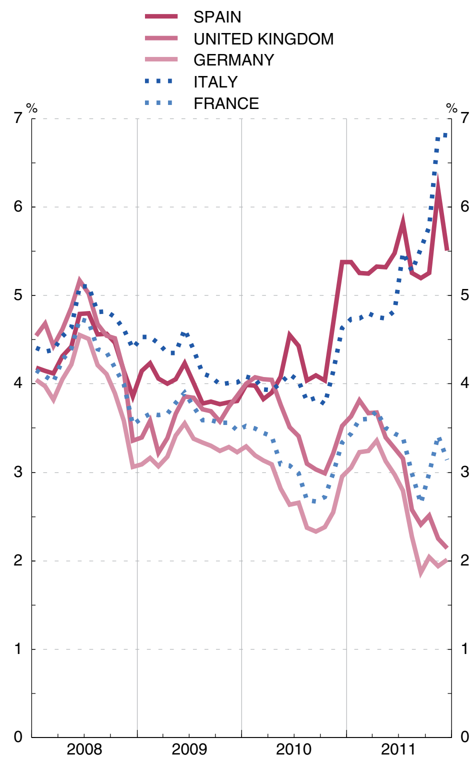
■ Series depicted in chart. *Percentages*

	OECD 1	EU-15 2	Euro area 3 ■	Germany 4 ■	Spain 5 ■	United States 6 ■	France 7 ■	Italy 8 ■	Japan 9 ■	United Kingdom 10 ■
08	3.63	4.33	4.36	4.00	4.36	3.69	4.24	4.66	1.49	4.55
09	3.18	3.74	4.03	3.27	3.97	3.27	3.65	4.28	1.35	3.63
10	3.05	3.52	3.78	2.78	4.25	3.22	3.12	4.03	1.18	3.56
10 *Jul*	2.92	3.45	3.62	2.65	4.43	3.01	2.99	4.03	1.10	3.41
Aug	2.67	3.18	3.44	2.38	4.04	2.71	2.69	3.81	0.98	3.10
Sep	2.67	3.21	3.50	2.33	4.09	2.65	2.67	3.84	1.07	3.03
Oct	2.58	3.18	3.34	2.38	4.04	2.52	2.72	3.77	0.89	2.99
Nov	2.83	3.52	3.73	2.55	4.69	2.75	2.99	4.14	1.05	3.22
Dec	3.24	3.92	4.07	2.95	5.37	3.30	3.34	4.63	1.19	3.53
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

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.

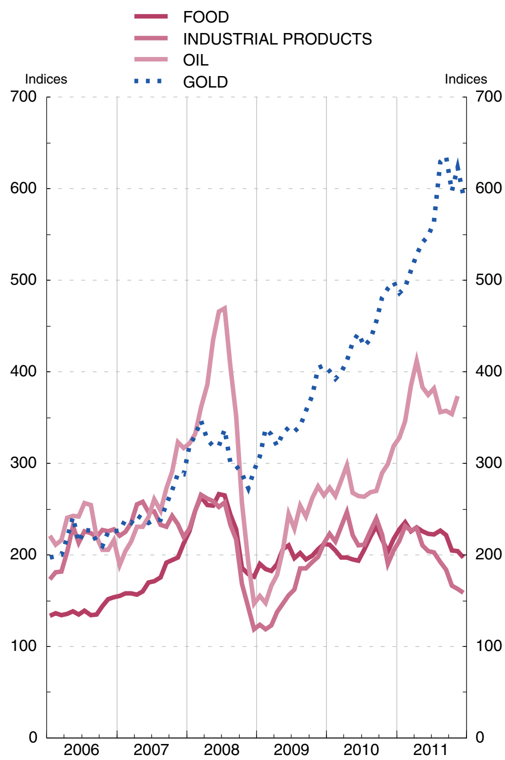
■ Series depicted in chart.

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
06	125.6	170.8	139.3	211.6	147.3	246.4	227.8	64.9	216.7	604.6	15.45
07	136.4	202.3	175.1	237.4	162.4	278.4	252.1	73.0	249.8	696.7	16.32
08	142.2	227.4	232.4	221.0	176.0	245.5	343.7	97.2	312.5	871.7	19.07
09	120.8	182.3	198.0	162.2	136.0	176.4	219.2	61.7	348.8	973.0	22.42
10	158.6	213.1	207.9	220.2	211.2	225.9	280.0	79.9	439.2	1 225.3	29.76
10 *J-D*	158.6	213.1	207.9	220.2	211.2	225.9	280.0	79.9	439.2	1 225.3	29.76
11 *J-D*	187.3	209.6	220.3	198.5	239.6	180.9	...	112.2	562.6	1 569.5	36.30
10 *Nov*	180.1	196.8	203.2	190.1	223.5	175.7	299.4	85.7	491.1	1 369.9	32.27
Dec	198.3	211.3	217.6	204.8	248.0	186.2	319.0	92.3	498.2	1 389.7	33.80
11 *Jan*	207.1	221.5	227.7	215.2	266.7	193.1	328.2	97.4	486.2	1 356.4	32.70
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	...	108.7	592.3	1 652.3	40.24

NON-ENERGY COMMODITY PRICE INDEX

PRICE INDICES FOR NON-ENERGY COMMODITIES, OIL AND GOLD



Sources: The Economist, IMF, ECB and BE.

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

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

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

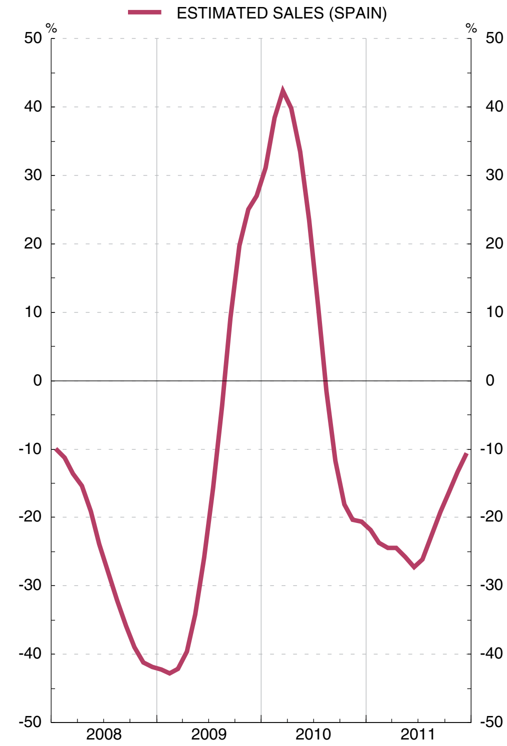
3.1 INDICATORS OF PRIVATE CONSUMPTION. SPAIN AND EURO AREA

■ Series depicted in chart. *Annual percentage changes*

		Opinion surveys (net percentages)						New car registrations and sales				Retail trade indices (2005=100, NACE 2009) (Deflated indices)							
		Consumers			Retail trade confidence index	Memorandum item: euro area		Registrations	of which	Estimated sales	Memorandum item: euro area	General retail trade index	General index without petrol stations						
		Confidence index	General economic situation: anticipated trend	Household economic situation: anticipated trend		Consumer confidence index	Retail trade confidence index		Private use		Registrations		Total	of which Food	Large retail outlets	Large chain stores	Small chain stores	Single-outlet retailers	Memorandum item: euro area (a)
		1 ■	2	3	4	5 ■	6	7	8	9 ■	10	11	12	13	14	15	16	17	18
08		-33.7	-32.6	-20.4	-27.6	-18.1	-10.0	-27.4	-30.0	-28.1	-8.1	-5.7	-5.7	-2.3	-5.2	1.1	-8.6	-8.0	-0.8
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	-2.0
10	P	-20.9	-18.0	-9.7	-17.2	-14.0	-4.0	3.0	...	3.1	-8.1	-1.6	-0.9	-0.4	-1.6	1.9	-3.1	-2.0	1.1
10 *J-D*	P	-20.9	-18.0	-9.7	-17.2	-14.0	-4.0	3.0	...	3.1	-8.1	-1.6	-0.9	-0.4	-1.6	1.9	-3.1	-2.0	1.1
11 *J-D*	P	-17.1	-13.8	-6.7	-19.8	-14.3	-5.3	-18.2	...	-17.7	...	...	...	...	...	...	...	...	...
11 *Jan*	P	-21.0	-22.6	-10.5	-22.3	-11.2	-0.6	-23.6	...	-23.5	-4.3	-4.6	-4.5	-3.2	-6.3	-0.4	-4.6	-6.1	0.8
Feb	P	-15.2	-18.2	-5.5	-20.1	-10.0	-0.2	-28.0	...	-27.6	0.1	-4.6	-4.6	-2.9	-7.1	0.1	-3.9	-6.3	1.3
Mar	P	-22.6	-15.0	-10.6	-23.1	-10.6	-1.4	-29.8	...	-29.1	-4.5	-7.9	-8.1	-5.7	-12.4	-3.8	-7.9	-8.7	-1.1
Apr	P	-21.0	-15.2	-11.0	-21.7	-11.6	-1.8	-24.1	...	-23.3	-0.1	-2.1	-1.5	1.1	0.5	6.4	-3.4	-6.1	1.4
May	P	-15.5	-11.5	-6.2	-18.7	-9.9	-2.4	-24.1	...	-23.3	-1.2	-5.9	-5.8	-3.6	-8.4	-	-8.4	-6.9	-1.5
Jun	P	-11.9	-6.3	-2.9	-16.5	-9.7	-2.6	-31.5	...	-31.4	-3.7	-7.5	-7.4	-2.2	-9.7	0.3	-12.2	-8.8	-0.4
Jul	P	-13.4	-8.1	-2.2	-17.3	-11.2	-3.6	-5.5	...	-4.0	2.3	-6.2	-5.8	-5.7	-5.5	-4.0	-7.0	-6.3	0.1
Aug	P	-17.0	-14.4	-6.0	-20.3	-16.5	-8.7	3.7	...	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	-19.1	-9.8	-2.7	...	-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	-19.9	-9.7	-6.9	...	-6.7	-0.6	-7.1	-6.9	-2.8	-10.3	-2.3	-9.0	-7.4	-0.7
Nov	P	-15.4	-12.0	-5.6	-18.4	-20.4	-11.1	-6.9	...	-6.4	-3.3	-7.2	-7.1	-4.1	-9.8	-2.7	-7.6	-8.3	-2.4
Dec	P	-15.3	-9.8	-4.8	-20.4	-21.1	-11.7	-1.3	...	-3.6	...	...	...	...	...	...	...	...	...

CONSUMER CONFIDENCE INDEX

CAR SALES
Trend obtained with TRAMO-SEATS



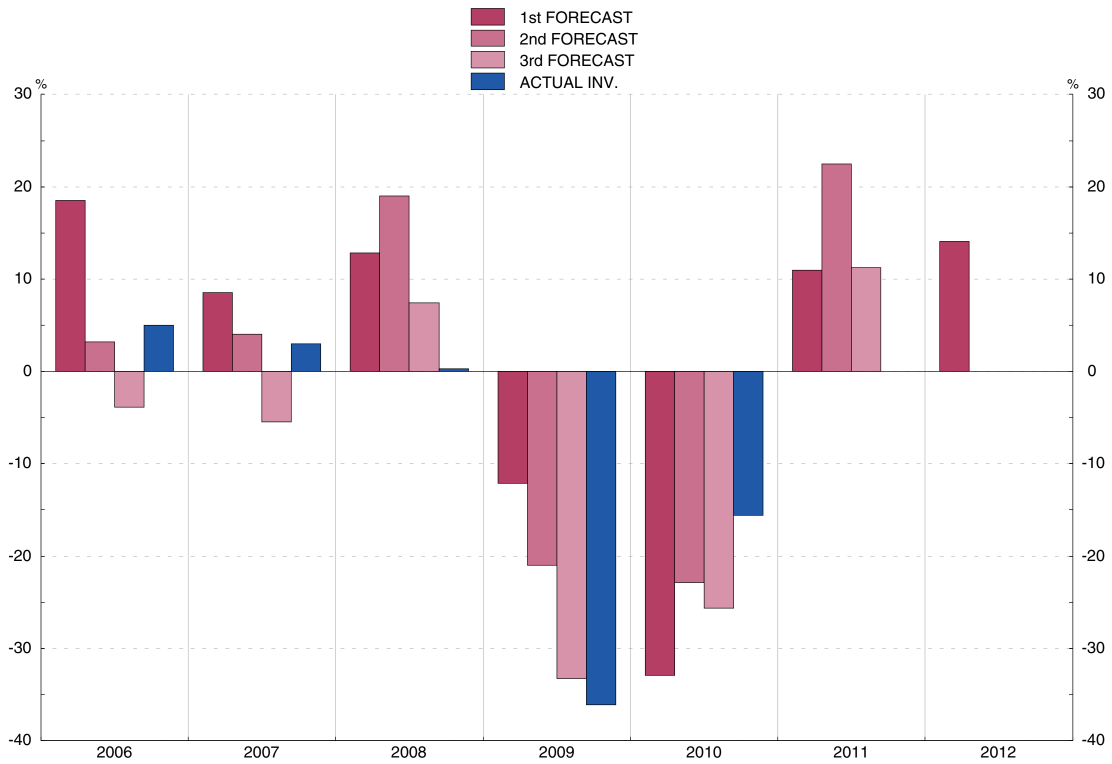
Sources: European Commission, European Economy, Supplement B, INE, Dirección General de Tráfico, Asociación Nacional de Fabricantes de Automóviles y Camiones and ECB.
a. Data adjusted by working days.

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



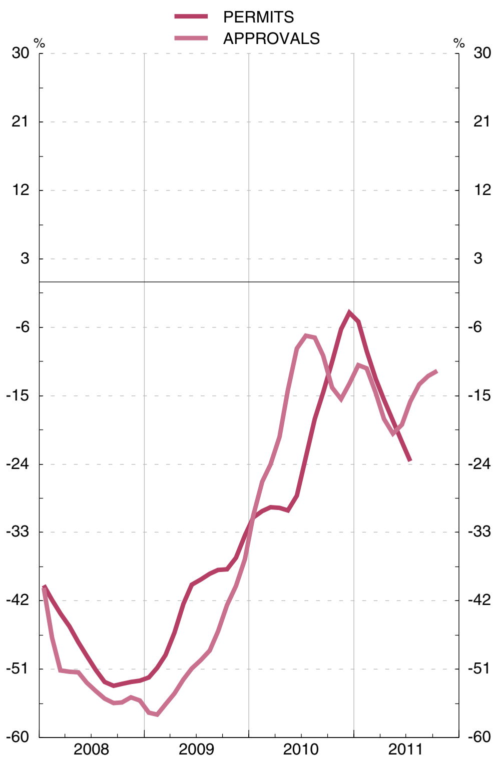
Source: Ministerio de Industria, Turismo y Comercio.
Note: The first forecast is made in the autumn of the previous year and the second and third ones in the spring and autumn of the current year, respectively; the information relating to actual investment for the year t is obtained in the spring of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

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

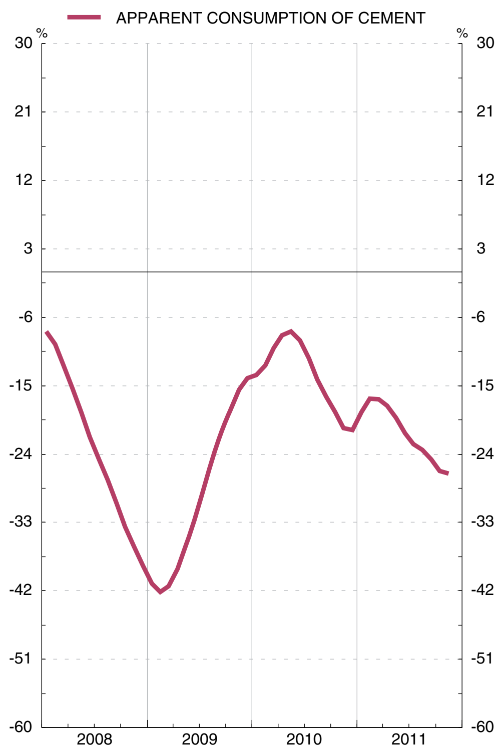
■ Series depicted in chart. *Annual percentage changes*

		Permits: buildable floorage				Approvals: buildable floorage		Government tenders (budget)							Apparent consumption of cement
		Total	of which: Residential	of which: Housing	Non-residential	Total	of which: Housing	Total: For the month	Total: Year to date	Building: Total	Building, of which: Residential	Building, of which: Housing	Building: Non-residential	Civil engineering	
		1 ■	2	3	4	5 ■	6	7 ■	8	9	10	11	12	13	14 ■
08		-48.5	-53.1	-53.8	-29.8	-52.1	-56.6	2.9	2.9	-7.5	8.5	13.4	-11.5	7.2	-23.8
09		-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	-37.9	-37.9	-20.2	-38.5	-38.7	-14.4	-45.1	-15.4
10 *J-N*		-32.2	-27.6	-28.6	-40.7	-16.0	-17.0	-35.1	-35.1	-21.0	-34.9	-34.6	-16.8	-41.4	-15.9
11 *J-N*	P	...	...	...	...	...	...	...	...	...	...	...	...	...	-16.9
10 *Aug*		-5.2	15.5	15.2	-31.5	-1.6	2.0	-29.5	-40.8	-31.3	-48.8	-46.3	-25.5	-28.7	-12.9
Sep		-28.9	-15.3	-15.1	-47.7	1.4	-0.7	-13.7	-38.9	-26.1	20.6	125.8	-33.8	-9.4	-18.1
Oct		-16.0	-19.5	-20.7	-8.1	-27.7	-30.4	-0.5	-36.6	36.6	53.1	-50.4	33.4	-15.2	-18.6
Nov		2.0	10.2	2.2	-14.8	-13.2	-13.7	-15.1	-35.1	-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	-57.1	-37.9	-9.6	-73.4	-66.8	22.7	-65.6	-7.6
11 *Jan*	P	14.4	22.7	21.8	-8.2	-4.8	13.9	-22.4	-22.4	-27.4	-45.8	30.1	-22.5	-19.1	0.3
Feb	P	-17.7	-19.9	-24.7	-12.4	-6.3	5.0	-46.4	-36.8	-57.6	-58.6	-72.0	-57.4	-37.9	0.9
Mar	P	25.4	17.7	20.7	42.5	-16.2	-23.3	-57.8	-45.5	-66.5	-65.8	-92.6	-66.8	-49.5	-7.3
Apr	P	6.2	-10.0	-11.6	36.9	-22.9	-25.0	-50.0	-46.6	-62.1	33.6	98.4	-71.3	-39.6	-17.1
May	P	2.6	17.2	16.9	-21.0	-21.9	-20.1	2.5	-36.5	-55.9	-64.9	19.5	-53.9	36.9	-10.7
Jun	P	-13.0	-24.2	-21.8	12.4	-20.7	-11.2	-56.3	-39.8	-50.0	3.6	-46.2	-60.4	-58.7	-20.3
Jul	P	-24.1	-30.7	-31.5	-6.6	-19.0	-12.9	-44.1	-40.3	-61.3	-54.2	-38.8	-63.4	-27.6	-26.1
Aug	P	...	...	...	...	-4.6	-9.0	-51.0	-41.6	-47.9	-48.6	-59.5	-47.7	-52.4	-16.7
Sep	P	...	...	...	...	-14.8	4.8	-40.6	-41.5	-43.3	-40.4	-50.5	-44.2	-39.8	-21.1
Oct	P	...	...	...	...	-7.6	-0.9	-67.6	-43.9	-48.4	-13.8	-82.1	-56.2	-79.9	-29.8
Nov	P	...	...	...	...	...	...	...	...	...	...	...	...	...	-28.9

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.

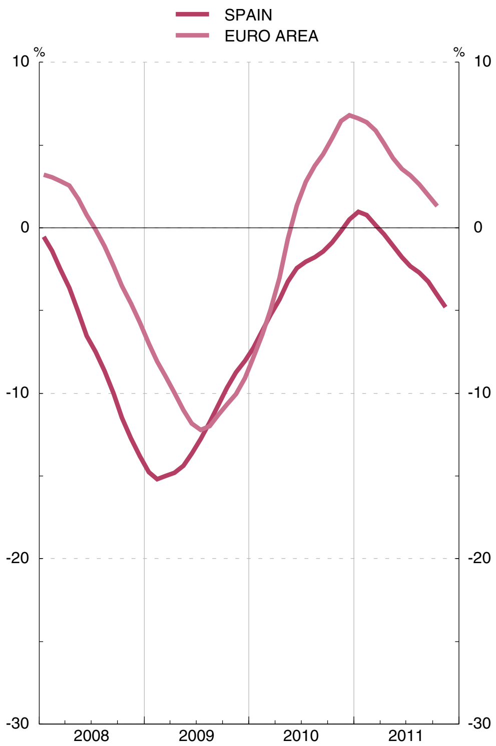
3.4. INDUSTRIAL PRODUCTION INDEX. SPAIN AND EURO AREA (a)

■ Series depicted in chart.

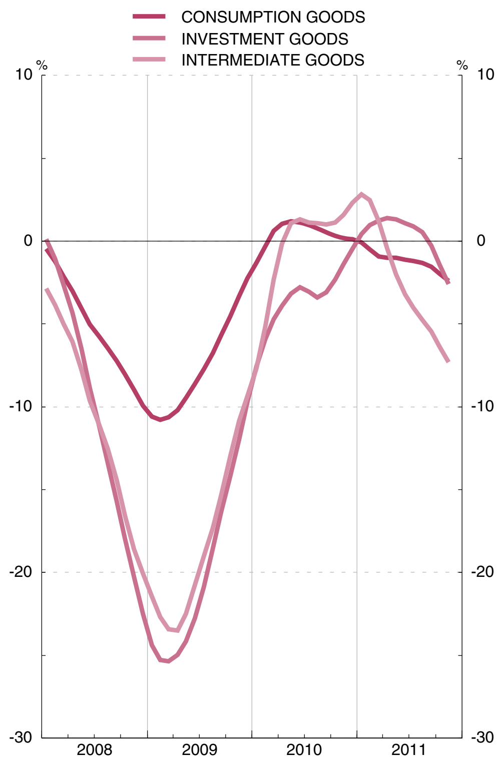
Annual percentage changes

		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
08	M P	98.6	-7.1	-4.6	-8.7	-11.0	1.6	-13.7	-7.8	1.1	-1.6	-1.7	-1.8	0.0	-3.4
09	M P	82.6	-16.2	-8.8	-22.5	-21.4	-8.6	-24.3	-17.0	-7.6	-14.8	-15.9	-4.9	-20.9	-19.0
10	M P	83.4	0.9	0.9	-3.3	2.7	2.5	4.4	0.6	2.9	7.4	7.8	3.4	9.1	10.1
10 *J-N*	M P	83.7	0.9	0.9	-3.2	2.9	2.4	4.9	0.7	2.9	7.3	7.7	3.5	8.4	10.3
11 *J-N*	M P	82.6	-1.4	-1.2	1.1	-2.1	-3.3	-14.9	-0.9	-3.3	...	...	...	...	...
10 *Aug*	P	63.9	3.4	5.7	-7.4	6.5	3.9	14.8	3.6	1.5	8.4	9.4	4.2	12.6	11.7
Sep	P	86.1	-1.1	-0.3	-6.7	0.1	2.5	4.6	-1.5	2.2	5.6	6.1	1.7	8.3	7.5
Oct	P	84.9	-3.5	-3.2	-8.9	-3.3	2.9	4.7	-4.3	2.8	7.3	7.8	3.4	12.8	7.6
Nov	P	90.3	3.4	1.4	2.0	4.1	8.5	-7.6	3.2	7.3	8.1	8.5	3.5	12.8	8.0
Dec	P	79.4	0.4	0.8	-3.5	0.9	3.7	-2.1	0.1	2.6	8.8	9.2	2.0	16.3	8.1
11 *Jan*	P	80.5	5.0	3.5	5.0	7.1	3.8	-3.8	5.4	3.3	6.2	8.0	0.7	12.9	9.6
Feb	P	83.5	3.3	0.1	5.1	6.6	0.2	-10.9	4.3	-2.3	7.8	9.7	2.7	15.3	10.1
Mar	P	92.4	1.3	-3.2	3.1	5.6	-1.8	-9.0	1.7	-0.6	5.8	6.9	1.0	11.6	7.5
Apr	P	78.9	-4.0	-6.1	-1.4	-4.1	-3.2	-15.9	-3.7	-5.5	5.4	6.8	3.9	10.6	5.5
May	P	87.1	1.2	2.9	6.4	-2.2	-1.0	-14.8	1.9	-1.7	4.3	5.9	2.6	10.7	4.5
Jun	P	86.7	-2.6	-1.5	0.3	-4.2	-5.2	-14.7	-2.4	-2.3	2.8	3.6	0.4	6.9	3.1
Jul	P	85.0	-5.2	-4.3	-1.3	-6.2	-10.2	-15.3	-4.6	-9.3	4.3	5.1	-0.2	11.7	4.2
Aug	P	64.1	0.3	3.0	7.3	-3.4	-3.1	-23.3	1.5	-4.1	6.0	7.1	3.0	12.9	5.4
Sep	P	84.9	-1.4	0.7	1.1	-4.3	-2.9	-17.8	-1.2	-1.6	2.2	2.8	0.2	5.9	2.2
Oct	P	81.1	-4.5	-2.4	-1.8	-6.2	-7.7	-20.5	-4.0	-6.1	1.0	1.8	0.3	4.8	0.3
Nov	P	84.0	-7.0	-4.3	-7.4	-10.0	-5.2	-15.6	-6.9	-6.4	...	...	...	...	...

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.

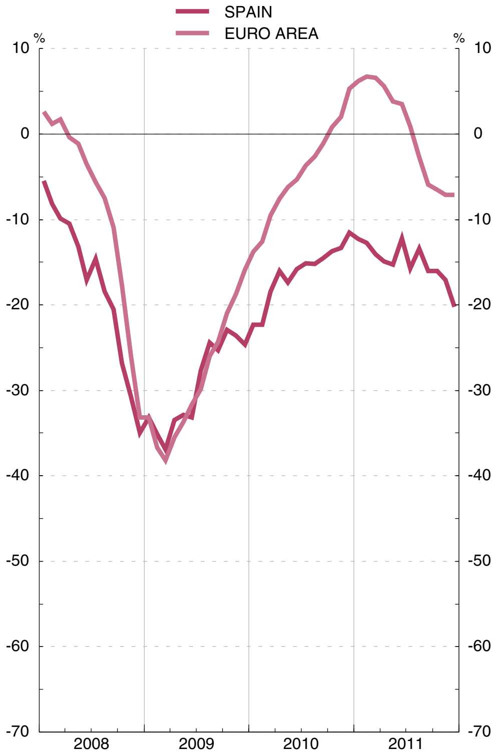
3.5. MONTHLY BUSINESS SURVEY: INDUSTRY AND CONSTRUCTION. SPAIN AND EURO AREA (NACE 2009)

■ Series depicted in chart.

