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BANCO DE ESPAÑA
Eurosistema

CONTENTS

TESTIMONY BY THE GOVERNOR OF THE BANCO DE ESPAÑA, LUIS M. LINDE, BEFORE THE PARLIAMENTARY COMMITTEE ON ECONOMIC AFFAIRS AND COMPETITIVENESS

Ladies and Gentlemen,

Every year the Governor of the Banco de España appears before this Committee to give an assessment of the economic situation, as part of the presentation of the Bank's *Annual Report*.

The backdrop to today's appearance is one of great difficulty and, therefore, of great importance. The Spanish economy is undergoing difficult economic circumstances and the problems our public finances and banking system face are a focal point of interest for national and international investors, analysts and policymakers. I therefore believe that, changing the usual emphasis of the presentation of the *Report,* there are grounds to devote an extensive part of my address to the important and pressing problems of our financial system and to the measures for redressing them.

My presentation is therefore structured around four areas:

1 International economic developments.

2 The situation of and outlook for the Spanish economy.

3 Developments in our banking system following the outbreak of the international crisis in 2008.

4 The plans to clean up, reform and strengthen our banks' solvency and operational capacity.

International economic developments

I should first point out that the process of recovery in the world economy, begun in 2010, has come unstuck in 2012. We are currently experiencing a further bout of weakness in global activity that is affecting the most developed economies and the euro area, but also the major emerging economies.

THE EURO AREA

The sovereign debt crisis, initially confined to a limited group of economies, evolved over the course of last year to become, first, a systemic crisis for the euro area as a whole, and later, a cause for concern and a factor of risk for the global economy.

The roots of the current crisis must be sought in the build-up of imbalances in different countries' public finances. The crisis has highlighted the fact that the institutional arrangements underpinning the euro and the common monetary policy have cracks and inconsistencies that must be repaired, and the political difficulties regarding how to set about such repair have contributed to exacerbating them.

Admittedly, there has been progress in the field of domestic economic policies and in the management of the area as a whole. In the countries affected by the most serious tensions (Greece, Portugal and Ireland), ambitious fiscal consolidation and reform programmes have been set in train. Reforms include both those undertaken in the markets for goods and factors and those addressing banking systems. The common monitoring and early-warning mechanisms and those, where necessary, for the correction of macroeconomic

– primarily fiscal – imbalances have been strengthened and extended, and a European mechanism for crisis management and the provision of financial support to Member States in difficulty has been designed: first, and temporarily, the European Financial Stability Facility and later, and permanently, the European Stability Mechanism.

In recent months, several principles have been laid down to improve economic cohesion among the European Union countries, structured around four major courses of action: an integrated financial framework at the European level; greater fiscal integration; greater co-responsibility in the design of economic policies; and advances in transparency and accountability geared to strengthening the legitimacy of the entire process.

But, irrespective of these medium- and long-term measures, it must be said that a major part of the task of stabilising the euro area has fallen on the European Central Bank, both with conventional monetary policy measures, and with non-conventional measures involving the purchase of member countries' sovereign debt. There is a debate on the role of the ECB, as to whether it has been sufficiently resolute or expansionary; but it should in any case be acknowledged that its provision of long-term liquidity and its debt purchases have been positive measures.

According to the International Monetary Fund, the growth outlook for 2012 is negative for the euro area countries as a whole (-0.3%), and points to very scant growth for 2013 (around 0.7%).

OTHER DEVELOPED ECONOMIES AND EMERGING COUNTRIES

The euro area sovereign debt crisis has adversely affected the other advanced economies, thus compounding the contractionary impulses (such as the tsunami in Japan and its implications for the nuclear industry, and the political tensions in the Arab countries) and the short-term effects of the adjustments under way to reduce private-sector debt levels, to redress financial systems and to scale back oversized real estate sectors. The United States grew by 1.7% in 2011, compared with 3% in 2010; the United Kingdom posted growth of under 1% in 2011 and Japan fell back by 0.7%.

The emerging economies, however, were more resilient to this contractionary current and grew by 6.4% over the year as a whole. The uptrend in commodities prices, capital inflows and the continuing dynamism of the Chinese economy helped explain these developments. That said, the global context of growing uncertainty, the slowdown in world trade, induced by the diminished dynamism of the developed economies, and the contractionary monetary policies implemented in these countries to combat the risks of overheating all exerted an effect which was felt, above all, in the second half of the year.

The crisis of the Spanish economy

I shall now turn to the Spanish economy.

The Spanish crisis has a home-grown component, whose origins lie in the expansionary phase that followed the 1992-1993 crisis and which ran until the outbreak of the current crisis in the summer of 2008. During this expansion, severe macroeconomic and financial imbalances built up, essentially a marked deterioration in competitiveness and excessive debt.

Heavy corporate and household debt (routed through Spanish credit institutions which, in turn, had to resort to external borrowing to obtain the funds needed) left the Spanish economy potentially exposed to the global financial instability and to the instability of the euro area.

The extraordinary expansion of the construction and real estate sector played a decisive role in this process of over-indebtedness, since a most sizeable volume of financing was required. The pattern of expansion in this sector prompted other misalignments, such as the episode of acute overvaluation of real estate assets and an oversized construction sector. The outcome of these developments was the most severe real estate crisis the economy has witnessed in recent decades, which triggered the recession in Spain.

The impact of the real estate adjustment on employment and activity was particularly marked in the initial stages of the crisis owing to the intensive use of labour in construction and to the knock-on effects on other productive sectors, a feature common to other developed economies with a similar set of problems.

Our public finances benefited during this stage from exceptional revenue growth (I refer to the years from 2003 to 2007), which detracted from the effort to contain domestic demand. This all took place, moreover, in very accommodative financial conditions, i.e. with very low or, indeed, negative real interest rates at times, owing to the policy then pursued both by the US Federal Reserve and by the European Central Bank. This growth in public revenue would ultimately prove unsustainable, meaning that the recession resulted in a serious fiscal crisis, precisely when events in Europe would lead analysts and the markets to focus on the sustainability of public finances.

The *Report* stresses that this situation requires an economic policy that redresses the financial position of all sectors – households, firms, general government and financial institutions – and corrects the malfunctioning of certain institutions which hamper adjustments and affect competitiveness.

The three pillars that should underpin this economic policy strategy are an ambitious process of fiscal consolidation and public saving; the pushing through of reforms to enhance efficiency and competition in the sectors least exposed thereto; and, of course, the restructuring and reform of our banking system and its regulations.

Among these reforms, mention should first be made of that of the labour market. For many years, practically all international economic agencies and analysts across the ideological spectrum have repeatedly signalled the problems of our labour market, its adverse effects on job creation and what the broad thrust of reform should be. Understandably, there are discrepancies on aspects of the reform; but there is no doubt that our old labour market model was very inefficient and required reform.

The *Annual Report* of the Banco de España explains how the heightening of the sovereign debt crisis and its interaction with the financial system situation plunged the Spanish economy into a double recession, both in 2009 and 2012. At issue is an extraordinary event, for which there are no precedents in our economic history, and which renders notably more complex the correction of the imbalances in our public finances owing to their dual impact, hindering any increase in revenue and favouring an increase in expenditure.

The forecast of the Banco de España is for a decline in GDP of 1.5% in 2012 as a whole. But, on the positive side, it should be pointed out that our economy is undergoing an adjustment of already appreciable intensity. We will conclude 2012 with a current account almost in balance, with fairly favourable prices (our inflation rate remains below the euro area average) and with developments in wages that will make the course of unit labour costs compatible with an improvement in our competitiveness. Evidently, some of the adjustment in the current account balance is attributable to low economic activity, but only part of it. There is also an improvement in competitiveness.

The situation of our banking system

Now to our banking system, and the developments in recent years and its current situation.

Our banking system is undergoing difficulties whose origins must be sought in the long period of expansion that began in the mid-1990s and ran until early 2008. This was a period in which credit to the resident private sector increased at an annual average of 15%, a rate which quickened in the final stretch of this period, rising to average figures of 23% between 2004 and 2007. The gross debt of households and non-financial corporations rose from 107% of GDP in 2000 to 201% in late 2011, when this same ratio stood at around 165% both in the euro area as a whole and in the United States (although in the United Kingdom it was at 207%).

This accumulation of debt by the private sector led to an increase in the Spanish net debit position vis-à-vis the rest of the world, which stood in 2011 at 92% of GDP. This figure is close to that exhibited by Greece (before the haircut), Portugal and Ireland (all of them around 100%). Countries such as France, Italy, the United Kingdom and the United States showed net debit positions against the rest of the world of between 10% and 20% of GDP. At the other extreme, Germany and the Netherlands have net asset positions in relation to the rest of the world of around 35% of their GDP.

Turning to the asset side of bank balance sheets, the growth in credit was not balanced across the various sectors of the economy, but was concentrated mainly in the real estate sector. As a result, exposure relating to real estate purchases, development and construction came to account in 2007 for 62% of financing to the resident private sector.

This progression in lending portfolios could not be funded through natural growth in resident retail customers' deposits, which is the most stable base of financing; rather, increasing resort was made to wholesale and interbank markets, which provided at that time abundant liquid resources at reasonable prices, but which, on the other hand, exposed banks to very high risks of liquidity and rollover costs, risks that many Spanish banks were not accustomed to managing.

As a result, the scale of real estate risk and of the dependence on – largely foreign – wholesale funding markets turned into two sources of vulnerability which became patent with the crisis as from 2008.

MEASURES ADOPTED IN THE 2008-2011 PERIOD

The international financial crisis began in mid-2007 in the United States, from where it spread to the economies and financial systems of the developed countries as a whole.

In Spain, the first measures were adopted in October 2008. The Fund for the Acquisition of Financial Assets was set up and a public guarantee mechanism was approved to facilitate new issues of bank paper, with the aim of tackling the difficulties progressively emerging on the interbank market and which were affecting the wholesale funding of certain banks.

Next, also in 2008, the coverage of deposits guaranteed by banks, savings banks and cooperatives was raised to an amount of €100,000, as was then the case in certain other European countries.

In 2009 the FROB (Fund for the Orderly Restructuring of the Banking Sector) was set up to provide public aid to integration processes between credit institutions, defining a new resolution framework. This initiative allowed, or promoted, a series of mergers and integrations between savings banks, whose number declined from 45 to 17 institutions or groups at the end of 2010.

An important piece of legislation, Decree 11/2010, was enacted in 2010 to tackle the two main limitations facing Spanish savings banks: their inability, or the impossibility for them, to raise capital on the markets and their governance problems, opening the way for them to pursue their financial business indirectly, via banks, a formula which rapidly became widespread.

Also in 2010, measures were adopted in relation to accounting for provisions, tightening the treatment of foreclosed assets and of real estate collateral, and shortening the provisioning schedule for doubtful loans; a policy of greater transparency in the so-called "stress tests", conducted under the coordination of the European institutions, was pursued; and the Banco de España required banks to increase the information they provided on their real estate development and construction loans and on their retail mortgage portfolios.

In early 2011, further to Decree-Law 2/2011, capital requirements were increased for Spanish credit institutions, with a new minimum capital – so-called "core capital" – ratio being set at 8%, which was raised to 10% for banks highly dependent on wholesale markets. This same Decree-Law offered FROB backing to those banks that could not attain the new minimum obligatory levels by their own means, through new aid arrangements that opened the way for the FROB to take up capital stakes in banks.

In October 2011, the three deposit guarantee funds of banks, savings banks and cooperatives were unified, with the possibility for this new fund to participate in the financing of restructuring operations managed by the FROB.

MEASURES ADOPTED IN 2012

Although the problem dated back further, as earlier stated, the figures on our financial system clearly indicate that there was a most sizeable increase in our total gross and net debt from 2003 to 2007. That affected the economy as a whole and, in a country where the prevalence of banks is as great as it is in Spain, the debt was channelled essentially through the banking system.

Despite the measures adopted from 2008 to 2011, doubts over the viability of a segment of our bank and savings bank system were not dispelled, and indeed heightened in 2011 and early 2012. The worsening international economic picture and the slide by our economy towards a fresh recession naturally contributed to this situation, which was primarily centred on the accounting valuation and treatment of the mass of assets related to real estate risk.

Evidently, however, we cannot attribute all responsibility for the downturn in confidence in our banking system to the international economic situation, to the problems of the euro area (in particular, the situation in Greece and the negotiations on its bail-out which have had an unquestionable and strong impact, as the European Central Bank itself has acknowledged on several occasions) or to our recession.

I am going to move on now to an area which I am well aware is delicate and where I risk being misinterpreted. But it is an aspect I do not wish to sidestep or avoid. I wish to make some observations on events in our financial system from the standpoint of the supervision and responsibilities of the Banco de España.

In the real estate and financial bubble years that ended in 2008, there was a sort of euphoria, not only in Spain but in all the European Union countries and in the United States, which led to the risks that were accumulating to not be seen, or not wish to be seen. It was as if nobody wanted to forecast scenarios of recession, interest-rate rises or collapses in funding.

Merely by way of illustration I am going to highlight three issues on which, I insist, with the ready lucidity hindsight offers, and, of course, without seeking to teach anybody a lesson, we can conclude that actions were taken with little resolve or insufficiently and inappropriately.

Firstly, the "Institutional Protection System" mechanism, the so-called "cold mergers", a means of integration which sought to avoid or circumvent the political difficulties posed by regional governments, and other difficulties posed by the banks themselves, in the face of savings bank merger and integration processes that were deemed advisable. "Cold mergers" were accepted with the aim of promoting certain processes that could allow the sector to be rationalised and improve the efficiency of specific savings banks; clearly, however, their final effect was not very positive and contributed rather to delaying decisions and adjustments.

Another example lies in countercyclical provisioning, which the Banco de España was obliged to abandon, if not in full, at least in part. The Banco de España was, indisputably, a pioneer in the introduction of this measure which would be classified today as a macroprudential policy tool. At the time, the measure was criticised by the international financial community because it was not readily compatible, it was said, with accounting rules and because it ran counter to the separation of macro and regulatory policies then advocated. And it was also criticised, we should recall, by Spanish banks, since it was understood that it damaged or could damage their competitive position.

From today's standpoint, many would agree that the main shortcoming of that regulation was its timidity and its insufficiency to rein in excessive credit growth, and that we would all have come out winning had it been maintained and applied across the board, as the Banco de España had argued at the start of the new millennium, and had it been made even more demanding. In sum, the Banco de España was considered to be unorthodox at the time. But today we know that it should have been even more unorthodox in using its regulatory and supervisory powers to mitigate the vulnerability of our financial system.

Further, and this is the third point on which I should like to like to comment, I believe that practically nobody foresaw the double-dip recession. This event undoubtedly affected the quality of the stress tests conducted by the Bank in 2010 and 2011 under the exercise overseen by the European Banking Authority.

In short, and judging past events with the information we have at hand today, the Banco de España was admittedly unsuccessful in what we now call "macroprudential supervision". We failed to tackle, with the resolve we now understand would have been necessary, the considerable increase in our debt and, later, the heavy deterioration in bank balance sheets, the outcome of the bursting of the bubble and the recession. The fact we are not the only European supervisor that can be reproached on this is of no consolation to anybody.

That said, I would now like to move to the beginning of the current year, 2012. The two Decree-Laws passed in February and May have involved adopting a more radical approach to tackling actual or potential non-performing assets on banks' balance sheets, and to cleaning up and restructuring a significant portion of our banking system.

The first of these decrees, in February, focused on problem loans, stipulating extraordinary provisioning requirements for loans classified as doubtful or sub-standard, irrespective of the value of the attendant collateral, and for real estate foreclosures or assets received in payment of debt. In addition, in the case of problem loans with a greater risk profile, such as land and developments in progress, a capital buffer was required to safeguard banks against potential extraordinary losses. Moreover, banks had to set aside a provision of 7% for the portfolio of loans considered performing or normal.

The second decree in May took a further step and sought to resolve doubts over assets in a normal or performing accounting situation, by increasing the provisions required on the basis of the nature of the assets financed. In sum, average provisions were increased from 7% to 30%, with greater penalties for land-financing and unsecured exposures.

The overall effort for credit institutions resulting from the two decree-laws, which must be completed in the current year, 2012, amounts to around €59 billion worth of provisions and €11 billion in respect of capital buffers.

With this fresh effort, the Spanish banking sector will, from 2007 to 2012, have made write-downs exceeding €200 billion, to which must be added the increase in core capital requirements (the above-mentioned €11 billion). Overall, that entails an effort equivalent to more than 20% of Spanish GDP in 2011.

External assessment and Agreement with the Eurogroup

A complex set of circumstances has influenced the deterioration of confidence in the Spanish banking system: the adverse performance of the international economy; the euro area crisis; the absence of an improvement in public finances in a group of countries including Spain; and, of course, the market perception that our banking system was not resolving its problems of non-performing assets and real estate asset impairment.

Given this situation, in May the government took two decisions: 1) to undertake an independent assessment of the degree of solvency of the Spanish banking system, as a whole, and of its business outlook; and 2) to obtain financial aid from our European partners in order to implement a plan for the restructuring and recapitalisation of our banking system.

Regarding the first of these measures, you will recall that an agreement was reached with two independent appraisers and four auditors to estimate Spanish banks' capital requirements in two recession scenarios, one a severe recession, from 2012 to 2014. The results of this initial assessment were made public on 21 June and showed initially that the Spanish banking system, as a whole, might need between €51 billion and €62 billion in order to maintain a capital ratio of 6% in a very pessimistic macroeconomic scenario which, in short, means a cumulative fall in GDP of 6.5% between 2012 and 2014.

This initial examination should be completed with two further exercises to be performed by the end of September, which will involve a detailed analysis of the balance sheets of 14 banking groups, the classification of assets, the provisions recorded and the valuations which have been taken into account, in order to determine the recapitalisation and provisioning needs of each of the institutions studied, which will account for more than 90% of the Spanish banking system.

The entire assessment and audit exercise has been, and will be, coordinated and monitored by committees on which the European Commission, the European Central Bank, the European Banking Authority and the International Monetary Fund – in addition, of course, to the Ministry of Economic Affairs and Competitiveness and the Banco de España – are represented. The agreement reached between the Spanish government and the Eurogroup will be, firstly, in the form of a Memorandum of Understanding that will be signed on 20 July and followed by other agreements to develop and implement it.

The actual use of the funds may only be specified when the exercise has been finished in its entirety, i.e. when the bottom-up exercise and the monitoring by appraisers has ended. However, the general criteria for using the funds, which will be included in the Memorandum of Understanding are already known and I shall briefly summarise them.

An initial group of banks will meet the new core capital references envisaged in the exercise without the need for recapitalisation measures. It is no secret that the major banks in the Spanish financial system have demonstrated their solvency, their loss-absorbing capacity under stressed situations and their ability to generate high levels of capital within the business. Accordingly, it can be assumed that, together with other smaller institutions, they will be in this group. In short, the exercise will confirm that a significant portion of our banking system is in a position, without the need for public aid, to maintain all of its activity and to contribute efficiently to the channelling of our economy's financial flows.

There is a second, pre-defined group of institutions comprising banks which have been taken over or are managed by the FROB: BFA/Bankia, Catalunya Banc, NCG Banco and Banco de Valencia. We can readily anticipate that the biggest needs for capital arising from the exercise will be at these banks.

A third group of banks will include those with additional capital needs which, in terms of amount and the position of the institutions, may only be met by having recourse to the public aid envisaged in the European financial assistance programme.

Finally, a fourth group of banks will include those which, without reaching the required capital levels, propose in their recapitalisation plans adequate measures to raise private capital within a moderate period of time. If the additional capital required is high, it is reasonable that they should provisionally receive a temporary injection of public funds in the form of contingent capital.