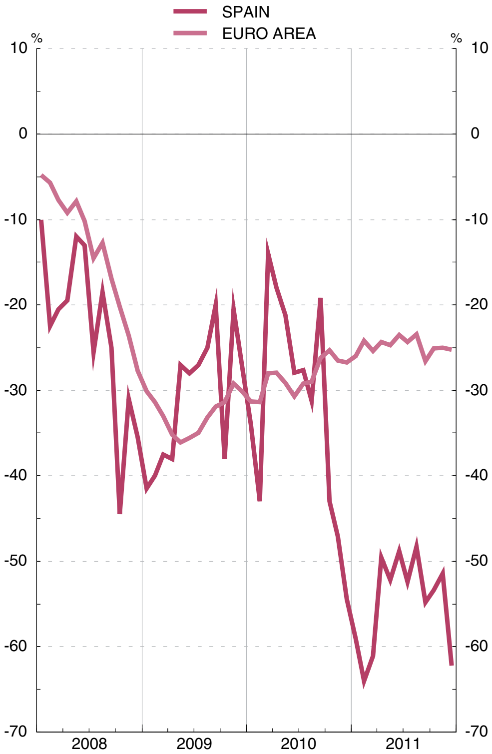
Percentage balances

		Industry, excluding construction										Construction					Memorandum item:euro area (b)		
		Business climate indi-cator- (a)	Produc-tion over the last three months	Trend in pro-duction (a)	Total orders (a)	Foreign orders	Stocks of finished products (a)	Business climate indicator: Con-sum-ption (a)	Business climate indicator: In-vest-ment (a)	Business climate indicator: In-ter-me-diate goods (a)	Business climate indicator: Other sec-tors (a)	Business climate indicator	Produc-tion	Orders	Trend: Produc-tion	Trend: Orders	Industry, excluding construction: Business climate indicator	Industry, excluding construction: Order Book	Construc-tion climate indicator
		1 ■	2	3	4	5	6	7	8	9	10	11 ■	12	13	14	15	16 ■	17	18 ■
08	M	-18	-16	-8	-24	-17	21	-12	-8	-28	-3	-23	-2	-20	-16	-16	-8	-13	-13
09	M	-29	-34	-11	-55	-52	23	-19	-27	-38	-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	-28
10 *J-D*	M	-16	-8	-1	-37	-29	11	-10	-14	-18	-52	-32	-19	-31	-26	-33	-5	-25	-28
11 *J-D*	M	-15	-12	-3	-31	-24	11	-10	-12	-17	-45	-55	-23	-48	-46	-45	0	-6	-25
10 *Sep*		-15	1	-4	-33	-22	7	-10	-13	-19	-22	-19	-34	-21	-2	-43	-1	-16	-26
Oct		-14	-7	-1	-31	-9	9	-10	-13	-13	-37	-43	-25	-32	-55	-55	1	-13	-25
Nov		-13	-7	-3	-29	-24	8	-9	-11	-14	-69	-47	-29	-43	-56	-44	2	-11	-27
Dec		-12	-7	3	-27	-26	10	-7	-5	-15	-57	-54	-29	-51	-51	-48	5	-5	-27
11 *Jan*		-12	-7	0	-28	-20	10	-9	-4	-14	-57	-59	-35	-67	-41	-24	6	-3	-26
Feb		-13	-14	1	-29	-27	10	-9	-10	-12	-61	-64	-42	-58	-50	-51	7	-1	-24
Mar		-14	-7	-2	-29	-24	11	-12	-13	-13	-53	-61	-48	-58	-43	-21	7	-0	-25
Apr		-15	-6	-4	-29	-21	12	-9	-14	-12	-67	-50	-10	-47	-43	-27	6	0	-24
May		-15	-7	-5	-29	-22	12	-11	-12	-16	-65	-52	-6	-47	-24	-31	4	-3	-25
Jun		-12	-6	-3	-28	-17	6	-10	-4	-14	-33	-49	-6	-41	-27	-31	4	-1	-24
Jul		-16	-6	-5	-29	-20	14	-9	-13	-17	-45	-52	-9	-40	-62	-65	1	-5	-24
Aug		-13	-7	0	-31	-24	10	-12	-6	-17	-34	-48	-10	-45	-47	-49	-3	-9	-23
Sep		-16	-11	-4	-33	-28	12	-8	-15	-22	-28	-55	-38	-46	-51	-56	-6	-12	-27
Oct		-16	-19	-3	-33	-23	12	-7	-9	-22	-35	-53	-12	-46	-31	-54	-7	-13	-25
Nov		-17	-26	-6	-37	-29	9	-8	-19	-23	-30	-51	-37	-33	-71	-74	-7	-14	-25
Dec		-20	-30	-6	-39	-30	16	-10	-26	-25	-35	-62	-19	-43	-65	-62	-7	-16	-25

INDUSTRIAL BUSINESS CLIMATE
Percentage balances



CONSTRUCTION BUSINESS CLIMATE
Percentage balances



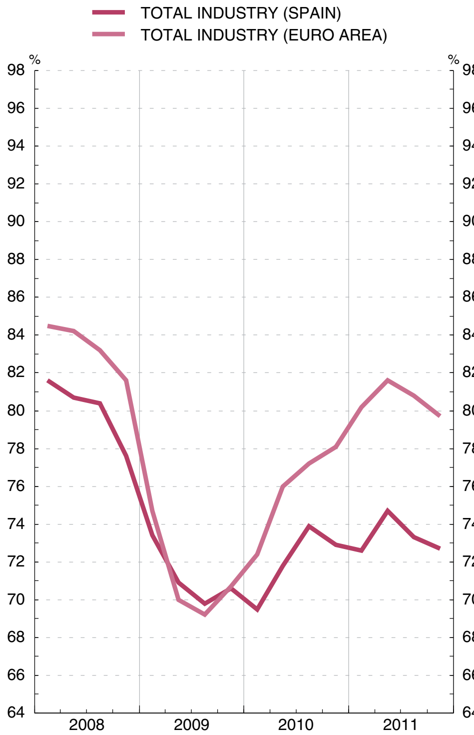
Sources: Ministerio de Industria, Turismo y Comercio and ECB.
a. Seasonally adjusted.
b. To April 2010, NACE 1993; from May 2010, NACE 2009.

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

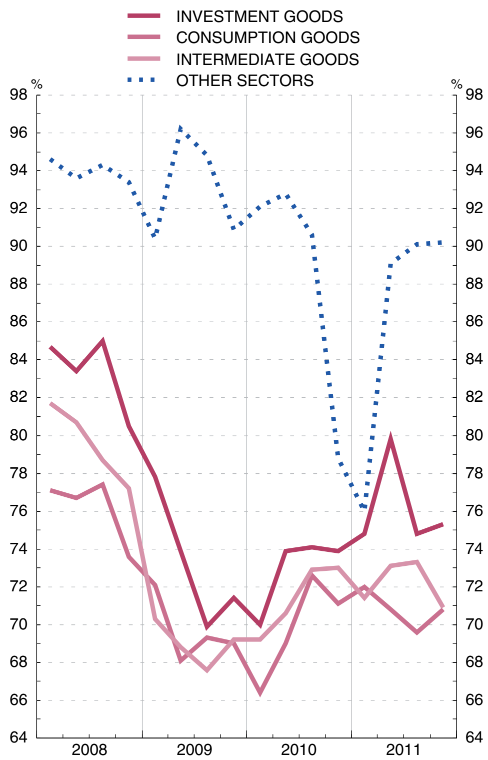
■ Series depicted in chart. *Percentages and percentage balances*

	Total industry			Consumer goods			Investment goods			Intermediate goods			Other sectors (a)			Memo-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 ■
08	80.1	80.4	7	76.2	77.3	8	83.4	83.3	6	79.6	79.7	7	94.0	94.5	-0	83.4
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	75.9
10 *Q1-Q4*	72.0	72.8	22	69.8	70.5	18	73.0	72.5	23	71.4	72.9	24	88.6	90.5	18	75.9
11 *Q1-Q4*	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	80.6
09 *Q2*	70.9	71.4	26	68.1	69.8	20	73.9	73.9	22	68.8	68.7	35	96.2	96.7	-	70.0
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	-	70.7
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	72.4
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	-	76.0
Q3	73.9	74.6	15	72.6	73.6	10	74.1	74.5	19	72.9	73.8	18	90.6	90.9	0	77.2
Q4	72.9	72.1	26	71.1	71.3	21	73.9	70.3	25	73.0	72.4	24	78.8	84.5	73	78.1
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	80.2
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	-	81.6
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	80.8
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	79.7

CAPACITY UTILISATION. TOTAL INDUSTRY
Percentages



CAPACITY UTILISATION. BY TYPE OF GOOD
Percentages



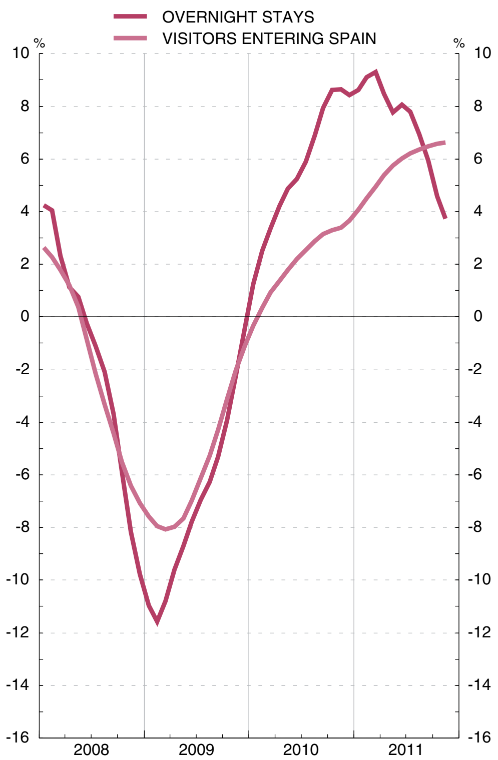
Sources: Ministerio de Industria, Turismo y Comercio and ECB.
a. Includes mining and quarrying, manufacture of coke and refined petroleum products, and nuclear fuels.
b. To April 2010, NACE 1993; from May 2010, NACE 2009.

3.7. TOURISM AND TRANSPORT STATISTICS. SPAIN

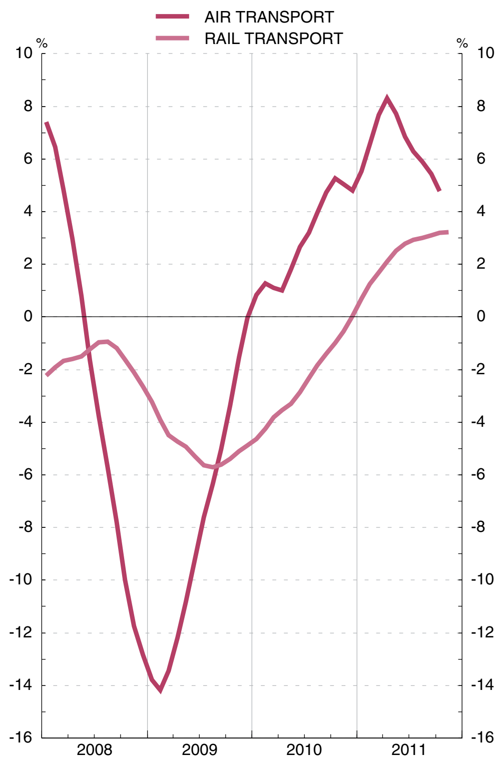
■ Series depicted in chart. *Annual percentage changes*

		Hotel stays (a)		Overnight stays		Visitors entering Spain			Air transport				Maritime transport		Rail transport	
									Passengers			Freight				
		Total	Foreig- ners	Total	Foreig- ners	Total	Tourists	Day-trip- pers	Total	Domestic flights	Interna- tional flights		Passen- gers	Freight	Passen- gers	Freight
		1	2	3 ■	4	5 ■	6	7	8 ■	9	10	11	12	13	14 ■	15
08		-1.7	-0.1	-1.2	0.2	-1.3	-2.5	0.6	-3.0	-7.5	0.3	0.0	-0.0	-2.1	-0.7	-10.3
09		-7.2	-10.8	-6.9	-9.6	-5.9	-8.8	-1.9	-8.0	-8.0	-8.0	-9.6	-5.7	-12.9	-5.7	-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	3.2	4.6	-2.8	-3.0
10 *J-N*	P	6.3	11.5	6.5	9.1	2.5	1.3	4.1	3.3	1.8	4.4	16.9	3.5	4.1	-3.0	-1.9
11 *J-N*	P	4.1	10.9	6.6	12.9	6.7	7.7	5.3	...	...	...	...	...	...	2.8	...
10 *Aug*		5.9	13.8	7.3	13.4	2.7	3.9	1.3	3.8	-1.5	7.0	10.6	-2.9	3.7	-2.4	-0.9
Sep		6.5	13.9	7.0	11.6	8.0	4.3	14.1	5.8	2.4	7.9	4.1	9.9	2.7	-0.5	-14.4
Oct		8.9	13.2	8.5	10.2	3.6	4.3	2.6	8.9	6.5	10.4	6.7	1.9	7.7	-3.1	-3.7
Nov	P	4.6	13.1	5.6	12.0	0.4	2.6	-2.0	5.5	4.0	6.7	10.9	1.3	8.1	-1.6	-3.9
Dec	P	3.8	7.5	3.5	3.4	-4.9	-4.6	-5.1	-2.0	-4.6	0.2	5.9	-1.0	9.8	-0.6	-14.6
11 *Jan*	P	2.9	8.5	4.6	9.0	6.1	4.7	7.5	6.4	2.7	9.3	9.2	-23.2	6.0	0.4	-7.6
Feb	P	3.2	7.0	5.4	9.6	3.9	4.3	3.6	4.9	-0.6	9.5	5.9	-3.1	7.8	4.2	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	-18.1	2.5	5.4	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	0.4	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	0.9	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	-2.4	4.6	5.2	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	-2.3	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	-9.8	8.5	3.7	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	9.0	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	4.0	1.9	3.1	-
Nov	P	-1.5	2.5	1.7	6.2	3.8	3.6	4.0	...	...	...	...	...	...	3.4	...

TOURISM
Trend obtained with TRAMO-SEATS



TRANSPORT
Trend obtained with TRAMO-SEATS



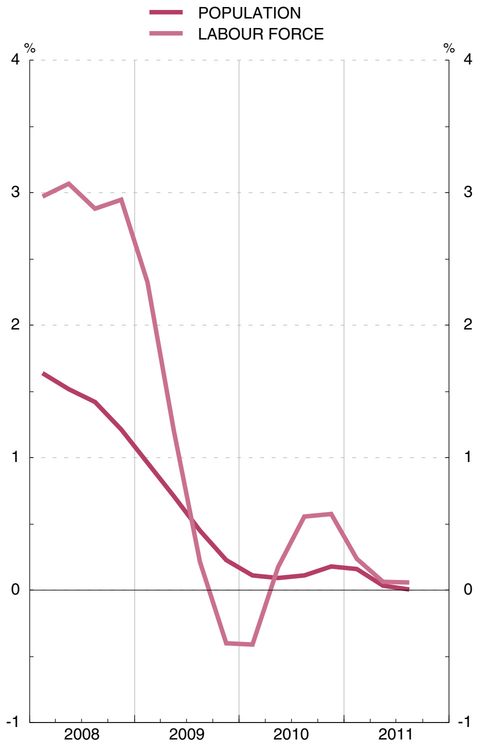
Sources: INE and Instituto de Estudios Turísticos, Estadística de Movimientos Turísticos en Frontera.
Note: The underlying series for this indecator are in Tables 23.14 and 23.15 of the BE Boletín estadístico .
a. Information from hotel directories. Since January 2006, the frequency of data collection 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

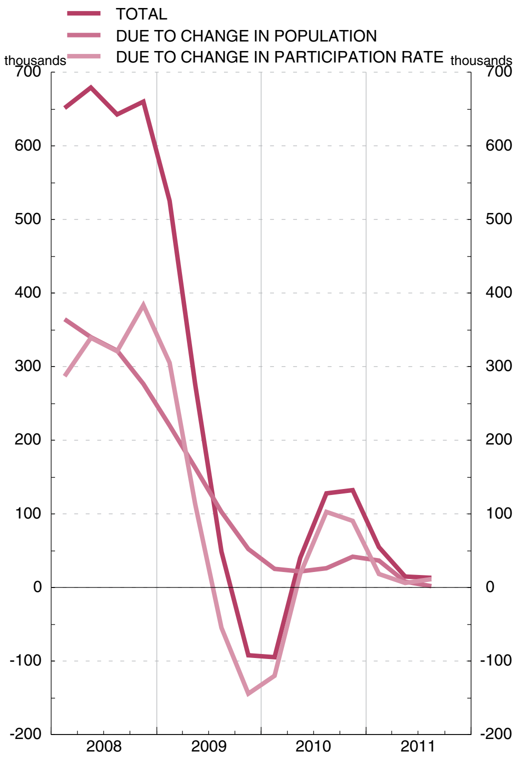
■ Series depicted in chart. *Thousands and annual percentage changes*

	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-Q3* M	38 468	40	0.1	60.01	23 084	73	73	1	0.1
11 *Q1-Q3* M	38 494	26	0.1	60.04	23 111	82	46	36	0.1
09 *Q1*	38 409	366	1.0	60.15	23 102	525	220	305	2.3
Q2	38 432	271	0.7	60.06	23 082	276	162	113	1.2
Q3	38 443	172	0.4	59.81	22 994	48	103	-54	0.2
Q4	38 443	87	0.2	59.76	22 973	-92	52	-144	-0.4
10 *Q1*	38 451	42	0.1	59.83	23 007	-95	25	-120	-0.4
Q2	38 468	36	0.1	60.11	23 122	40	22	18	0.2
Q3	38 485	43	0.1	60.08	23 122	128	26	102	0.6
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

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

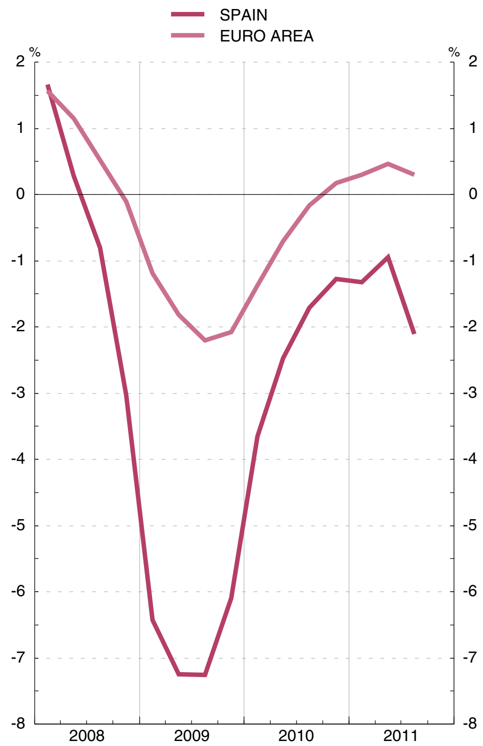
4.2. EMPLOYMENT AND WAGE-EARNERS. SPAIN AND EURO AREA

■ Series depicted in chart.

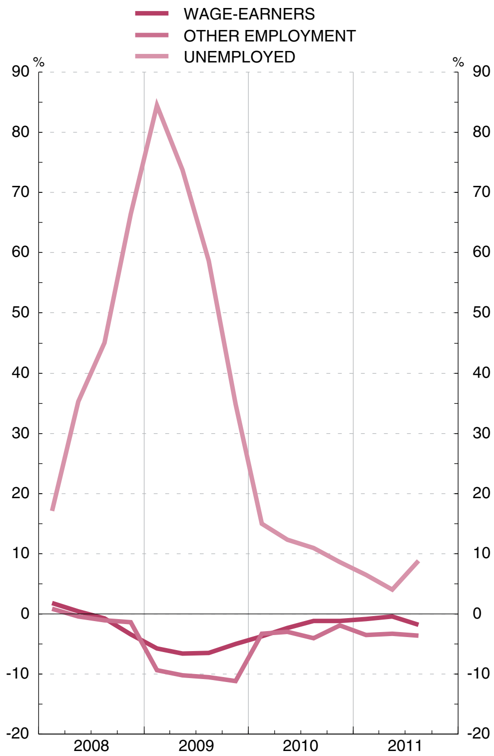
Thousands and annual percentage changes

	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-Q3* M	18 473	-496	-2.6	15 358	-386	-2.4	3 115	-110	-3.4	4 611	520	12.7	19.98	-0.7	10.15
11 *Q1-Q3* M	18 204	-269	-1.5	15 198	-160	-1.0	3 006	-109	-3.5	4 907	296	6.4	21.23	0.4	10.03
09 *Q1*	19 091	-1 312	-6.4	15 843	-974	-5.8	3 248	-337	-9.4	4 011	1 837	84.5	17.36	-1.2	8.99
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	9.52
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	9.83
Q4	18 646	-1 211	-6.1	15 493	-816	-5.0	3 153	-395	-11.1	4 327	1 119	34.9	18.83	-2.1	10.03
10 *Q1*	18 394	-697	-3.6	15 253	-590	-3.7	3 141	-107	-3.3	4 613	602	15.0	20.05	-1.4	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	-0.7	10.20
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	0.2	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	0.3	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	0.5	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	0.3	10.15

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.

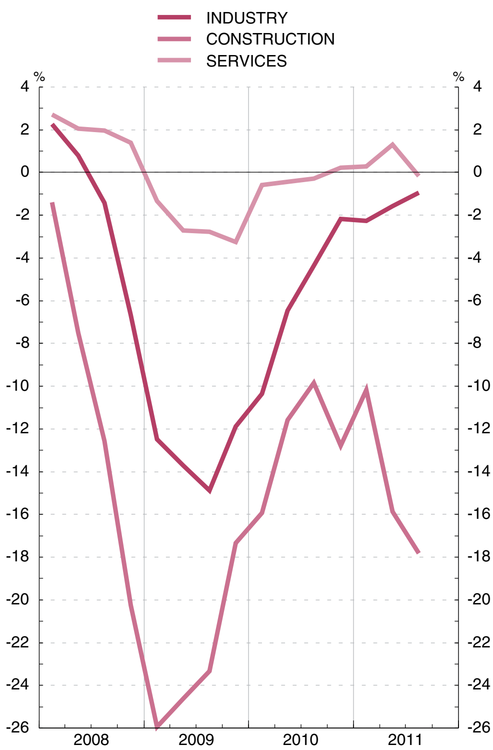
4.3. EMPLOYMENT BY BRANCH OF ACTIVITY. SPAIN (a)

■ Series depicted in chart.

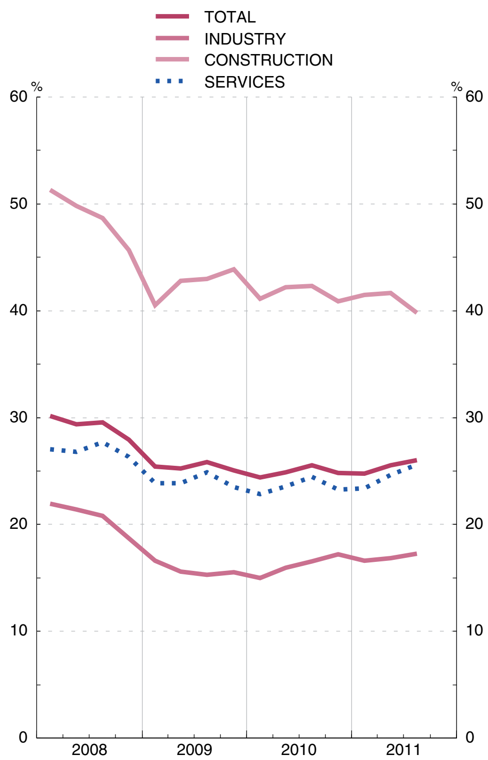
Annual percentage changes

	Total			Agriculture			Industry			Construction			Services			Memorandum item:
	Employ-ment	Wage-earners	Propor-tion of temporary em-ploy-ment	Employ-ment	Wage-earners	Propor-tion of temporary em-ploy-ment	Employ-ment	Wage-earners	Propor-tion of temporary em-ploy-ment	Employ-ment	Wage-earners	Propor-tion of temporary 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-Q3* M	-2.6	-2.4	24.9	0.2	4.6	58.4	-7.1	-6.7	15.8	-12.5	-14.8	41.9	-0.4	-0.2	23.6	-1.9
11 *Q1-Q3* M	-1.5	-1.0	25.4	-5.7	-5.5	56.5	-1.6	-1.1	16.9	-14.6	-14.4	41.0	0.5	0.6	24.5	-1.9
09 *Q1*	-6.4	-5.8	25.4	-3.0	3.3	63.0	-12.5	-12.0	16.6	-25.9	-29.9	40.5	-1.3	0.0	23.9	-6.6
Q2	-7.2	-6.6	25.2	-4.2	0.8	57.1	-13.7	-14.0	15.6	-24.6	-26.4	42.8	-2.7	-1.6	23.9	-7.4
Q3	-7.3	-6.5	25.9	-6.4	-3.5	56.9	-14.9	-15.0	15.3	-23.3	-24.5	43.0	-2.8	-1.7	24.9	-7.3
Q4	-6.1	-5.0	25.1	-2.6	-1.5	59.2	-11.9	-11.4	15.5	-17.3	-17.6	43.9	-3.3	-1.8	23.5	-6.2
10 *Q1*	-3.6	-3.7	24.4	-0.3	2.4	62.7	-10.4	-10.9	15.0	-15.9	-17.2	41.1	-0.6	-0.5	22.8	-3.8
Q2	-2.5	-2.4	24.9	-1.1	1.1	57.1	-6.4	-5.6	15.9	-11.6	-14.8	42.2	-0.4	-0.2	23.6	-2.5
Q3	-1.7	-1.2	25.6	2.3	11.2	55.4	-4.4	-3.2	16.5	-9.8	-12.3	42.3	-0.3	0.2	24.5	-1.9
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

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.

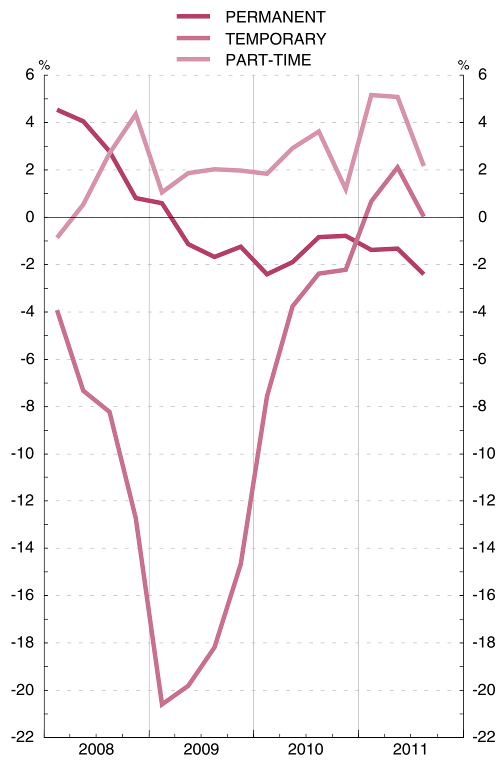
4.4. WAGE-EARNERS BY TYPE OF CONTRACT AND UNEMPLOYMENT BY DURATION. SPAIN. (a)

■ Series depicted in chart.

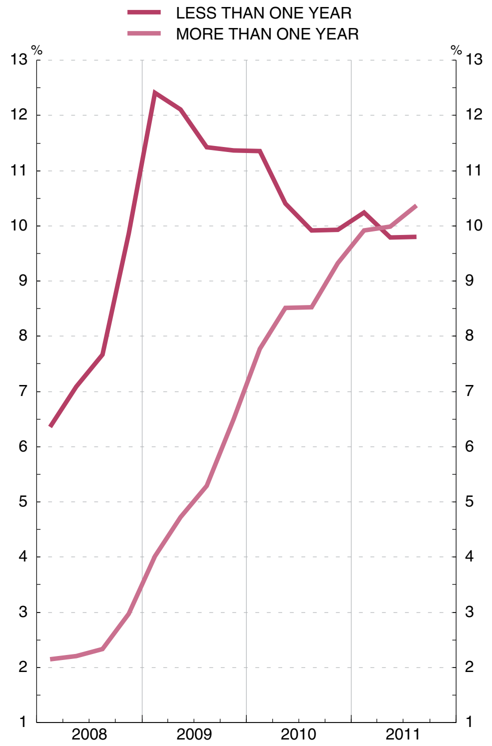
Thousands, annual percentage changes and %

	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-Q3* M	-202	-1.7	-184	-4.6	24.94	-266	-2.0	58	2.8	13.87	10.56	-11.8	8.27	77.1
11 *Q1-Q3* M	-196	-1.7	36	0.9	25.44	-322	-2.4	89	4.2	14.60	9.94	-5.7	10.09	22.2
09 *Q1*	70	0.6	-1 045	-20.6	25.41	-996	-6.8	22	1.1	13.22	12.42	99.7	4.01	91.0
Q2	-135	-1.1	-981	-19.8	25.24	-1 155	-7.8	39	1.9	13.48	12.11	72.9	4.72	117.2
Q3	-197	-1.7	-899	-18.2	25.85	-1 136	-7.7	40	2.0	12.79	11.42	49.2	5.29	127.2
Q4	-148	-1.3	-668	-14.7	25.08	-857	-6.0	42	2.0	13.87	11.37	14.8	6.50	117.8
10 *Q1*	-285	-2.4	-305	-7.6	24.39	-628	-4.6	39	1.8	13.99	11.36	-8.9	7.77	93.0
Q2	-224	-1.9	-149	-3.8	24.88	-436	-3.2	62	2.9	14.21	10.40	-14.0	8.51	80.6
Q3	-98	-0.8	-96	-2.4	25.56	-266	-2.0	73	3.6	13.42	9.92	-12.7	8.52	61.9
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

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.

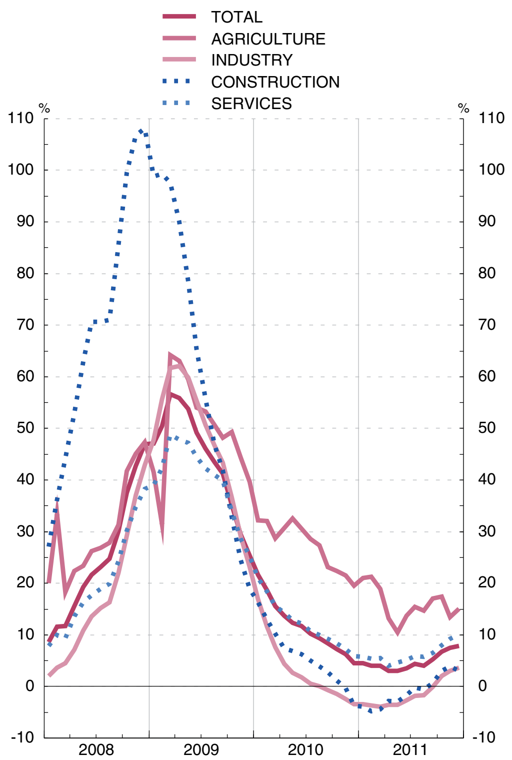
4.5. REGISTERED UNEMPLOYMENT BY BRANCH OF ACTIVITY. CONTRACTS AND PLACEMENTS. SPAIN

■ Series depicted in chart.

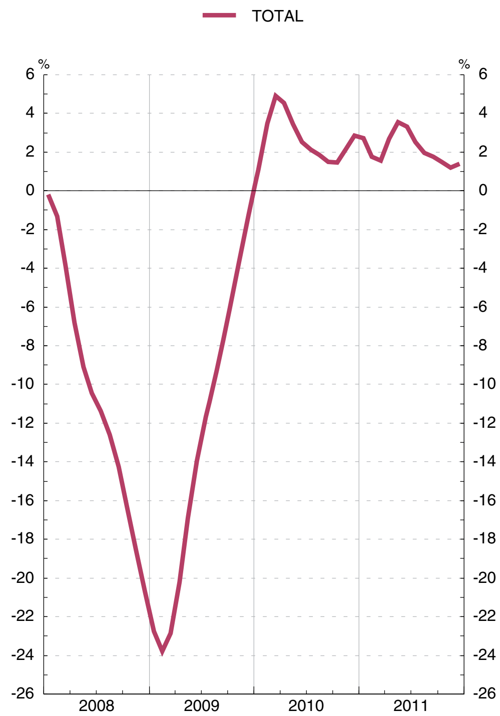
Thousands, annual percentage changes and %

	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 ■
08 M	2 540	501	24.6	7.9	26.6	30.6	26.5	17.0	71.1	20.1	1 383	-10.9	11.39	25.61	88.61	1 358	-9.8
09 M	3 644	1 104	43.5	35.7	45.3	49.9	45.2	47.7	62.5	40.0	1 168	-15.5	9.41	27.97	90.59	1 165	-14.2
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
10 *J-D* M	4 061	417	11.4	35.1	9.9	27.4	9.4	3.1	5.7	12.1	1 201	2.8	8.55	29.26	91.45	1 191	2.3
11 *J-D* 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
10 *Nov*	4 110	241	6.2	24.1	4.8	21.5	4.2	-2.4	-0.4	7.2	1 257	4.4	8.60	30.86	91.40	1 243	4.5
Dec	4 100	176	4.5	24.7	2.9	19.5	2.4	-3.4	-3.7	5.8	1 190	4.6	7.83	28.24	92.17	1 165	5.4
11 *Jan*	4 231	183	4.5	25.5	2.9	21.0	2.3	-3.4	-3.9	5.7	1 116	6.3	9.21	26.03	90.79	1 116	8.3
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

REGISTERED UNEMPLOYMENT
Annual percentage changes



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



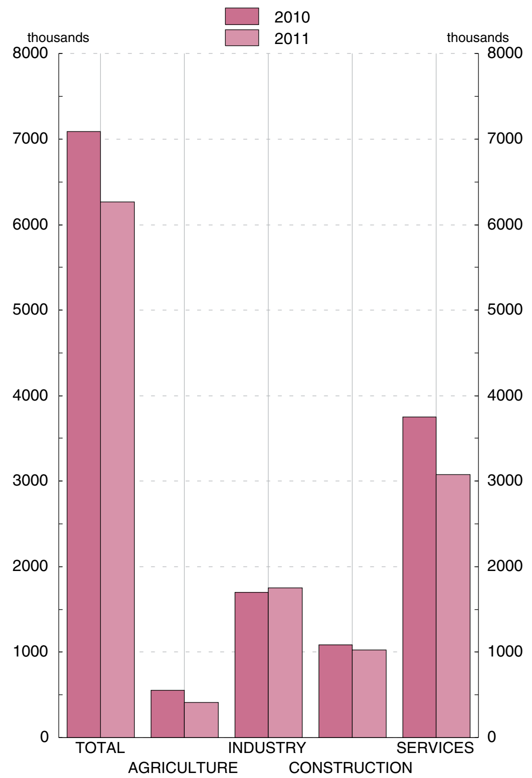
Source: Instituto de Empleo Servicio Público de Empleo Estatal (INEM).
Note: The underlying series for this indicator are in Tables 24.16 and 24.17 of the BE Boletín estadístico.
a. To December 2008, NACE 1993; from January 2009, NACE 2009.

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 ■
08	11 968	3.60	7 069	1 733	8 802	390	406	2 419	1 070	4 907	3.48	3.80	3.54	3.21	3.39	3.64	3.62
09	11 558	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	10 036	2.15	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
10 *Jul*	9 932	2.14	3 548	224	3 771	-3 665	235	1 100	66	2 371	1.30	1.13	1.29	1.58	1.02	1.41	1.38
Aug	9 933	2.14	3 766	290	4 056	-3 391	236	1 319	66	2 435	1.29	1.10	1.28	1.58	1.01	1.41	1.39
Sep	9 994	2.15	4 786	344	5 130	-2 698	238	1 354	910	2 628	1.32	1.09	1.31	1.58	1.02	1.49	1.37
Oct	10 035	2.15	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	10 035	2.15	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	10 036	2.15	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*	5 822	2.45	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	5 839	2.45	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	5 971	2.47	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	6 085	2.49	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	6 092	2.49	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	6 105	2.49	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	6 222	2.48	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	6 222	2.48	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	6 262	2.48	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	6 267	2.48	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	6 267	2.48	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	6 267	2.48	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

EMPLOYEES AFFECTED
January-December



AVERAGE WAGE SETTLEMENT
January-December

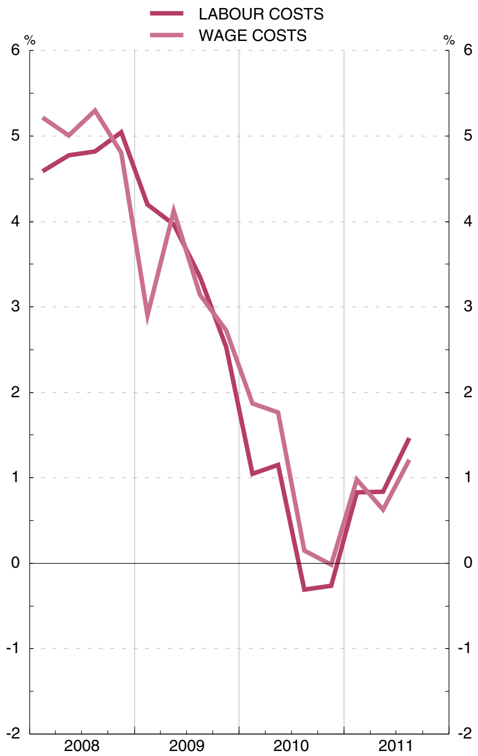
Source: Ministerio de Trabajo e Inmigración (MTIN), Estadística de Convenios Colectivos de Trabajo. Avance mensual.
a. Cumulative data.
b. Includes revisions arising from indexation clauses, except in 2011.
c. To December 2008, NACE 1993; from January 2009, NACE 2009.

4.7. QUARTERLY LABOUR COSTS SURVEY

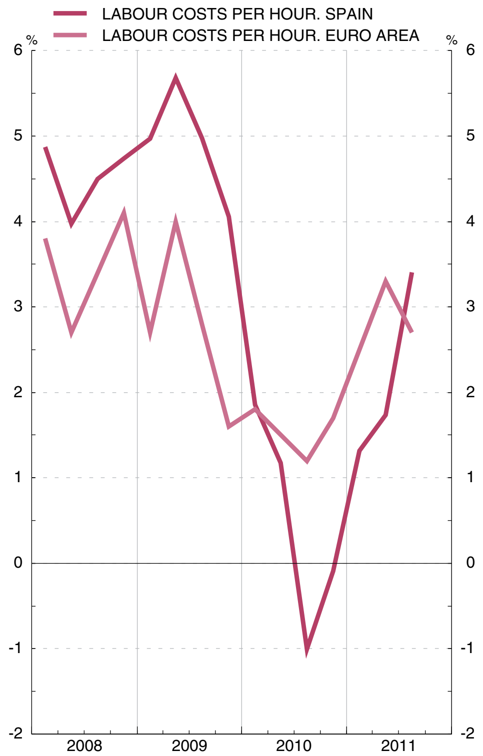
■ Series depicted in chart. *Annual percentage change*

	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	1.6
10 *Q1-Q3* M	0.6	2.2	0.1	0.5	0.4	1.3	2.9	0.8	0.9	1.1	-1.1	0.6	1.5
11 *Q1-Q3* M	1.0	1.7	2.6	0.8	2.1	0.9	3.0	2.5	0.3	2.0	1.3	2.2	2.8
09 *Q1*	4.2	3.8	6.5	4.1	3.7	2.9	1.2	4.6	3.0	2.4	7.8	5.0	2.7
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	5.0	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	4.1	1.6
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	-1.0	1.2
Q4	-0.3	2.3	0.2	-0.8	1.1	-	2.8	0.6	-0.7	1.3	-1.0	-0.1	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	3.4	2.7

PER WORKER AND MONTH
Annual percentage change



PER HOUR WORKED
Annual percentage change



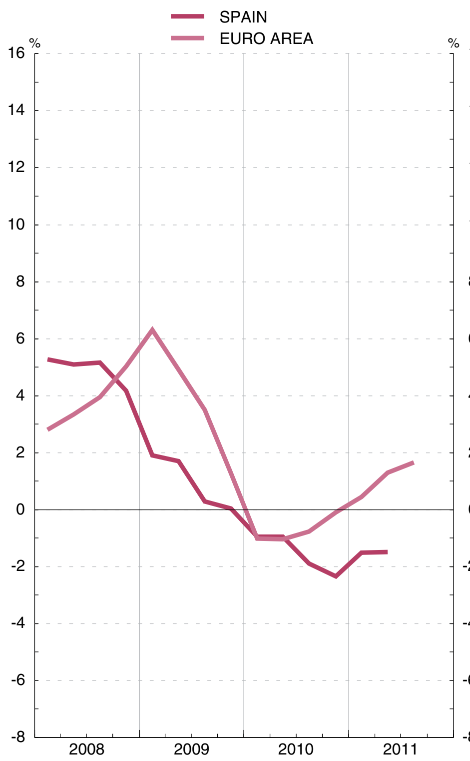
Sources: INE (Quarterly Labour Costs Survey and Harmonised Labour Costs Index) and Eurostat.
Note: The underlying series for this indicator are in Tables 24.25, 24.26 and 24.27 of de BE Boletín estadístico.
a. Working day adjusted.
b. Harmonised Labour Costs Index.
c. Whole economy, excluding agriculture, public administration, education, health and services not classified elsewhere.

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

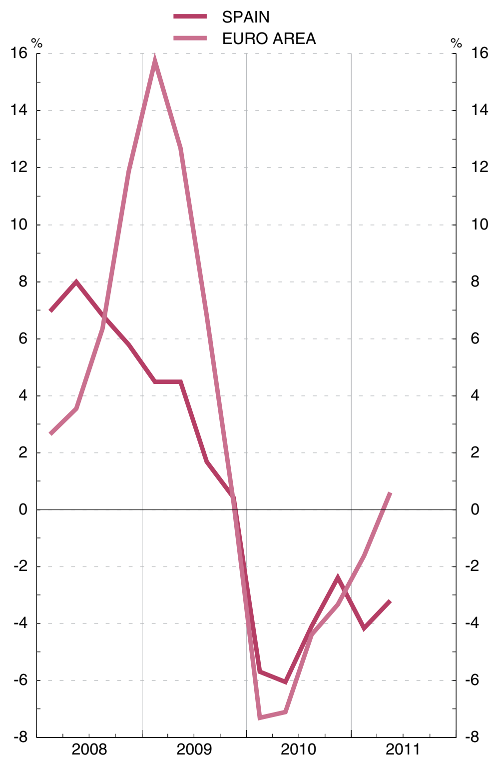
■ Series depicted in chart. *Annual percentage changes*

		Unit labour costs				Whole-economy				Memorandum items			
		Whole-economy		Manufacturing		Compensation per employee		Productivity		GDP (volume measures)		Employment Whole-economy	
		Spain	Euro area	Spain (b)	Euro area (c)	Spain (d)	Euro area	Spain	Euro area	Spain	Euro area	Spain (d)	Euro area
		1 ■	2 ■	3 ■	4 ■	5	6	7	8	9	10	11	12
08	P	4.9	3.8	6.9	6.1	6.4	3.2	1.4	-0.5	0.9	0.3	-0.5	0.8
09	P	1.0	4.0	2.8	8.9	4.1	1.5	3.1	-2.4	-3.7	-4.2	-6.6	-1.8
10	P	-1.5	-0.7	-4.6	-5.5	0.7	1.6	2.3	2.3	-0.1	1.8	-2.4	-0.5
08 *Q3*	P	5.2	3.9	6.8	6.3	6.3	3.4	1.1	-0.5	0.3	0.0	-0.8	0.5
Q4	P	4.2	5.0	5.8	11.9	6.2	2.9	2.0	-2.0	-1.4	-2.1	-3.3	-0.1
09 *Q1*	P	1.9	6.3	4.5	15.7	4.8	1.9	2.9	-4.1	-3.5	-5.3	-6.2	-1.2
Q2	P	1.7	4.9	4.5	12.7	4.5	1.4	2.8	-3.4	-4.4	-5.1	-7.1	-1.8
Q3	P	0.3	3.5	1.7	6.8	3.9	1.4	3.6	-2.1	-3.9	-4.2	-7.2	-2.2
Q4	P	0.0	1.3	0.4	0.2	3.2	1.3	3.1	-0.0	-3.0	-2.1	-6.0	-2.1
10 *Q1*	P	-0.9	-1.0	-5.7	-7.3	1.7	1.4	2.7	2.4	-1.4	1.0	-3.9	-1.4
Q2	P	-0.9	-1.0	-6.0	-7.1	1.5	1.8	2.5	2.8	-0.0	2.1	-2.4	-0.7
Q3	P	-1.9	-0.8	-4.1	-4.4	-0.1	1.5	1.8	2.3	0.2	2.1	-1.6	-0.2
Q4	P	-2.3	-0.1	-2.4	-3.3	-0.4	1.7	2.0	1.8	0.6	2.0	-1.4	0.2
11 *Q1*	P	-1.5	0.4	-4.2	-1.6	0.8	2.5	2.4	2.1	0.9	2.4	-1.4	0.3
Q2	P	-1.5	1.3	-3.2	0.6	0.2	2.5	1.7	1.2	0.7	1.7	-1.0	0.5

UNIT LABOUR COSTS: TOTAL
Annual percentage changes



UNIT LABOUR COSTS: MANUFACTURING
Annual percentage changes



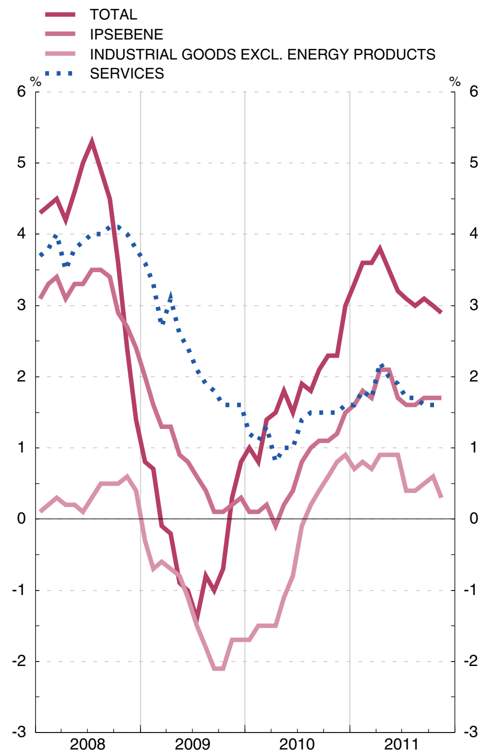
Sources: INE (Quarterly National Accounts of Spain. Base year 2000) and ECB.
a. Spain: prepared in accordance with ESA95. SEASONALLY- AND WORKING-DAY-ADJUSTED SERIES (see economic bulletin April 2002).
b. Industry.
c. Industry and energy.
d. Full-time equivalent employment.

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

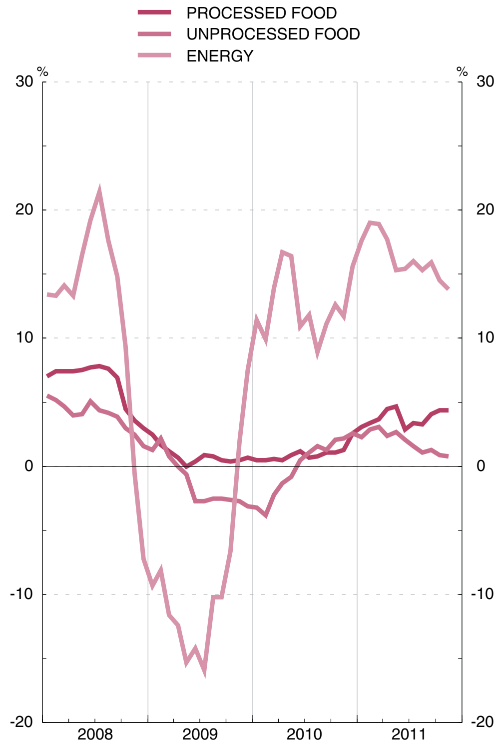
■ Series depicted in chart. *Indices and annual percentage changes*

	Total (100%)				Annual percentage change (12-month % change)						Memorandum item:prices for agricultural products (2005=100)	
	Original series	Month-on-month % change	12-month % change (a)	Cumulative % change during year (b)	Unprocessed food	Processed food	Industrial goods excl. energy products	Energy	Services	IPSEBENE (c)	Original series	12-month % change
	1	2	3 ■	4	5 ■	6 ■	7 ■	8 ■	9 ■	10 ■	11	12
08 M	107.0	_	4.1	1.4	4.0	6.5	0.3	12.1	3.9	3.2	107.0	3.1
09 M	106.7	_	-0.3	0.8	-1.3	0.9	-1.3	-8.7	2.4	0.8	94.9	-11.3
10 M	108.6	_	1.8	3.0	0.0	1.0	-0.4	12.6	1.3	0.6	100.8	6.2
10 *J-N* M	108.4	0.2	1.7	0.6	-0.2	0.8	-0.6	12.3	1.3	0.6	101.3	5.9
11 *J-N* M	111.9	0.2	3.3	0.8	1.9	3.8	0.6	16.3	1.8	1.8	...	...
10 *Aug*	108.6	0.3	1.8	0.8	1.6	0.8	0.2	8.9	1.5	1.0	88.5	5.1
Sep	108.7	0.1	2.1	0.9	1.3	1.1	0.4	11.1	1.5	1.1	97.6	8.0
Oct	109.7	0.9	2.3	1.8	2.1	1.1	0.6	12.6	1.5	1.1	100.9	10.3
Nov	110.3	0.5	2.3	2.4	2.2	1.3	0.8	11.7	1.5	1.2	101.7	10.3
Dec	111.0	0.6	3.0	3.0	2.6	2.6	0.9	15.6	1.6	1.5	103.1	8.5
11 *Jan*	110.2	-0.7	3.3	-0.7	2.3	3.1	0.7	17.6	1.6	1.6	99.0	3.7
Feb	110.3	0.1	3.6	-0.6	2.9	3.4	0.8	19.0	1.8	1.8	105.2	1.3
Mar	111.1	0.7	3.6	0.1	3.1	3.7	0.7	18.9	1.7	1.7	105.5	-5.2
Apr	112.5	1.2	3.8	1.4	2.4	4.5	0.9	17.7	2.2	2.1	105.7	-4.7
May	112.5	-	3.5	1.3	2.7	4.7	0.9	15.3	2.0	2.1	106.5	-8.1
Jun	112.3	-0.1	3.2	1.2	2.1	2.9	0.9	15.4	1.9	1.7	108.6	6.7
Jul	111.7	-0.5	3.1	0.7	1.6	3.4	0.4	16.0	1.7	1.6	91.5	5.1
Aug	111.9	0.1	3.0	0.8	1.1	3.3	0.4	15.3	1.7	1.6	92.2	4.2
Sep	112.1	0.2	3.1	1.0	1.3	4.1	0.5	15.9	1.6	1.7	102.7	5.2
Oct	113.0	0.8	3.0	1.8	0.9	4.4	0.6	14.5	1.6	1.7	...	...
Nov	113.5	0.4	2.9	2.2	0.8	4.4	0.3	13.8	1.6	1.7	...	...

CONSUMER PRICE INDEX. TOTAL AND COMPONENTS
Annual percentage changes



CONSUMER PRICE INDEX. COMPONENTS
Annual percentage changes



Sources: INE, Ministerio de Medio Ambiente y Medio Rural y Marino.
Note: The underlying series for this indicator are in Tables 25.2 and 25.8 of the BE Boletín estadístico.
a. For annual periods: average growth for each year on the previous year.
b. For annual periods: December-on-December growth rate.
c. Index of non-energy processed goods and service prices.

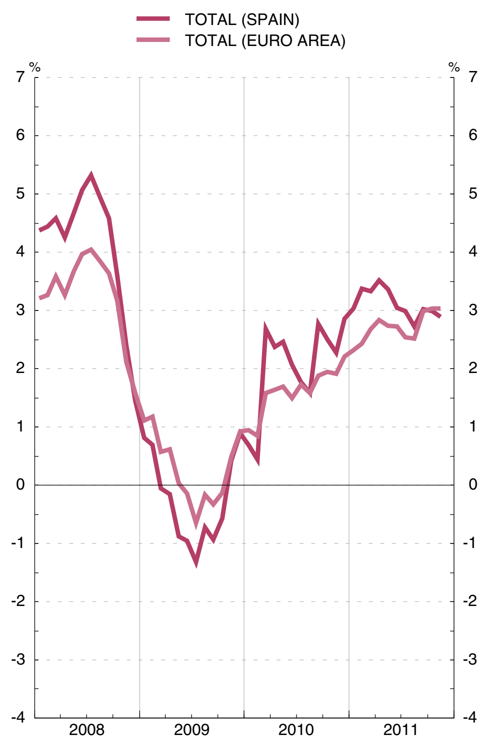
5.2. HARMONISED INDEX OF CONSUMER PRICES. SPAIN AND EURO AREA (2005=100) (a)

■ Series depicted in chart.

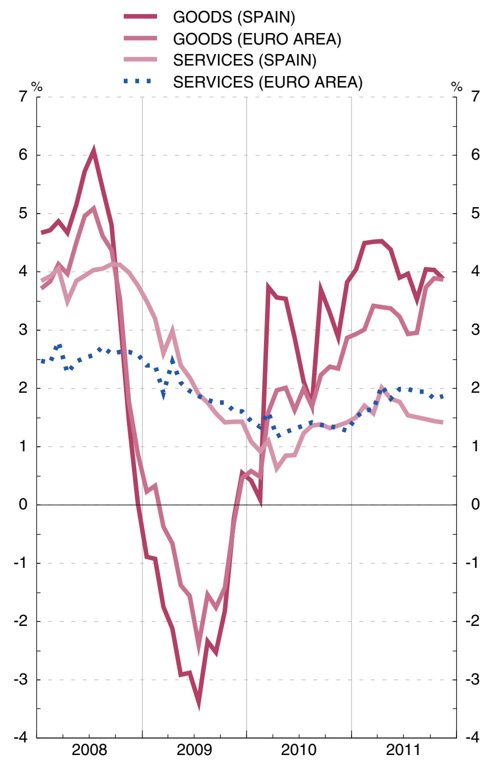
Annual percentage changes

		Total		Goods														Services	
						Food						Industrial							
						Total		Processed		Unprocessed				Non-energy		Energy			
		Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area
		1 ■	2 ■	3 ■	4 ■	5	6	7	8	9	10	11	12	13	14	15	16	17 ■	18 ■
08	M	4.1	3.3	4.2	3.8	5.7	5.1	7.4	6.1	3.9	3.5	3.3	3.1	0.4	0.8	11.9	10.3	3.9	2.6
09	M	-0.2	0.3	-1.8	-0.9	0.2	0.7	1.0	1.1	-0.7	0.2	-2.9	-1.7	-0.9	0.6	-9.0	-8.1	2.2	2.0
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
10 *J-N*	M	2.0	1.6	2.5	1.7	0.9	1.0	1.2	0.9	0.6	1.2	3.4	2.1	0.3	0.5	12.2	7.0	1.1	1.4
11 *J-N*	MP	3.1	2.7	4.1	3.3	2.9	2.7	4.3	3.2	1.3	1.8	4.8	3.7	0.5	0.7	16.2	12.1	1.6	1.8
10 *Aug*		1.6	1.6	1.7	1.7	1.3	1.6	1.1	1.0	1.7	2.5	1.8	1.7	-0.7	0.3	8.9	6.1	1.4	1.4
Sep		2.8	1.9	3.7	2.2	0.7	1.5	1.4	1.0	-	2.3	5.3	2.6	3.2	0.9	11.0	7.7	1.4	1.4
Oct		2.5	1.9	3.3	2.4	1.3	1.6	1.3	1.2	1.2	2.3	4.4	2.7	1.5	0.8	12.6	8.5	1.3	1.4
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	2.5	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	1.9
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	P	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

HARMONISED INDEX OF CONSUMER PRICES. TOTAL
Annual percentage changes



HARMONISED INDEX OF CONSUMER PRICES. COMPONENTS
Annual percentage changes



Source: Eurostat.

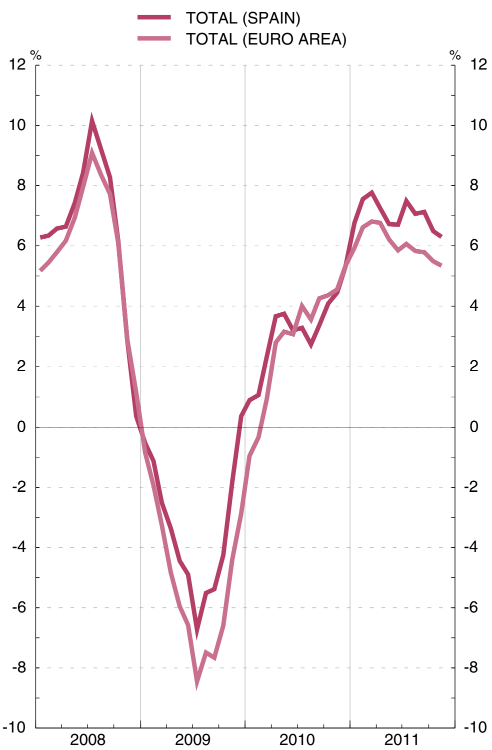
a. Since January 2011 the rules of Commission Regulation (EC) No 330/2009 on the treatment of seasonal products have been incorporated. This has prompted a break in the series. The series constructed with the new methodology are only available from January 2010. The year-on-year rates of change presented 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)

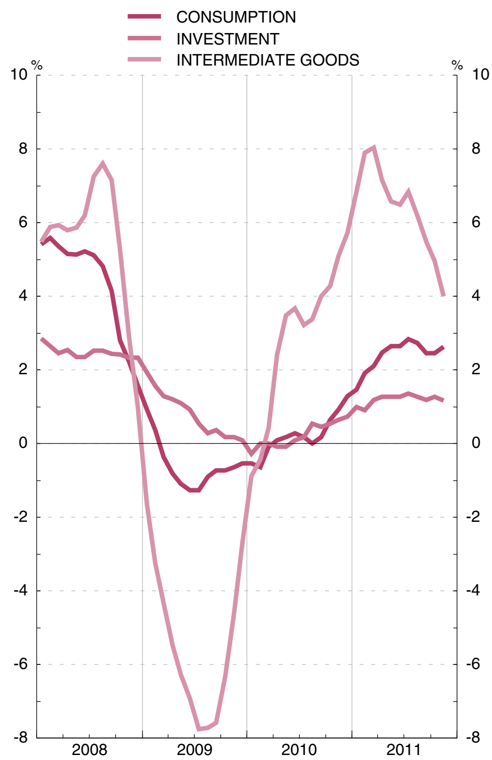
■ Series depicted in chart. *Annual percentage changes*

		Total			Consumer goods		Capital goods		Intermediate goods		Energy		Memorandum item: euro area				
		Original series	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Total 12-month % change	Consumer goods 12-month % change	Capital goods 12-month % change	Intermediate goods 12-month % change	Energy 12-month % change
		1	2	3 ■	4	5 ■	6	7 ■	8	9 ■	10	11	12 ■	13	14	15	16
08	MP	116.3	_	6.5	_	4.4	_	2.5	_	5.5	_	14.3	6.1	3.9	2.1	3.9	14.3
09	MP	112.4	_	-3.4	_	-0.6	_	0.8	_	-5.4	_	-6.8	-5.1	-2.1	0.5	-5.2	-11.5
10	MP	115.9	_	3.2	_	0.2	_	0.2	_	2.9	_	9.8	2.9	0.4	0.3	3.5	6.5
10 *J-N*	MP	115.7	_	3.0	_	0.1	_	0.2	_	2.6	_	9.5	2.7	0.2	0.3	3.2	6.0
11 *J-N*	MP	123.8	_	7.0	_	2.4	_	1.2	_	6.4	_	17.3	6.1	3.1	1.4	6.2	12.1
10 *Aug*	P	116.1	0.1	2.7	0.3	-	0.2	0.5	0.6	3.4	-0.9	7.0	3.6	0.5	0.7	4.7	7.3
Sep	P	116.3	0.2	3.4	0.3	0.2	0.1	0.5	0.5	4.0	-0.2	9.1	4.3	0.8	0.7	5.1	9.3
Oct	P	117.0	0.6	4.1	0.1	0.6	-	0.5	0.2	4.3	1.9	10.5	4.4	1.2	0.7	5.5	8.7
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	6.6	-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	6.5	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	0.1	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	0.5	17.3	5.5	3.4	1.5	4.1	12.3
Nov	P	124.8	0.2	6.3	0.2	2.6	-	1.2	-0.5	4.0	0.8	17.1	5.3	3.4	1.4	3.5	12.3

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.