Those are the details for banking groups. However, the Memorandum of Understanding also contains procedures and targets, which I will summarise in five points.

1 The aid lent to each bank shall entail compliance with a series of conditions, the broad framework of which has been negotiated by the European and Spanish authorities. The ultimate aim is to cement the long-term capacity and resilience of our banking system and to generate the confidence needed for it to regain normal access to the markets.

2 The banks receiving public aid shall have to undergo restructuring compatible with European regulations on State aid. Logically, the stringency of the

restructuring plans will have to be commensurate with the volume of aid envisaged and will be geared to strengthening the banks' capacity to maintain a sustainable and profitable business. The restructuring may result in adjustments in size, the elimination of unprofitable business segments, the rebalancing of funding structures, improvements in governance and the rationalisation of networks.

3 Should an institution be deemed not to be viable, it will be wound up in an orderly fashion, as has occurred with certain institutions throughout this crisis, such as Caja de Castilla La Mancha, CajaSur, la Caja de Ahorros del Mediterráneo and Unnim.

4 Two of the principles that will underpin the recapitalisation and restructuring of a portion of our banking system will be the separation of troubled assets (the vehicle that we have taken to calling a "bad bank", although it may not be a bank but an asset management company); and the participation of shareholders, creditors and taxpayers in general in the clean-up and restructuring costs:

   a The segregation of troubled – mainly real estate – assets continues and further pursues an avenue opened up by our legislation with Decree Law 18/2012, which envisages the segregation into separate companies of assets acquired in payment of debt, thereby definitively removing impaired assets, foreclosures and bad loans from the balance sheets of banks receiving public aid. It is a technique tested in other countries such as Sweden, Ireland, the United States and Germany. It is a vehicle or entity for concentrating those assets for their subsequent management and sale, by "cleansing" the balance sheets of institutions and permitting, should they be viable, their valuation and ensuing disposal.

   b In relation to the equitable distribution of costs, the agreement will include the need to minimise the burden for taxpayers through measures which may affect, among others, the payment of dividends, remuneration of bank managers and directors and the commitments undertaken by holders of instruments qualifying as capital other than shares.

5 The Memorandum will envisage a series of measures applicable to all Spanish banks. These measures will focus on the requirement of a capital ratio of 9% and will include improvements in: resolution regulations, the treatment of risk concentration, the role of savings banks as shareholders of banks, the transparency of financial information, supervisory procedures, the marketing of complex products and the Central Credit Register, among other aspects.

The recapitalisation plans submitted by banks must be realistic and capable of being implemented in the short term; otherwise, the institutions will have to demonstrate their viability, undergo restructuring and receive public aid. Were any institution not sufficiently robust to guarantee its future existence, it would have to face an orderly process of resolution or winding up. Management of the mass of impaired real estate assets of institutions receiving aid will be extended over time, albeit separately, without impinging on banks' operations and results.

The core of our banking system is essentially healthy and I am sure that soon, with the implementation of the current programme, our banks will pursue their activity with the solvency and vitality needed to fulfil their main mission: efficiently intermediating financial flows and contributing to economic growth.

We have a financial system with banks that rank among the most efficient under any international comparison. I believe that we will all take to heart the lessons learned, which are very painful from various standpoints, and that our financial system will emerge from this crisis strengthened and more efficient. It will again be the cornerstone it has always been for economic progress and the well-being of our people.

Thank you very much for your attention.

17.7.2012.

1 OVERVIEW

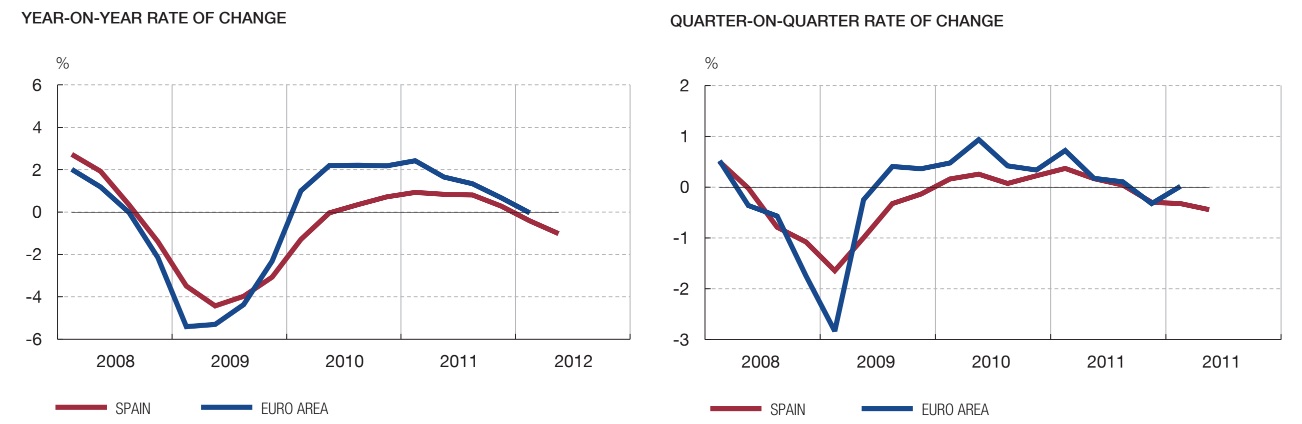
In recent months, and especially since May, the Spanish economy has been strongly affected by the worsening financial tensions in the euro area. As will be analysed throughout this quarterly report, various differing factors have contributed to compounding the sovereign debt crisis, including the doubts over the Spanish economy, and in particular over the recapitalisation needs for its financial system and its ability to see through the fiscal consolidation process along the lines agreed at the European level. The doubts surrounding the Spanish economy have taken the form of fresh financial outflows, increases in the risk premia on sovereign debt, declines in stock market indices and downgrades in public and private debt credit ratings. In response to the risks posed by this situation, the Spanish authorities took various measures. These included most notably the request to the EU for financial assistance for the purpose of recapitalising the weakest banks, the conditions of which are laid down in the Memorandum of Understanding signed on 20 July, and the approval of an ambitious package of measures to redress the budget deficit, with a view to lowering it to a level under 3% in 2014, following the extension of the term granted by the EU.

On preliminary estimates, based on still-incomplete information, economic activity in Spain fell again in Q2. The pace of decline was estimated to be sharper than that of the two previous quarters, with a quarter-on-quarter rate of change of -0.4%. National demand fell off more markedly than in the previous quarter (-1.2% against -0.5%), since household spending and general government demand shrank at a quicker pace. As has been the case in recent years, net external demand softened the adverse impact of the decline in national demand on GDP, as it made a positive contribution of 0.8 pp, up on that of the previous quarter, thanks to a moderate pick-up in exports. In year-on-year terms GDP declined by 1%, set against -0.4% in Q1.

Employment is estimated to have fallen in Q2 at a year-on-year rate of 4.6%; as a result, productivity continued to grow at a very high rate (3.8%). In combination with the projected slowdown in the increase in compensation per employee, this allowed unit labour costs to continue falling at a significant pace. Despite the sluggishness of spending, consumer prices held at a year-on-year rate of 1.9% on average in Q2, similar to their level in March, although the CPI excluding energy and unprocessed food prices posted a more moderate rate (1.3% in June). The year-on-year growth in inflation, measured in terms of the HICP, remained below that of the euro area, although this difference narrowed slightly in June to -0.6 pp. Rises in certain prices are projected in the coming months as a result of the agreed hike in VAT, along with other measures that affect administered prices, such as electricity, drugs and university fees, although these effects will be partly offset by the impact of the lower oil prices observed in recent weeks which, as the futures markets appear to anticipate, might continue in the coming months. In any event, in the recessionary environment afflicting the Spanish economy, the pass-through of tax rises to consumer prices will foreseeably be only partial, in line with what happened in 2010, and, moreover, the impact on the inflation rate will be short-lived.

The world economy turned down to some extent in Q2, marked by the heightening instability in the euro area, where the economic situation worsened across the board. As a result, the estimates available point to a decline in euro area GDP in Q2. This fall-off in activity affected the world economy through the trade channel, owing to fewer imports from the

GROSS DOMESTIC PRODUCT (a) CHART 1



SOURCES: ECB, INE and Banco de España.

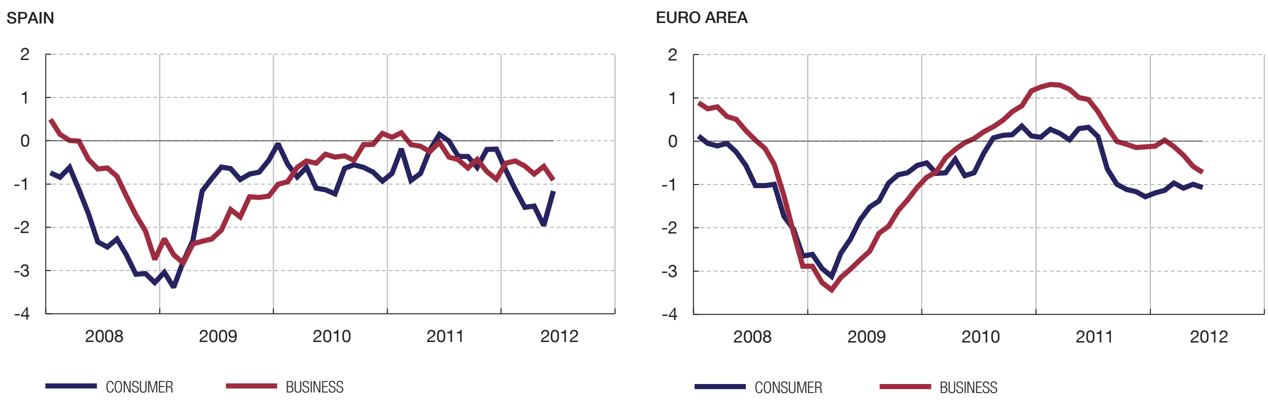
a Seasonally adjusted series.

euro area, although the pessimism on European markets also spread, to some extent, to global bourses and bond markets. This, together with certain indicators of domestic weakness in some countries, has generally meant that the global outlook for 2012 has been revised downwards and that the risks of lower growth in the world economy have stepped up. In the United States, the indicators for Q2 reveal a somewhat weaker economy, especially regarding the employment figures. In some emerging economies, too, such as China, India and Brazil, there are signs of a slowdown, although they are on the whole expected to remain far more buoyant than the industrialised countries. On the positive side, the fall in energy and other commodity prices has improved the inflation outlook. Specifically, oil prices dipped below the $100 threshold in June and, although they have risen in recent days, the outlook is that they will remain below that level in the coming months.

The turbulence affecting the euro area in Q2, following the relief that the non-conventional monetary policy measures adopted by the ECB in late 2011 brought, highlighted the complexity of the substantive problems underlying the crisis in the area. The need to adopt far-reaching measures was patent. In the short run, to alleviate the tensions affecting the most vulnerable countries in the area, the linkage between sovereign risk and banking risk must be broken, and the renationalisation of financial markets, which bears so harmfully on the ability to obtain external funding, must be halted. And, from a longer-term perspective, doubts over the institutional framework of monetary union should be dispelled, with measures that enhance its functioning and stabilise expectations about the continuity of the project. In this respect, the meeting of euro area Heads of State or Government and the European Summit of 28 and 29 June were significant landmarks (see Box 2); they addressed the essential elements that should underpin EMU in the future, and headway towards a European banking union was made, in which the ECB will play a central role. Regarding measures with a more immediate impact, it was agreed that, once the single supervisor was in place, the European Stability Mechanism could directly capitalise those credit institutions needing funds, which would help decouple banking risk from sovereign risk. Further, greater flexibility was afforded so that the European Financial Stability Facility and the European Stability Mechanism, which will soon come on stream, may purchase public debt on secondary markets. Of note also was the approval of a programme to boost growth in the EU, through the mobilisation of resources drawn from the European budget and from the European Investment Bank, which places economic recovery among the priorities of the European institutions.

CONFIDENCE INDICATORS (a)

CHART 2



SOURCE: European Commission.

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

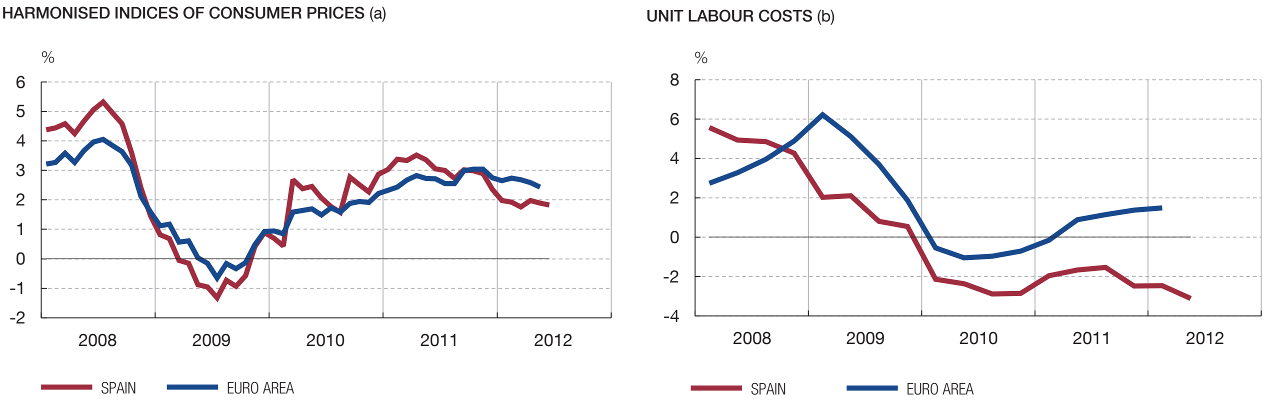
With regard to the Macroeconomic Imbalance Procedure, the European Commission published in May the exhaustive examinations of the 12 countries whose imbalances had been identified as most significant (see Box 3). In no cases were the imbalances deemed to be *excessive,* whereby the corrective procedure envisaged has not been implemented, although it should be said that Spain and Cyprus were the countries where these imbalances were judged to be most acute. These recommendations, along with those relating to the Stability Programmes, were in turn approved by the June European Summit. Subsequently ECOFIN, at its meeting on 10 July, issued a specific recommendation for Spain on the excessive deficit procedure: in light of the adverse economic circumstances, it extended the deadline for placing the budget deficit below 3% of GDP by one year. The new path of reduction should thus place the deficit at 6.3% of GDP in 2012, 4.5% in 2013 and 2.8% in 2014, which entails an annual average fiscal effort in structural terms of over 2 pp of GDP. Spain was also urged to reinforce this path with the announcement of a budget plan for 2013 and 2014, which should be submitted before the end of July.

On the monetary policy front, the slowdown in actual inflation and the projections that this moderation would continue in the future, given the deterioration in the economic outlook, allowed the ECB Governing Council at its meeting on 5 July to cut the interest rate on its main refinancing operations by 25 basis points to 0.75%. At the same time, the interest rate on the marginal lending facility was lowered to 1.5% and the deposit facility rate to 0%, whereby the surplus liquidity held by banks has ceased to be remunerated by the Eurosystem. It was also decided to maintain fixed-rate tenders with full allotment in the main refinancing operations to January 2013, and the eligibility criteria for the acceptance of collateral in monetary policy operations were altered in order to extend the range of financial instruments that may be used as backing for these operations.

The extraordinary economic and financial instability experienced in recent quarters has necessitated the adoption of ambitious reforms in various areas, especially by the countries most directly affected by the tensions. In Spain's case, very significant progress has been made in two areas where uncertainty was greatest. Regarding the banking system, financial markets' doubts over banks' capital needs led the Spanish authorities to entrust an assessment of the capitalisation needs of credit institutions to two external consultancies. The results of these assessments estimated capital requirements to lie in a range of between €52 billion and €61 billion in the event of a highly adverse macroeconomic sce-

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.

nario occurring. Furthermore, on 9 June the Spanish government announced its intention to request financial assistance from the European institutions in order to recapitalise the weakest banks. The request for assistance, formally made on 25 June, has the backing of the Eurogroup, which has agreed to extend funds for a maximum amount of €100 billion. In recent weeks a Memorandum of Understanding has been drawn up between the Spanish and the European authorities. This sets the conditions under which banks are to receive these European funds, and other horizontal conditions that are essentially financial in nature (rules governing provisions, supervisory procedures, the segregation of impaired assets, etc.) At the same time, the Memorandum stresses the close link between macroeconomic imbalances and bank solvency, and therefore highlights the importance of Spain meeting the recommendations on public finances under the excessive deficit procedure and on structural reforms.

As regards public finances, the main highlight in recent months in Spain has probably been the approval of the Organic Law on Budgetary Stability and Financial Sustainability. This legislation substantially strengthens the budgetary discipline framework by setting balanced-budget targets for all tiers of government, ceilings on public debt, transparency requirements, automatic correction mechanisms for slippage, procedures for the continuous surveillance of budgetary developments and instruments to enforce the targets, which include sanctions and even the intervention of the government body that has not observed these objectives. In addition, on 11 July the Prime Minister announced an extensive package of measures (subsequently detailed in their attendant Royal Decrees[1]), whose aim is to meet the commitments assumed at the European level. The measures adopted include most notably a significant increase in indirect taxation (with the standard and reduced rates of VAT being raised to 21% and 10%, respectively), a cut in public-sector wages (the elimination of the extra month's pay in December), the abolishing of the tax credit for house purchases as from 2013, cuts to unemployment benefit after six months and a further cut in spending at government ministries. Moreover, a 1 pp cut in employers' social security contributions in 2013 was approved, with a further 1 pp in 2014, a move which, by reducing labour costs, should encourage job creation. Finally, various measures aimed at liberalising certain sectors and promoting competitiveness were adopted.

1 Royal Decree-Laws 20/2012 and 21/2012, both dated 13 July 2012.

As earlier stated, the financial tensions in the euro area affected Spain most substantially. Ten-year government bond yields were at certain times above 7%, and the spread over German debt exceeded 500 bp and was holding above this level as this Report went to press. Stock market indices were highly volatile and losses on the IBEX 35 in 2012 to mid-July stood at around 20%. Interbank market yields fell during Q2, due partly to expectations about the interest rate cut finally made by the Eurosystem. But this was not reflected in the interest rates on bank credit to businesses, since the spreads relative to those market rates have widened. As to real estate markets, the ongoing reduction in house prices has quickened. According to figures from the Ministry of Development, prices fell at a year-on-year rate of 8.3% in Q2, compared with -7.2% in Q1, meaning that the cumulative fall in prices from their 2008 peak stands at 24%.

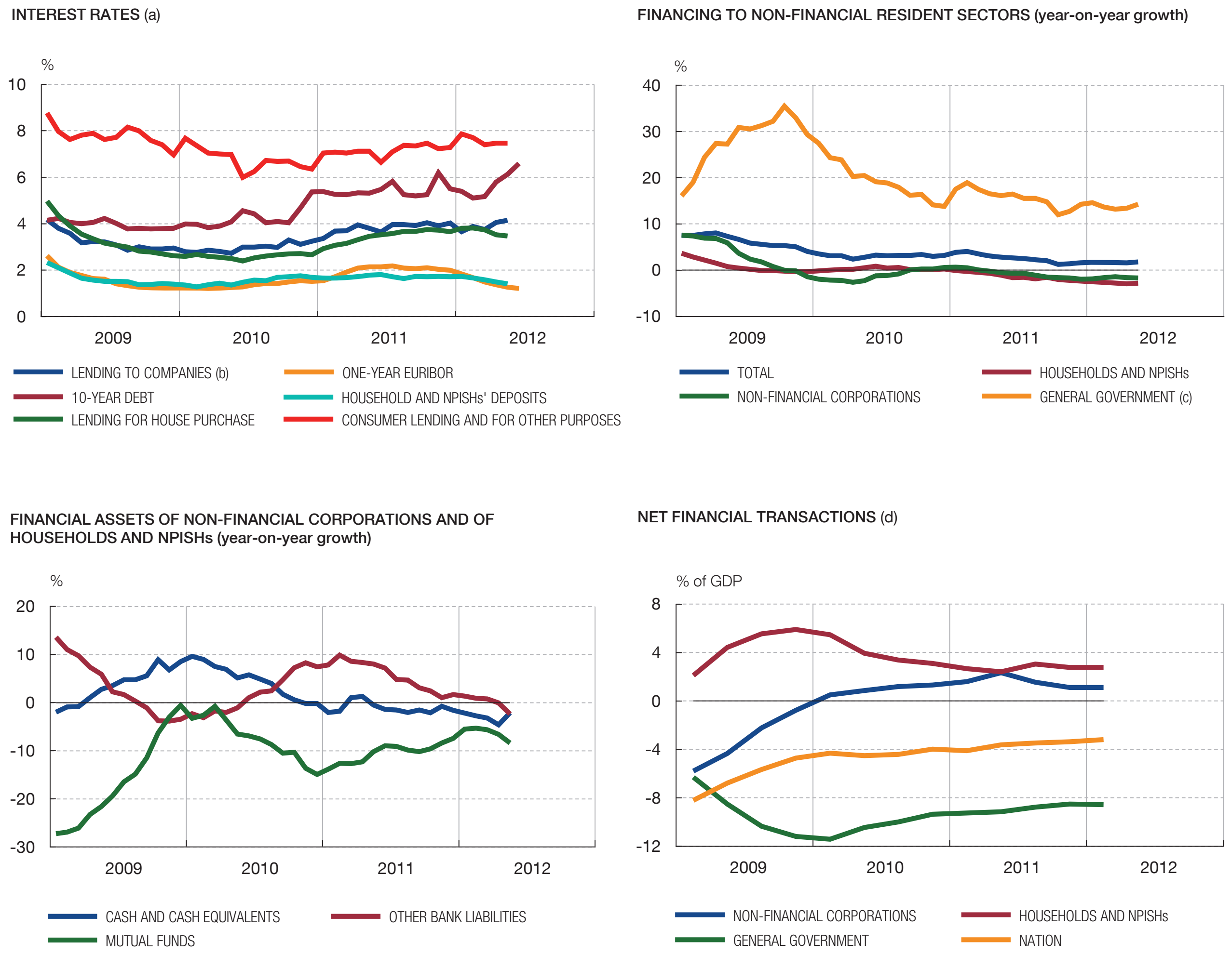
The heightening of tensions has dented the confidence of agents who, moreover, continue to face very tight financial conditions; accordingly, the decline in private spending steepened in Q2. In the case of households, the quarter-on-quarter rate of consumption is estimated to have fallen by 0.5%, influenced by job destruction, the diminished value of wealth and, generally, the climate of uncertainty that has led to a downgrade in the economic outlook. On information to Q1, the household saving rate continued falling, owing to the weakness of disposable income, which suggests that households are reducing the leeway they have to smooth their pattern of consumption, which points to greater slackness in household spending in the future. Residential investment also fell back owing to the large stock of unsold housing, which discourages new projects from being launched, and to the weakness of demand. Admittedly, lower prices and the temporary reduction in VAT may have improved the affordability of housing, by reducing the financial effort needed; but the absence of clear prospects means that potential demand will be held back, possibly until the prevailing uncertainty clears.

The financing granted to households continued to fall in Q2. On the data available to May, credit to households declined by 2.8% year-on-year, a similar rate to that observed in Q1. In terms of components, there was a somewhat sharper fall in loans for consumer goods purchases, compared with those for house purchase. Despite this lesser resort to borrowed funds in Q2, the ongoing deleveraging in the sector is estimated to have advanced very moderately, owing to the weakness of household disposable income.

In the case of firms, the climate of uncertainty has been pivotal to their investment decisions, given the long-term horizon investment projects must contemplate. Investment in capital goods is estimated to have fallen by 2.2% quarter-on-quarter in Q2, with declines both in machinery and in means of transport. Investment in non-residential construction likewise fell; along with the foregoing reasons, it was also affected by the impact of the austerity plans on public works, which on many occasions are carried out in collaboration with the private sector. Financing obtained by non-financial corporations fell at a year-on-year rate of 1.5% in May, a similar rate to Q1, with a more substantial decline in bank credit and an increase in bond issues. The business sector's debt ratio is estimated to have continued falling in Q2, moving away from the peak recorded in 2009. Finally, recent weeks have seen the implementation of the plan to pay suppliers, so as to settle the debts that local and regional governments have with companies and the self-employed. This plan, which will involve a total disbursement of €27 billion, should contribute to improving the liquidity position of numerous firms and to easing the financial constraints they may be facing.

General government consumption and investment are also projected to have contracted in Q2, in line with the consolidation process mapped out for this year, with a decline in purchases

FINANCIAL INDICATORS OF THE SPANISH ECONOMY CHART 4



SOURCE: Banco de España.

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

b Weighted average of interest rates on various transactions grouped according to their volume. For loans exceeding €1 million, the interest rate is obtained by adding to the NDER (Narrowly Defined Effective Rate), which does not include commissions and other expenses, a moving average of such expenses.

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

d Four-quarter cumulated data.

of goods and services, a fall in public-sector employment and a substantial downward revision in public investment projects. Yet the slippage detected in revenue in recent months has signalled the risk of the budget deficit once again exceeding this year the target set. Drawing on the information for 2012 Q1, the general government deficit, in cumulated four-quarter terms, held at 8.5% of GDP (compared with 8.9% in 2011), and was therefore far off the target of 5.3% set for this year. Foreseeably, the recently approved budgetary measures should allow the fiscal consolidation path to be redressed to meet the new targets.

Foreign trade has once again been affected by the greater slackness in the world economy. Despite this, there was an increase in the positive contribution of net external demand to quarter-on-quarter GDP growth in Q2, to 0.8 pp, thanks to the pick-up in exports, especially of tourist and other services. Goods exports also posted a marginally positive rate. Although exports were harmed by the weakness of demand in some of our main customer countries, such as France, Italy and Portugal, exports to non-EU countries remained considerably buoyant. Imports fell once again, albeit at a less marked rate than in Q1.

The sluggishness of expenditure in Q2 was mirrored by the widespread slackness in activity from the standpoint of the productive sectors. Value added in industry and in construction continued on its declining quarterly trajectory, while value added in market services is estimated to have stagnated, after having posted slightly positive rates for several quarters. Employment fell sharply once more in Q2, more significantly so in construction, in light of the figures on social security registrations. According to this information, the process of job destruction was halted in June, in terms of the related seasonally adjusted rates, but the figures for this month are possibly distorted to some extent by certain factors, such as the regularisation of household employees. Accordingly, analysts must await the information for the coming months to assess whether the trend shown by the labour market in recent quarters has changed.

Finally, labour costs are projected to continue on the gradually slowing trajectory on which they have moved in recent years. However, this is an insufficient adjustment if the significant weakness of demand and the need to increase competitiveness abroad are taken into account. Wage settlements included in collective bargaining agreements recorded to June show a wage increase of 1.7%, although the increases in multi-year agreements signed in previous years (1.9%) are higher than those in newly signed agreements (0.9%); that said, the latter are still few in number. The labour market reform, which has already been passed by Parliament as a law[2], introduces various measures so that wage bargaining reflects more appropriately the particular situation of each company; consequently, it would be desirable for firms to use these possibilities exhaustively as a means of maintaining employment and retaining their competitiveness.

In sum, the process of adjustment has continued in the Spanish economy in 2012 Q2, with a substantial contraction in private and public spending, and an improvement in the external deficit. But these developments have taken place in a very complex environment, characterised by the weakening in the world economy, the instability of financial markets and doubts over the direction and pace of the future reform of institutional arrangements in the euro area. Against this backdrop, the Spanish economy has evidenced two significant sources of vulnerability: the situation of part of the banking system, and the perceived difficulties of the general government sector in effectively bringing public finances back onto a path of stability. Foreseeably, the restructuring, clean-up and recapitalisation plans set in train, with financial assistance from the EU, the strict financial conditionality accompanying them and the conducting of stress and audit tests by external appraisers will allow confidence in the banking system to be restored. If rigorously applied, the Organic Law on Budgetary Stability will no doubt be an essential instrument for attaining budgetary discipline, and in this connection the recently approved fiscal package will also contribute. Finally, progress on structural reforms must accelerate, liberalising sectors where the degree of competition is insufficient, removing administrative obstacles to economic activity and introducing greater transparency in the functioning of the markets for goods and services. Significantly, these measures can soften the adverse short-term effect of greater fiscal tightness and, above all, they will be key to the economy attaining its medium and long-term growth potential and to enhancing productivity.

2 Law 3/2012 of 6 July 2012.

There has been a marked deterioration in international economic and financial developments over the past three months. The financial markets have been characterised by an increase in risk aversion, which has been conducive to some corrections on stock market indices, fresh bouts of flight to quality and a further reduction in long-term interest rates in the main developed economies, which have been accompanied by a depreciating trend of the euro against the main currencies. Along with this, oil and other commodity prices fell notably. These developments have been influenced by the persistence of the euro area's problems and by the slowdown in global activity, also influenced by the downturn in activity in Europe (see Box 1). Indeed, following the economic pick-up in 2012 Q1, subsequent indicators point to a slowdown in the United States and in Japan, and to continuing slackness in the United Kingdom. In the emerging economies a progressive slowdown in activity is likewise perceptible, more so in certain cases (Brazil, China and India) than was to be expected. The economic authorities have reacted with a fresh round of economic stimulus measures, underpinned mainly by monetary policy, observing the fiscal consolidation plans in the main economies. Hence the UK and US central banks have extended their programmes of non-conventional measures, while those of Brazil and China have opted for interest rate cuts which, so far, have not been extensive to the emerging economies.

Financial markets have been marked, among other factors, by the deterioration in the outlook for world growth. At the same time, the continuous tensions linked to the sovereign debt crisis in Europe contributed to an increase in risk aversion during the quarter, with flight to quality assets and rising volatility during April and May. The financial sector posted the biggest declines, especially in the European countries. US, UK and also German 10-year government bonds acted as a safe haven, with their yields falling to historical lows. Stock market indices fell after the announcement of the Federal Reserve's "Operation Twist" (involving the extension of its programme of selling short-term bonds and purchasing longer-dated ones), given that a more ambitious monetary stimulus measure was expected. Market reactions were initially positive, but for only a very short time, in the wake of the agreements reached at the European Summit in late June, the rate cut by the European Central Bank, the extension of the Bank of England's debt purchase programme and the cut in rates in China. Over the quarter as a whole, stock markets posted losses across the board, in the developed and emerging economies alike, with the biggest declines seen in the latter in Eastern Europe and in Latin America. On the foreign exchange markets, the dollar appreciated against the main currencies, with the exception of the yen. Since April, there has been a generalised decline in commodity prices, most markedly so in the case of oil. The price of Brent fell from $120 per barrel early in the quarter to $90 in late June, although it has since risen to around $100. This correction has mainly been driven by demand factors: the worsening global economic outlook, the deepening European crisis and lower-than-expected growth in certain economies, such as China.

In the United States, GDP posted annualised quarterly growth of 1.9% (2% year-on-year) in 2012 Q1, compared with 3% (1.6% year-on-year) the previous quarter. The slowdown was due essentially to the lower contribution of inventory accumulation to quarter-on-quarter growth. The latest data point to less dynamism in Q2. Thus, both the supply-side indicators (industrial production, capacity utilisation, business confidence and PMI) and the consumption indicators (consumer confidence indices and retail sales) shows signs of weakness. In recent months the pace of job creation has fallen back and the unemployment

The heightening of the euro area sovereign and financial crisis since last summer has been evident, as Panel 1 shows, in a fall-off in domestic demand, with repercussions on the rest of the world. The euro area accounts for around 14% of global GDP in terms of purchasing power parities (the world's second-biggest economy) and a somewhat higher percentage of global trade (around 15%, once intra-area trade is excluded). Accordingly, the level of spending in the euro area and changes in its relative prices notably influence exports of goods and services by the rest of the world. This Box analyses the extent to which recent international trade developments have been influenced by the sovereign crisis.

The trade impact of the euro area crisis should be more acute in economies that direct a greater portion of their exports to this area. Panel 2 analyses in greater detail the exposure of the main economic areas to the euro area. The exposure of the United Kingdom and of the Eastern European countries is prominent, since the euro area is the destination for more than 50% of their goods exports and for almost 15% of their respective GDP. Outside the EU, trade links are closest with the Commonwealth of Independent States (CIS), North Africa and sub-Saharan Africa. In the cases of Asia (including China), Latin America and the United States, the euro area accounts for between 5% and 10% of their trade. As to trade in services, the potential impact is softened by the fact that services exports account for a still-low percentage of GDP compared with goods exports. Panel 3 shows that the deterioration in the economic outlook is in fact notably correlated to trade exposure to the euro area.

The overall influence of the euro area crisis through the trade channel is substantial, although probably less than the impact via the financial channels.[1] According to the IMF[2], for each percentage point of contraction in aggregate euro area demand there would be a maximum reduction in GDP of 0.2 pp in the countries most exposed in trade terms. However, this impact may be greater for several reasons: the strong linkages of the euro area via its integration into global production networks might amplify the effect, essentially through trade in durable goods; further, if the crisis were to cause a depreciation of the euro in effective terms, this would further cut back imports from the area;[3] finally, the reduction in commodity prices, if the euro area crisis were prolonged, would reduce exporting regions' revenue and, given the recycling of this revenue, would affect their external demand and trade values and volumes. Countering this, the dynamics in question would be conducive to the adjustment of global imbalances and to the sustainability of world trade patterns.

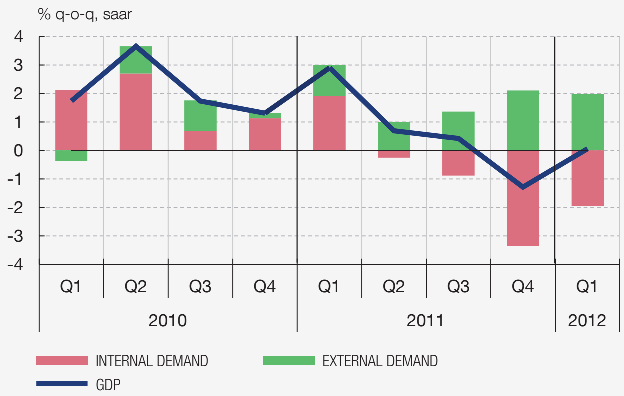
The impact via the trade channel began to be observed in the second half of 2011 and, as expected, the regions most affected were those most exposed. Euro area goods import volumes began to contract significantly, in year-on-year terms, in 2011 Q4 (see Panel 4). Panel 5 highlights the more marked loss of momentum of nominal exports to the euro area than to the rest of the world for a broad set of economic areas. Specifically, the growth differential of exports to the euro area relative to those to the rest of the world entered negative territory in the second half of 2011 in the United States, Japan and Eastern Europe, and the negative gap widened in China and emerging Asia. The reduction in exports from Asia to the euro area was particularly marked, due also to a sharp depreciation of the euro against the region's currencies.

In sum, as Panel 6 highlights, exports to the euro area have ceased to contribute positively to the annual growth in trade as at the start of 2012 in almost all geographical areas. And it is in Eastern Europe and the United Kingdom – which have closer trade ties – where the impact has been most severe.

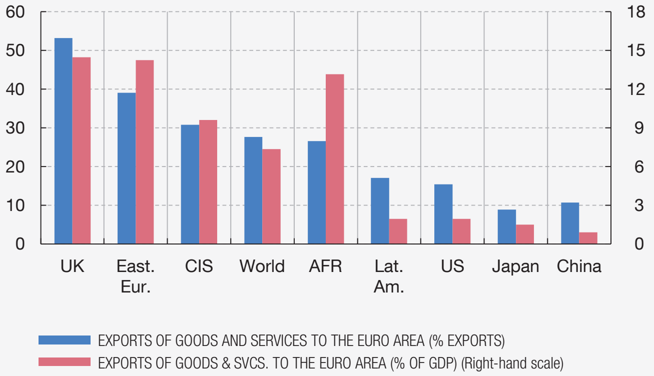
Lastly, financial tensions in the euro area and the notable role of European credit institutions in financing international trade might bear negatively on world trade. European banks' funding difficulties and the reinforcement of their capital buffers are giving rise to a reduction in their international activity in certain segments, such as trade credit. Indeed, in the syndicated trade finance segment in Asia, European institutions can be seen to have retreated significantly in 2011, cutting back at least one-third of the activity recorded in 2010. Advantage has been taken of this gap by Asian and US competitors, to gain market share, although they did not make up fully for the reduction in activity.

1 See Box 3.1 of the *Annual Report, 2011.*
2 Euro Area Policies: Spillover Report for the 2011 Article IV Consultation and Selected Issues, IMF Country Report No.11/185.
3 It is estimated that, for each percentage point of depreciation of the euro, the area's exports increase by 0.3 pp and imports fall by 0.1 pp [A. Dieppe et al. (2011), *The ECB's new multi country model for the euro area. NMCM - with boundedly rational learning expectations,* Working Paper Series, European Central Bank, no. 1316].