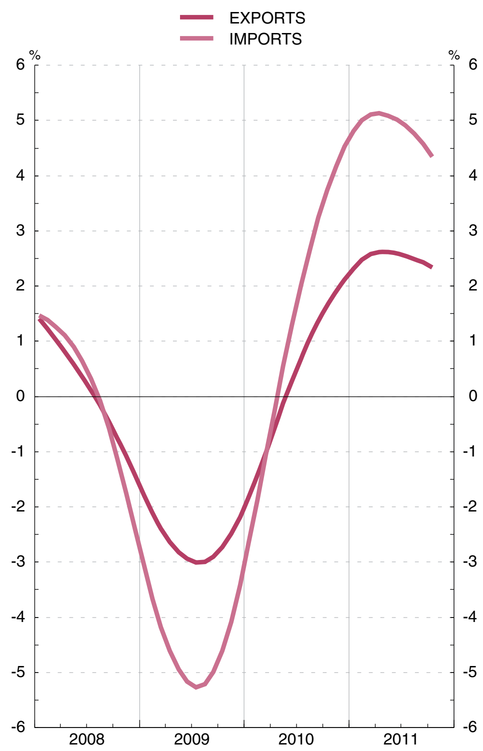
5.4. UNIT VALUE INDICES FOR SPANISH FOREIGN TRADE

■ Series depicted in chart.

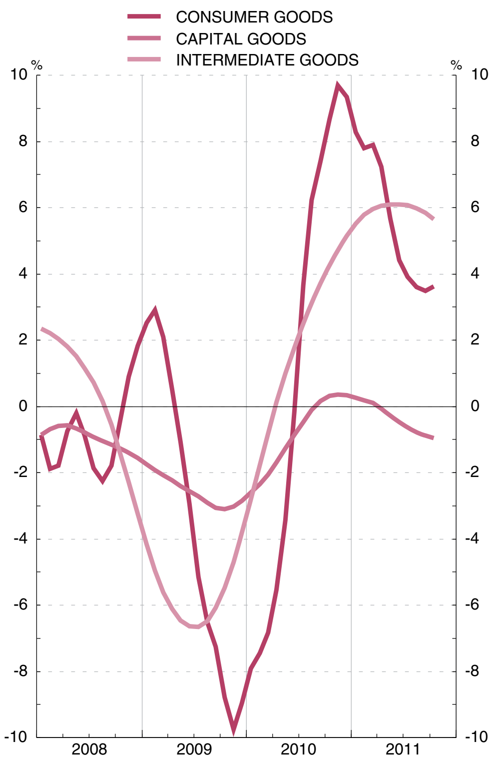
Annual percentage changes

	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
08	1,6	0,4	0,5	2,6	28,7	0,4	4,2	-1,0	2,3	6,6	24,2	0,5
09	-6,8	-3,5	-5,4	-9,3	-31,0	-6,8	-11,8	-3,6	-5,6	-16,1	-30,3	-9,8
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
10 *J-O*	1,3	2,6	-5,1	1,6	16,3	0,7	3,8	-0,4	1,3	5,9	26,3	0,1
11 *J-O*	5,0	4,4	1,1	6,0	30,3	3,7	8,6	5,4	-0,9	10,6	25,8	5,3
10 *May*	6,2	3,1	-15,0	12,7	23,1	12,1	5,1	-7,0	3,3	10,5	40,2	2,4
Jun	1,0	1,3	-11,0	3,2	15,0	2,7	5,2	-0,2	-0,6	7,6	32,5	0,6
Jul	1,3	3,8	-9,9	2,1	21,3	0,8	5,0	5,1	1,1	4,8	22,6	-0,5
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

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).

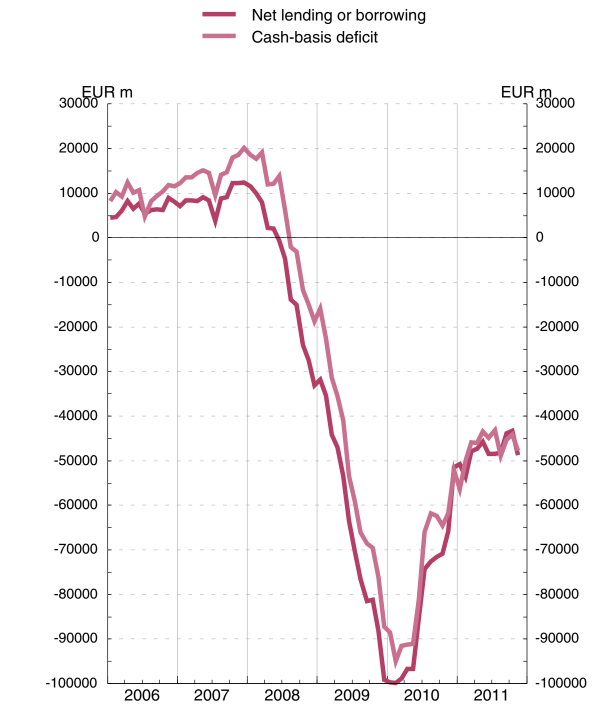
6.1. STATE RESOURCES ANS USES ACCORDING TO THE NACIONAL ACCOUNTS. SPAIN

■ Series depicted in chart.

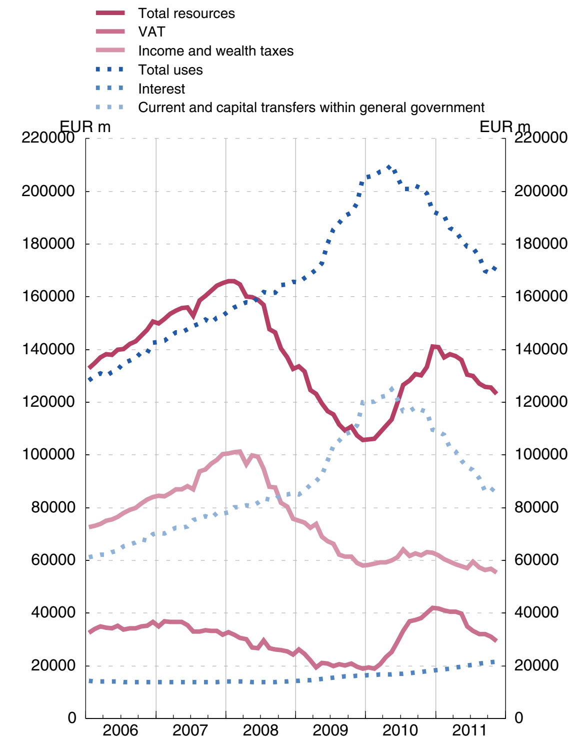
EUR millions

			Current and capital resources						Current and capital uses						Memorandum item: cash-basis deficit		
		Net lending (+) or borrowing (-)	Total	Value added tax (VAT)	Other taxes on products and imports	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
06		8 158	150 661	36 607	11 333	5 322	83 998	13 401	142 503	16 839	13 820	69 874	5 810	36 160	11 471	141 847	130 375
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
10 *J-N*	P	-55 203	110 030	33 011	10 811	4 881	53 058	8 269	165 233	17 362	16 401	97 612	1 332	32 526	-43 047	119 210	162 257
11 *J-N*	A	-52 474	92 194	20 529	7 170	4 701	45 651	14 143	144 668	17 268	19 906	76 676	1 807	29 011	-38 549	97 314	135 863
10 *Nov*	P	-6 873	8 355	1 788	986	216	4 024	1 341	15 228	1 462	1 594	9 008	168	2 996	-8 198	7 313	15 511
Dec	P	3 755	31 031	8 984	987	2 841	9 780	8 439	27 276	2 763	1 702	12 038	2 911	7 862	-9 188	8 127	17 315
11 *Jan*	A	-14 324	-4 597	-7 931	815	274	1 769	476	9 727	1 372	1 870	4 017	-	2 468	-7 706	9 484	17 190
Feb	A	429	14 221	12 027	464	216	1 330	184	13 792	1 418	1 433	7 254	9	3 678	2 125	13 447	11 322
Mar	A	2 401	14 431	4 785	446	1 363	6 207	1 630	12 030	1 484	1 806	5 804	364	2 572	-3 579	4 522	8 101
Apr	A	-5 450	7 378	693	659	431	4 485	1 110	12 828	1 490	1 790	6 983	218	2 347	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	-219	13 667	4 322	773	281	6 113	2 178	13 886	2 623	1 831	6 200	112	3 120	-9 414	1 081	10 495
Jul	A	-10 774	6 217	-142	810	128	5 076	345	16 991	1 460	1 918	10 421	249	2 943	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	3 762	14 519	5 931	934	420	5 997	1 237	10 757	1 521	1 852	5 109	216	2 059	2 602	10 419	7 818
Oct	A	-3 052	10 697	618	564	373	7 333	1 809	13 749	1 501	1 846	8 302	203	1 897	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

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



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



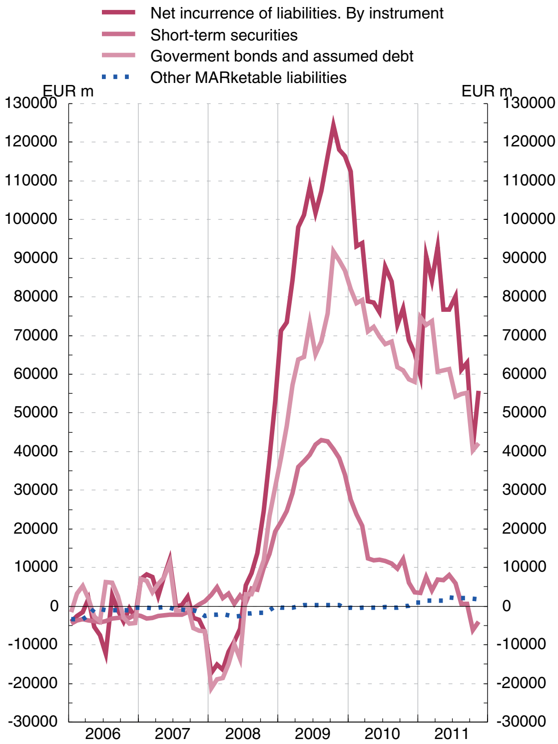
Source: Ministerio de Economía y Hacienda (IGAE).

6.2. STATE FINANCIAL TRANSACTIONS. SPAIN

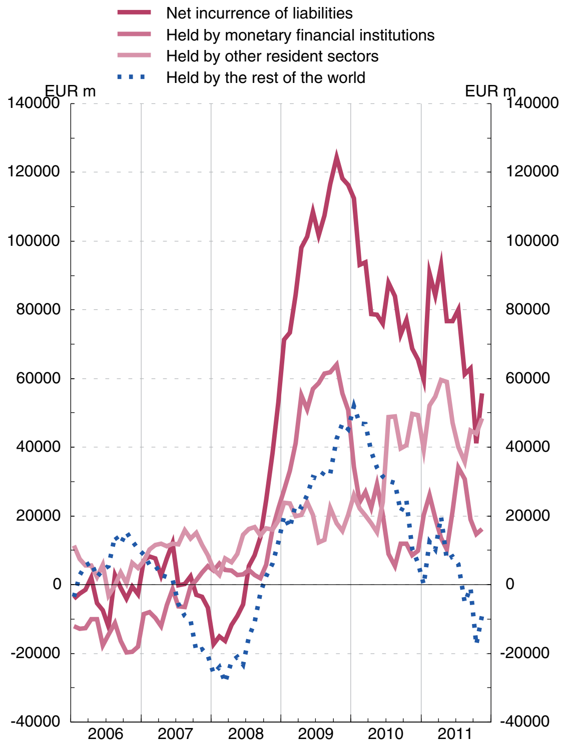
■ Series depicted in chart. *EUR millions*

		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
06		8 158	5 357	-200	-2 801	-1 195	-2 198	-4 346	-486	-418	4 646	-13 158	-18 000	4 841	10 357	-7 448
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	14 028	-5	65 476	-726	3 616	57 958	-544	907	3 538	59 179	9 809	49 370	6 297	61 938
10 *J-N*	P	-55 203	17 889	-10	73 092	-921	5 732	51 450	-544	487	15 966	64 715	5 895	58 820	8 377	57 125
11 *J-N*	A	-52 474	10 850	-200	63 324	-1 454	-1 861	35 597	-537	1 403	28 721	70 182	12 314	57 868	-6 858	34 602
10 *Nov*	P	-6 873	-4 092	-2 700	2 781	15	-1 919	8 406	-	148	-3 855	7 791	1 640	6 151	-5 011	6 635
Dec	P	3 755	-3 861	5	-7 616	195	-2 116	6 508	-	420	-12 428	-5 536	3 914	-9 450	-2 080	4 812
11 *Jan*	A	-14 324	1 811	-0	16 135	15	-806	4 766	-	6	12 169	13 712	-518	14 230	2 423	3 966
Feb	A	429	17 141	-4	16 712	14	1 979	7 972	-	530	6 231	11 096	1 855	9 241	5 616	10 481
Mar	A	2 401	-184	-195	-2 585	-5	-2 423	13 480	-	-23	-13 619	-4 617	2 141	-6 758	2 033	11 034
Apr	A	-5 450	13 498	18 220	18 948	-4	-259	-9 917	-537	-4	29 664	13 702	-2 223	15 925	5 246	-10 716
May	A	-11 070	-19 399	-18 220	-8 329	15	436	8 307	-	0	-17 072	5 492	4 487	1 005	-13 821	8 743
Jun	A	-219	281	80	500	-37	2 444	9 324	-	918	-12 186	-1 852	11 029	-12 880	2 352	12 686
Jul	A	-10 774	11 064	-82	21 838	-1 454	336	-15 631	-	5	37 128	25 664	-1 370	27 035	-3 826	-15 290
Aug	A	-1 854	-25 714	1	-23 860	11	-2 795	5 710	-	14	-26 789	-14 578	-5 816	-8 762	-9 282	2 929
Sep	A	3 762	11 247	1	7 485	-25	707	9 217	-	-38	-2 401	2 328	177	2 150	5 158	9 886
Oct	A	-3 052	-3 904	0	-852	5	-1 682	-7 751	-	-15	8 595	5 465	-553	6 017	-6 317	-9 448
Nov	A	-12 323	5 008	0	17 331	11	203	10 119	-	9	7 001	13 771	3 106	10 665	3 560	10 330

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).

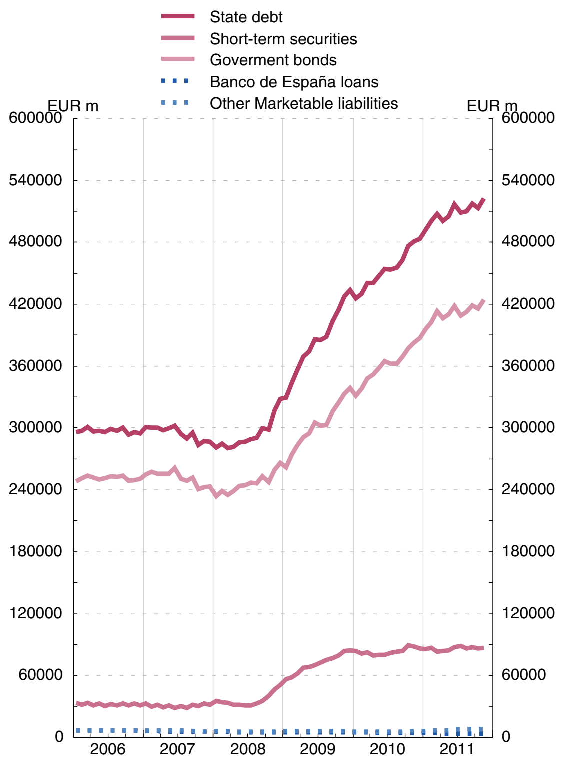
6.3. STATE: LIABILITIES OUTSTANDING. SPAIN

■ Series depicted in chart.

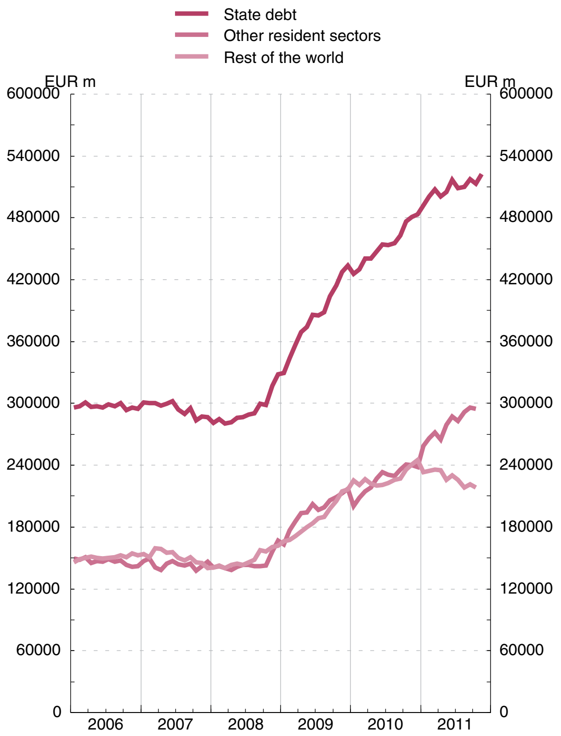
EUR millions

	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
06	294 860	515	31 060	250 702	6 416	6 683	164 240	21 897	142 343	152 517	100	13 486	5 794
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 *Nov*	P 480 799	0	87 787	382 944	4 082	5 985	300 024	60 244	239 780	241 019	296	40 053	69 311
Dec	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 *Jan*	A 491 807	0	85 559	395 755	4 082	6 412	319 382	60 868	258 514	233 294	300	31 103	75 420
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 510 254	0	86 395	412 508	3 499	7 853	354 936	63 061	291 874	218 380	99	19 953	88 644
Sep	A 517 581	0	87 497	418 771	3 499	7 815	360 287	64 145	296 141	221 440	100	31 403	88 606
Oct	A 513 201	0	86 328	415 574	3 499	7 800	355 899	61 148	294 750	218 450	100	27 091	91 381
Nov	A 522 389	0	86 551	424 531	3 499	7 809	...	61 032	...	...	100	24 381	92 063

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.

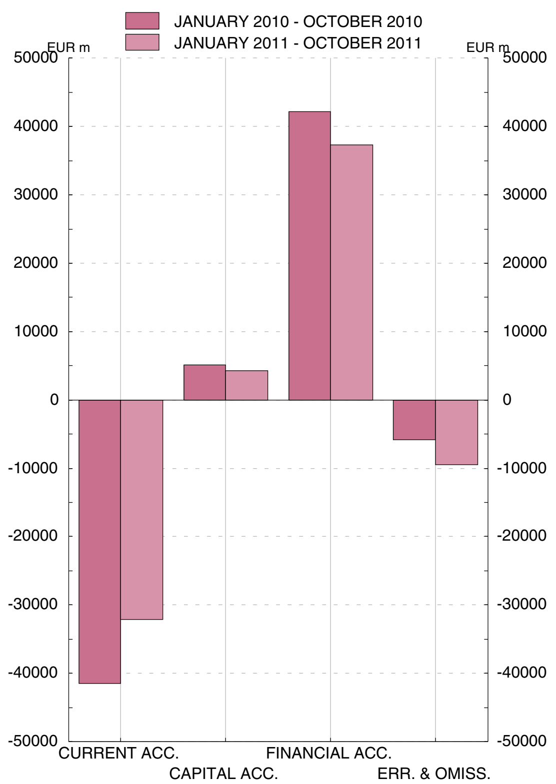
7.1. SPANISH BALANCE OF PAYMENTS VIS-à-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD. CURRENT ACCOUNT

■ Series depicted in chart.

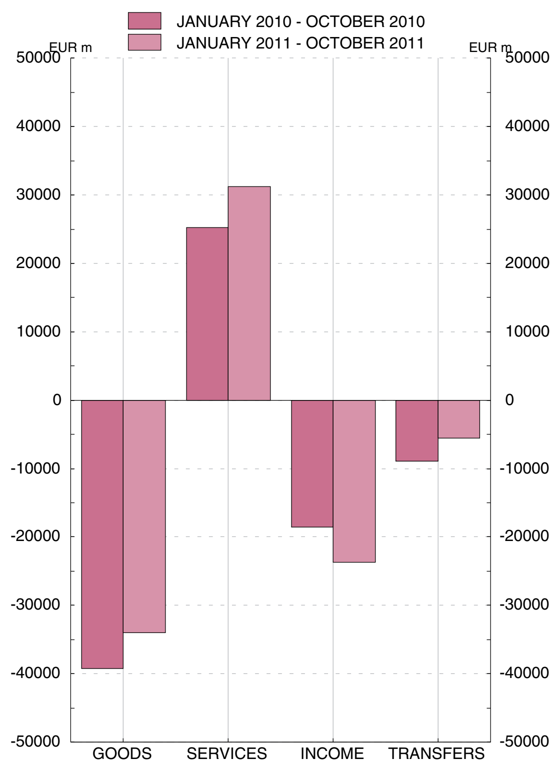
EUR millions

	Current account (a): Total (balance)	Goods: Balance	Goods: Receipts	Goods: Payments	Services: Balance	Services: Receipts: Total	Services: Receipts: Of which Travel	Services: Payments: Total	Services: Payments: Of which Travel	Income: Balance	Income: Receipts	Income: Payments	Current transfers (balance)	Capital account (balance)	Current account plus capital account	Financial account (balance) (b)	Errors and omission
	1=2+5+10+13 ■	2=3-4 ■	3	4	5=6-8 ■	6	7	8	9	10=11-12 ■	11	12	13 ■	14 ■	15=1+14	16 ■	17=-(15+16) ■
08	-104 676	-85 594	193 007	278 601	25 791	97 651	41 901	71 861	13 834	-35 483	53 050	88 533	-9 389	5 475	-99 201	100 222	-1 021
09 P	-54 481	-42 175	163 996	206 171	25 503	88 215	38 125	62 712	12 086	-29 787	41 875	71 662	-8 022	4 275	-50 206	54 641	-4 435
10 P	-48 404	-47 143	190 806	237 949	27 797	93 513	39 621	65 716	12 663	-21 941	41 372	63 313	-7 116	6 295	-42 109	44 562	-2 454
10 *J-O* P	-41 444	-39 200	155 988	195 188	25 234	79 481	35 037	54 247	10 596	-18 537	30 974	49 511	-8 941	5 100	-36 344	42 219	-5 875
11 *J-O* P	-32 083	-34 043	184 595	218 637	31 262	85 882	38 264	54 620	10 344	-23 726	29 142	52 868	-5 577	4 281	-27 802	37 288	-9 487
10 *Jul* P	-2 387	-3 820	16 721	20 541	3 943	9 741	5 010	5 798	1 246	-1 813	3 764	5 577	-697	567	-1 820	2 167	-346
Aug P	-2 677	-3 941	13 330	17 271	4 089	9 291	5 265	5 203	1 378	-1 846	2 070	3 916	-978	239	-2 438	3 357	-919
Sep P	-4 024	-4 200	16 288	20 488	3 261	8 877	4 304	5 616	1 349	-1 975	3 524	5 499	-1 111	556	-3 469	5 957	-2 489
Oct P	-2 660	-3 083	17 931	21 013	2 816	8 162	3 850	5 346	1 209	-1 387	2 946	4 333	-1 006	127	-2 533	2 370	163
Nov P	-4 387	-3 357	18 082	21 438	1 524	6 844	2 520	5 320	1 096	-3 371	2 030	5 402	817	320	-4 066	2 288	1 779
Dec P	-2 573	-4 586	16 736	21 322	1 038	7 187	2 064	6 149	971	-32	8 368	8 400	1 007	875	-1 698	55	1 643
11 *Jan* P	-6 349	-4 386	16 288	20 674	1 668	7 045	2 591	5 378	893	-2 557	2 178	4 736	-1 073	174	-6 175	5 449	726
Feb P	-5 519	-2 714	17 538	20 252	1 026	6 367	2 243	5 341	924	-1 551	2 596	4 147	-2 280	1 252	-4 267	4 322	-56
Mar P	-5 596	-4 067	19 964	24 030	1 684	7 432	2 733	5 748	872	-2 541	2 146	4 687	-672	137	-5 458	7 689	-2 231
Apr P	-3 302	-3 419	18 060	21 479	2 346	7 366	2 850	5 020	838	-1 692	2 608	4 301	-536	273	-3 029	763	2 266
May P	-3 779	-2 989	19 034	22 023	3 226	8 353	3 526	5 128	651	-3 483	4 198	7 681	-533	551	-3 228	7 490	-4 262
Jun P	-1 609	-3 453	19 161	22 614	4 078	9 778	4 298	5 700	1 119	-1 793	4 113	5 906	-440	293	-1 316	532	784
Jul P	-1 020	-1 066	19 439	20 505	4 436	10 527	5 481	6 091	1 269	-3 739	3 447	7 186	-650	353	-667	6 738	-6 071
Aug P	-1 420	-4 372	16 131	20 503	5 117	10 409	5 734	5 292	1 366	-2 041	1 861	3 902	-124	935	-485	965	-480
Sep P	-3 946	-4 657	18 847	23 505	3 875	9 366	4 653	5 491	1 244	-2 663	2 884	5 547	-502	-21	-3 967	3 834	133
Oct P	456	-2 920	20 132	23 052	3 807	9 239	4 154	5 432	1 169	-1 664	3 111	4 775	1 233	334	791	-494	-296

SUMMARY



CURRENT ACCOUNT



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

a. A positive sign for the current and capital account balances indicates a surplus (receipts greater than payments) and, thus, a Spanish net loan abroad (increase in the creditor position or decrease in the debtor position).

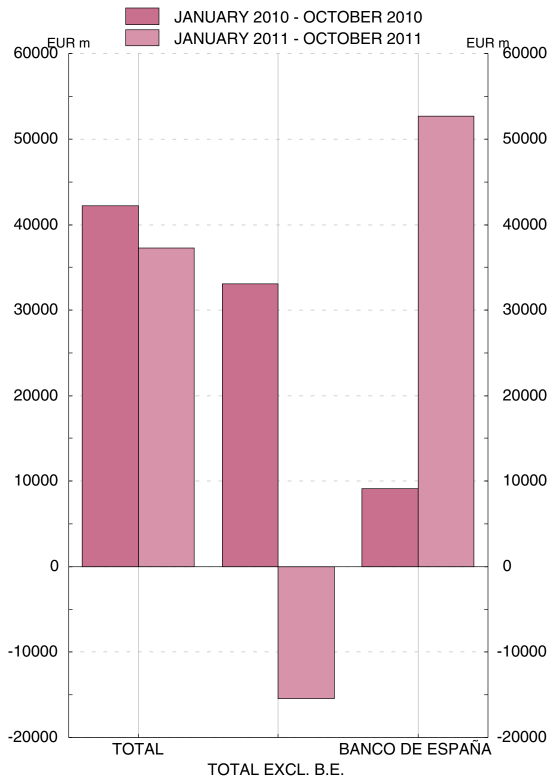
b. A positive sign for the financial account balance (the net change in liabilities exceeds the net change in financial assets) means a net credit inflow, i.e. a net foreign loan to Spain (increase in the debtor position or decrease in the creditor position).