1 EURO AREA: CONTRIBUTION TO ANNUALISED QUARTER-ON-QUARTER GROWTH OF GDP 2010-2011 (a)

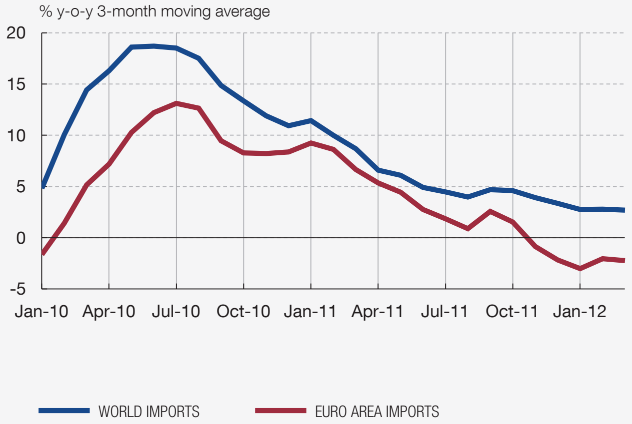


2 EXPOSURE TO THE EURO AREA IN 2010

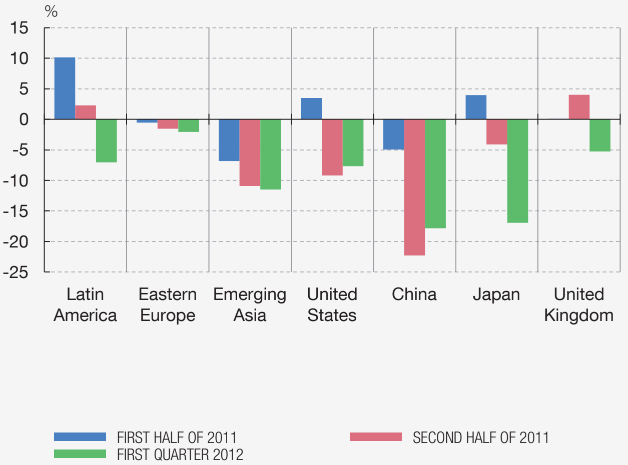


3 TRADE EXPOSURE TO THE EURO AREA AND REVISION TO GROWTH IN 2012

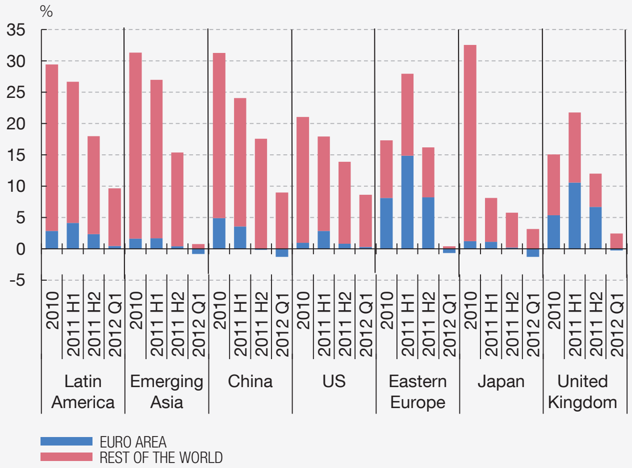
4 REAL IMPORTS. WORLD TOTAL AND EURO AREA



5 GROWTH DIFFERENTIAL OF NOMINAL EXPORTS TO THE EURO AREA VIS-À-VIS THE REST OF THE WORLD



6 CONTRIBUTION TO THE YEAR-ON-YEAR GROWTH OF NOMINAL EXPORTS

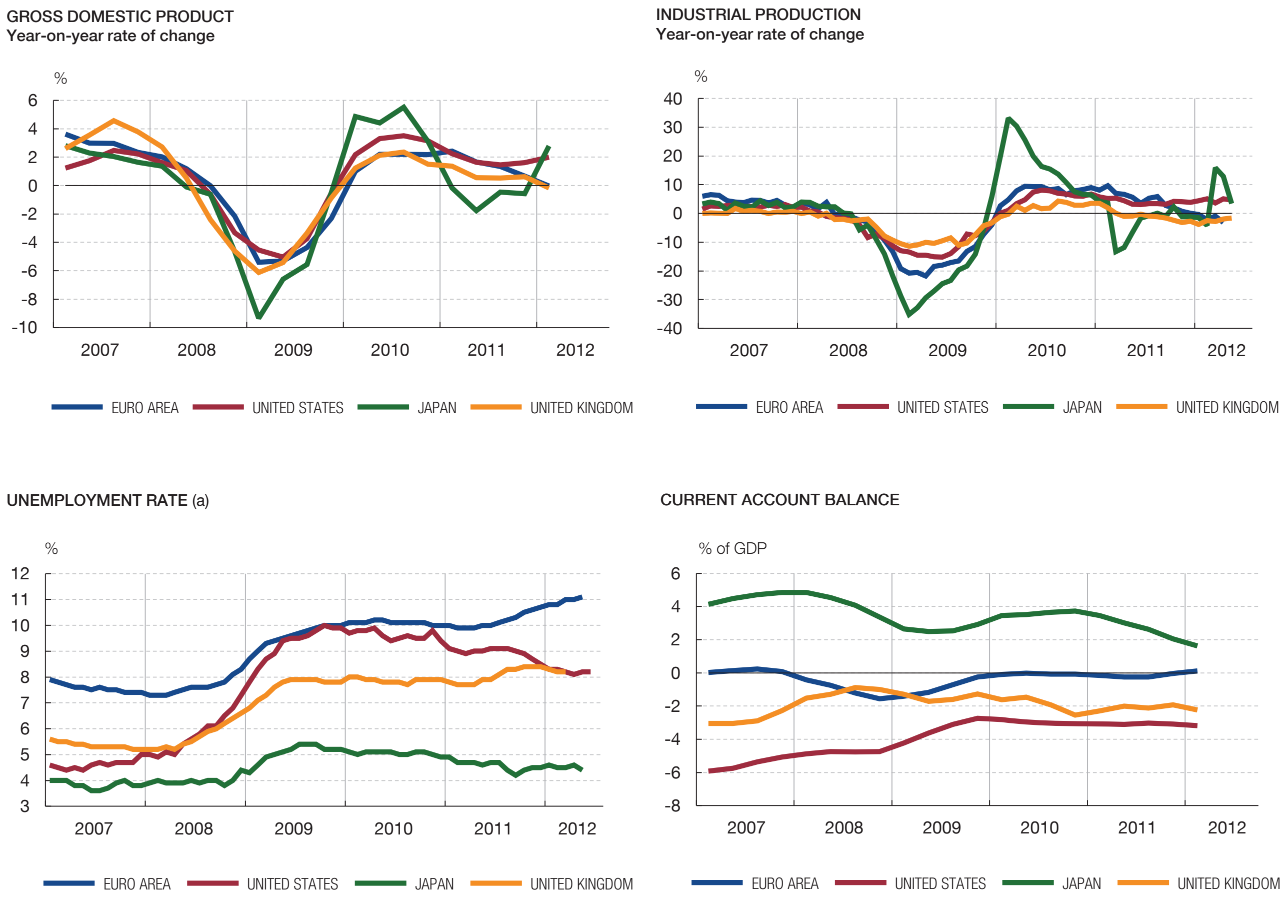


SOURCES: CEIC, CPB, Datastream Euroestat and IMF.

a Contribution, in percentage points, to the annualised quarterly change in GDP.

MAIN MACROECONOMIC INDICATORS

CHART 5



SOURCES: Datastream and Banco de España.

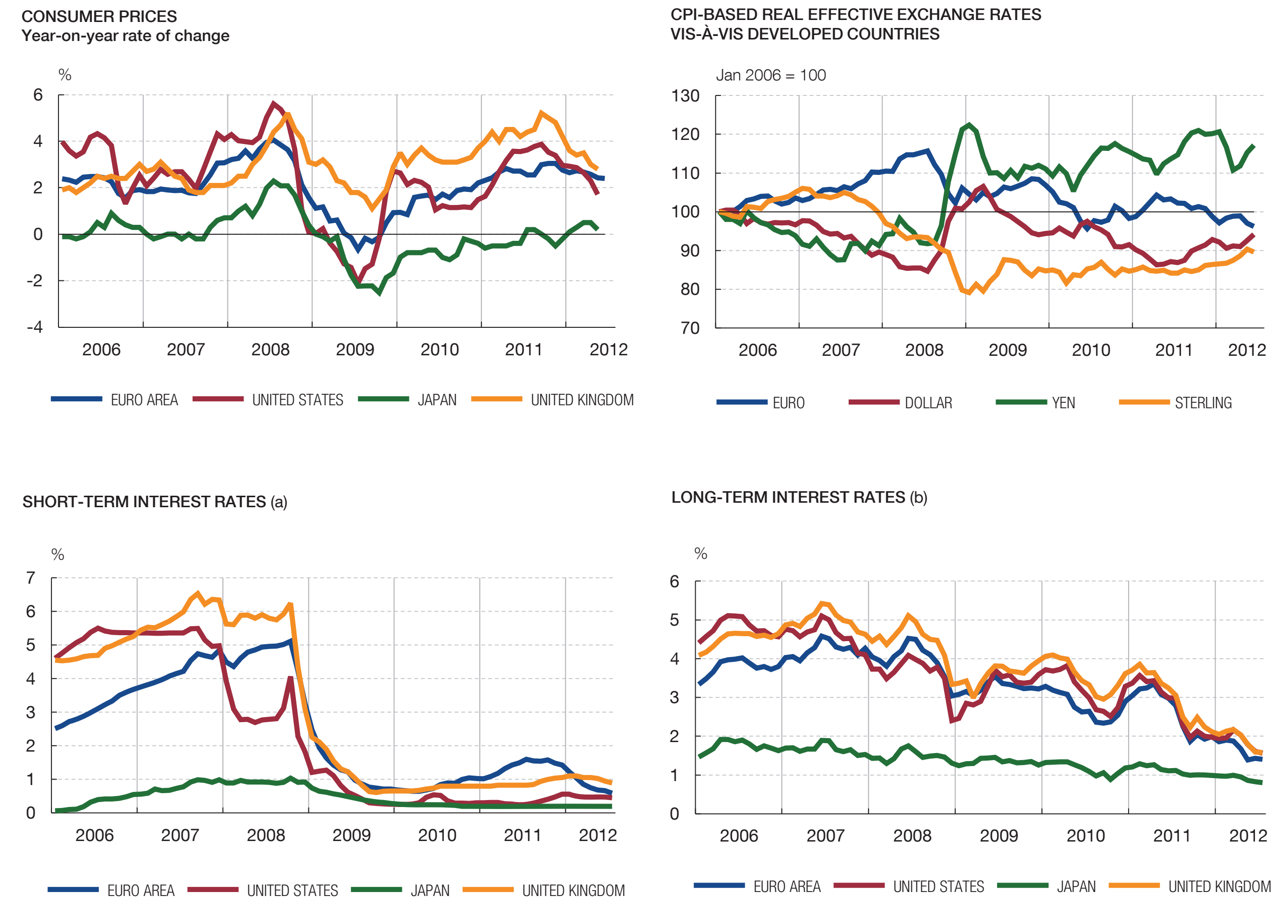
a Percentage of labour force.

rate has dipped by scarcely 0.1 pp, to 8.2%. Some improvement was visible in the housing market, although housing starts and property sales are holding at low levels. As regards prices, CPI inflation eased during the quarter from 2.7% in March to 1.7% in June, due above all to the fall in energy prices, while core inflation stood at 2.2%. Against this background, the Federal Reserve announced at its June meeting the extension of "Operation Twist" to end-2012 and revised its growth and inflation forecasts downwards. On the fiscal front, the deficit moved on a declining trend during the quarter, though it held at a high level (8% of GDP over the 12 months to June).

In Japan, GDP expanded at a quarter-on-quarter rate of 1.2% (2.8% year-on-year) in Q1, driven by the positive contribution of domestic demand, especially private consumption, which was favoured by tax incentives. The high frequency indicators, such as industrial production and the business confidence surveys, point to a slowdown in activity in Q2. On the external front, the trade balance remained in deficit in April and May and this, combined with the lower surplus on the income balance, translated into a decline in the current account surplus. In the labour market, the unemployment rate held at around 4.5% during the quarter. Inflation stood at 0.2% year-on-year in May (compared with 0.5% in March), while the rate of decline of core inflation steepened to -0.6% year-on-year (-0.4% in March). In July, the Bank of Japan kept its official interest rate unchanged in a range of 0% to 0.1% and made some changes to the design of its asset purchase programme.

PRICES, REAL EXCHANGE RATE AND INTEREST RATES

CHART 6



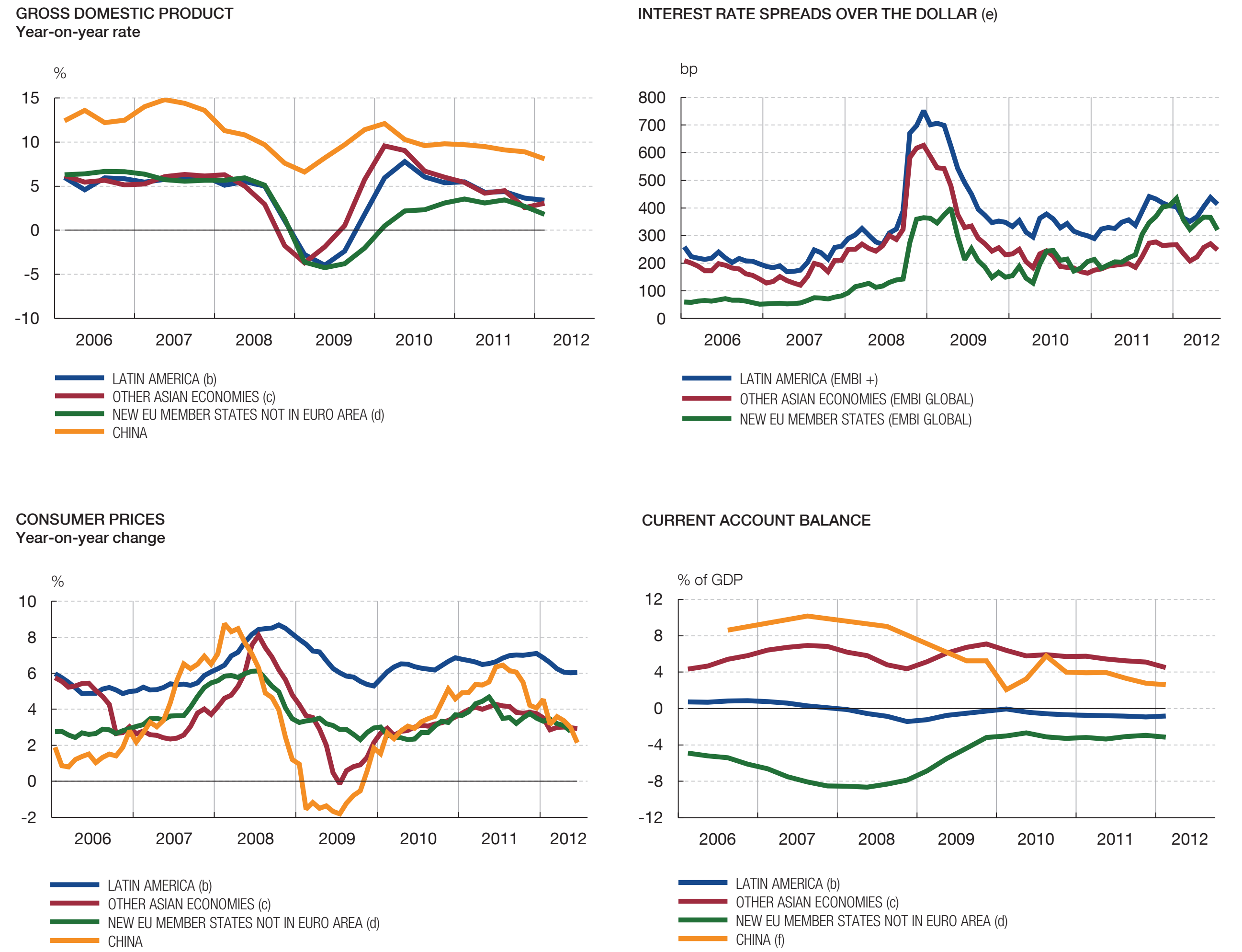
SOURCE: Datastream and Banco de España.

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

In the United Kingdom, GDP contracted at a quarter-on-quarter rate of -0.3% (-0.2% year-on-year) in Q1, essentially as a result of the negative contributions of stockbuilding and external demand (in particular that from the euro area). Conversely, both private investment and government consumption continue to grow moderately. The indicators for Q2, particularly on the supply side, showed a marked deterioration. On the demand side, however, retail sales continued to expand moderately to June, despite the low level of confidence, tighter financial conditions and marked wage moderation. The labour market showed some improvement in the March-May period as employment creation in the private sector offset the loss of public-sector jobs. Inflation remained on a declining path, standing at 2.4% in June, and the core inflation rate fell to 2.1%. Against this backdrop, the Bank of England held its official rate unchanged (0.5%) at its July meeting and added £50 billion to its asset purchase programme (up to £375 billion), to be implemented in a period of four months as from the announcement. At the same time, in light of the worsening of the euro area crisis and its effects on the British economy, the central bank announced two further measures: the launching of an extraordinary liquidity facility for banks lent against a wide range of collateral and the creation, in collaboration with the Treasury, of a bank financing facility, at a lower-than-market interest rate, conditional upon banks expanding their lending.

In the new EU Member States not belonging to the euro area, GDP grew on average at a year-on-year rate of 1.8% in 2012 Q1, notably down on the figure of 2.8% the previous

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, Slovakia, 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, Iraq, Kazakhstan, Malaysia, Pakistan, Philippines, Sri Lanka and Vietnam. The data on the new EU Member States are for Hungary and Poland.
f Annual data until 2009.

quarter. The slowdown was across the board, although the quarterly contractions in Hungary, the Czech Republic and Romania were notable, while in Poland and the Baltic States, economic performance continued to be more dynamic. The latest data point to a further easing in activity in 2012 Q2, as a result of the sluggishness of external demand, the deterioration in confidence and the slackness of credit to the private sector. Over the course of the quarter inflation eased slightly to 3.7% in June, assisted by lower energy prices, which offset the acceleration in the food component. The central banks kept their official rates unchanged, with the exception of the Czech Republic, which cut its rates by 25 bp to 0.5%, and Poland, where rates were raised by 25 bp to 4.75%. Finally, the European Council decided to unblock cohesion funds for Hungary, given its efforts to cut its budget deficit to below 3% of GDP.

In China, GDP slowed once more in Q2 to a year-on-year rate of 7.6%, down on 8.1% in Q1. The high frequency data for May and June offered signs already of a weakening in domestic demand. Indeed, business confidence eased further in June, while industrial production and retail sales were markedly moderate in May. The performance of the external sector was more positive. Both exports and imports rose forcefully in May, and there was also an improvement in the trade surplus. Inflation declined sharply to 2.2% in June, down from 3.6% in March. Faced with low inflationary pressures and the weakening of domestic indicators, the Chinese central bank cut its benchmark interest rate on loans and deposits in June and July. The daily fluctuation band for the renminbi was also widened to ±1%. In the remaining emerging Asian economies, GDP grew at a year-on-year rate of 4.3% in 2012 Q1 (unchanged on the previous quarter), with a notable slowdown discernible in India and in the economies more open to trade such as Hong Kong, Singapore and South Korea. The Q2 indicators suggest easing both in economic activity and in exports in several of the main countries. Inflation broadly moved on a downward trend, prompted by the easing in food and energy prices. The exception was India, where prices rose slightly. Against this background, official interest rates held constant, with the exception of South Korea, which cut its rates by 25 bp in July.

In Latin America, GDP growth in Q1 was 0.9% in quarter-on-quarter terms, slightly up on the previous quarter. That placed year-on-year growth at 3.6%. Nonetheless, activity slowed in Chile and Colombia, and the low growth rate discernible since the second half of 2011 in Brazil continued. The high frequency indicators available generally point to an easing in the pace of expansion, due partly to domestic factors, but also to the increase in external risks. Inflation remains relatively high, standing at 6% year-on-year in June, although a moderating trend is discernible. There have been no interest rate movements by the central banks, except in the case of Brazil, which cut its rate by 50 bp, on two occasions, to 8%. Specific government policies were reversed in Brazil, including the reduction in the tax on cross-border financial transactions. Brazil also applied some modest-scale economic stimulus measures. In Argentina, controls on foreign currency purchases are prompting a greater depreciation of the peso against the dollar on the informal market and the outflow of deposits in dollars.

The situation of grave financial instability affecting the euro area continued in 2012 Q2. Following a slight easing in previous months as a result of the unconventional monetary policy measures adopted by the ECB at end-2011, the resurfacing of tensions on this occasion was driven by political uncertainty in Greece, as well as by the complex situation of the Spanish economy and, in particular, the uncertainties surrounding the recapitalisation needs of its financial system and the pace of the fiscal consolidation process. Due to the protracted situation of instability, financial markets in the euro area are being renationalised which is having a very negative impact on the ability of governments and of the banking systems of the most vulnerable economies to borrow abroad (the latter are increasingly reliant on Eurosystem financing).