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

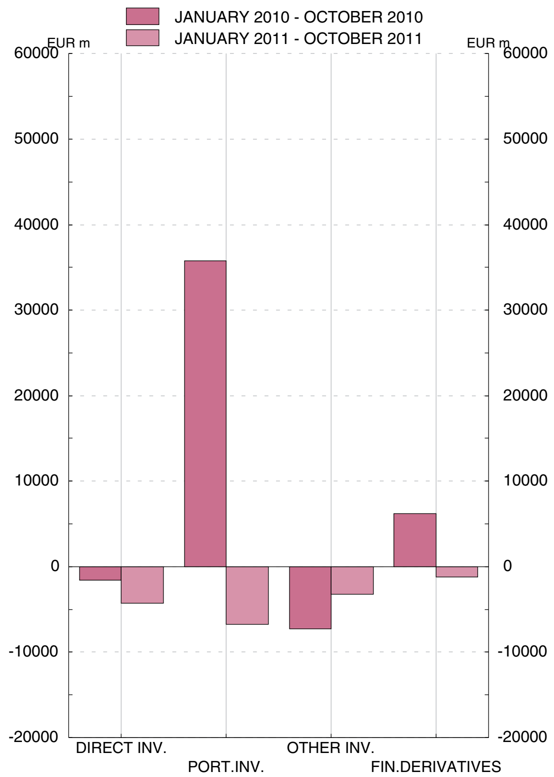
■ Series depicted in chart. *EUR millions*

		Financial account (NCL-NCA) 1=2+13 ■	Total, excluding Banco de España: Total (NCL-NCA) 2=3+6+9+12 ■	Direct investment: Balance (NCL-NCA) 3=5-4 ■	Direct investment: Spanish investment abroad (NCA) 4	Direct investment: Foreign investment in Spain (NCL) (b) 5	Portfolio investment: Balance (NCL-NCA) 6=8-7 ■	Portfolio investment: Spanish investment abroad (NCA) 7	Portfolio investment: Foreign investment in Spain (NCL) (c) 8	Other investment (d): Balance (NCL-NCA) 9=11-10 ■	Other investment (d): Spanish investment abroad (NCA) 10	Other investment (d): Foreign investment in Spain (NCL) 11	Net financial derivatives (NCL-NCA) 12 ■	Banco de España: Balance (NCL-NCA) 13=14+15+16 ■	Banco de España: Reserves (e) 14	Banco de España: Net claims with the Eurosystem (e) 15	Banco de España: Other net assets (NCL-NCA) 16
08		100 222	70 004	1 553	51 008	52 561	-203	-21 761	-21 964	75 717	12 330	88 048	-7 064	30 218	-645	31 713	-850
09	P	54 641	44 177	-433	7 009	6 576	45 325	4 119	49 444	5 145	4 065	9 210	-5 861	10 464	-1 563	6 146	5 882
10	P	44 562	28 866	2 226	16 308	18 534	29 739	-63 371	-33 633	-10 470	15 732	5 262	7 371	15 696	-814	9 788	6 722
10 *J-O*	P	42 219	33 110	-1 606	15 092	13 486	35 772	-50 685	-14 913	-7 269	13 837	6 568	6 213	9 109	-773	1 903	7 979
11 *J-O*	P	37 288	-15 411	-4 288	19 398	15 110	-6 715	-29 307	-36 022	-3 220	33 729	30 510	-1 189	52 699	-3 174	57 565	-1 692
10 *Jul*	P	2 167	4 432	-1 110	2 458	1 348	6 974	-9 212	-2 238	-2 699	924	-1 775	1 266	-2 265	-52	-3 552	1 338
Aug	P	3 357	21 261	-5 539	6 402	863	13 218	-3 931	9 287	13 984	4 784	18 768	-402	-17 904	32	-17 970	34
Sep	P	5 957	30 819	-4 352	9 909	5 556	8 840	-5 201	3 639	26 880	-14 485	12 395	-549	-24 862	-2	-24 966	106
Oct	P	2 370	19 377	2 937	-231	2 706	22 716	-7 770	14 947	-4 416	17 661	13 244	-1 860	-17 007	-212	-16 092	-703
Nov	P	2 288	3 170	2 257	-1 337	919	-4 436	-4 711	-9 147	4 977	-11 142	-6 165	372	-883	-5	-83	-795
Dec	P	55	-7 415	1 575	2 553	4 128	-1 597	-7 975	-9 572	-8 178	13 037	4 859	785	7 470	-35	7 967	-462
11 *Jan*	P	5 449	9 006	-1 496	4 566	3 070	10 670	-6 592	4 079	-984	13 973	12 989	816	-3 557	-216	-2 836	-506
Feb	P	4 322	9 322	1 355	572	1 927	17 552	-3 532	14 020	-10 244	-3 160	-13 404	659	-5 000	-58	-5 121	180
Mar	P	7 689	10 172	-2 600	4 433	1 833	653	1 546	2 200	10 883	-644	10 239	1 236	-2 483	-218	-2 938	673
Apr	P	763	3 349	-3 482	5 889	2 407	-4 918	738	-4 180	14 495	365	14 861	-2 746	-2 586	-50	-2 495	-41
May	P	7 490	-7 986	-1 792	1 813	21	-7 077	-4 020	-11 096	1 487	16 124	17 611	-605	15 476	-59	15 530	5
Jun	P	532	7 550	-294	730	436	-6 386	-5 246	-11 633	15 821	-2 578	13 242	-1 590	-7 018	-27	-7 702	711
Jul	P	6 738	-4 266	667	1 809	2 476	-3 560	-4 815	-8 376	-380	-4 918	-5 298	-994	11 004	-1 462	11 311	1 156
Aug	P	965	-16 788	-745	-1 635	-2 379	-6 234	-1 740	-7 974	-9 504	2 565	-6 939	-306	17 753	-43	21 553	-3 756
Sep	P	3 834	-6 430	2 589	-152	2 438	1 843	-1 900	-57	-10 303	2 100	-8 203	-559	10 264	-92	10 396	-40
Oct	P	-494	-19 340	1 509	1 373	2 882	-9 258	-3 748	-13 006	-14 491	9 903	-4 588	2 900	18 845	-948	19 867	-73

FINANCIAL ACCOUNT (NCL-NCA)



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



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

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

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

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

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

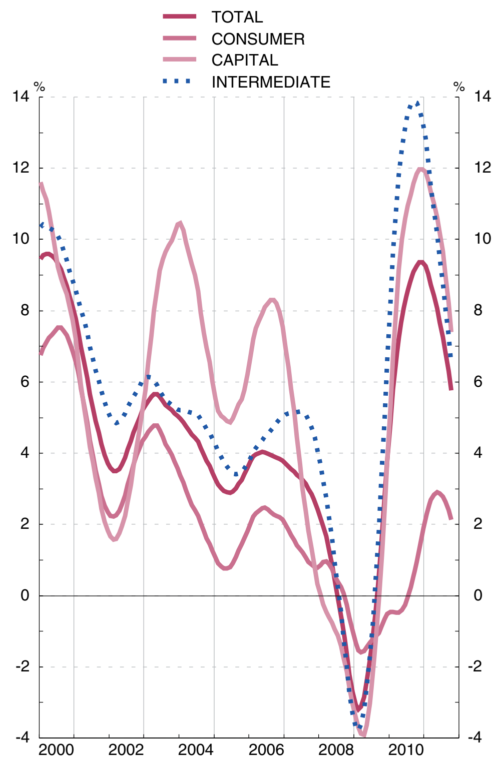
7.3. SPANISH FOREIGN TRADE WITH OTHER EURO AREA COUNTRIES AND WITH THE REST OF THE WORLD EXPORTS AND DISPATCHES

■ Series depicted in chart.

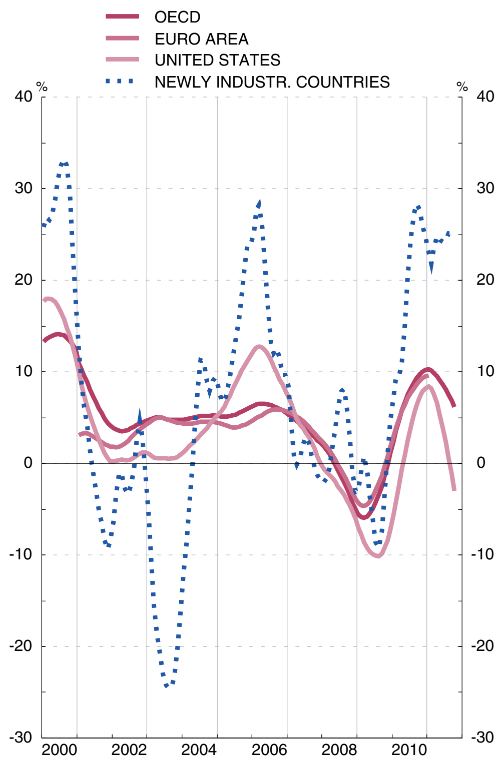
Eur millions and annual percentage changes

		Total			By product (deflated data) (a)					By geographical area (nominal data)							
							Intermediate			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 ■
03		138 119	3.6	5.2	4.2	11.9	4.8	24.7	3.3	4.5	5.1	3.7	-1.7	-5.9	2.2	38.2	-23.4
04		146 925	6.4	5.3	2.2	13.1	6.6	10.2	6.3	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 *Sep*	P	15 902	14.6	9.9	-4.2	3.0	21.7	6.8	22.8	10.8	10.2	12.5	29.1	13.6	49.3	35.7	48.8
Oct	P	17 393	16.6	12.1	-6.2	26.7	23.4	9.0	24.5	16.8	15.2	15.3	26.0	13.0	29.9	10.9	31.9
Nov	P	17 525	24.6	20.3	2.2	34.5	32.9	34.6	32.8	20.1	20.4	21.8	35.7	49.6	50.0	50.6	33.4
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	23.3	6.9	35.3	5.5	15.2	10.8	15.8	50.4	30.5	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

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



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



Sources: ME y BE.
Note: The underlying series for this indicator are in Tables 18.4 and 18.5 of the Boletín estadístico.
The monthly series are provisional data, while the annual series are the final foreign trade data.
a. Series deflated by unit value indices.

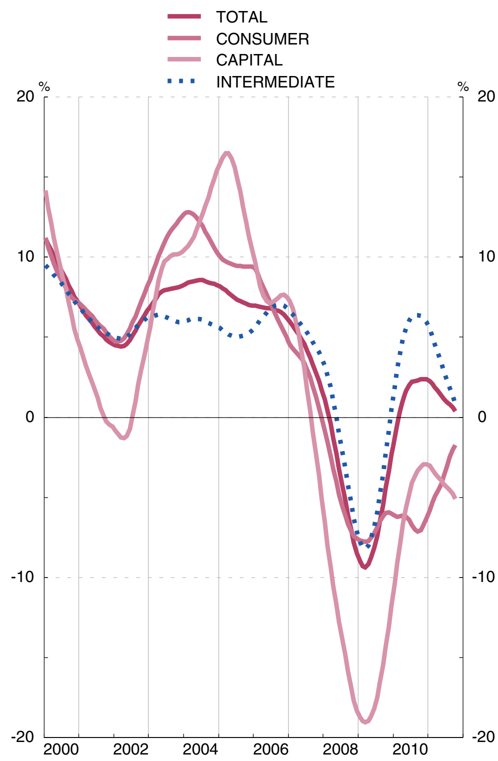
7.4. SPANISH FOREIGN TRADE WITH OTHER EURO AREA COUNTRIES AND WITH THE REST OF THE WORLD IMPORTS AND ARRIVALS

■ Series depicted in chart.

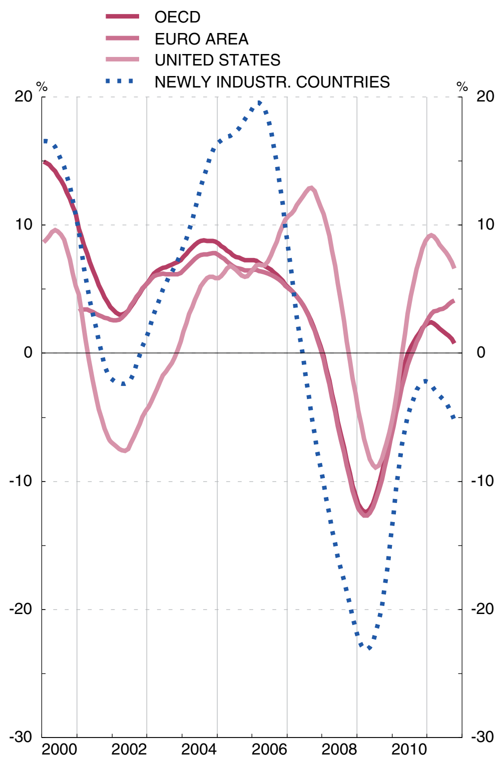
Eur millions and annual percentage changes

		Total			By product (deflated data) (a)					By geographical area (nominal data)							
		EUR millions	Nom-inal	De-flated (a)	Con-sumer	Capital	Intermediate: Total	Intermediate: Energy	Intermediate: Non-energy	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 ■
03		185 114	5.6	7.1	9.6	12.9	4.8	1.0	5.9	5.8	5.3	5.8	-4.8	-1.0	12.9	16.6	1.1
04		208 411	12.6	9.9	13.5	14.4	7.3	10.6	6.4	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 *Sep*	P	20 248	4.9	-1.2	-21.2	-4.2	9.7	1.1	12.2	-3.3	-1.9	-2.1	13.5	6.0	1.6	40.9	9.3
Oct	P	21 093	12.0	3.7	-19.0	8.1	15.0	2.4	19.1	3.1	3.9	6.6	17.6	18.4	38.5	28.4	-5.6
Nov	P	21 405	13.1	4.2	-12.8	12.1	11.5	4.7	13.6	4.2	2.9	6.2	17.2	14.3	69.3	26.7	9.9
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	-11.6	1.0	-1.3	1.7	2.2	2.2	3.3	21.4	1.8	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

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



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



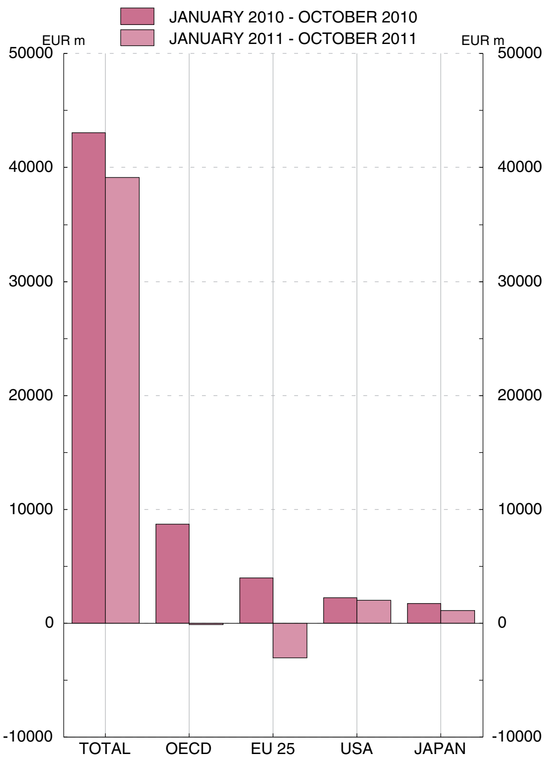
Sources: ME y BE.
Note: The underlying series for this indicator are in Tables 18.2 and 18.3 of the Boletín estadístico.
The monthly series are provisional data, while the annual series are the final foreign trade data.
a. Series deflated by unit value indices .

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

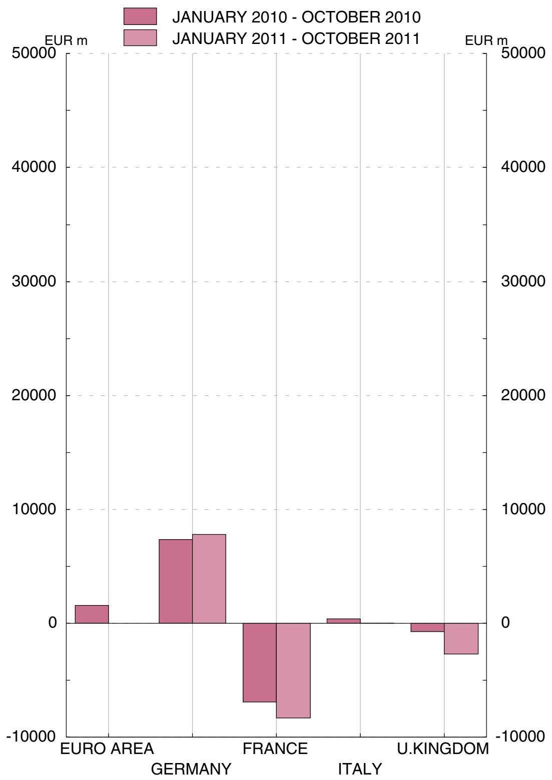
EUR millions

		World total	European Union (EU 27)								OECD			OPEC	Other American countries	China	Newly industrialised countries
			Total	Euro area				Other EU 27									
				Total	Of which:			Total	Of which:	Total	Of which:						
					Germany	France	Italy		United Kingdom		United States	Japan					
		1	2=3+7	3	4	5	6	7	8	9	10	11	12	13	14	15	
04		-61 486	-25 991	-25 267	-16 282	-3 353	-5 671	-724	472	-37 167	-1 692	-4 583	-8 325	-1 784	-7 369	-3 104	
05		-77 950	-30 703	-29 422	-16 749	-3 112	-6 938	-1 281	-210	-41 860	-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	P	-52 283	-4 192	-1 241	-8 486	8 399	-398	-2 951	709	-10 016	-2 834	-2 048	-17 286	-4 162	-16 219	-1 244	
10 *Sep*	P	-4 346	-134	68	-817	934	-10	-202	46	-407	-256	-179	-1 196	-408	-1 695	-102	
Oct	P	-3 700	422	404	-564	843	153	18	257	-359	-276	-148	-1 484	-246	-1 427	-87	
Nov	P	-3 880	314	483	-548	873	189	-170	64	-279	-261	-180	-1 174	-522	-1 355	-139	
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	

CUMULATIVE TRADE DEFICIT



CUMULATIVE TRADE DEFICIT



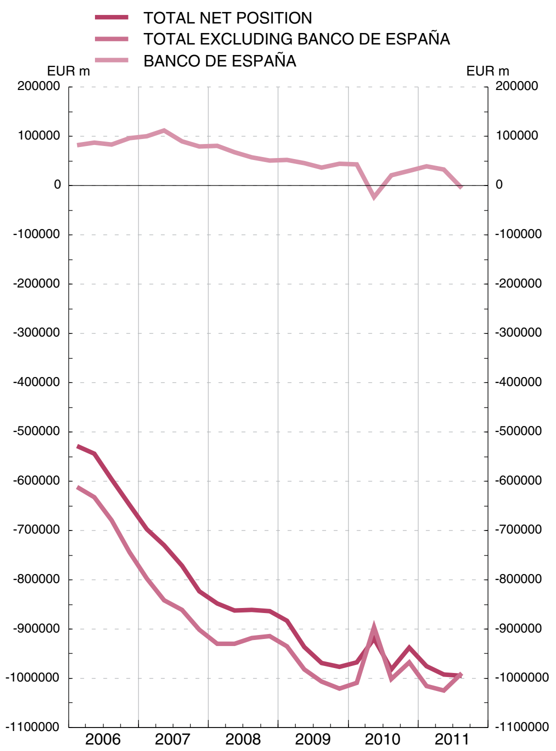
Source: ME.
Note: The underlying series for this indicator are in Tables 18.3 and 18.5 of the Boletín Estadístico.
The monthly series are provisional data, while the annual series are the final foreign trade data.

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

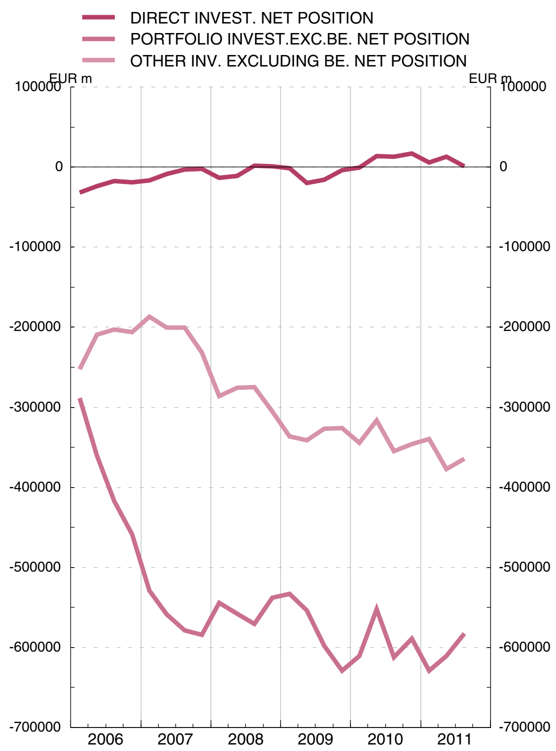
■ Series depicted in chart. *End-of-period stocks in EUR billions*

	Net international investment position (assets-liabil.)	Total excluding Banco de España											Banco de España			
		Net position excluding Banco de España (assets - liabil.)	Direct investment			Portfolio investment			Other investment			Financial derivatives Net position (assets-liabil.)	Banco de España Net position (assets-liabil.)	Reserves	Net assets vis-à-vis the Euro-system	Other net assets (assets-liabil.) (a)
			Net position (assets-liabil.)	Spanish investment abroad (assets)	Foreign investment in Spain (liabil.)	Net position (assets-liabil.)	Spanish investment abroad (assets)	Foreign investment in Spain (liabil.)	Net position (assets-liabil.)	Spanish investment abroad (assets)	Foreign investment in Spain (liabil.)					
	1=2+13 ■	2=3+6+9+12 ■	3=4-5 ■	4	5	6=7-8 ■	7	8	9=10-11 ■	10	11	12	13=14 to 16 ■	14	15	16
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 *Q3*	-861.3	-918.4	1.7	422.6	420.9	-633.6	380.5	1 014.1	-274.8	423.1	697.9	-11.7	57.0	13.8	-19.6	62.8
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*	-882.5	-934.8	-1.4	415.8	417.2	-596.6	342.1	938.7	-336.7	374.5	711.2	0.0	52.3	15.7	-27.4	64.0
Q2	-936.8	-982.2	-19.6	425.3	444.9	-614.2	363.2	977.4	-341.1	370.6	711.7	-7.3	45.4	15.1	-30.5	60.7
Q3	-969.0	-1 005.9	-16.1	430.8	446.9	-658.3	376.9	1 035.3	-326.5	365.1	691.6	-4.9	36.9	18.3	-42.6	61.2
Q4	-976.4	-1 020.6	-4.2	434.4	438.6	-689.3	378.6	1 067.9	-326.1	370.5	696.6	-1.0	44.1	19.6	-36.4	60.9
10 *Q1*	-967.3	-1 009.6	-0.6	440.2	440.7	-670.2	385.7	1 055.9	-344.7	364.2	708.9	5.7	42.4	20.9	-38.5	60.0
Q2	-919.4	-896.0	13.6	457.2	443.6	-605.4	358.7	964.1	-316.2	373.0	689.2	12.0	-23.4	24.4	-100.8	53.1
Q3	-981.3	-1 001.5	12.7	463.0	450.3	-663.8	339.8	1 003.6	-354.7	355.2	709.9	4.3	20.2	22.6	-54.3	51.9
Q4	-937.4	-967.7	16.9	482.3	465.3	-641.3	317.7	959.1	-346.0	373.9	719.9	2.7	30.3	23.9	-46.1	52.5
11 *Q1*	-975.7	-1 015.2	5.7	479.0	473.3	-679.8	302.5	982.3	-339.5	382.5	722.0	-1.5	39.5	23.2	-35.2	51.5
Q2	-992.3	-1 024.4	12.8	487.5	474.7	-659.7	293.9	953.6	-377.2	386.1	763.3	-0.3	32.2	23.5	-40.6	49.3
Q3	-994.5	-989.4	0.7	477.4	476.7	-633.1	274.3	907.5	-364.5	392.9	757.4	7.6	-5.2	27.6	-83.8	51.1

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.

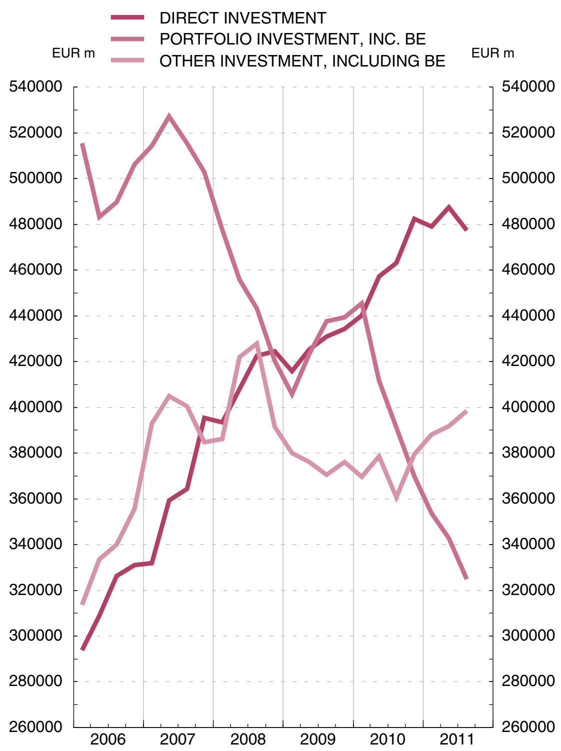
7.7. SPANISH INTERNATIONAL INVESTMENT POSITION VIS-à-VIS OTHER EURO AREA RESIDENTES AND THE REST OF THE WORLD BREAKDOWN BY INVESTMENT

■ Series depicted in chart.

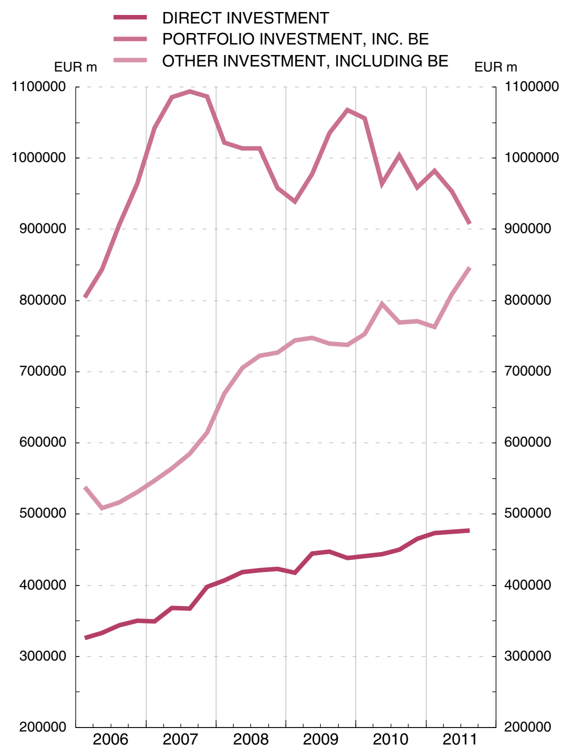
End-of-period stocks in EUR millions

	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 *Q3*	391 877	30 743	323 994	96 913	82 732	360 523	200 218	813 893	427 889	722 208	70 066	81 757
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*	383 861	31 891	314 068	103 117	54 989	350 665	142 151	796 597	379 937	743 710	111 670	111 538
Q2	389 710	35 562	324 791	120 128	62 698	360 773	177 670	799 699	376 075	747 320	92 879	100 032
Q3	397 737	33 090	329 870	117 052	74 037	363 555	218 943	816 315	370 546	739 156	85 194	90 098
Q4	404 194	30 195	327 848	110 716	81 229	357 947	222 620	845 284	375 984	738 048	77 449	78 498
10 *Q1*	409 950	30 218	331 729	108 998	91 998	353 521	199 350	856 507	369 686	752 572	93 867	88 286
Q2	424 884	32 357	334 436	109 193	90 402	321 202	170 376	793 757	378 476	795 089	118 304	106 522
Q3	427 872	35 161	339 434	110 858	91 763	299 508	195 464	808 125	360 606	769 381	121 434	117 049
Q4	444 891	37 373	351 955	113 384	94 830	275 052	182 623	776 434	379 527	771 212	95 116	92 459
11 *Q1*	442 070	36 954	361 319	112 012	93 048	260 759	206 108	776 214	388 075	762 687	80 724	82 170
Q2	449 770	37 720	364 036	110 693	91 945	250 819	195 847	757 786	391 719	809 066	83 747	84 040
Q3	438 680	38 722	369 675	107 005	78 604	246 431	160 625	746 857	398 461	846 432	134 796	127 191

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.

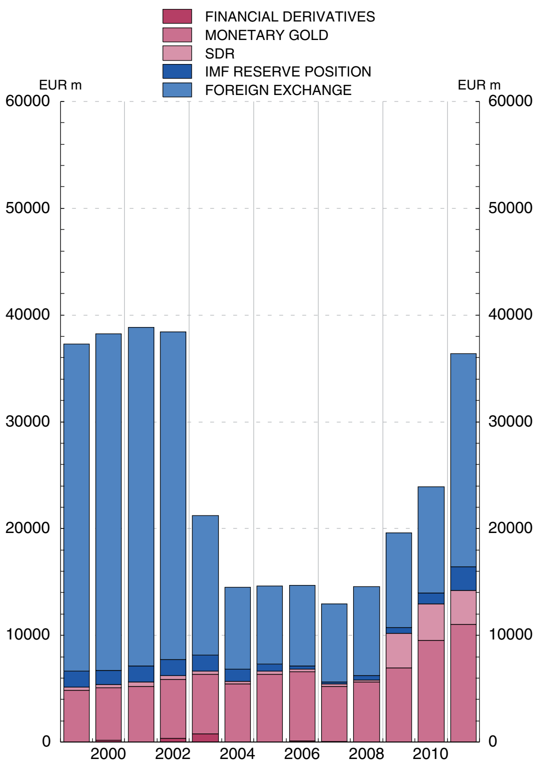
7.8. SPANISH RESERVE ASSETS

■ Series depicted in chart.