The worsening of the financial crisis is also severely affecting economic activity in the euro area, at a time when in most countries production has still not recovered the levels of 2008 Q1. The latest information from short-term indicators points to a decline in output in the second quarter of the year, following zero growth posted in 2012 Q1. In the medium term, the continuous tightening of financial conditions, the sharp deterioration of business and household confidence, the short-term effects of fiscal consolidation and the weakening of external demand are further delaying the prospect of a recovery for the area as a whole, prompting downward revisions of growth projections for the second half of this year and for the whole of 2013, as reflected by the most recent analyses of international bodies and private institutions. These new projections remain subject, furthermore, to downside risks stemming in particular from a possible further heightening of financial tensions in the area.

For its part, euro area inflation has been decreasing throughout the year essentially due to the moderation of energy prices and, consequently, it is likely to stand at below 2% at the beginning of 2013. In the medium term the situation of economic weakness does not presage inflationary tensions on the relevant monetary policy horizon. Against this backdrop, the Governing Council of the ECB decided at its July meeting to reduce official interest rates by 25 bp, leaving the rates on the main refinancing operations and on the deposit facility at 0.75% and at 0%, respectively. Additionally, the ECB previously announced that it would continue its refinancing operations using the fixed-rate full allotment procedure until January 2013 and it increased the availability of collateral so as to improve access to Eurosystem operations and to thus strengthen the provision of credit to households and non-financial corporations.

Finally, the European Council meeting and euro area Summit of Heads of State or Government held on 28 and 29 June adopted important measures aimed at alleviating the financial and sovereign debt crisis by taking action on two fronts (see Box 2). The decisions adopted provide, on one hand, a medium to long-term benchmark for the necessary development of the institutional framework of the monetary union over the next decade, helping to firm expectations about the continuity of this project, whose feasibility is questioned by leading analysts. On the other, mechanisms were created to influence more directly certain of the short-term factors generating most tension that are severely affecting the most vulnerable countries in the area. The European Council also completed the 2012 European Semester, taking a positive view of the progress made by EU Member States in relation to fiscal consolidation. However, it demanded that they move further with the

The European Council meeting and euro area Summit of Heads of State or Government of 28 and 29 June 2012 adopted a set of relatively far-reaching decisions in relation to certain factors underpinning the recent renewed tensions on sovereign debt markets and the need to redesign the euro project with a view to the future.

In particular, the Council discussed the report "Towards a Genuine Economic and Monetary Union" prepared by the President of the European Council in cooperation with the Presidents of the Commission, the Eurogroup and the ECB. The report identifies four essential components which should constitute the foundations of a new version of economic and monetary union in the medium and long term:

1 An integrated financial framework or "banking union", which firstly will have a centralised banking supervision system, in which the ECB will play a core role, in combination with national authorities maintaining some supervisory functions, depending on the size and the nature of banks. The Commission has announced that at the beginning of September it will make a proposal to define this new supervision system which must be urgently discussed at the Council meeting at end-2012. In the medium term a European deposit insurance scheme and a European bank resolution scheme should also be set up. The resolution scheme would be financed through contributions from banks to weaken the feedback loop between banking and sovereign risk. However, in order to guarantee their effectiveness, both schemes would have a public financial backstop, which could be provided by the European Stability Mechanism (ESM).

2 Secondly, an integrated budgetary framework would be created, in which discipline in public finances would be strengthened, by envisaging that euro area countries will have to receive prior authorisation for debt issuance above agreed limits and that European institutions may demand a revision of budgets if they do not comply with the commitments undertaken. Subsequently, the possibility of issuing common debt, with joint and several liability, could be explored along with the introduction of other instruments which may make further progress towards a fiscal union (a central budget and a European treasury office, for example).

3 The third factor is achieving an integrated economic policy framework in which the targets, recommendations and actions – currently part of the European Semester and Euro Plus Pact – become more binding.

4 Finally, since all the foregoing entails sharing responsibilities in areas currently under national sovereignty, it will be necessary to strengthen the democratic legitimacy of the process and its transparency with the involvement of the European Parliament and national parliaments.

Among the measures with more immediate effects geared at reducing tensions on debt markets, it was agreed that the ESM can directly recapitalise troubled banks, although in order to do so, the centralised banking supervision system for the euro area, as a whole, will have had to be previously put in place. It was also agreed that financial assistance for the recapitalisation of certain Spanish banks will first be granted by the European Financial Stability Facility (EFSF), then by the ESM, when the latter is in place, without the ESM acquiring preferred creditor status. Lastly, it was announced that both the EFSF and the ESM will be used efficiently and flexibly, opening the way for highly diverse financing alternatives that have yet to be specified. The most immediate of these alternatives could be the activation of bond purchases on secondary markets by the EFSF/ESM, using the ECB as agent and with suitable conditionality. At its meeting on 9 July, the Eurogroup reaffirmed its resolve to implement all these measures and, in fact, the agency agreement has already been entered into by the ECB and the EFSF and in September they will begin the technical discussions so that the EFSF is ready to directly recapitalise financial institutions, once the single supervisor has been created.

Finally, the Council also approved the "Growth and Employment Pact" which reaffirms its commitment to the objectives of the Europe 2020 Strategy and to the recommendations of the European Semester. As a result of the Pact, €120 billion will be mobilised for infrastructure investment through an increase of €10 billion in the paid-in capital of the European Investment Bank (thereby potentially raising its lending capacity to €60 billion) and the pilot phase of EU "project bonds" with almost €5 billion will be launched. €55 billion of structural funds were reallocated to research and innovation, SMEs and youth employment.

Overall, the agreements adopted indicate the governments' unequivocal resolve to move ahead with the financial, fiscal, economic and, possibly, political integration of the euro area. In the current circumstances, providing clarity about the medium and long-term development of the institutional framework of EMU is essential to firm expectations about the continuity of the project. The will for deeper integration has been shown especially by the fact that certain facets of the "banking union" will be pushed through urgently in order to set in train the institutions that must break the perverse feedback loop between bank and sovereign risk which has underpinned recent tensions. Clearly, however, following the initial positive market reaction, the absence of specific details about some of the measures has prevented a greater easing of financial tensions which continue to severely affect the most vulnerable countries. Consequently, swift progress is needed in implementing the agreements, clarifying the details of how they will be applied and establishing, as envisaged, a road map with specific goals and deadlines, while at the same time enhancing the euro area's crisis management mechanisms.

reforms aimed at bringing wages into line with productivity and at increasing competitiveness in the services sector as well as in the reforms intended to improve the long-term sustainability of public finances (see Box 3).

3.1 Economic developments

Euro area National Accounts data confirmed zero activity growth in 2012 Q1, following the decline of 0.3% in the preceding period (see Table 1). The momentum of net external demand, due to the higher increase in exports than imports, and the slight rise in government consumption (0.2%), offset sluggish consumption and the sharp contraction of gross fixed capital formation. The slump in the latter was the result of the fall in capital goods investment (2.3%) and in construction (1.9%). In this setting employment contracted again – by 0.2% – in relation to the previous quarter (see Chart 8). By country, activity rose in Belgium, Austria and Germany, essentially underpinned by net external demand, it remained stable in France and deteriorated further in Italy by -0.8% as a result of the contraction of private consumption and of gross capital formation.

The latest conjunctural information indicates a weakening of activity in 2012 Q2 (see Table 1). On the supply side, according to the business confidence indicators compiled by the European Commission and those based on the PMI survey, the deterioration that began in March has continued throughout the second quarter in both the services and industry sectors. The PMIs have moved increasingly below the theoretical threshold which defines positive growth in economic activity (see Chart 9). Furthermore, industrial production slipped in the April-May period, although it rose slightly in the latter month. On the labour front, the unemployment rate continued to rise, reaching 11.1% and indicators of job creation expectations in industry and in the services sector dropped throughout the quarter.

On the demand side, the fragile labour market and the various tax increases implemented by euro area countries in order to meet fiscal consolidation targets are limiting the possibility of private consumption boosting activity. Thus, the recovery of retail sales came to a halt in Q2 and consumer confidence held at very low levels. On average in the quarter vehicle registrations, which were close to their all-time low, once again declined and the propensity to buy durable goods remained stable. As for private investment indicators, in Q2 the degree of capacity utilisation reversed the progress it had made in Q1 and order books fell back to the levels of spring 2010. Finally, the rate of decrease of goods exports in nominal terms quickened in April and expected exports declined, as did the assessment of foreign orders.

The deepening of the financial crisis and the short-term effects of fiscal consolidation led international organisations and private institutions to revise their growth projections downwards for future quarters, putting back the recovery of activity in the euro area until the closing months of 2012 and, in some cases, the early months of 2013 (see Table 2). Furthermore, downside risks continued to prevail insofar as the heightening of tensions on sovereign debt markets might also feed through to financing conditions and private-sector confidence, resulting in a greater contraction of agents' consumption and investment decisions. Similarly, persistently high unemployment levels with the consequent deterioration in human capital, may hamper the potential recovery.

Euro-area inflation moderated throughout the quarter and stood at 2.4% in June, 0.3 pp lower than in March. This was essentially due to the slowdown in energy prices since core inflation, measured by the CPI excluding unprocessed food and energy, only stalled by 0.1 pp to 1.8% (see Chart 10). Industrial prices continued to slow, posting a growth rate of 2.3% in May, 1.2 pp lower than in March. In the medium term, the inflation rate is expected

The Ecofin Council of 10 July concluded the 2012 European Semester by formally adopting the economic policy recommendations for each EU Member State and for the euro area, as a whole. The European Semester is an essential part of the new governance architecture being developed in the European Union. Its main aim is to create a new cycle for orderly, simultaneous and integrated discussion of Member States' fiscal, macroeconomic and structural policies. The European Semester takes place in the first half of each year in order to facilitate earlier and more stringent cross-country coordination, which permits harnessing synergies in the design and implementation of the various policies. Thus, in the second half of the year countries may incorporate the appropriate economic policy recommendations into their budgets and national reform agendas. In the process progress made by the various countries in meeting their commitments is assessed and areas where efforts must be focused at European and national level are identified.

This is the second year that the European Semester has been in force and the first year that it takes place after the entry into operation of the first phase of the reform of European governance. This reform has introduced new mechanisms for the supervision of macroeconomic and structural policies, such as the Macroeconomic Imbalance Procedure and it has strengthened existing procedures in order to monitor fiscal policy within the framework of the Stability and Growth Pact. The accompanying table summarises the role of all these instruments in the European Semester.

1 THE EUROPEAN SEMESTER. MECHANISMS AND STRATEGIES

	Structural policies	Fiscal policy	Macroeconomic policies
Mechanisms	Europe 2020 (objectives in terms of employment, competition, innovation, education, etc.)	Revised Stability and Growth Pact (deficit and debt commitments)	Macroeconomic Imbalance Procedures (surveillance of imbalances)
	Euro Plus Pact (intergovernmental agreement: fiscal harmonisation, competitiveness, financial restructuring, etc.)		
Instruments	Annual Growth Survey (prepared by the European Commission, it sets out economic policy recommendations for the whole of the EU)		
			Alert Mechanism Report (European Commission)
	National Reform Programmes (national targets)	Stability programme (medium-term budget plans)	
Implementation	Peer pressure	Excessive Deficit Procedure	Excessive Imbalance Procedure

SOURCE: Banco de España.

2 THE EUROPEAN SEMESTER TIMETABLE

	Month						
	January	February	March	April	May	June	July
Institution							
European Commission	Annual Growth Survey (AGS) (a)					Presentation of recommendations on National Reform Programmes (NRPs) and Stability and Convergence Programmes (SCPs)	
Council formations		Debate and guidelines					
European Parliament		Debate and guidelines					
European Council			Spring European Council: approval of AGS				Approval of recommendations submitted by the Commission
Member States				Approval of NRPs and SCPs			

SOURCE: European Commission.

a In the 2012 European Semester the presentation of the Annual Growth Survey was brought forward to November 2011.

The Semester began in December 2011 with the presentation by the European Commission of the "Annual Growth Survey", which, after it had been discussed in the Ecofin, established the general guidelines which economic policy in the whole of the EU must follow throughout 2012. These guidelines centred on the need for progress in the fiscal consolidation strategy, by attempting to minimise its negative impact on economic growth and to eliminate the imbalances and divergences built up over the years of growth. In the area of structural reform, greater progress was demanded from the EU as a whole towards setting up the Single European Market with the full implementation of the Services Directive, the Single Market Act and the Single European Agenda. At national level, the priorities focused on restoring economies' financing conditions and, furthermore, specifically for the euro area countries, on the need to increase policy coordination commensurately with the degree of economic and financial integration achieved. The countries have taken into account these guidelines when preparing their respective national reform programmes and stability and convergence programmes, the two documents which include the measures that countries are committed to implementing in the short and medium term.

These programmes also include countries' specific reform commitments within the framework of the Euro Plus Pact, an intergovernmental agreement whereby euro area Member States and other EU countries undertake to introduce specific reforms by a set deadline in four areas: competitiveness, employment, the sustainability of public finances and the stability of the financial system, also emphasising the need for greater coordination of tax policies.

The European Commission which is the body responsible for: the technical assessment of the plans and of the reforms adopted and of making an initial proposal for recommendations, has made a relatively favourable assessment of the progress made in fiscal consolidation, the reform of the pensions systems and national fiscal frameworks. By contrast, it demands more ambitious and more specifically detailed measures which should be implemented forthwith to restore growth and eliminate the fissures which still exist in the single market. In particular, the Commission recommends to various countries that they make progress in the restructuring of their financial systems and in the reform of their wage bargaining systems by eliminating wage indexation arrangements which make it difficult to align wages and productivity. Countries should also concentrate their efforts on increasing competition in the services sector and in network industries. On the fiscal front, the Commission suggests to several countries that they reduce taxes on labour and increase taxes on housing or consumption and, in order to improve the sustainability of public finances, it advises deeper reforms of health and pension systems, bringing the effective retirement age into line with life expectancy. With this goal and in line with the philosophy of the Euro Plus Pact, the Commission demands more clearly defined measures and precise deadlines for implementing the reforms.

In the area of macroeconomic imbalances, the European Commission also presented at the beginning of 2012 the "Alert Mechanism Report", in which, based on a set of predetermined indicators, it attempts to detect early the countries in which imbalances might be building up which may pose a risk to the stability of the euro area. The report identifies Belgium, Spain, France, Italy, Cyprus, Slovenia and Finland (in addition to the United Kingdom, Sweden, Bulgaria, Denmark and Hungary, which are outside the euro area) as economies which could be at risk of an excessive imbalance.[1] In these cases, the European Commission has undertaken a more in-depth and detailed analysis of these countries' competitive situation and possible macroeconomic imbalances.

These reports reveal that in recent years most of the countries substantially corrected trade imbalances and differences built up in relative costs. However, it is too early to determine whether this correction is permanent and the analysis of other aspects of competitiveness show weaknesses in the size of European export firms and in the quality of their products. Also, the debt levels built up in the public and private sector remain high and, furthermore, certain banking systems are fragile. That said, the European Commission has not recommended that an excessive imbalance procedure be initiated against any of the countries analysed.

1 The procedure is not applied to Greece, Portugal and Ireland, since they are already subject to stringent supervision in the framework of the assistance programmes.

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

	2010	2011				2012		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
National accounts (quarter-on-quarter growth, unless otherwise indicated)								
GDP	0.3	0.7	0.2	0.1	-0.3	0.0		
Private consumption	0.4	0.0	-0.6	0.4	-0.5	0.0		
Public consumption	0.1	-0.4	-0.1	-0.1	-0.2	0.4		
GFCF	-0.5	2.0	-0.4	-0.3	-0.6	-1.4		
Imports	1.4	0.8	0.6	0.7	-1.9	-0.2		
Exports	1.6	1.4	1.1	1.5	-0.6	1.0		
Contributions to quarter-on-quarter change in GDP (pp)								
Domestic demand, excluding stocks	0.2	0.3	-0.4	0.1	-0.5	-0.2		
Stockbuilding	0.1	0.2	0.4	-0.3	-0.4	-0.3		
Net foreign demand	0.2	0.3	0.3	0.4	0.6	0.5		
GDP (year-on-year rate of change)	2.2	2.4	1.7	1.3	0.7	0.0		
Activity indicators (quarterly average)								
IPI seasonally and working day adjusted	1.9	1.0	0.2	0.7	-2.1	-0.4	-0.6	
Economic sentiment	105.3	106.9	105.2	98.4	93.6	94.1	91.1	
Composite PMI	54.9	57.6	55.6	50.3	47.2	49.6	46.4	
Employment	0.1	0.1	0.2	-0.2	-0.2	-0.2		
Unemployment rate	10.1	9.9	10.0	10.2	10.6	10.9	11.1	
Price indicators (year-on-year change in end-period data)								
HICP	2.2	2.7	2.7	3.0	2.7	2.7	2.4	
PPI	5.4	6.8	5.9	5.8	4.3	3.5	2.3	
Oil price (USD value)	92.3	115.4	114.9	114.8	108.7	126.8	95.7	101.1
Financial indicators (end-period data)								
Euro area ten-year bond yield	4.1	4.6	4.4	4.0	4.1	3.3	3.4	3.2
US-euro area ten-year bond spread	-0.78	-1.14	-1.30	-2.06	-2.17	-1.12	-1.81	-1.69
Dollar/euro exchange rate	1.336	1.421	1.445	1.350	1.294	1.336	1.259	1.223
Appreciation/ depreciation of the NEER-20 (b)	-8.2	3.4	3.7	0.7	-2.1	0.9	-2.4	-4.6
Dow Jones EURO STOXX 50 index (b)	-5.8	4.2	2.0	-22.0	-17.1	6.9	-2.2	-1.4

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

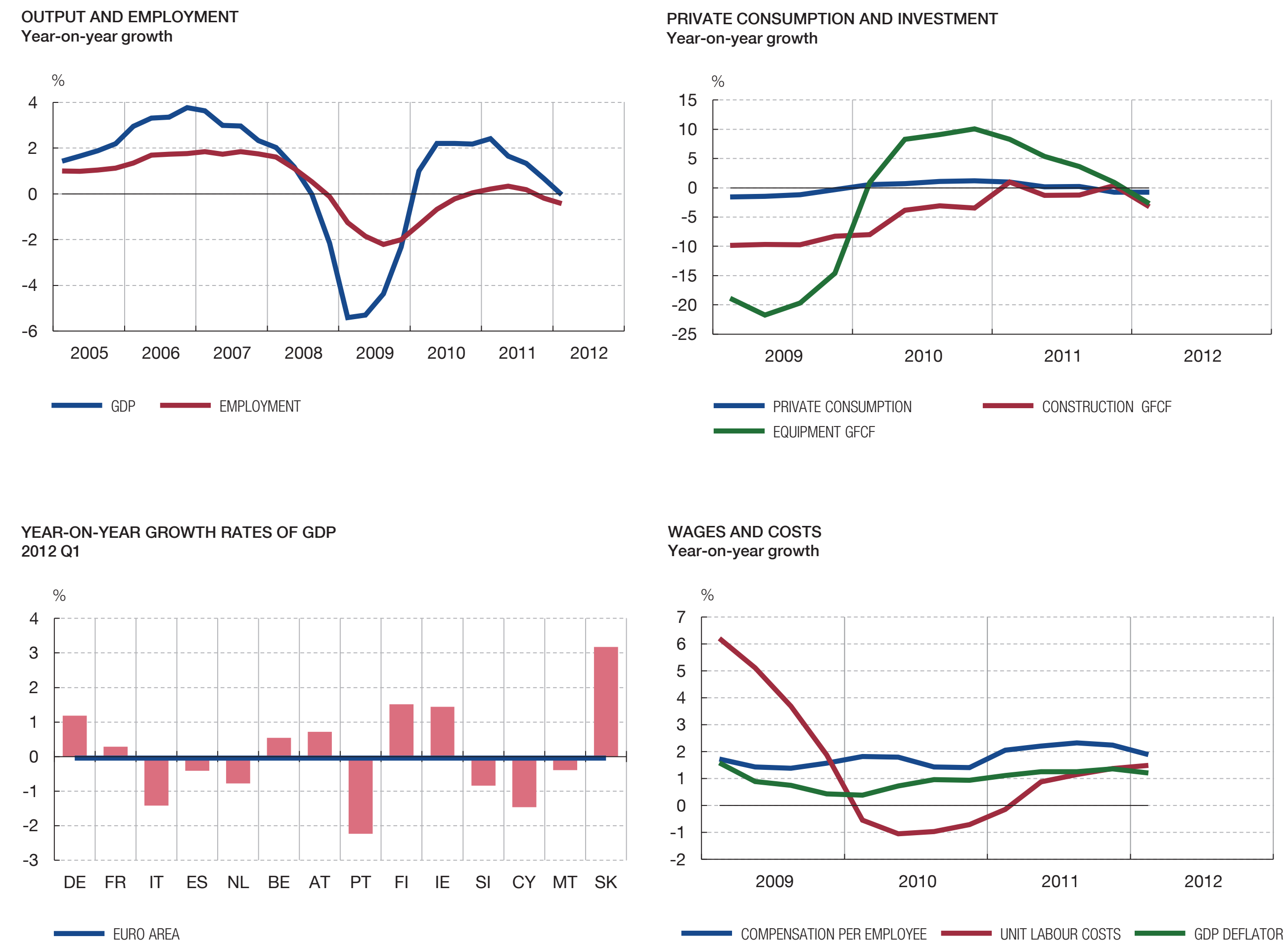
a Information available up to 18 July 2012.
b Percentage change over the year.

to stand at below 2% at the beginning of 2013, with a central scenario in which risks are balanced since the possible increases in indirect taxes and administered prices, arising from the fiscal adjustment are offset with downside risks stemming from weak activity growth in the euro area. In this context, inflation expectations remain firmly anchored at levels consistent with price stability.

According to estimates published by the ECB, between January and April 2012 the euro area recorded a current account deficit of €5.4 billion (0.2% of GDP), €20 billion down on the same period of the previous year (0.8% of GDP). This improvement occurred because the goods balance turned positive and the surplus on the services balance widened. As for the financial account, net capital outflows in the form of direct investment edged downwards to €34 billion between January and April, compared with €74 billion in the same period of the previous year, while those in the form of portfolio investment amounted to €47.2 billion compared with the net inflow of €141.4 billion in the period from January to April 2011. Consequently, the basic balance, which combines these two types of

EURO AREA NATIONAL ACCOUNTS

CHART 8



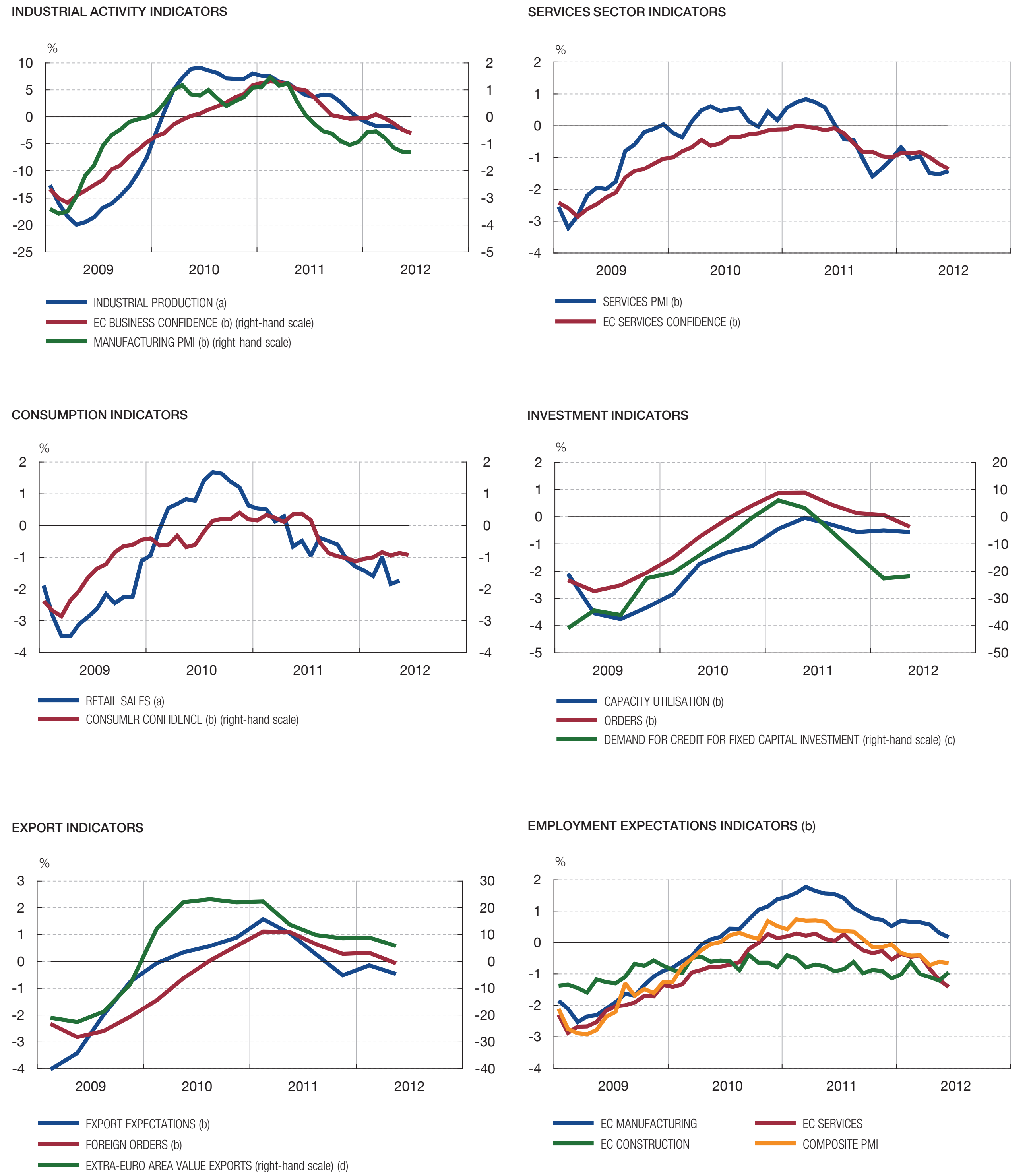
SOURCES: Eurostat and national statistics.

investments with the current account balance, posted a deficit of €86.5 billion between January and April 2012, compared with a surplus of €41.2 billion in the same period of the previous year (see Chart 11).

In the area of public finances, the 2012 budgets and the stability programmes submitted in spring revealed that most countries have stepped up their fiscal consolidation plans to offset the impact of the deterioration of the economic situation on public accounts, with the result that budget targets remain unaltered. According to these plans, the euro area's general government deficit will continue to decline in 2012 to close to 3% of GDP – in keeping with the European Commission's projection of 3.2% (see Table 3). The improvement in the budget balance in 2012 is mainly based on the increase in government receipts (0.9 pp of GDP compared with the previous year) and, especially, on the increase in indirect taxation. It is estimated that government spending, for its part, will remain practically unaltered in terms of GDP, since the moderation in the compensation of public employees will be offset by an increase in transfers and interest payments arising from higher levels of unemployment and debt, respectively. The cyclically-adjusted balance is estimated to decline by slightly more than 1 pp of GDP in 2012, with the result that fiscal policy will remain contractionary despite weak economic activity. By country, the adjustment will be particularly sharp in Spain, Greece, Italy, Cyprus, Portugal and Slovenia, where it is estimated that the balance will decline by more than 2 pp of GDP in structural terms.

EURO AREA. ACTIVITY, DEMAND AND EMPLOYMENT INDICATORS

CHART 9



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 Survey on bank loans. Indicator = percentage of banks reporting a considerable increase + percentage of banks reporting some increase x 0.5 – percentage of banks reporting some decrease x 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.

GDP AND HICP FORECASTS FOR THE EURO AREA (a)

TABLE 2

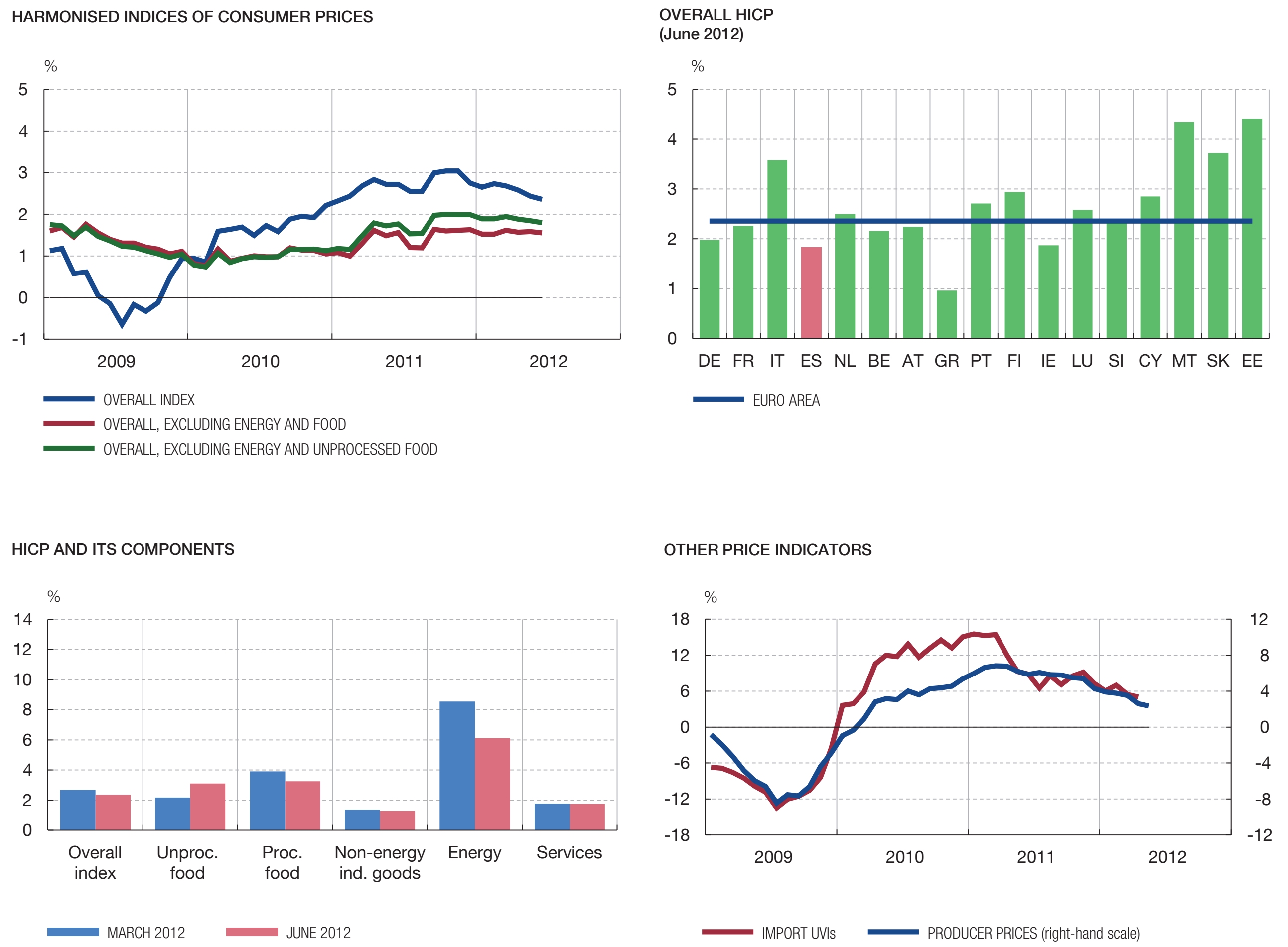
	2012		2013	
	GDP	HICP	GDP	HICP
Eurosystem (June 2012)	-0.5-0.3	2.3-2.5	0.0-2.0	1.0-2.2
European Commission (May 2012)	-0.3	2.4	1.0	1.8
IMF (April 2012)	-0.3	2.0	0.9	1.6
OECD (May 2012)	-0.1	2.4	0.9	1.9
Consensus Forecast (July 2012)	-0.5	2.3	0.5	1.7
Eurobarometer (April 2012)	-0.4	2.3	0.5	1.8

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

a Year-on-year rate of change.

EURO AREA. PRICE INDICATORS
Year-on-year percentage changes

CHART 10

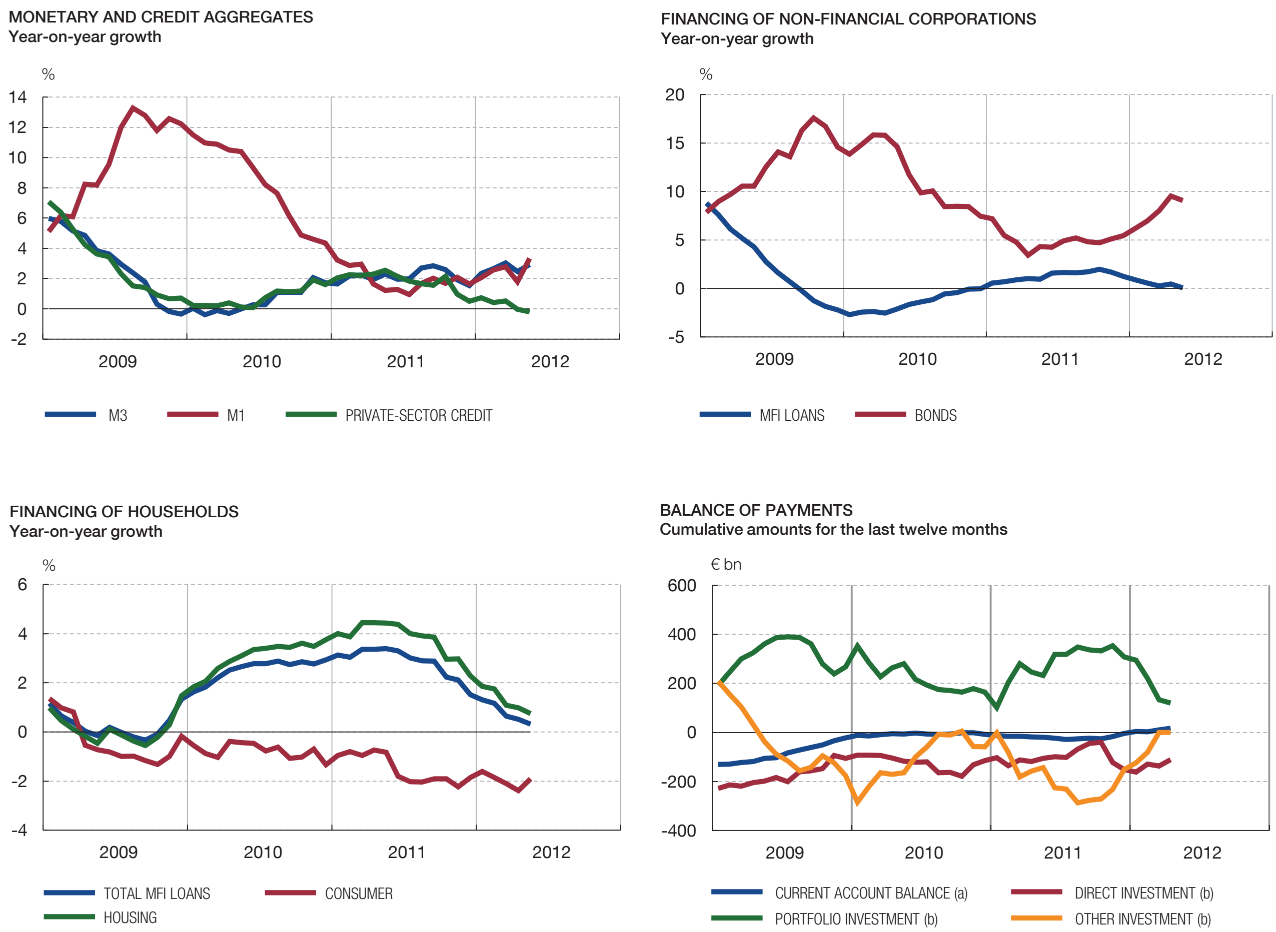


SOURCES: Eurostat and ECB.

The European Commission's review of the stability programmes in the framework of the European Semester concluded that most countries have established ambitious consolidation measures, however, in some cases including France, the Netherlands and Spain, it will be necessary to specify further action in order to comply with the commitments acquired under the Stability and Growth Pact beyond 2012. Except for Estonia, Finland

MONETARY AND CREDIT AGGREGATES AND BALANCE OF PAYMENTS

CHART 11



SOURCES: ECB and Banco de España.

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

and Luxembourg, all the countries are subject to the Excessive Deficit Procedure (EDP), although the European Commission has proposed that it be suspended for Germany since its deficit already stood well below 3% of GDP in 2011.

Lastly, public debt is expected to exceed 91% of GDP in 2012. Furthermore, there are contingent liabilities linked to the restructuring of certain banks and the expenses related to population ageing are likely to increase. According to the European Commission's 2012 Ageing Report, the latter could have an impact in the time frame until 2060 of more than 4 pp on the public spending/GDP ratio (exceeding 7 pp in Belgium, Cyprus, Luxembourg, Malta, the Netherlands and Slovenia).

The macroeconomic setting shapes a very complex scenario for the fiscal consolidation process under way. For this reason, the European Council's recommendations at end-May on fiscal policy emphasise adjustment measures which diminish the impact on economic activity in the short and medium-term, encouraging a reorientation of tax structures towards taxes which favour growth and employment; in the medium term in most countries it is considered necessary to increase the efficiency of spending on health and to introduce reforms in pension systems to raise the effective retirement age, tying it to the population's life expectancy.

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

% of GDP

	2010	2011	2012			2013	
		EC (b)	EC (b)	IMF (c)	EDP (d)	EC (b)	IMF (c)
Belgium	-3.8	-3.7	-3.0	-2.9	-2.8	-3.3	-2.2
Germany	-4.3	-1.0	-0.9	-0.8	-0.9	-0.7	-0.6
Estonia	0.2	1.0	-2.4	-2.1	-2.2	-1.3	-0.5
Ireland	-31.2	-13.1	-8.3	-8.5	-8.2	-7.5	-7.4
Greece	-10.3	-9.1	-7.3	-7.2	-6.7	-8.4	-4.6
Spain	-9.3	-8.5	-6.4	-6.0	-5.3	-6.3	-5.7
France	-7.1	-5.2	-4.5	-4.6	-4.4	-4.2	-3.9
Italy	-4.6	-3.9	-2.0	-2.4	-1.7	-1.1	-1.5
Cyprus	-5.3	-6.3	-3.4	-3.7	-2.6	-2.5	-1.4
Luxembourg	-0.9	-0.6	-1.8	-1.6	-1.8	-2.2	-2.0
Malta	-3.7	-2.7	-2.6	-2.7	-2.2	-2.9	-2.4
Netherlands	-5.1	-4.7	-4.4	-4.5	-4.6	-4.6	-4.9
Austria	-4.5	-2.6	-3.0	-3.1	-3.0	-1.9	-2.4
Portugal	-9.8	-4.2	-4.7	-4.5	-4.5	-3.1	-3.0
Slovenia	-6.0	-6.4	-4.3	-4.7	-3.5	-3.8	-4.2
Slovakia	-7.7	-4.8	-4.7	-4.2	-4.6	-4.9	-3.7
Finland	-2.5	-0.5	-0.7	-1.4	-1.2	-0.4	-0.8
MEMORANDUM ITEM: euro area							
Primary balance	-3.4	-1.1	0.0	-0.5		0.3	0.1
Total balance	-6.2	-4.1	-3.2	-3.2	-3.0	-2.9	-2.7
Public debt	85.6	88.0	91.8	90.0	91.1	92.6	91.0

SOURCES: European Commission, Eurostat and IMF.

a Deficit (–)/surplus (+). The deficits that exceed 3% of GDP have been shaded.
b European Commission forecasts (spring 2012).
c IMF forecasts (April 2012).
d EDP notification (April 2012).