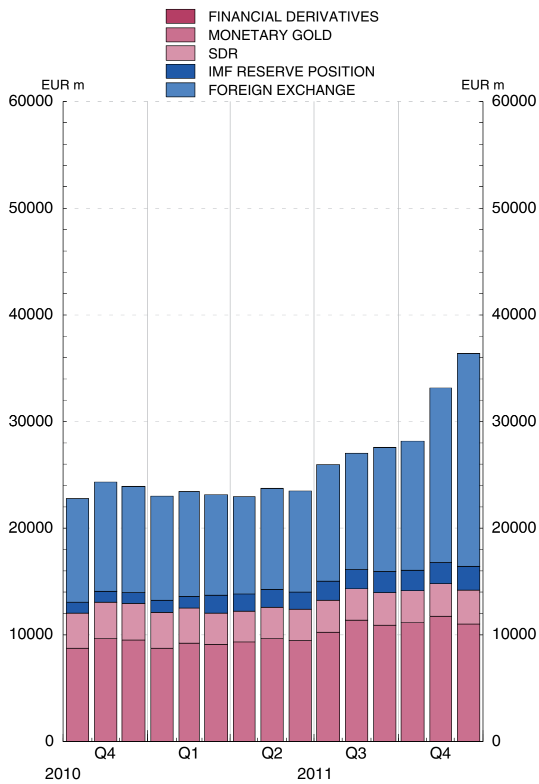
End-of-period stocks in EUR millions

	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
05	14 601	7 306	636	281	6 400	-21	14.7
06	14 685	7 533	303	254	6 467	127	13.4
07	12 946	7 285	218	252	5 145	46	9.1
08	14 546	8 292	467	160	5 627	-	9.1
09	19 578	8 876	541	3 222	6 938	-	9.1
10 *Jul*	22 626	10 029	1 055	3 412	8 130	-	9.1
Aug	23 717	10 368	1 018	3 466	8 865	-	9.1
Sep	22 641	9 629	995	3 320	8 697	-	9.1
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

RESERVE ASSETS
END-OF-YEAR POSITIONS



RESERVE ASSETS
END-OF-MONTH POSITIONS



Source: BE.
Note: From January 1999 the assets denominated in euro and other currencies vis-à-vis residents of other euro area countries are not considered reserve assets. To December 1998, data in pesetas have been converted to euro using the irrevocable euro conversion rate. Since January 1999, all reserve assets are valued at market prices. As of January 2000 reserve assets data have been compiled in accordance with the IMF´s new methodological guidelines published in the document 'International Reserves and Foreign Currency Liquidity
Guidelines for a Data Template', October 2001 (http://dsbb.imf.org/Applications/web/sddsguide). Using this new definition, total reserve assets as at 31.12.99 would have been EUR 37835 million instead of the ammount of EUR 37288 million published in this table.

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

End-of-period positions *EUR millions*

	Total	General government						Other monetary financial institutions				
		Total	Short-term		Long-term			Total	Short-term		Long-term	
			Money market 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 *Q3*	1 542 085	207 145	4 820	1 329	182 455	18 541	-	707 016	15 079	308 889	273 907	109 140
Q4	1 563 730	197 835	4 653	878	173 266	19 038	-	724 116	21 248	327 391	261 177	114 300
08 *Q1*	1 596 725	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*	1 699 177	243 079	15 801	480	204 677	22 122	-	783 924	15 149	411 446	248 633	108 696
Q2	1 722 527	256 709	21 125	978	211 334	23 272	-	785 982	14 200	409 692	251 728	110 363
Q3	1 732 148	275 890	31 005	709	219 370	24 806	-	769 833	14 217	391 123	256 821	107 671
Q4	1 756 970	299 691	44 479	532	229 558	25 121	-	782 741	14 873	384 509	260 201	123 157
10 *Q1*	1 788 481	318 698	51 915	117	240 354	26 312	-	790 665	16 642	399 817	257 133	117 073
Q2	1 769 338	293 571	39 746	195	225 671	27 959	-	743 171	12 157	378 888	240 537	111 589
Q3	1 756 075	303 830	39 461	935	234 755	28 679	-	760 466	10 926	396 110	245 257	108 173
Q4	1 728 247	291 011	36 687	979	223 227	30 118	-	762 743	9 906	413 379	241 175	98 283
11 *Q1*	1 717 668	290 037	37 927	489	220 867	30 754	-	766 452	10 638	395 695	241 500	118 619
Q2	1 745 176	287 310	37 349	11	217 781	32 169	-	797 930	7 547	425 267	237 082	128 035
Q3	1 772 170	293 849	36 085	511	224 921	32 332	-	774 713	6 243	402 061	229 991	136 418

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 *Q3*	277	277	494 727	2 553	22 020	854	345 252	122 021	339	1 688	132 920	52 206	80 714
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	480 813	20 122	18 207	3 275	292 216	144 316	393	2 285	158 870	69 987	88 883
Q2	35 596	35 596	468 732	18 969	16 224	2 416	282 343	145 833	385	2 561	175 508	90 708	84 800
Q3	47 538	47 538	462 209	13 249	15 206	2 322	281 652	146 668	419	2 694	176 677	89 860	86 817
Q4	41 400	41 400	459 500	17 935	12 849	2 052	278 237	145 183	419	2 825	173 639	73 868	99 770
10 *Q1*	43 673	43 673	456 043	14 634	13 734	2 895	275 829	144 978	424	3 550	179 402	69 140	110 262
Q2	105 881	105 881	446 223	12 714	16 546	4 033	262 932	145 619	431	3 949	180 492	66 640	113 852
Q3	59 477	59 477	453 734	14 032	16 100	4 337	263 695	151 010	421	4 139	178 568	66 803	111 766
Q4	51 323	51 323	442 569	11 929	16 905	3 549	253 510	152 117	422	4 138	180 601	66 757	113 843
11 *Q1*	40 665	40 665	441 747	11 724	18 088	3 086	253 557	150 753	415	4 123	178 766	67 061	111 705
Q2	45 732	45 732	435 879	11 750	18 474	3 461	246 277	151 383	414	4 120	178 324	67 752	110 572
Q3	89 019	89 019	435 709	7 430	18 767	5 652	242 188	157 133	420	4 120	178 881	67 947	110 933

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 institutions
		Main refinancing operations	Longer-term refinancing operations	Fine-tuning reverse operations (net)	Structural reverse operations (net)	Marginal lending facility	Deposit facility	Total	Banknotes	Deposits to general government	Gold and net assets in foreign currency	Other assets (net)	
	1=2+3+4 +5+6-7	2	3	4	5	6	7	8=9+10 -11-12	9	10	11	12	13
10 *Jul*	502 230	197 804	418 108	11 093	-	261	125 035	300 156	817 564	103 637	543 196	77 849	202 074
Aug	488 964	156 847	436 311	-9 174	-	569	95 589	280 646	817 554	81 380	543 363	74 925	208 318
Sep	508 881	154 228	432 260	-6 635	-	547	71 520	284 256	813 964	97 492	543 285	83 915	224 624
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

8.1.b BALANCE SHEET OF THE BANCO DE ESPAÑA. NET LENDING TO CREDIT INSTITUTIONS AND ITS COUNTERPARTS

Average of daily data, EUR millions

	Net lending in euro							Counterparts								
	Total	Open market operations				Standing facilities		Intra-ESCB		Autonomous factors					Actual reserves of credit institutions
		Main refinancing operations	Longer-term refinancing operations	Fine-tuning reserve operations (net)	Structural reserve operations (net)	Marginal lending facility	Deposit facility	Target	Rest	Total	Banknotes	Deposits to general government	Gold and net assets in foreign currency	Other assets (net)	
	14=15+16 +17+18 +19-20	15	16	t 17	18	19	20	21	22	23=24+25 -26-27	24	25	26	27	28
10 *Jul*	131 891	31 057	108 960	1 377	-	-	9 503	102 620	-5 447	9 993	78 104	21 305	20 533	68 883	24 725
Aug	114 748	15 500	110 128	-947	-	-	9 933	88 651	-5 447	8 353	77 088	17 100	20 528	65 308	23 191
Sep	102 782	7 334	104 423	-353	-	-	8 620	77 026	-5 447	4 733	75 443	15 414	20 479	65 646	26 471
Oct	67 947	13 512	57 773	662	-	1	4 002	49 480	-5 447	-170	74 449	18 195	19 186	73 628	24 084
Nov	61 527	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

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

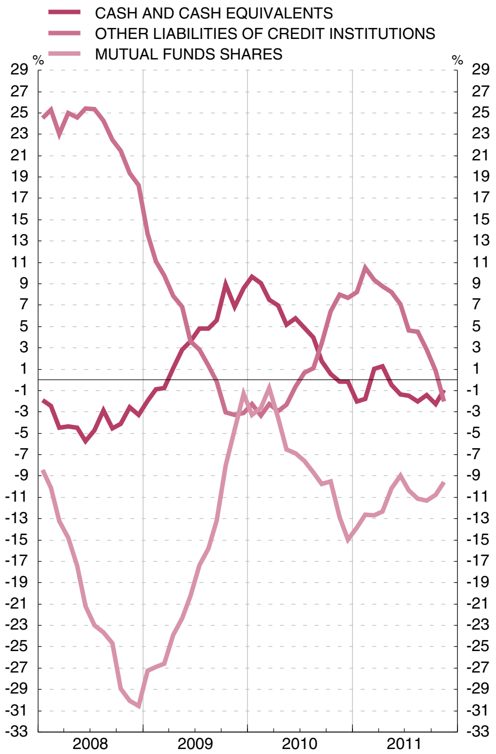
8.2 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES OF NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

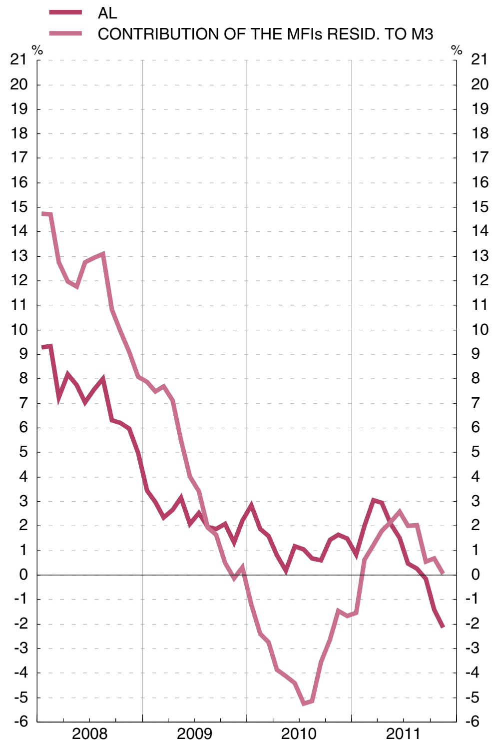
EUR millions and %

	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 ■
08	479 495	-3.3	0.5	-4.2	546 985	18.2	24.3	-19.0	-8.9	148 107	-30.6	-16.7	-41.3	5.0	8.1
09	520 512	8.6	0.6	10.6	530 134	-3.1	-1.3	-13.6	-39.8	146 214	-1.3	0.5	-3.2	2.2	0.3
10	519 551	-0.2	-0.3	-0.1	570 797	7.7	6.4	28.1	-22.2	124 357	-14.9	-29.5	1.6	1.5	-1.7
10 *Aug*	518 585	4.0	0.7	4.8	547 736	1.1	2.7	-10.7	-29.3	132 909	-8.7	-22.6	8.1	0.7	-5.1
Sep	511 873	1.7	0.7	2.0	554 676	3.4	4.9	-5.0	-36.3	131 280	-9.7	-25.6	9.9	0.6	-3.5
Oct	507 466	0.6	0.1	0.7	559 884	6.4	7.2	4.7	-33.3	130 626	-9.5	-26.1	10.7	1.4	-2.6
Nov	505 196	-0.2	-0.4	-0.1	566 883	8.0	7.5	19.7	-24.9	125 886	-12.9	-28.6	6.2	1.7	-1.5
Dec	519 551	-0.2	-0.3	-0.1	570 797	7.7	6.4	28.1	-22.2	124 357	-14.9	-29.5	1.6	1.5	-1.7
11 *Jan*	505 829	-2.0	-0.3	-2.4	570 333	8.2	7.1	26.7	-20.5	124 909	-13.8	-30.5	5.2	0.8	-1.5
Feb	507 405	-1.8	-0.4	-2.1	576 292	10.5	8.8	34.9	-11.5	125 719	-12.6	-30.6	7.1	2.0	0.6
Mar	515 644	1.0	-1.2	1.6	577 040	9.4	7.5	34.4	1.8	125 307	-12.7	-28.5	3.7	3.1	1.2
Apr	513 405	1.3	-0.5	1.7	573 088	8.8	7.9	23.5	-16.1	124 660	-12.3	-28.0	3.8	3.0	1.8
May	511 092	-0.5	-1.7	-0.2	575 134	8.2	7.4	19.1	0.5	123 436	-10.2	-25.8	5.6	2.1	2.2
Jun	524 957	-1.4	-2.0	-1.2	576 154	7.1	7.0	10.6	-13.4	121 717	-9.0	-21.1	2.4	1.5	2.6
Jul P	517 161	-1.5	-2.2	-1.3	571 192	4.6	4.4	9.6	-17.0	119 610	-10.3	-19.5	-2.3	0.5	2.0
Aug P	508 210	-2.0	-2.2	-2.0	572 431	4.5	4.5	8.6	-24.0	118 138	-11.1	-18.4	-4.8	0.3	2.0
Sep P	504 513	-1.4	-1.5	-1.4	570 410	2.8	2.9	4.4	-14.3	116 428	-11.3	-16.8	-6.7	-0.2	0.6
Oct P	496 090	-2.2	-1.7	-2.4	564 488	0.8	0.8	2.5	-13.8	116 576	-10.8	-15.3	-7.1	-1.4	0.7
Nov P	500 538	-0.9	-1.3	-0.8	555 332	-2.0	-1.5	-5.8	-20.1	113 858	-9.6	-13.8	-6.0	-2.1	0.1

NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHs
Annual percentage change



NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHs
Annual percentage change



Source: BE.

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

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

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

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

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

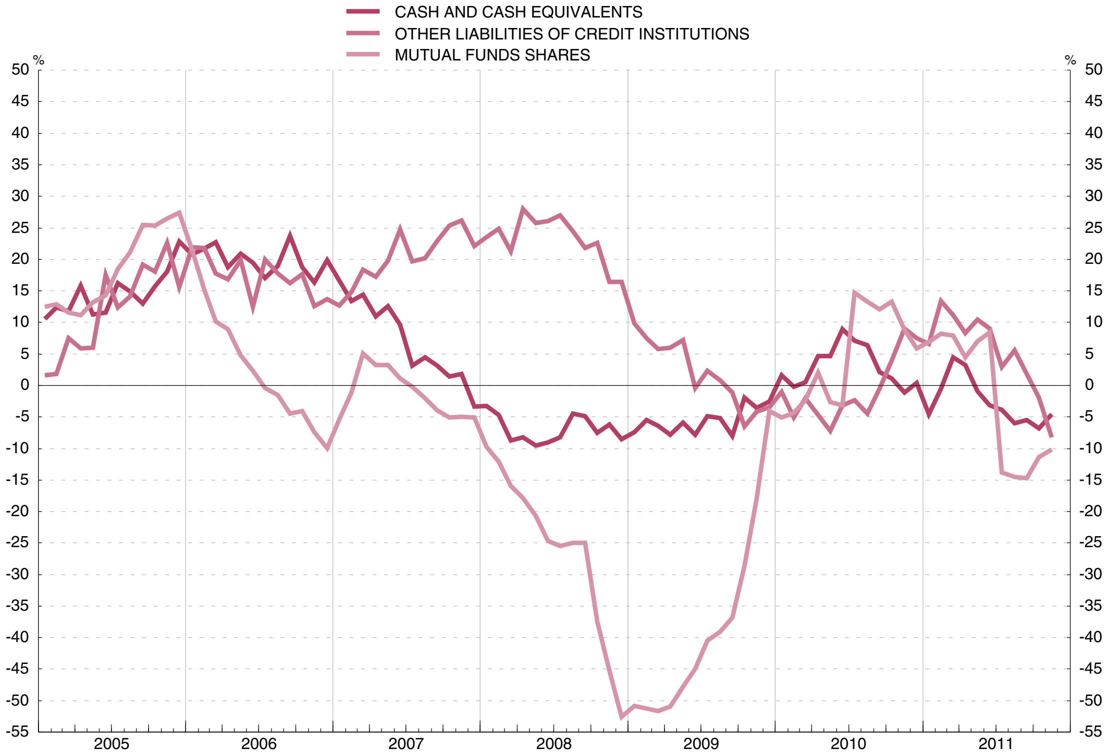
8.3 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES OF NON-FINANCIAL CORPORATIONS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

EUR millions and %

		Cash and cash equivalents (b)		Other liabilities of credit institutions				Mutual funds shares			
		Stocks	Annual growth rate	Stocks	Annual growth rate	Annual growth rate		Stocks	Annual growth rate	Annual growth rate	
						Other deposits (c)	Repos + credit instit.' securit.+ dep. in branches abroad			Fixed income in EUR (d)	Other
		1	2 ■	3	4 ■	5	6	7	8 ■	9	10
08		121 783	-8.6	118 313	16.4	25.1	-0.1	11 959	-52.5	-42.7	-60.1
09		118 631	-2.6	114 187	-3.5	9.2	-33.7	11 475	-4.0	-6.4	-1.4
10		119 142	0.4	122 791	7.5	6.1	13.4	12 153	5.9	-9.4	22.1
10 *Aug*		121 405	6.4	113 127	-4.5	2.5	-26.6	13 424	13.3	-3.7	33.6
Sep		118 151	2.1	116 388	-0.5	5.8	-21.0	13 259	12.1	-7.3	36.0
Oct		115 037	1.1	117 128	4.0	8.6	-12.4	12 766	13.3	-4.2	33.0
Nov		115 219	-1.2	121 958	9.1	9.6	7.2	12 302	8.8	-7.9	27.6
Dec		119 142	0.4	122 791	7.5	6.1	13.4	12 153	5.9	-9.4	22.1
11 *Jan*		112 151	-4.6	117 638	6.6	5.4	11.3	12 228	6.9	-11.3	26.2
Feb		116 384	-0.5	120 197	13.4	10.1	28.0	12 307	8.2	-11.5	28.5
Mar		120 811	4.4	121 844	11.2	7.3	28.8	12 267	7.9	-9.1	24.5
Apr		117 865	3.3	119 301	8.3	5.2	21.5	12 103	4.5	-13.3	22.7
May		117 839	-0.9	121 584	10.4	5.9	31.0	11 983	7.0	-10.7	24.8
Jun		121 412	-3.1	123 292	9.1	5.0	26.8	11 817	8.4	-5.1	21.1
Jul	P	115 464	-3.8	118 082	2.9	-2.1	26.5	11 614	-13.8	-22.0	-6.6
Aug	P	114 164	-6.0	119 457	5.6	1.3	24.7	11 472	-14.5	-20.9	-9.0
Sep	P	111 724	-5.4	118 513	1.8	-1.9	18.2	11 307	-14.7	-19.4	-10.8
Oct	P	107 255	-6.8	114 919	-1.9	-6.4	17.9	11 321	-11.3	-14.8	-8.5
Nov	P	109 994	-4.5	111 886	-8.3	-11.0	2.3	11 058	-10.1	-13.3	-7.5

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.

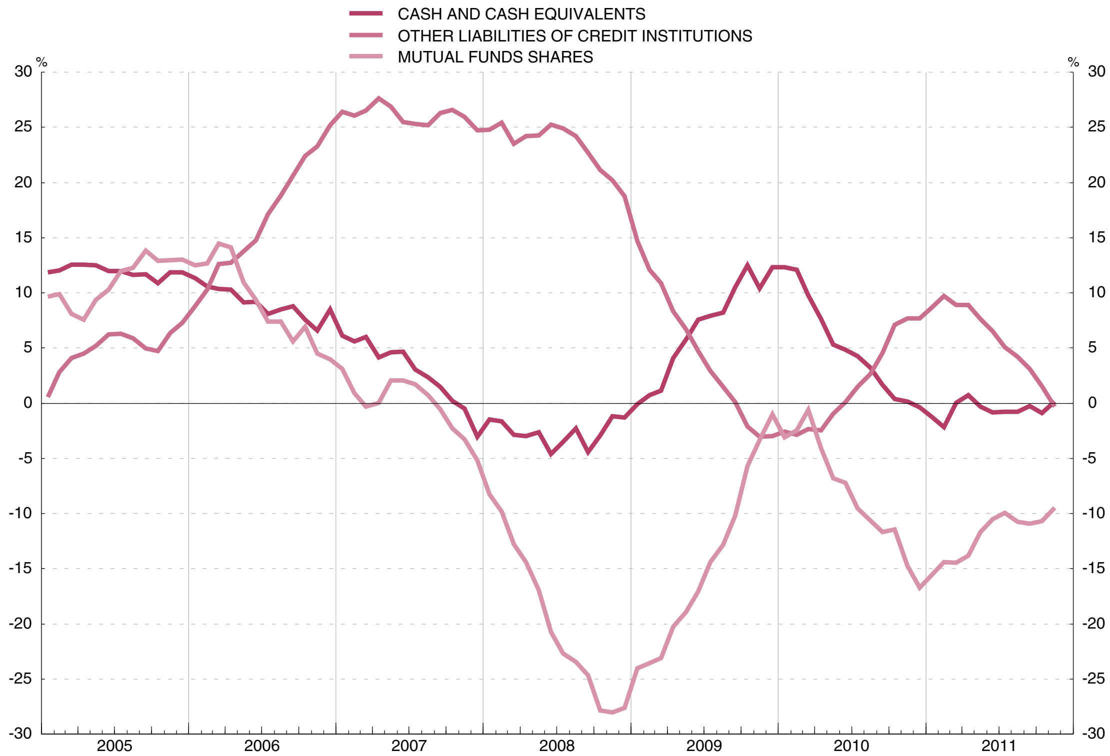
8.4 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES OF HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN (a)

■ 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: Cash	Annual growth rate: Deposits (b)	Stocks	Annual growth rate	Annual growth rate: Other deposits (c)	Annual growth rate: Repos + credit instit.' securit.+ dep. in branches abroad	Stocks	Annual growth rate	Annual growth rate: Fixed income in EUR (d)	Annual growth rate: Other
	1	2 ■	3	4	5	6 ■	7	8	9	10 ■	11	12
08	357 712	-1.3	3.1	-2.7	428 672	18.7	24.2	-35.5	136 148	-27.6	-13.3	-38.7
09	401 881	12.3	3.5	15.3	415 947	-3.0	-3.5	6.5	134 738	-1.0	1.1	-3.4
10	400 409	-0.4	0.2	-0.5	448 006	7.7	6.5	29.1	112 204	-16.7	-31.1	-0.2
10 *Aug*	397 180	3.2	2.0	3.6	434 609	2.6	2.8	1.0	119 485	-10.6	-24.3	5.8
Sep	393 722	1.6	1.8	1.6	438 289	4.6	4.7	2.5	118 021	-11.7	-27.2	7.6
Oct	392 429	0.4	1.0	0.2	442 756	7.1	6.9	10.6	117 860	-11.5	-27.8	8.7
Nov	389 977	0.1	0.3	0.1	444 925	7.7	7.0	19.1	113 584	-14.7	-30.3	4.3
Dec	400 409	-0.4	0.2	-0.5	448 006	7.7	6.5	29.1	112 204	-16.7	-31.1	-0.2
11 *Jan*	393 678	-1.3	0.2	-1.7	452 696	8.6	7.5	28.2	112 681	-15.6	-32.1	3.3
Feb	391 021	-2.2	0.2	-2.9	456 095	9.7	8.6	29.9	113 412	-14.4	-32.1	5.2
Mar	394 833	0.0	-0.6	0.3	455 196	8.9	7.5	31.8	113 040	-14.5	-30.1	1.9
Apr	395 540	0.7	-0.0	1.0	453 787	8.9	8.5	15.9	112 557	-13.8	-29.3	2.1
May	393 254	-0.3	-1.2	-0.1	453 550	7.6	7.7	6.3	111 452	-11.7	-27.1	3.9
Jun	403 546	-0.8	-1.5	-0.6	452 862	6.5	7.4	-6.9	109 900	-10.5	-22.5	0.8
Jul P	401 698	-0.8	-1.8	-0.5	453 110	5.1	6.0	-8.3	107 997	-9.9	-19.2	-1.8
Aug P	394 046	-0.8	-1.8	-0.5	452 974	4.2	5.2	-10.2	106 666	-10.7	-18.1	-4.4
Sep P	392 790	-0.2	-1.1	0.0	451 897	3.1	4.0	-10.2	105 121	-10.9	-16.5	-6.2
Oct P	388 835	-0.9	-1.3	-0.8	449 569	1.5	2.5	-12.6	105 255	-10.7	-15.3	-6.9
Nov P	390 544	0.1	-1.0	0.5	443 446	-0.3	0.7	-15.6	102 800	-9.5	-13.9	-5.9

HOUSEHOLDS AND NPISH
Annual percentage change



Source: BE.

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

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

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

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

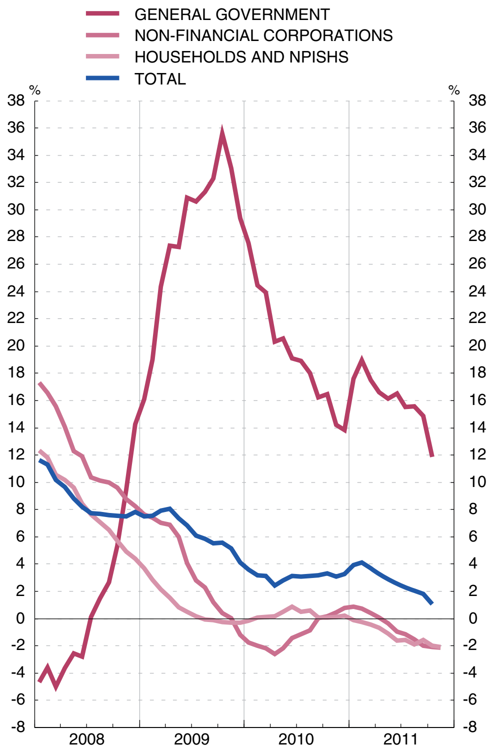
8.5. FINANCING OF NON-FINANCIAL SECTORS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

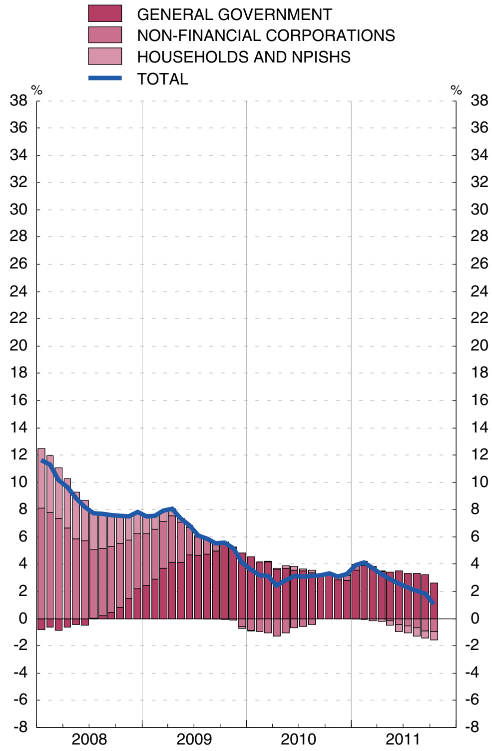
EUR millions and %

		Total			Annual growth rate							Contribution to col. 3						
		Stocks	Effective flow	Annual growth rate	General government (b)	Non-financial corp. and households and NPISHs	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	General government (b)	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
08		2 655 191	192 830	7.8	14.3	6.6	8.2	4.4	5.6	11.8	12.4	2.2	5.6	4.0	1.6	4.0	0.2	1.4
09		2 771 063	109 502	4.1	29.4	-0.8	-1.2	-0.3	-2.0	36.3	1.1	4.8	-0.7	-0.6	-0.1	-1.4	0.5	0.1
10		2 850 408	90 060	3.3	13.8	0.5	0.8	0.2	-0.4	11.6	3.9	2.8	0.4	0.4	0.1	-0.3	0.2	0.5
10 *Aug*		2 815 024	-6 919	3.1	18.0	-0.3	-0.9	0.6	-0.8	22.9	-0.9	3.4	-0.2	-0.4	0.2	-0.5	0.4	-0.1
Sep		2 825 793	18 422	3.2	16.2	0.0	0.0	0.1	-0.7	24.7	0.3	3.1	0.0	0.0	0.0	-0.4	0.4	0.0
Oct		2 840 833	16 761	3.3	16.4	0.1	0.2	0.1	-0.6	23.6	0.7	3.2	0.1	0.1	0.0	-0.4	0.4	0.1
Nov		2 857 044	14 150	3.1	14.2	0.3	0.4	0.1	-0.4	15.2	1.5	2.9	0.2	0.2	0.0	-0.2	0.3	0.2
Dec		2 850 408	-750	3.3	13.8	0.5	0.8	0.2	-0.4	11.6	3.9	2.8	0.4	0.4	0.1	-0.3	0.2	0.5
11 *Jan*		2 854 829	5 437	3.9	17.6	0.5	0.9	-0.1	-0.5	8.5	4.2	3.6	0.4	0.4	-0.0	-0.3	0.2	0.5
Feb		2 865 035	11 337	4.1	18.9	0.3	0.7	-0.3	-0.9	11.9	5.1	3.9	0.3	0.3	-0.1	-0.6	0.2	0.6
Mar		2 866 973	4 941	3.7	17.5	0.0	0.4	-0.5	-1.0	10.0	4.1	3.7	0.0	0.2	-0.1	-0.7	0.2	0.5
Apr		2 852 855	-6 750	3.3	16.6	-0.2	0.1	-0.7	-1.2	5.0	4.1	3.5	-0.2	0.0	-0.2	-0.8	0.1	0.5
May		2 854 882	2 054	2.9	16.1	-0.6	-0.3	-1.1	-1.7	6.3	3.8	3.4	-0.5	-0.2	-0.4	-1.1	0.1	0.5
Jun		2 869 127	16 104	2.6	16.5	-1.2	-0.9	-1.6	-2.4	5.8	3.6	3.5	-1.0	-0.4	-0.5	-1.5	0.1	0.4
Jul	P	2 858 430	-10 259	2.3	15.5	-1.3	-1.2	-1.6	-2.4	8.1	2.7	3.3	-1.0	-0.5	-0.5	-1.5	0.2	0.3
Aug	P	2 843 717	-14 224	2.0	15.6	-1.7	-1.5	-1.9	-2.8	7.5	2.7	3.3	-1.3	-0.7	-0.6	-1.8	0.2	0.3
Sep	P	2 855 230	12 541	1.8	14.9	-1.8	-2.0	-1.5	-2.9	7.9	2.3	3.2	-1.4	-0.9	-0.5	-1.9	0.2	0.3
Oct	P	2 847 235	-4 798	1.0	11.8	-2.0	-2.1	-2.0	-3.2	6.6	2.5	2.6	-1.6	-1.0	-0.6	-2.0	0.1	0.3
Nov	P	...	...	...	...	-2.1	-2.1	-2.1	-3.3	6.0	2.5	...	...	...	...	...	...	...