3.2 Monetary and financial developments

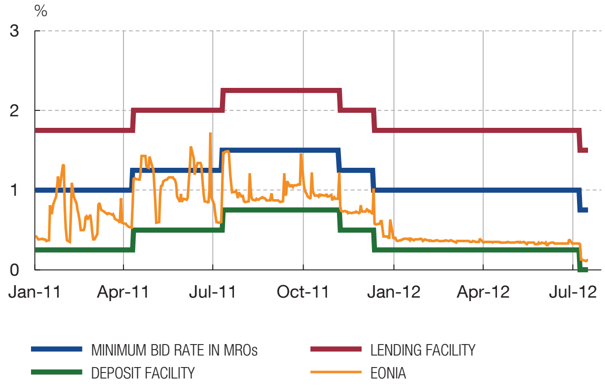
Financial developments in the euro area continued to reflect in 2012 Q2 a highly complicated environment, characterised by market focus on the persisting significant systemic risks and the lack of confidence. The financial situation deteriorated substantially from mid-March, particularly affecting Spain and Italy, which experienced – against a backdrop of high volatility – a sharp tightening of their financing conditions in the public and private sector due to the significant increase in their risk premiums. Thus, ten-year bond yields in the secondary debt market reached 7% for Spain and 6% for Italy and, if they hold at these levels over a protracted period, could question the sustainability of public finances. The increase in risk aversion contributed to the decline in the yields of triple-A rated countries and, in particular, in Germany where the ten-year benchmark (Bund) stood at below 1.5% mid-July.

The resurgence of tensions was related, firstly, to political uncertainty in Greece, which was jeopardising the continuity of the aid programme. Once that scenario had been ruled out with the formation of a coalition government after the June elections, an assessment period began which could result in the new government requesting a revision of the agreements in force. The impact on Cyprus of strong economic and financial exposure to the Greek economy and serious macroeconomic imbalances led it in the last week of June to request financial assistance

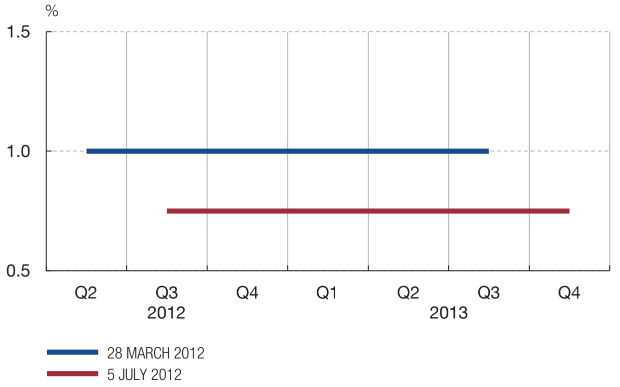
EURO AREA INTEREST RATES

CHART 12

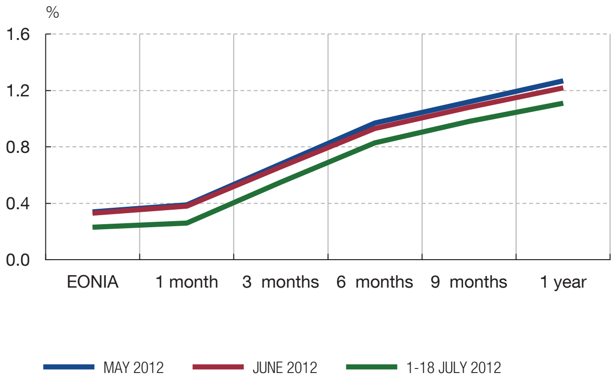
EONIA AND ECB INTEREST RATES



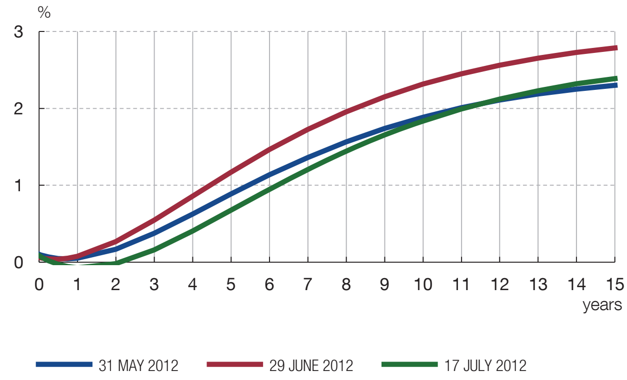
EXPECTED END-QUARTER ECB RATE. REUTERS SURVEYS



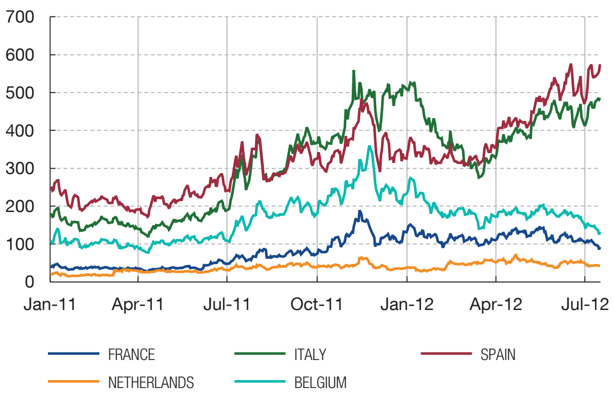
INTERBANK MARKET



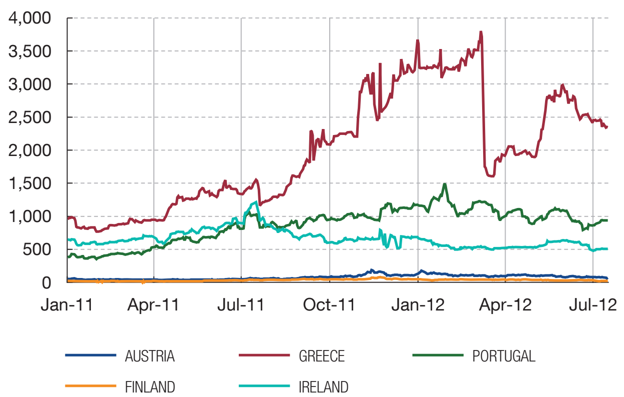
ZERO COUPON CURVE (a)



SOVEREIGN SPREADS OVER GERMANY



SOVEREIGN SPREADS OVER GERMANY



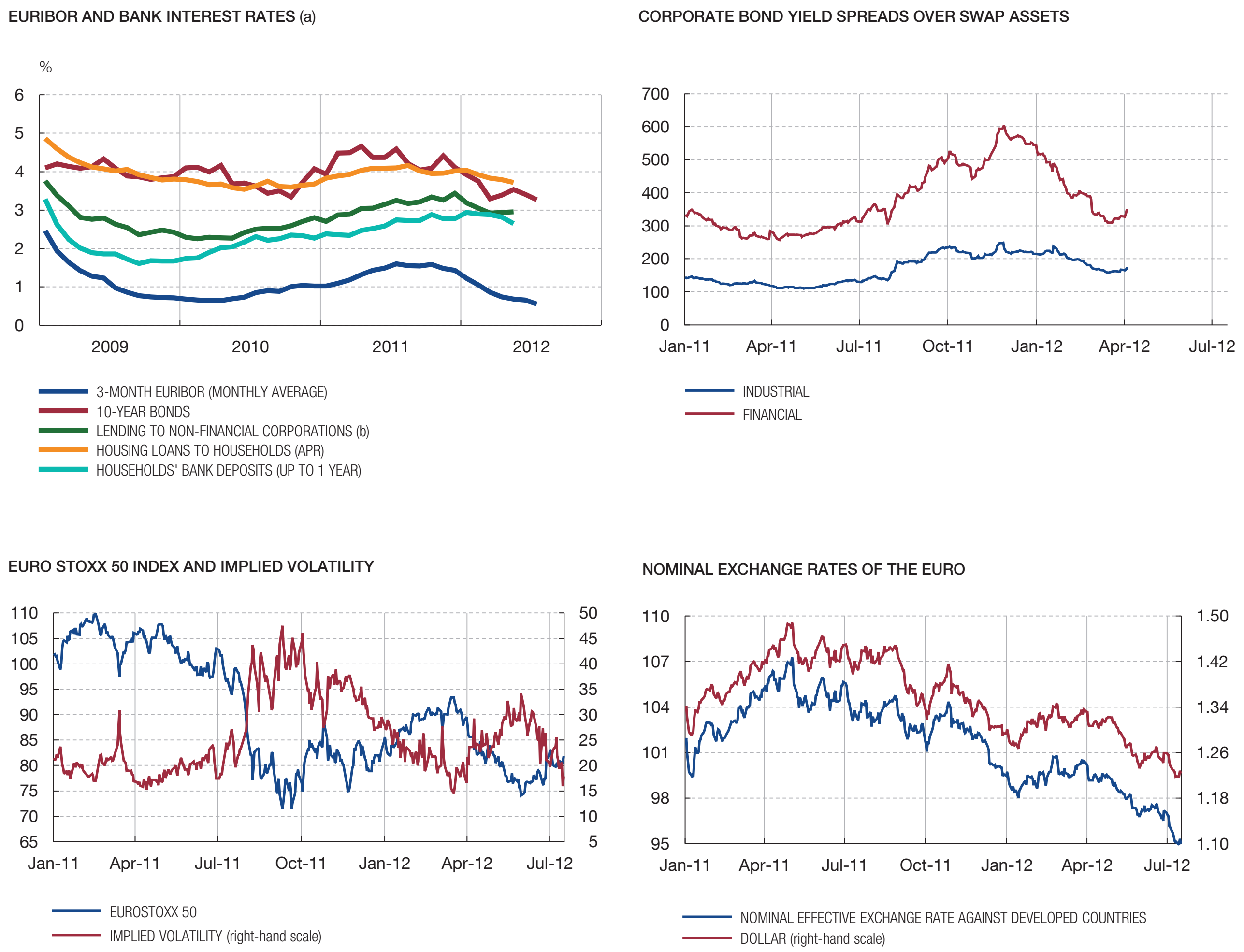
SOURCES: ECB and Banco de España.

a ECB estimate using swap market data.

from the Eurogroup and the IMF under a general programme which is still to be determined. Doubts about the situation of the Spanish economy and uncertainty surrounding the details and implications of the financial aid requested by Spain in order to recapitalise its banking sector were an additional source of tensions. Finally, financial developments were also conditioned by the potential scope of the measures likely to be adopted at the European Council meeting of 28 and 29 June in order to decouple sovereign and banking risks. Accordingly, as

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 one year initial rate fixation.

described in greater detail in Box 2, the agreements of the Council, which were subsequently ratified by the Eurogroup on 9 July, included the possibility of the EFSF and subsequently the ESM being used efficiently and flexibly to buy debt on sovereign markets with suitable conditionality and opened up the possibility for the ESM of directly recapitalising banks, once the single European banking supervisor has been created.

Against this complicated backdrop, the ECB maintained the expansionary stance of monetary policy since it considered that inflation expectations were firmly anchored and that as a result of the situation of economic weakness in the euro area, it was unlikely that inflationary pressure would arise in the medium term. Thus, at its meeting on 5 July, the Governing Council decided to reduce the rate on main refinancing operations by 25 bp to 0.75%, and to cut the rate on the deposit and credit facilities symmetrically to 0% and 1.5%, respectively (see Chart 12). Furthermore, at its May meeting, the ECB announced that it would continue conducting its refinancing operations as fixed rate tender procedures with full allotment until January 2013 and increased the availability of collateral in order to improve the access of banks to Eurosystem operations, with the ultimate aim of supporting the provision of credit to households and non-financial corporations.

Interbank market interest rates tended to moderate, particularly after the easing of official rates. The 3-month and 1-year EURIBOR stood, from the beginning of July, around 0.5% and 1%, respectively, with the result that the spreads in relation to repo operations narrowed slightly, particularly that of the 1-year EURIBOR which stood at below 100 bp.

According to the Bank Lending Survey for 2012 Q1, credit conditions offered by credit institutions remained tight. Thus, the lending standards for new loans to households and firms tightened slightly in Q1, although further tightening was not expected in Q2. The cost of bank loans extended to households and firms in the private sector continued to decline – for loans of less than €1 million – whereas it rose slightly for firms for loans of more than €1 million. These aggregate developments, however, mask uneven credit conditions which are tighter in the economies with greater financial tensions.

The backdrop of high uncertainty and falling economic activity continued to condition private-sector demand for financing which remains weak. Thus, bank loans to the private sector held on a slowing path, showing year-on-year growth of 0.4% in May, in securitisation-adjusted terms. Growth in credit to households stood at 1.3%, with house purchase loans slowing at the same time as consumer credit continued to fall year-on-year by around 2%. The moderation was sharper in corporate loans whose year-on-year rate of increase stood at 0.2%, with wide cross-country divergences. Conversely, the debt issues of non-financial corporations continued to grow at relatively high rates, above 9% year-on-year in May, which may show a certain substitution effect among sources of financing by larger corporations (see Chart 11).

On the stock market the EUROSTOXX 50 index held, albeit with some volatility, on the declining trend it began mid-March, with the result that since the beginning of April it has lost approximately 10% and, in the case of the banking sector, 24%. Declines were widespread across countries although the sharpest were in Spain's IBEX 35 and Italy's FTSE MIB (see Chart 13). The euro-dollar exchange rate depreciated 8% in the same period and at the cut-off date for this bulletin was $1.22 per euro.

On the latest available information, economic activity is estimated to have contracted in 2012 Q2 with slightly greater intensity than in the previous quarter, as a result of which GDP posted a quarter-on-quarter change of -0.4% (see Chart 14). The weakness of national demand became more acute, with a fall of 1.2%, owing to the poorer performance of consumption and of investment in construction. By contrast, the positive contribution of net external demand increased, to 0.8 pp, 0.6 pp up on Q1. This was due to the momentum of exports – of services in particular – and to the continuing slackness of imports. In year-on-year terms, the decline in output steepened by 0.6 pp to -1%.

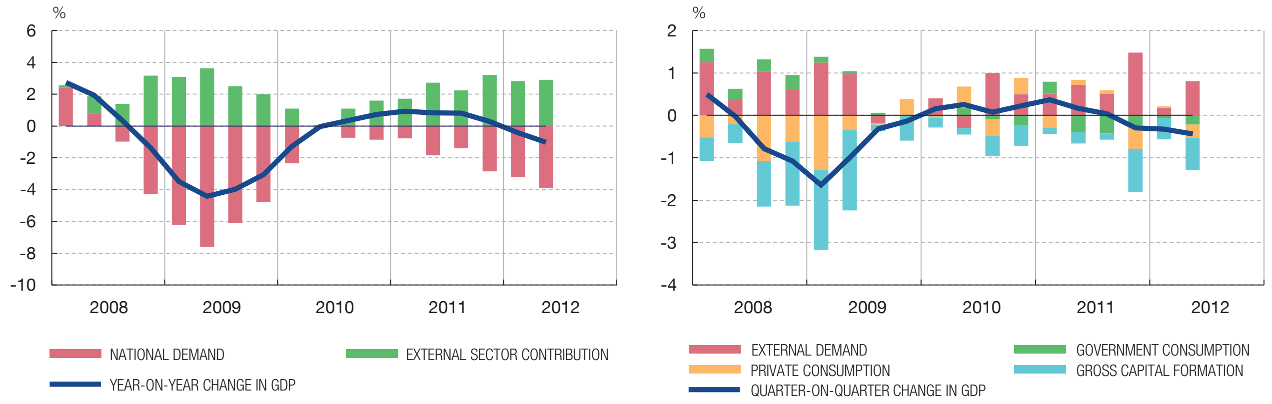
Employment continued falling sharply, with an estimated decline of 4.6% year-on-year, 0.8 pp more than in Q1. The estimated course of output and employment led to a rise in the rate of increase of average labour productivity. In combination with the slowdown in the growth rate of compensation per employee, this behaviour translated into a further decline in unit labour costs economy-wide. Finally, the CPI stood in June at 1.9% year-on-year, unchanged on the March figure. The CPI excluding energy and unprocessed food prices rose from March to June by 0.1 pp to 1.3%. In terms of the HICP, the inflation differential with the euro area as a whole remained negative and stood in June at -0.6 pp. In the coming months, prices in Spain will be affected by the impact of the rise in VAT rates, as well as by increases in other indirect taxes and administered prices, although the marked weakness of demand suggests that the pass-through of these tax increases to final prices will be incomplete.

4.1 Demand

The weakness of private consumption increased in Q2 (see Chart 15). This demand component is estimated to have fallen at a quarter-on-quarter rate of 0.5%, compared with 0.1% in Q1. This contraction is consistent with the persistent weakness in the labour market, which continued to erode the main source of household income and fuelled uncertainty over the future course of this variable. Moreover, the bouts of financial stability during the quarter prompted a deterioration in confidence. Household wealth continued falling, in a setting of further declines in house prices and in Spanish stock market prices. Among the quantitative indicators, the quarter-on-quarter decline in new individual car registrations, calculated on the basis of the seasonally and calendar-effect-adjusted series, climbed to 7.3%. The year-on-year decline in large corporations' sales of goods and services (an indicator compiled by the State Tax Revenue Service) and in the retail trade index also quickened over April and May on the whole to a rate of around -7%.