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.

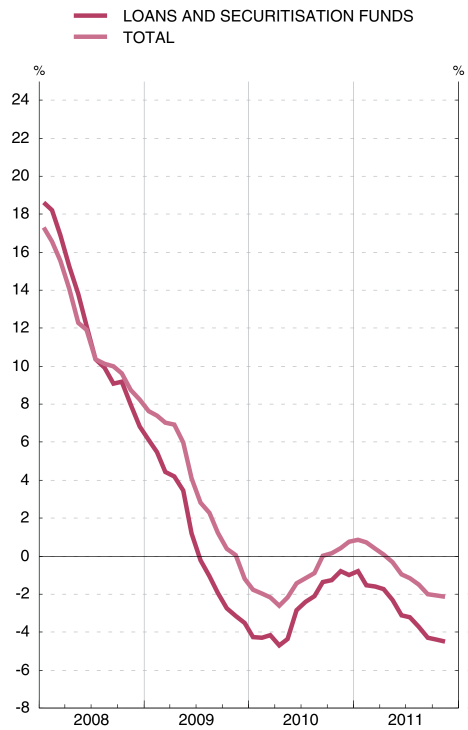
8.6. FINANCING OF NON-FINANCIAL CORPORATIONS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

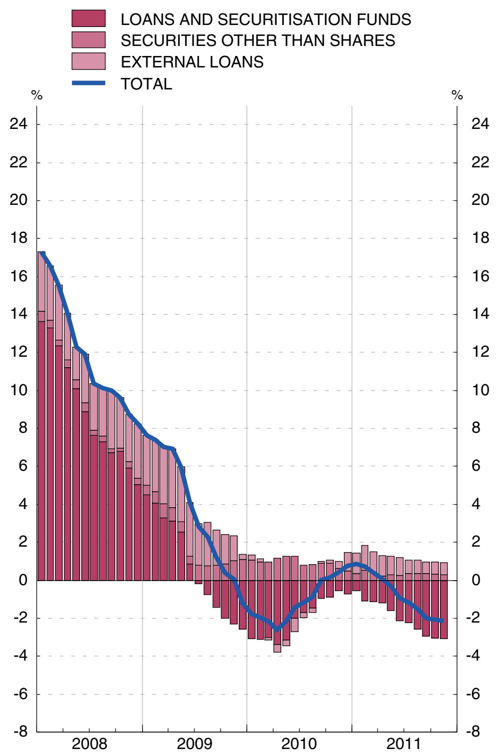
EUR millions and %

	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
08	1 308 086	99 965	8.2	954 134	6.8	5.0	40 059	25 648	11.8	0.3	313 893	12.2	2.9	2 060
09	1 303 430	-15 688	-1.2	916 361	-3.5	-2.6	54 618	40 095	36.3	1.1	332 451	1.1	0.3	1 256
10	1 309 961	9 932	0.8	897 475	-1.0	-0.7	60 947	47 129	11.6	0.5	351 539	3.9	1.0	1 581
10 *Aug*	1 308 604	-5 345	-0.9	900 944	-2.1	-1.5	59 401	45 826	22.9	0.8	348 258	-0.9	-0.2	1 697
Sep	1 312 841	10 931	0.0	904 894	-1.4	-1.0	60 058	45 941	24.7	0.9	347 888	0.3	0.1	1 493
Oct	1 312 682	926	0.2	904 269	-1.3	-0.9	61 064	46 973	23.6	0.9	347 348	0.6	0.2	1 593
Nov	1 317 497	2 286	0.4	903 778	-0.8	-0.6	61 783	47 763	15.2	0.6	351 936	1.4	0.4	1 597
Dec	1 309 961	-3 115	0.8	897 475	-1.0	-0.7	60 947	47 129	11.6	0.5	351 539	3.9	1.0	1 581
11 *Jan*	1 305 350	-3 587	0.9	892 670	-0.8	-0.6	60 687	46 909	8.5	0.4	351 993	4.2	1.1	1 447
Feb	1 301 916	-2 636	0.7	884 149	-1.5	-1.1	62 849	49 140	11.9	0.5	354 918	5.1	1.3	1 342
Mar	1 295 758	-3 888	0.4	881 905	-1.6	-1.1	62 780	48 890	10.0	0.4	351 073	4.1	1.1	1 317
Apr	1 287 961	-1 204	0.1	878 129	-1.7	-1.2	63 287	49 104	5.0	0.2	346 545	4.1	1.1	1 454
May	1 284 560	-3 709	-0.3	873 122	-2.3	-1.6	64 552	50 033	6.3	0.3	346 886	3.8	1.0	1 431
Jun	1 277 083	-6 185	-0.9	867 080	-3.1	-2.1	63 658	49 150	5.8	0.3	346 345	3.6	0.9	1 427
Jul	P 1 277 385	372	-1.2	865 733	-3.2	-2.2	64 095	49 415	8.1	0.4	347 557	2.7	0.7	1 386
Aug	P 1 267 353	-9 796	-1.5	854 838	-3.7	-2.6	63 877	49 237	7.5	0.3	348 638	2.7	0.7	1 328
Sep	P 1 271 276	4 211	-2.0	854 208	-4.3	-3.0	64 829	50 036	7.9	0.4	352 240	2.2	0.6	1 212
Oct	P 1 268 679	184	-2.1	851 922	-4.4	-3.0	65 108	50 219	6.6	0.3	351 650	2.5	0.7	1 293
Nov	P 1 268 985	1 072	-2.1	850 784	-4.5	-3.1	65 467	50 598	6.0	0.3	352 734	2.5	0.7	1 272

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.

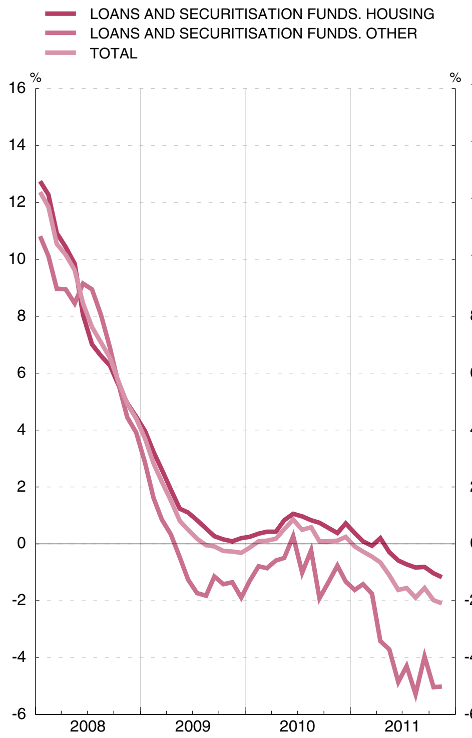
8.7. FINANCING OF HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

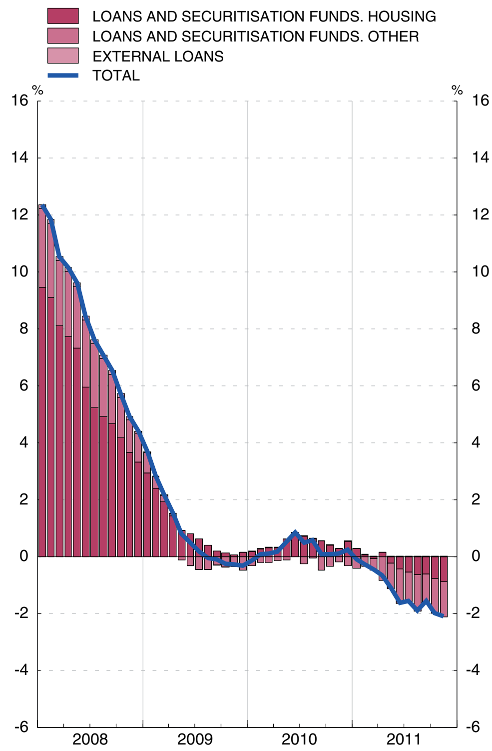
EUR millions and %

		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
08		911 283	38 443	4.4	678 448	4.5	3.3	229 712	3.9	1.0	3 122	36.9	0.1	23 304	4 436
09		903 755	-2 865	-0.3	678 552	0.2	0.1	221 824	-1.9	-0.5	3 379	3.9	0.0	23 986	2 986
10		898 564	2 124	0.2	679 958	0.7	0.5	215 285	-1.3	-0.3	3 320	5.4	0.0	17 161	1 637
10 *Aug*		902 979	-1 450	0.6	679 165	0.8	0.6	220 542	-0.2	-0.1	3 272	3.9	0.0	19 271	2 156
Sep		898 173	-3 847	0.1	678 448	0.7	0.6	216 448	-1.9	-0.5	3 277	3.1	0.0	19 216	2 070
Oct		898 412	875	0.1	677 838	0.5	0.4	217 288	-1.3	-0.3	3 286	4.5	0.0	18 914	2 009
Nov		903 664	5 720	0.1	677 590	0.4	0.3	222 772	-0.8	-0.2	3 302	5.1	0.0	17 285	1 773
Dec		898 564	-3 635	0.2	679 958	0.7	0.5	215 285	-1.3	-0.3	3 320	5.4	0.0	17 161	1 637
11 *Jan*		894 493	-4 079	-0.1	677 703	0.4	0.3	213 493	-1.6	-0.4	3 297	5.1	0.0	16 634	1 517
Feb		891 878	-2 282	-0.3	675 957	0.1	0.1	212 617	-1.4	-0.3	3 304	4.7	0.0	16 738	1 543
Mar		888 285	-2 860	-0.5	674 687	-0.1	-0.1	210 271	-1.7	-0.4	3 328	5.8	0.0	16 553	1 383
Apr		887 194	-317	-0.7	676 532	0.2	0.1	207 699	-3.4	-0.8	2 963	5.5	0.0	16 211	1 300
May		884 905	-1 953	-1.1	674 603	-0.3	-0.2	207 319	-3.7	-0.9	2 984	5.7	0.0	16 028	929
Jun		889 211	4 873	-1.6	674 734	-0.6	-0.4	211 480	-4.9	-1.2	2 996	6.4	0.0	15 735	760
Jul	P	883 686	-5 158	-1.6	674 240	-0.7	-0.5	206 425	-4.3	-1.0	3 021	6.8	0.0	15 670	714
Aug	P	878 978	-4 454	-1.9	671 878	-0.8	-0.6	204 077	-5.3	-1.3	3 024	5.6	0.0	15 627	648
Sep	P	877 614	-624	-1.5	671 209	-0.8	-0.6	203 370	-4.0	-1.0	3 035	5.7	0.0	15 475	605
Oct	P	874 232	-2 966	-2.0	669 188	-1.0	-0.8	201 988	-5.0	-1.2	3 056	4.5	0.0	15 305	610
Nov	P	878 197	4 470	-2.1	667 935	-1.2	-0.9	207 195	-5.0	-1.2	3 068	4.4	0.0	15 206	569

FINANCING OF HOUSEHOLDS AND NPISHs
Annual percentage change



FINANCING OF HOUSEHOLDS AND NPISHs
Contributions to the annual percentage change



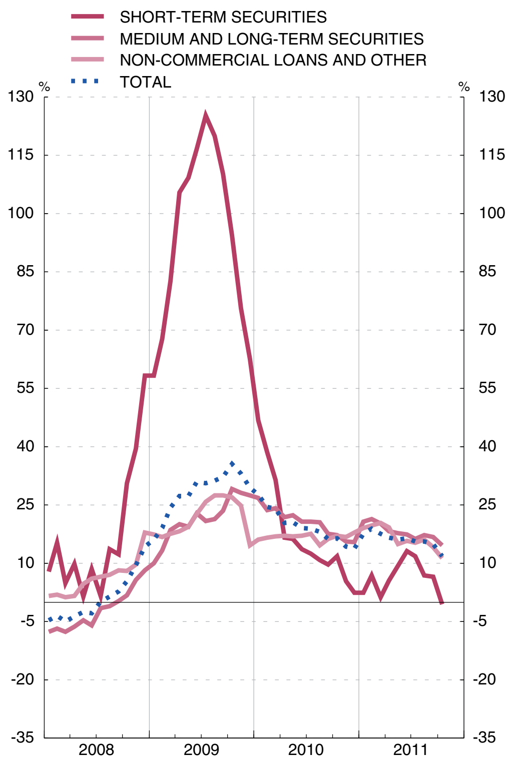
Source: BE.
a. The annual percentage changes are calculated as the effective flow of the period / the stock at the beginning of the period.

8.8. GROSS FINANCING OF SPAIN'S GENERAL GOVERMENT

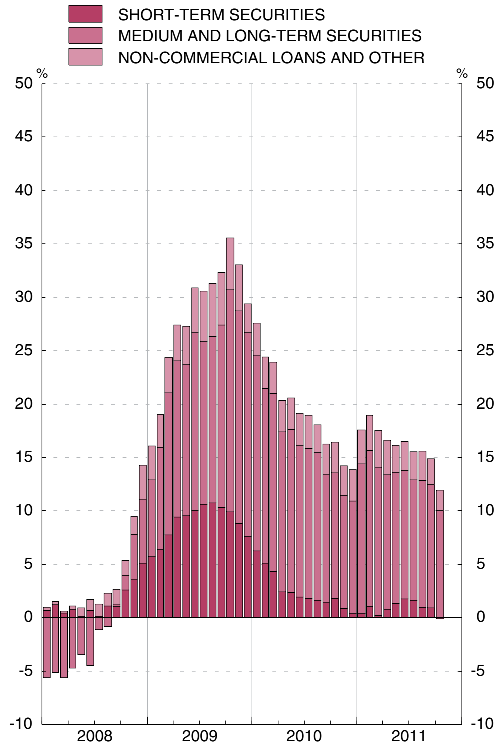
■ Series depicted in chart. *EUR millions and %*

		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	Contribution to 12-month % change	Total	Monthly change	12 month % change	Contribution to 12-month % change	Total	Monthly change	12 month % chage	Contribution to 12-month % change
		1=4+8+12	2=5+9+13	3 ■	4	5	6 ■	7 ■	8	9	10 ■	11 ■	12	13	14 ■	15 ■
07		381 401	-8 824	-2.3	33 397	823	2.5	0.2	279 872	-9 001	-3.1	-2.3	68 132	-645	-0.9	-0.2
08		435 822	54 421	14.3	52 876	19 479	58.3	5.1	302 656	22 784	8.1	6.0	80 291	12 158	17.8	3.2
09		563 878	128 055	29.4	86 003	33 127	62.7	7.6	385 825	83 170	27.5	19.1	92 050	11 759	14.6	2.7
10	P	641 883	78 005	13.8	88 124	2 121	2.5	0.4	445 252	59 427	15.4	10.5	108 507	16 457	17.9	2.9
10 *May*	P	590 135	8 850	20.5	81 750	397	16.2	2.3	409 521	6 427	22.4	15.3	98 864	2 026	16.8	2.9
Jun	P	603 243	13 108	19.1	81 616	-135	13.7	1.9	418 255	8 734	20.8	14.2	103 373	4 509	17.1	3.0
Jul	P	603 564	321	18.9	83 409	1 793	12.5	1.8	415 351	-2 904	20.7	14.0	104 804	1 431	17.5	3.1
Aug	P	603 441	-123	18.0	84 768	1 359	10.8	1.6	415 599	248	20.5	13.8	103 074	-1 730	14.7	2.6
Sep	P	614 779	11 338	16.2	86 110	1 342	9.7	1.4	422 533	6 934	17.6	12.0	106 137	3 063	16.3	2.8
Oct	P	629 739	14 960	16.4	90 961	4 852	11.8	1.8	431 521	8 988	17.3	11.8	107 256	1 120	17.1	2.9
Nov	P	635 882	6 144	14.2	90 112	-849	5.4	0.8	439 313	7 792	15.6	10.6	106 457	-799	16.8	2.7
Dec	P	641 883	6 000	13.8	88 124	-1 988	2.5	0.4	445 252	5 939	15.4	10.5	108 507	2 050	17.9	2.9
11 *Jan*	P	654 987	13 104	17.6	87 890	-234	2.5	0.4	455 992	10 740	20.7	14.0	111 105	2 598	19.1	3.2
Feb	P	671 241	16 255	18.9	89 203	1 312	6.8	1.0	468 380	12 388	21.4	14.6	113 659	2 555	19.6	3.3
Mar	P	682 930	11 688	17.5	85 654	-3 549	1.2	0.2	481 216	12 836	20.3	13.9	116 060	2 401	20.4	3.4
Apr	P	677 700	-5 230	16.6	85 864	210	5.5	0.8	476 416	-4 800	18.2	12.6	115 420	-640	19.2	3.2
May	P	685 416	7 717	16.1	89 427	3 564	9.4	1.3	482 293	5 877	17.8	12.3	113 696	-1 724	15.0	2.5
Jun	P	702 833	17 416	16.5	92 275	2 847	13.1	1.8	490 935	8 642	17.4	12.0	119 623	5 927	15.7	2.7
Jul	A	697 360	-5 473	15.5	93 311	1 037	11.9	1.6	483 170	-7 765	16.3	11.2	120 879	1 255	15.3	2.7
Aug	A	697 386	26	15.6	90 566	-2 745	6.8	1.0	487 189	4 019	17.2	11.9	119 631	-1 247	16.1	2.7
Sep	A	706 340	8 954	14.9	91 672	1 106	6.5	0.9	493 559	6 370	16.8	11.6	121 108	1 477	14.1	2.4
Oct	A	704 324	-2 016	11.8	90 429	-1 244	-0.6	-0.1	494 564	1 005	14.6	10.0	119 330	-1 778	11.3	1.9

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

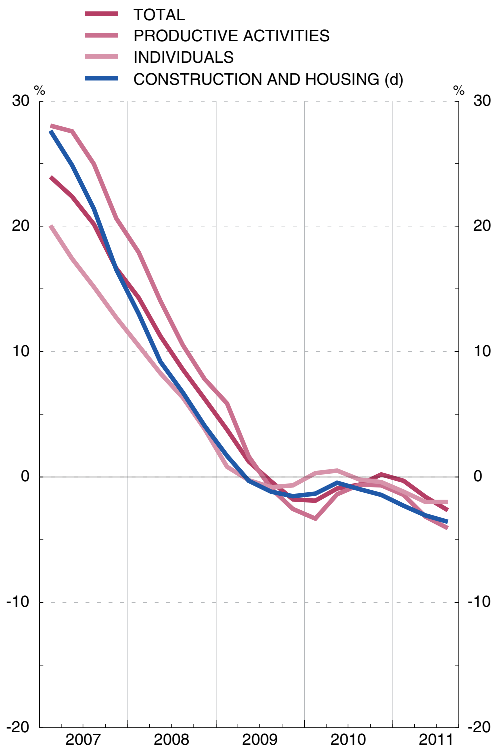
8.9 LENDING BY CREDIT INSTITUTIONS TO OTHER RESIDENT SECTORS. BREAKDOWN BY END-USE.

■ Series depicted in chart.

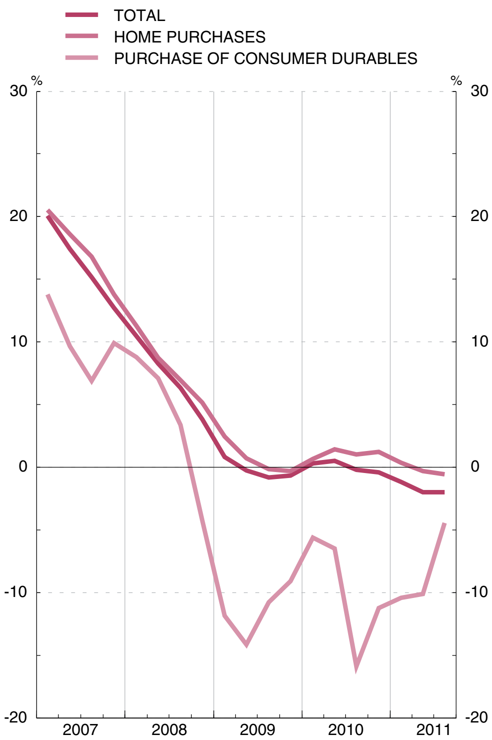
EUR millions and percentages

	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 *Q2*	1 652 352	869 174	24 294	132 145	144 552	568 184	282 081	754 726	593 655	567 062	53 898	107 174	5 955	22 497	1 020 287
Q3	1 706 126	910 001	25 085	140 332	150 341	594 243	292 599	768 197	609 791	582 505	54 035	104 371	6 106	21 822	1 052 731
Q4	1 760 213	943 086	25 245	141 571	153 453	622 818	303 514	789 250	623 540	595 929	56 576	109 133	6 089	21 788	1 080 507
08 *Q1*	1 793 356	962 331	25 003	143 816	154 237	639 275	311 272	802 258	635 010	606 807	57 357	109 891	5 804	22 962	1 100 519
Q2	1 838 174	991 307	25 727	148 218	155 600	661 762	313 176	817 074	645 286	616 487	57 726	114 062	5 952	23 840	1 114 062
Q3	1 852 563	1 005 670	26 593	155 481	156 363	667 233	315 444	816 755	651 958	623 101	55 859	108 938	6 063	24 075	1 123 765
Q4	1 869 882	1 016 948	26 244	156 141	151 848	682 716	318 032	819 412	655 145	626 620	54 176	110 092	6 091	27 431	1 125 024
09 *Q1*	1 861 734	1 018 902	24 472	158 905	143 515	692 011	324 222	808 715	651 495	621 811	50 560	106 660	5 125	28 991	1 119 231
Q2	1 861 005	1 007 492	23 732	158 800	134 690	690 271	324 664	815 068	651 564	620 920	49 583	113 922	5 382	33 063	1 110 917
Q3	1 846 010	996 650	23 576	153 070	134 045	685 959	324 439	810 149	652 434	622 122	49 840	107 875	5 457	33 754	1 110 918
Q4	1 837 038	991 363	23 123	152 199	130 438	685 602	322 984	813 939	654 566	624 755	49 273	110 101	5 523	26 213	1 107 988
10 *Q1*	1 827 087	985 197	22 791	149 368	126 464	686 574	322 820	811 242	655 474	625 856	47 716	108 053	5 372	25 276	1 104 758
Q2	1 847 066	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	794 562	655 734	625 109	38 478	100 350	6 557	36 631	1 061 499

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

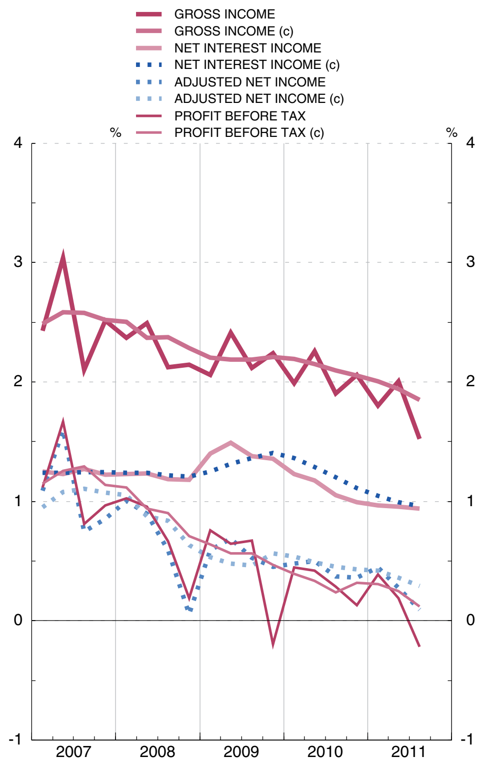
8.10. PROFIT AND LOSS ACCOUNT OF DEPOSIT-TAKING INSTITUTIONS RESIDENT IN SPAIN

■ 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
08 *Q4*	4.8	3.6	1.2	1.0	2.1	1.0	0.6	1.1	0.1	0.3	0.2	12.5	5.1	4.2	1.0
09 *Q1*	4.1	2.7	1.4	0.7	2.1	0.9	0.6	0.5	0.6	0.3	0.8	11.4	5.0	3.9	1.1
Q2	3.5	2.1	1.5	0.9	2.4	0.9	0.6	0.8	0.7	0.2	0.6	10.0	4.7	3.5	1.2
Q3	3.0	1.6	1.4	0.7	2.1	0.9	0.6	0.6	0.5	0.3	0.7	9.9	4.2	2.9	1.3
Q4	2.8	1.4	1.4	0.9	2.2	1.0	0.6	0.8	0.5	0.8	-0.2	8.0	3.6	2.3	1.3
10 *Q1*	2.5	1.3	1.2	0.8	2.0	0.9	0.6	0.6	0.5	0.1	0.4	6.6	3.2	1.9	1.3
Q2	2.5	1.3	1.2	1.1	2.3	0.9	0.6	0.8	0.5	0.2	0.4	5.7	2.9	1.6	1.3
Q3	2.5	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	-0.2	1.9	2.8	2.0	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.

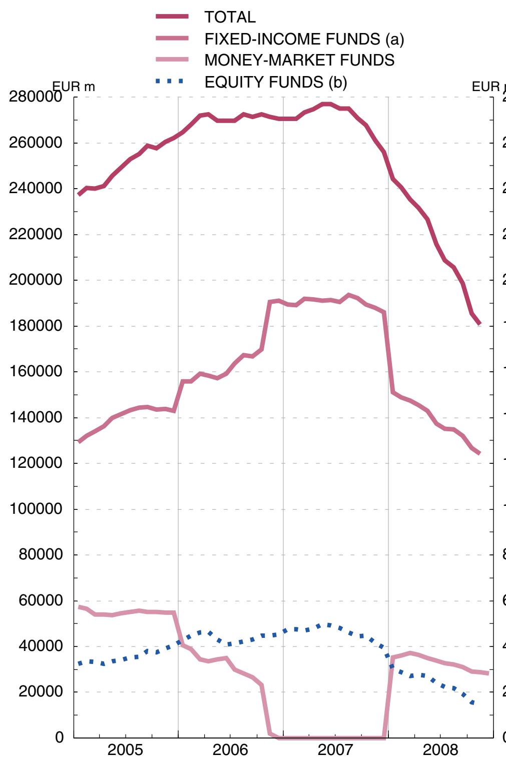
8.11. MUTUAL FUNDS RESIDENT IN SPAIN

■ Series depicted in chart.

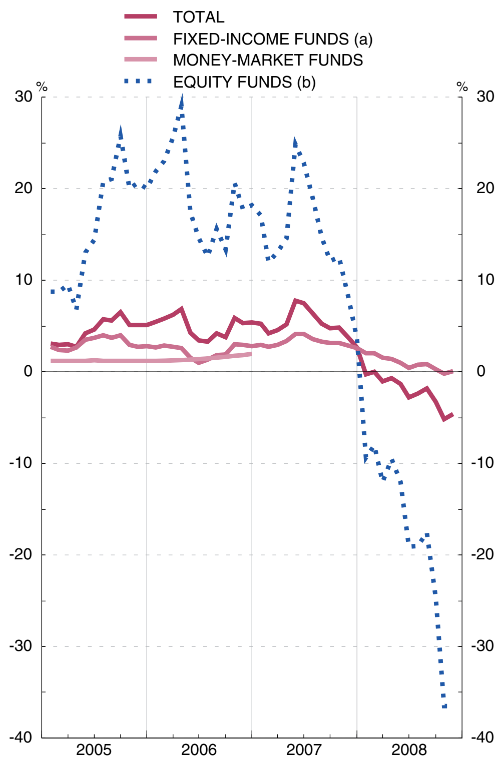
EUR millions

	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 inves-ted	Return over last 12 months	Net asset value	Of which: Monthly change	Of which: Net funds inves-ted	Return over last 12 months	Net asset value	Of which: Monthly change	Of which: Net funds inves-ted	Return over last 12 months	Net asset value	Of which: Monthly change	Of which: Net funds inves-ted	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.

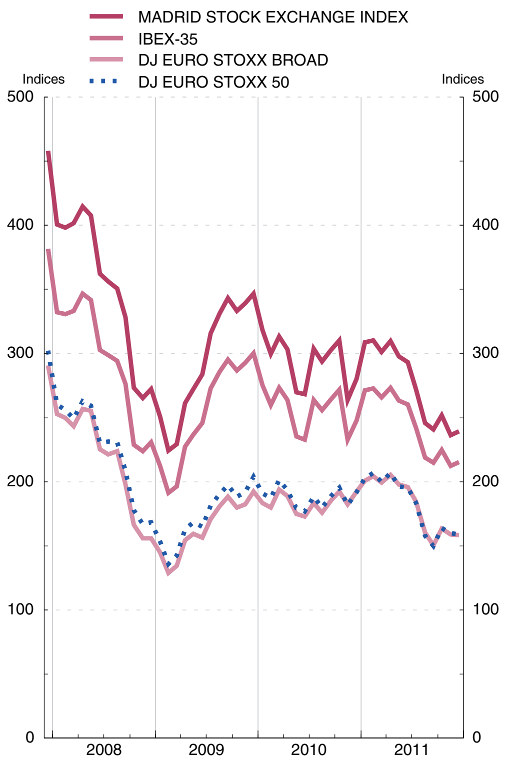
8.12. SHARE PRICE INDICES AND TURNOVER ON SECURITIES MARKETS. SPAIN AND EURO AREA

■ Series depicted in chart.

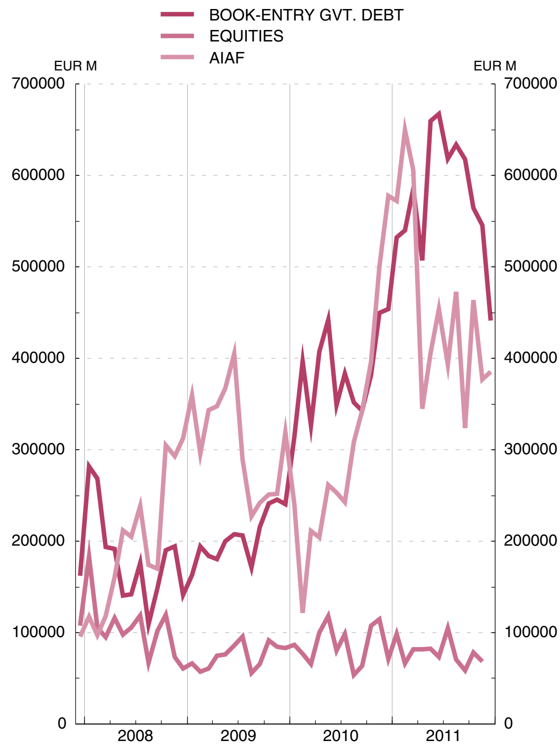
Indices, EUR millions and thousands of contracts

	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
09	1 055.69	10 107.91	235.02	2 529.03	898 195	75 103	2 448 490	3 699 008	-	33 946	-	5 752
10	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 P	986.15	9 727.31	258.92	2 646.26	866 840	66 326	6 910 442	5 448 503	-	29 630	-	5 591
10 *Sep*	1 085.03	10 514.50	264.43	2 747.90	63 353	5 259	342 963	342 945	...	3 296	...	450
Oct	1 111.28	10 812.90	274.34	2 844.99	107 818	4 759	381 546	396 506	...	2 359	...	454
Nov	944.91	9 267.20	260.19	2 650.99	114 931	10 151	449 857	500 240	...	4 053	...	570
Dec	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 P	857.65	8 566.30	225.78	2 316.55	...	...	441 160	385 388	...	4 211	...	283

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)

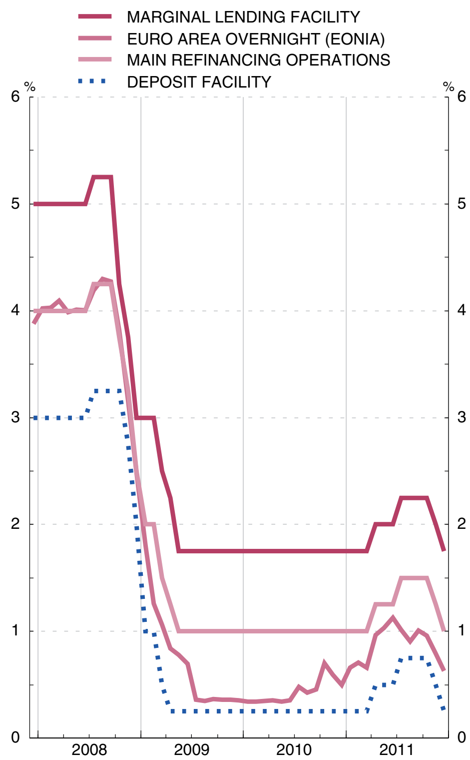
9.1. INTEREST RATES. EUROSYSTEM AND MONEY MARKET. EURO AREA AND SPAIN

■ Series depicted in chart.

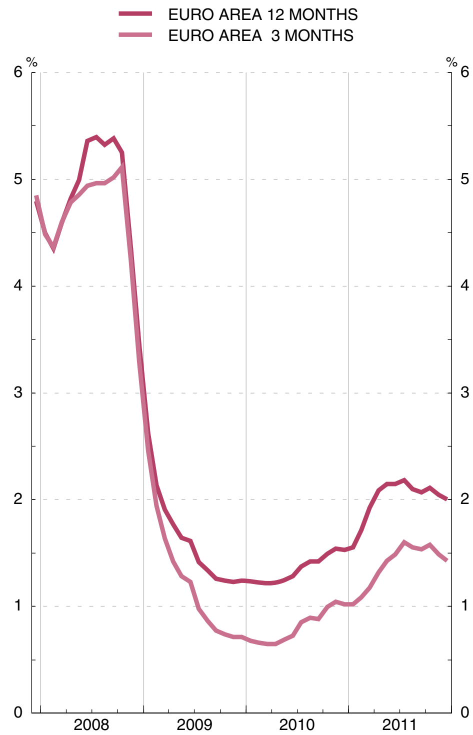
Averages of daily data. Percentages per annum

	Eurosystem monetary policy operations: Main refinancing operations: weekly tenders 1 ■	Longer term refinancing operations: monthly tenders 2	Standing facilities: Marginal lending 3 ■	Standing facilities: Deposit 4 ■	Money market: Euro area: deposits (Euribor) (a): Overnight (EONIA) 5 ■	Euribor: 1-month 6	Euribor: 3-month 7 ■	Euribor: 6-month 8	Euribor: 1-year 9 ■	Spain: Non-transferable deposits: Overnight 10	Non-transferable deposits: 1-month 11	Non-transferable deposits: 3-month 12	Non-transferable deposits: 6-month 13	Non-transferable deposits: 1-year 14	Government-securities repos: Overnight 15	Repos: 1-month 16	Repos: 3-month 17	Repos: 1-year 18
09	1.00	1.00	1.75	0.25	0.714	0.89	1.22	1.43	1.62	0.67	0.94	1.23	1.41	1.62	0.61	0.63	0.67	0.84
10	1.00	1.00	1.75	0.25	0.437	0.57	0.81	1.08	1.35	0.46	0.71	0.87	1.04	1.36	0.39	0.57	0.74	0.98
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
10 *Sep*	1.00	1.00	1.75	0.25	0.454	0.62	0.88	1.14	1.42	0.44	0.87	0.93	1.14	1.41	0.37	0.55	0.82	-
Oct	1.00	1.00	1.75	0.25	0.701	0.78	1.00	1.22	1.50	0.69	1.01	0.95	1.20	1.48	0.64	0.78	1.11	-
Nov	1.00	1.00	1.75	0.25	0.593	0.83	1.04	1.27	1.54	0.60	1.08	1.03	-	1.54	0.56	0.79	0.90	-
Dec	1.00	1.00	1.75	0.25	0.498	0.81	1.02	1.25	1.53	0.67	1.04	1.08	1.25	1.52	0.57	1.00	1.31	-
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	-

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).

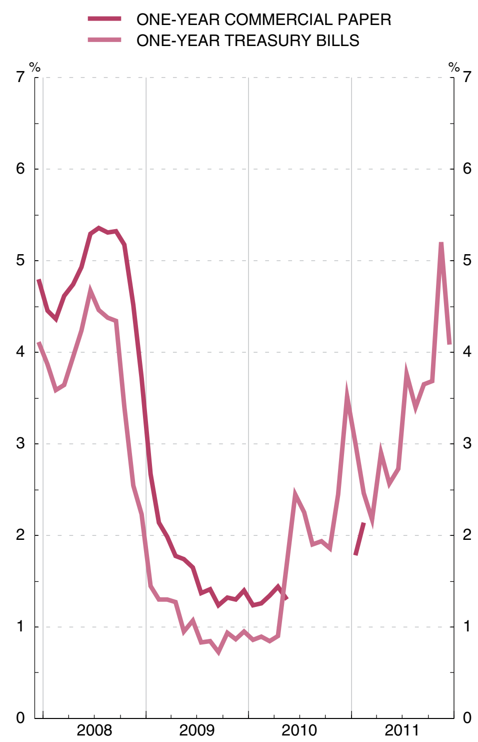
a. To December 1998, synthetic euro area rates have been calculated on the basis of national rates weighted by GDP

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

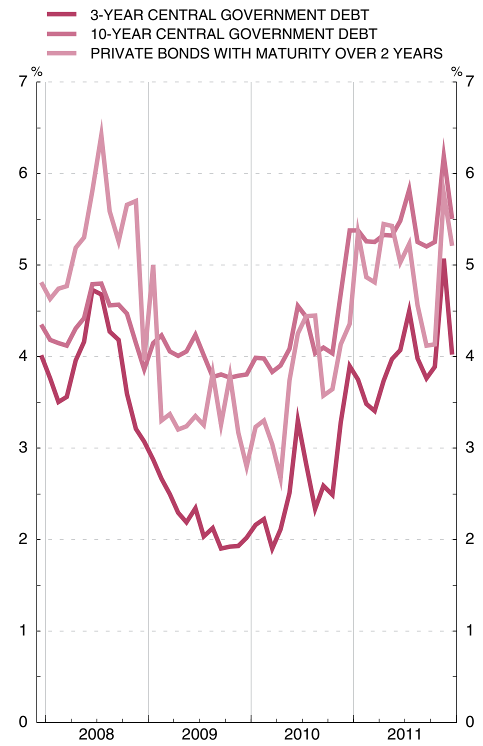
■ Series depicted in chart. *Percentages per annum*

	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 ■
09	1.04	0.99	1.67	1.67	2.30	2.98	3.99	4.45	4.86	2.23	3.97	3.46
10	1.80	1.70	1.32	1.62	2.79	3.20	4.46	5.04	5.11	2.64	4.25	3.74
11	3.31	3.04	1.95	3.11	4.12	4.47	5.59	5.99	5.96	3.97	5.44	5.00
10 *Sep*	1.94	1.79	-	2.05	-	3.00	4.17	-	5.08	2.59	4.09	3.57
Oct	1.86	1.83	-	2.32	2.55	-	-	4.55	4.79	2.49	4.04	3.64
Nov	2.45	2.30	-	1.93	-	3.60	4.63	-	5.50	3.28	4.69	4.13
Dec	3.52	3.26	-	2.11	3.80	-	5.49	5.99	-	3.90	5.37	4.36
11 *Jan*	3.01	2.77	1.78	2.99	-	4.59	-	-	-	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	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	4.05	5.57	-	-	4.02	5.50	5.21

PRIMARY MARKET



SECONDARY MARKET



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

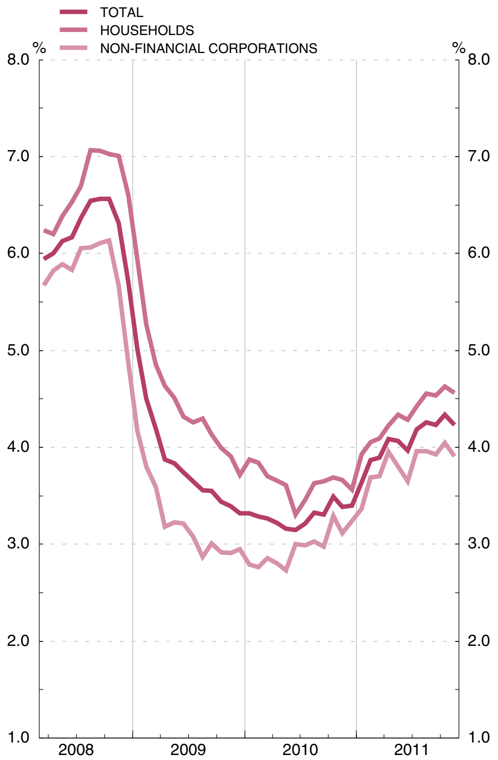
9.3. INTEREST RATES ON NEW BUSINESS. CREDIT INSTITUTIONS. (CBE 4/2002) SDDS (a)

■ Series depicted in chart.

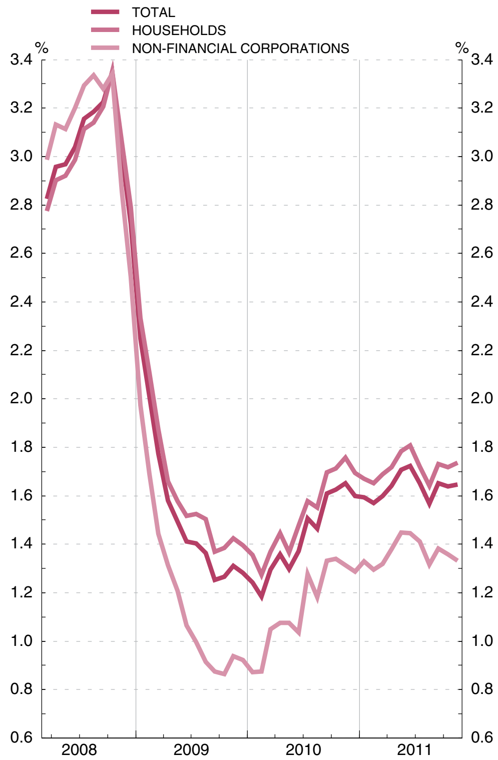
Percentages

		Loans (APRC) (b)							Deposits (NDER) (b)								
		Synthetic rate (d)	Households and NPISH			Non-financial corporations			Synthetic rate (d)	Households and NPISH				Non-financial corporations			
			Synthetic rate	House purchase	Consumption and other	Synthetic rate	Up to EUR 1 million	Over EUR 1 million (c)		Synthetic rate	Overnight and redeemable at notice	Time	Repos	Synthetic rate	Overnight	Time	Repos
		1 ■	2 ■	3	4	5 ■	6	7	8 ■	9 ■	10	11	12	13 ■	14	15	16
09		3.32	3.71	2.62	6.96	2.95	4.24	2.47	1.28	1.39	0.36	2.21	0.33	0.92	0.55	1.44	0.41
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	A	4.23	4.56	3.72	7.22	3.91	5.27	3.15	1.65	1.74	0.29	2.77	1.16	1.33	0.63	2.13	1.19
10 *Apr*		3.22	3.66	2.55	7.00	2.80	4.22	2.11	1.36	1.45	0.29	2.34	0.32	1.08	0.59	1.70	0.34
May		3.16	3.61	2.50	6.98	2.73	4.33	2.07	1.30	1.37	0.27	2.21	0.39	1.08	0.57	1.74	0.40
Jun		3.15	3.31	2.39	5.99	3.00	4.08	2.51	1.37	1.48	0.28	2.43	0.57	1.04	0.53	1.71	0.48
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	5.16	3.37	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	5.17	3.28	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	5.32	3.31	1.64	1.72	0.30	2.72	1.22	1.36	0.66	2.10	1.20
Nov	P	4.23	4.56	3.72	7.22	3.91	5.27	3.15	1.65	1.74	0.29	2.77	1.16	1.33	0.63	2.13	1.19

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).

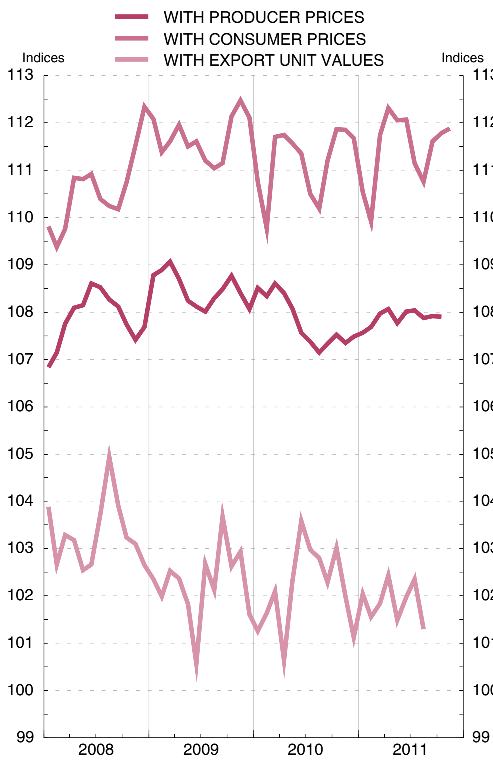
9.4 INDICES OF SPANISH COMPETITIVENESS VIS-à-VIS THE EU-27 AND THE EURO AREA

■ Series depicted in chart.

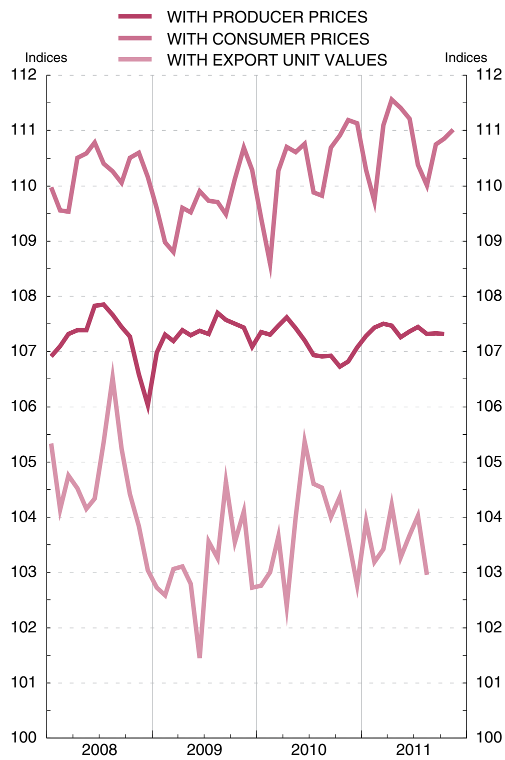
Base 1999 QI = 100

	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	Based on manufacturing unit labour costs (d)	Based on export unit values
	Based on producer prices	Based on consumer prices	Based on total unit labour costs	Based on export unit values		Based on producer prices	Based on consumer prices	Based on total unit labour costs	Based on export unit values					
	1 ■	2 ■	3	4 ■	5	6	7	8	9	10 ■	11 ■	12	13	14 ■
08	107.9	110.6	114.3	103.3	101.1	106.7	109.4	113.1	102.2	107.2	110.2	115.0	121.4	104.6
09	108.5	111.7	113.4	102.3	103.0	105.4	108.5	110.1	99.3	107.3	109.7	111.9	111.2	103.1
10	107.8	111.2	110.0	102.1	102.2	105.5	108.8	107.7	100.0	107.1	110.3	109.4	112.3	103.8
09 *Q4*	108.4	112.2	113.2	102.4	102.9	105.3	109.0	110.0	99.5	107.3	110.4	111.9	111.9	103.5
10 *Q1*	108.5	110.8	110.9	101.7	102.6	105.8	108.0	108.1	99.1	107.4	109.5	110.0	109.2	103.1
Q2	108.0	111.6	110.6	102.2	102.2	105.7	109.2	108.3	100.0	107.4	110.7	110.0	111.7	103.9
Q3	107.3	110.6	109.7	102.7	101.9	105.3	108.6	107.7	100.8	106.9	110.1	109.4	113.7	104.4
Q4	107.5	111.8	109.0	102.0	102.1	105.2	109.5	106.7	99.9	106.9	111.1	108.4	114.6	103.6
11 *Q1*	107.7	110.8	108.1	101.8	101.9	105.7	108.7	106.0	99.9	107.4	110.4	107.7	109.3	103.5
Q2	107.9	112.1	107.7	102.0	102.2	105.6	109.7	105.3	99.7	107.4	111.4	106.9	111.6	103.7
Q3	107.9	111.2	106.1	...	102.3	105.5	108.6	103.7	...	107.4	110.4	105.3	110.7	...
11 *Mar*	108.0	111.7	108.1	101.8	102.1	105.8	109.5	106.0	99.8	107.5	111.1	107.7	109.3	103.4
Apr	108.1	112.3	...	102.4	102.2	105.7	109.9	...	100.2	107.5	111.6	...	...	104.2
May	107.8	112.1	...	101.5	102.2	105.5	109.7	...	99.3	107.3	111.4	...	...	103.3
Jun	108.0	112.1	107.7	102.0	102.3	105.5	109.5	105.3	99.7	107.4	111.2	106.9	111.6	103.7
Jul	108.0	111.1	...	102.4	102.3	105.6	108.6	...	100.0	107.4	110.4	...	...	104.0
Aug	107.9	110.8	...	101.3	102.3	105.5	108.3	...	99.0	107.3	110.0	...	...	103.0
Sep	107.9	111.6	106.1	...	102.4	105.4	109.0	103.7	...	107.3	110.8	105.3	110.7	...
Oct	107.9	111.8	...	...	102.4	105.3	109.1	...	...	107.3	110.9	...	...	...
Nov	...	111.9	...	...	102.4	...	109.3	...	...	...	111.0	...	...	...
Dec	...	...	...	...	102.2	...	...	...	...	...	...	...	...	...

INDICES OF SPANISH COMPETITIVENESS VIS À VIS THE EU-27



INDICES OF SPANISH COMPETITIVENESS VIS À VIS THE EURO AREA



Source: BE.

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

b. Geometric mean calculated using a double weighting system based on (1995-1997), (1998-2000), (2001-2003), and (2004-2006) manufacturing foreign trade figures.

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

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

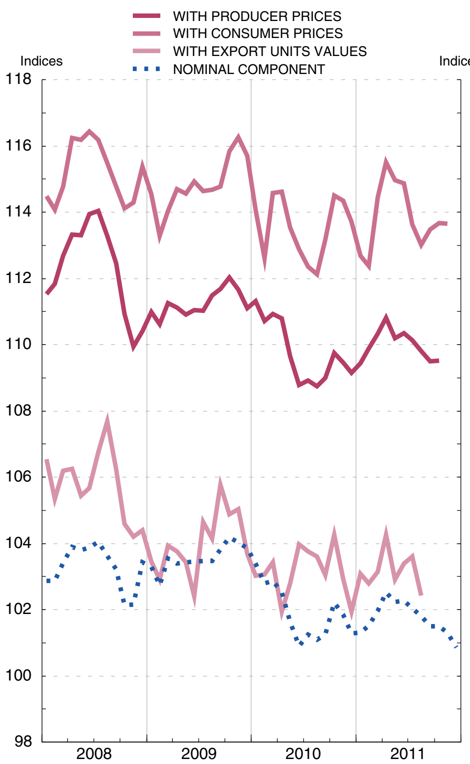
9.5 INDICES OF SPANISH COMPETITIVENESS VIS-à-VIS THE DEVELOPED COUNTRIES AND INDUSTRIALISED COUNTRIES

■ Series depicted in chart.

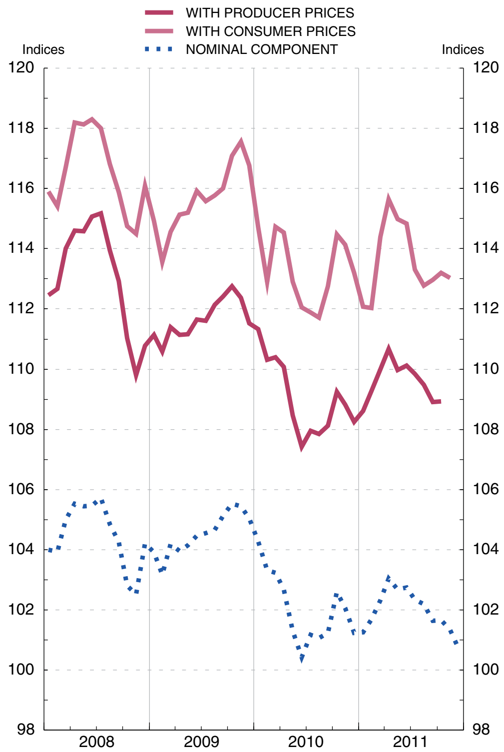
Base 1999 QI = 100

	Vis-à-vis developed countries									Vis-à-vis industrialised countries				
	Total (a)				Nominal component (b)	Prices component (c)				Total (a)		Nominal component (b)	Prices component(c)	
	Based on producer prices	Based on consumer prices	Based on manufacturing unit labour costs (d)	Based on export unit values		Based on producer prices	Based on consumer prices	Based on manufacturing unit labour costs (d)	Based on export unit values	Based on producer prices	Based on consumer prices		Based on producer prices	Based on consumer prices
	1 ■	2 ■	3	4 ■	5 ■	6	7	8	9	10 ■	11 ■	12 ■	13	14
08	112.3	115.2	128.6	105.8	103.3	108.7	111.6	124.5	102.4	113.1	116.6	104.5	108.2	111.6
09	111.3	114.8	118.9	104.0	103.6	107.4	110.9	114.8	100.4	111.7	115.7	104.5	106.8	110.7
10	109.8	113.5	117.4	103.1	101.9	107.7	111.4	115.2	101.2	109.0	113.3	102.0	106.8	111.1
09 *Q4*	111.6	115.9	119.7	104.5	104.0	107.3	111.5	115.1	100.5	112.2	117.1	105.3	106.5	111.2
10 *Q1*	111.0	113.8	115.6	103.2	103.0	107.7	110.5	112.2	100.1	110.7	114.2	103.6	106.8	110.2
Q2	109.7	113.7	116.6	102.9	101.7	107.9	111.8	114.7	101.2	108.6	113.2	101.5	107.1	111.5
Q3	108.9	112.5	118.0	103.5	101.2	107.6	111.2	116.6	102.2	108.0	112.1	101.1	106.7	110.8
Q4	109.5	114.2	119.3	103.0	101.8	107.5	112.2	117.2	101.2	108.8	113.9	102.0	106.7	111.7
11 *Q1*	109.9	113.2	113.3	103.0	101.6	108.2	111.4	111.5	101.4	109.3	112.9	101.8	107.4	110.9
Q2	110.5	115.1	116.4	103.5	102.3	107.9	112.5	113.7	101.1	110.2	115.1	102.8	107.2	112.0
Q3	109.8	113.4	114.7	...	101.8	107.9	111.4	112.7	...	109.4	113.0	102.1	107.2	110.7
11 *Mar*	110.3	114.4	113.3	103.1	102.0	108.2	112.2	111.5	101.2	110.0	114.4	102.3	107.5	111.8
Apr	110.8	115.5	...	104.3	102.5	108.1	112.7	...	101.7	110.7	115.6	103.0	107.4	112.2
May	110.2	115.0	...	102.9	102.2	107.8	112.5	...	100.7	110.0	115.0	102.7	107.1	112.0
Jun	110.3	114.9	116.4	103.4	102.3	107.9	112.3	113.7	101.1	110.1	114.8	102.7	107.2	111.8
Jul	110.1	113.6	...	103.6	102.0	107.9	111.4	...	101.5	109.8	113.3	102.3	107.3	110.7
Aug	109.8	113.0	...	102.4	101.8	107.9	111.0	...	100.6	109.5	112.8	102.2	107.1	110.4
Sep	109.5	113.5	114.7	...	101.5	107.9	111.8	112.7	...	108.9	113.0	101.6	107.2	111.2
Oct	109.5	113.7	...	...	101.5	107.9	112.0	...	...	108.9	113.2	101.7	107.1	111.3
Nov	...	113.7	...	...	101.3	...	112.2	...	...	...	113.0	101.3	...	111.5
Dec	...	...	...	...	100.9	...	...	...	...	...	...	100.7	...	...

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



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



Source: BE.

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

b. Geometric mean calculated using a double weighting system based on (1995-1997), (1998-2000), (2001-2003), and (2004-2006) manufacturing foreign trade figures.

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

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

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ISSN: 1579 - 8623 (online edition)

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.