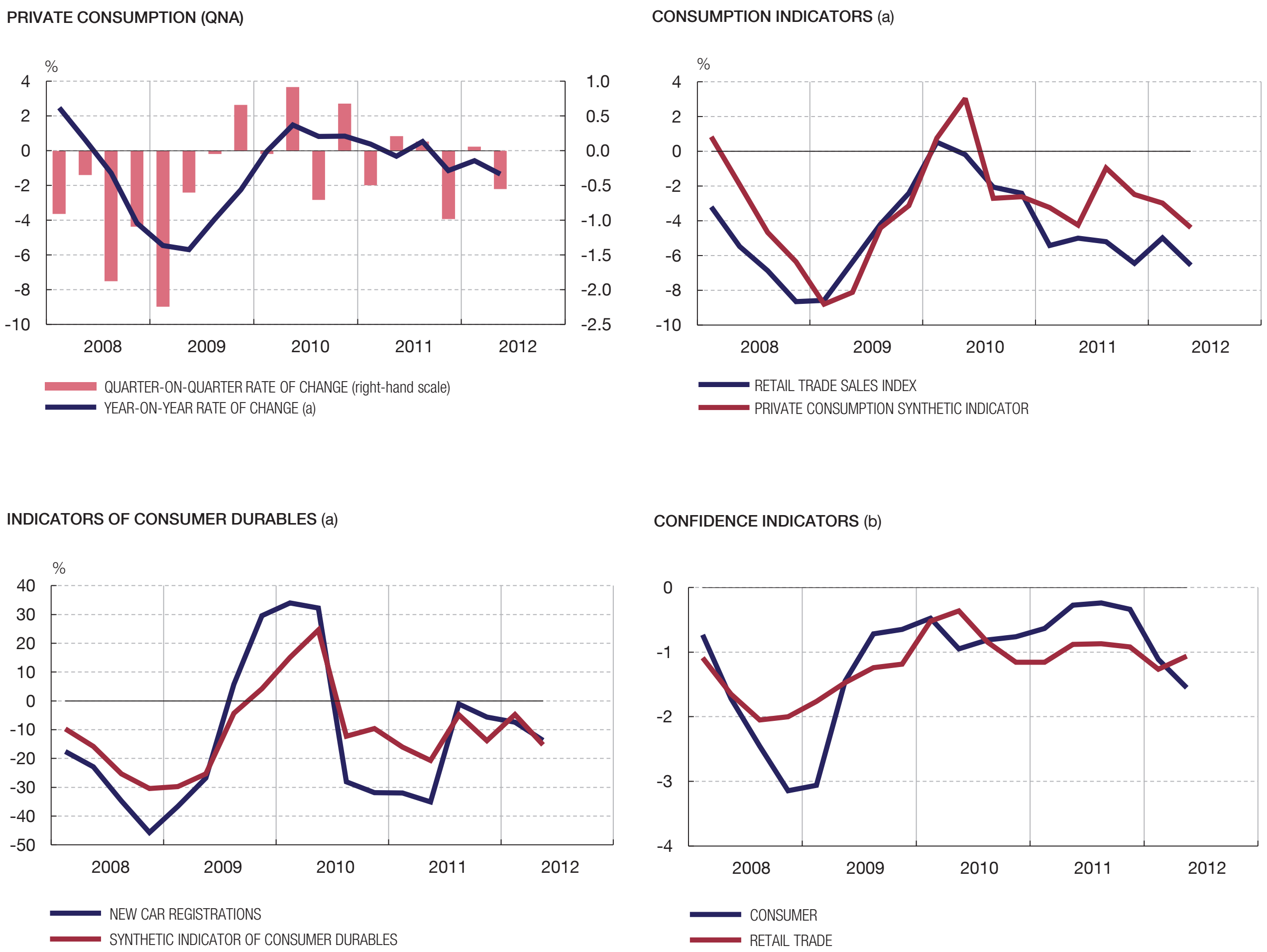
On information to 2012 Q1, the growth of nominal household income slowed for the second quarter running, evidencing a slight decline according to the cumulated four-quarter data from the non-financial accounts of the institutional sectors. The trend in household income is due to the rise in the negative contribution of employee compensation and, to a lesser extent, to the reduction in the positive contribution of the gross surplus of the self-employed. The contribution of general government to household income held stable, since higher direct tax payments following the rise in personal income tax rates were offset by higher benefit income and lower social security contributions payments. The increase in nominal consumption, along with the fall in income, led to a further decline in the household saving rate, on this occasion by 0.8 pp to 10.8% of disposable income, a similar level to that recorded before the start of the crisis.

MAIN DEMAND AGGREGATES. CONTRIBUTION TO GDP GROWTH (a) CHART 14



SOURCES: INE and Banco de España.

PRIVATE CONSUMPTION CHART 15

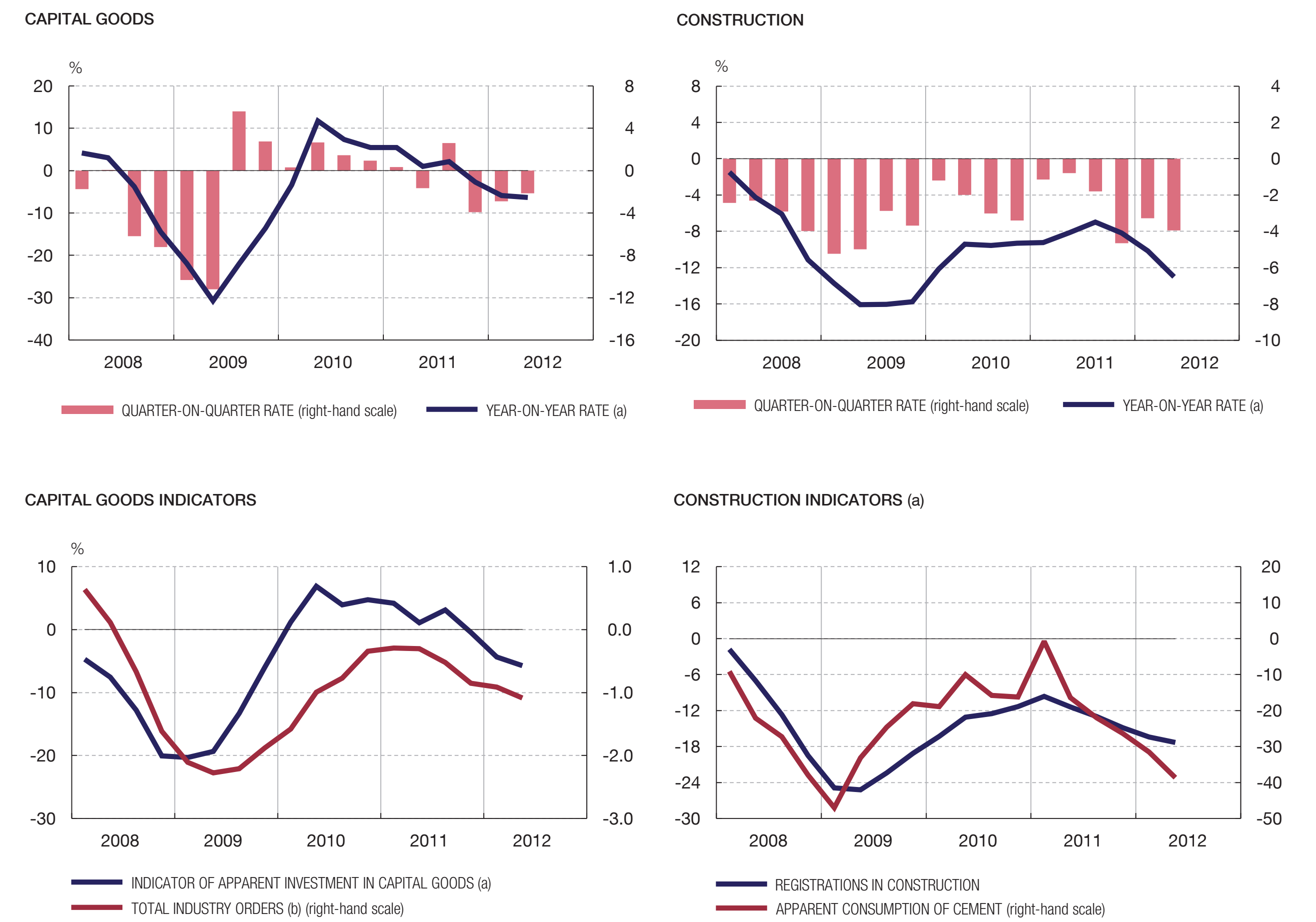


SOURCES: INE, European Commission, ANFAC and Banco de España.

a Year-on-year percentage change based on the seasonally adjusted series.
b Normalised 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, Servicio Público de Empleo Estatal and Banco de España.

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

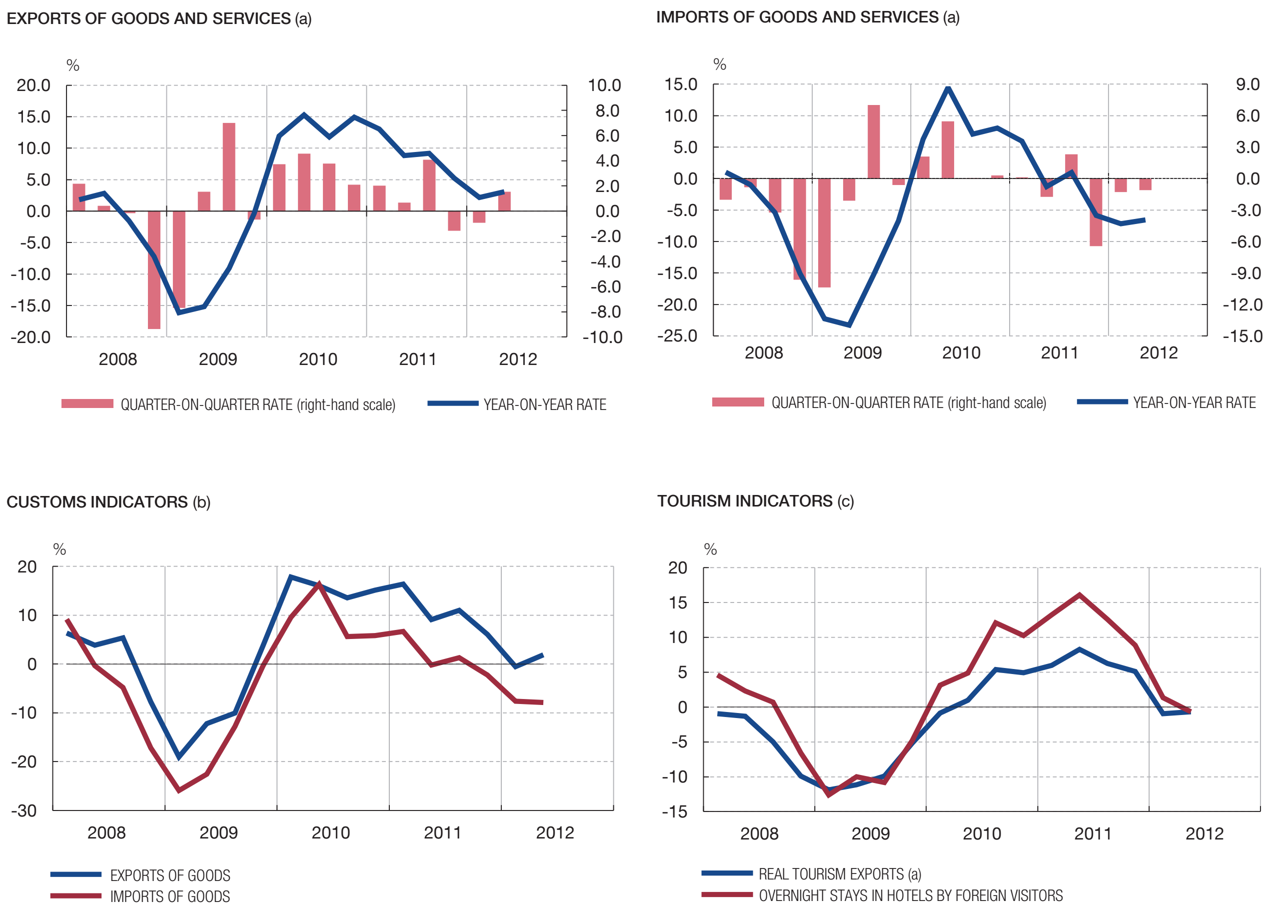
Investment in capital goods continued on a declining trajectory in 2012 Q2, with an estimated fall of 2.2% in quarter-on-quarter terms (see Chart 16). Both the industrial production of this type of good and imports fell sharply in April and May, and new commercial vehicle registrations also fell back significantly in Q2. In the same period, the lack of business confidence increased, both in industry as a whole and in the capital goods segment, potentially reflecting a further downturn in business investment in the coming months.

Drawing on the information from the non-financial accounts of the institutional sectors, the lending capacity of non-financial corporations continued on an improving path in 2012 Q1, standing at 1.9% of GDP with cumulated four-quarter data (0.3 pp up on 2011). Behind this increase lay greater saving by corporations, reflecting their efforts to clean up their balance sheets and strengthen their self-financing capacity in the face of the difficulties of borrowing funds. The increase in saving was essentially underpinned by the business surplus and by lower growth in interest payments.

Investment in construction remained contractionary as in the previous quarters, a trend associated with the ongoing adjustment in the residential segment and with the fiscal consolidation in the area of civil engineering works (see Chart 16). The latest information from the indicators for the sector as a whole in relation to employment and to the use of inputs

FOREIGN TRADE
Percentage change on year ago

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.

shows sharper quarter-on-quarter declines than those at the start of the year. This is the case of residential investment, which has been affected by the gradual reduction in the number of housing starts. As regards housing market transactions, around 70,000 houses were sold in 2012 Q1, a figure somewhat down on that a year earlier. The surface area approved for non-residential building continued to shrink strongly, on data to April, as did government civil engineering procurement.

Along with the contraction in public investment, it is estimated that the decline in government consumption contributed to making the direct contribution of general government to national demand in the April-June period more negative than at the start of the year. Specifically, the partial information available on general government consumption in Q2 points to a substantial fall-off in State purchases of goods and services, while general government employment might have posted a decline in this period, judging by the fall observed in the figures for Social Security registrations in the general government-related sectors.

Turning to the external sector, the contribution of net external demand to quarter-on-quarter GDP growth is estimated to have increased substantially in Q2 to 0.8 pp. This result would mainly be due to the pick-up in exports, whereas imports are expected to have fallen back at a similar rate to that in Q1 (see Chart 17). In year-on-year terms, net external demand made a contribution of 2.9 pp to the rate of change of GDP. The recovery in exports has been underpinned by the gains in competitiveness (owing to the depreciation of the euro and to the containment of relative labour costs vis-à-vis our competitors), and despite the easing in the demand for imports by the euro area.

On Customs data, real goods exports continue to grow in the first two months of Q2, posting a year-on-year rate of 1.9%, following their 0.3% decline in the previous quarter. By product group, the improvement was fairly generalised, with notable strength in food and non-energy intermediate goods exports. Conversely, sales of non-food consumer goods remained notably sluggish. By geographical area, and in nominal terms, exports to the euro area fell slightly (-1.2% year-on-year) in April and May, while exports to the rest of the world continued to grow at a high rate (10.5%). The decline in exports to the euro area is attributable to the sluggishness of demand in some of our main markets, such as Italy and Portugal, which have witnessed respective falls of 5.3% and 9.7%.

As regards real tourism services exports, the information available suggests that this demand component might once again post a negative year-on-year rate of change in Q2. Although the geopolitical uncertainty persisting in some Arab countries continues to support tourist flows towards Spain, it is doing so with less intensity than in 2011. Indeed, some return by British tourism to eastern Mediterranean destinations has begun to be seen, a trend that is not discernible so far in the case of German tourists. Both incoming foreign tourists and their overnight stays in hotels or their nominal spending performed somewhat less favourably in April on year-on-year terms than in Q1, but greater dynamism was evident in May. Box 4 presents a tool for predicting tourist flows on the basis of Internet searches. Regarding other services, exports remained favourable in Q2 thanks to the sound performance of transport and of services to businesses.

On Customs data, goods imports in real terms fell 7.7% year-on-year in April and May, a somewhat greater decline than that recorded in Q1. In terms of groups of goods, the steeper decline in purchases of capital and consumer goods was notable. By contrast, the rate of decline of real services imports is expected to have eased in Q2, owing both to tourist expenditure and to purchases of other services.

4.2 Output and employment

During 2012 Q2, market-economy gross value added fell once again, placing its quarter-on-quarter rate of change at -0.3%. According to the quantitative indicators available, the rate of decline in the industrial sectors edged up slightly due largely to the progressive loss of momentum in foreign orders. In terms of broad economic category, the production of consumer goods and capital goods performed somewhat more favourably in Q1, while there was some worsening in energy and intermediate goods. Most market services indicators also evidenced a slight worsening relative to the previous quarter. The indicator of services sector activity fell back notably in April and May, largely influenced by developments in retail and wholesale trade. Likewise, opinion-based surveys revealed a downturn in activity over Q2 as a whole.

Turning to the labour market, developments in economic activity in Q2 meant the continuation of the process of net job destruction. The latest EPA data available are for Q1. According to these figures, employment fell in this period at a year-on-year rate of 4%, against -3.3% in 2011 Q4. This decline ran in parallel to that shown by QNA employment figures, as can be seen in Chart 18. By sector of activity, the downturn in employment was across the board, with the exception of industry, where the rate of decline

The popularity of the Internet has changed a large number of our daily activities, spanning a wide range of areas from reading newspapers to buying goods and services and, under this latter heading, the search for information on tourism services, and the booking of such services. Since 2009, the European Commission has annually compiled a survey that draws together detailed information on Europeans' travel habits and customs.[1] According to this survey, Internet has become the second biggest source of information – after recommendations by other people – for organising and booking trips.

The recording of tourism-related Internet searches enables an indicator to be compiled of consumers' interest in travelling to a specific location. This Box constructs a specific indicator of Internet searches by non-residents in relation to the preparation of holidays in Spain. The indicator compiled seeks to proxy the number of tourist inflows into Spain (which, along with the number of overnight stays by each of them, is one of the most significant indicators for estimating real exports of tourism services).

The potential volume of information is huge, meaning an instrument is needed to allow such information to be systematised. Specifically, use is made here of "Google Insight for Search" (GIS), a statistical tool developed by Google which broadly allows searches by consumers in different markets to be analysed. The analysis in this Box is part of the avenue of research initiated by Choi and Varian in 2009[2], who analyse how GIS helps improve the short-term predictions of sales of goods and services in different areas (retail trade, cars, travel and the real estate market). The strategy pursued in each of these applications is as follows:

— Adjust the best possible forecasting model using conventional statistics, including the lagged endogenous variable (hereafter model 0).

— Add the search indices (the so-called "G-indices") as an additional expansion variable (hereafter model 1).

— Assess the improvement in predictions through a standard instrument: the mean absolute error (MAE) or the mean square error (MSE) of the out-of-sample predictions of both models.

The result of the application of this strategy to the case of foreign tourist inflows into Spain is a substantial improvement in the predictive power of the models available when tourist information searches are included, searches which, moreover, are made in many cases several weeks or months prior to the trip being taken.

The indicator constructed only considers tourists from the United Kingdom, Germany and France, the three main clients of the Spanish tourism industry. Overall, these three countries account for 60% of the foreign tourists in Spain, and their tourism pattern is very similar to that of the aggregate of total foreign tourists (see Chart 1).[3] By way of example, Chart 2 compares tourist inflows from the United Kingdom with Internet searches for terms relating to holidays in Spain made from this country.[4] The profile of the series is not very different, partly because of the strong seasonal component of the tourism series, with the biggest inflows of visitors in the summer months. In any event, Internet searches can be seen to lead tourist inflows to some extent.[5]

In step with the broad strategy described above, two models have been estimated for each of the three countries of origin of the tourists: the best ARIMA model estimated by TRAMO (model 0) and a model augmented with the G-index relating to searches made from that country (model 1).[6] In all instances, model 1 appreciably improves the univariate models. The reduction in the MSE of the out-of-sample forecasts in the models relating to British, German and French tourist flows is 12% in the first two cases and 44% in the third, when the G-index is included.

The improvement in the forecast of the total aggregate of tourists when the G-indices are incorporated as a regressor becomes patent in Chart 3, where one-period-ahead forecasting errors are compared. The benchmark model is that used currently to predict the inflow of tourists (model 0). The alternative estimate is obtained from a simple aggregation of the estimates of model 1 for each country of origin of the tourists. The mean absolute error (MAE) for model 0 in the out-of-sample period running from January 2011 to April 2012 is 3.8%, while the MAE for the aggregate of models 1 is 2.2%.

These G-indices are, therefore, useful for making economic forecasts. In the short run, with the model that incorporates the G-indices (model 1), the estimate would be for the figure of tourist inflows in 2012 Q3 to be similar to that of the previous year, a forecast that is somewhat lower than that which would result from a simple univariate model, which would anticipate a slight year-on-year increase.

1 "Survey on the attitudes of Europeans towards tourism".

2 H. Choi and H. Varian (2009), *Predicting the present with global trends* and *Predicting initial claims for unemployment benefits,* Google Research Blog.

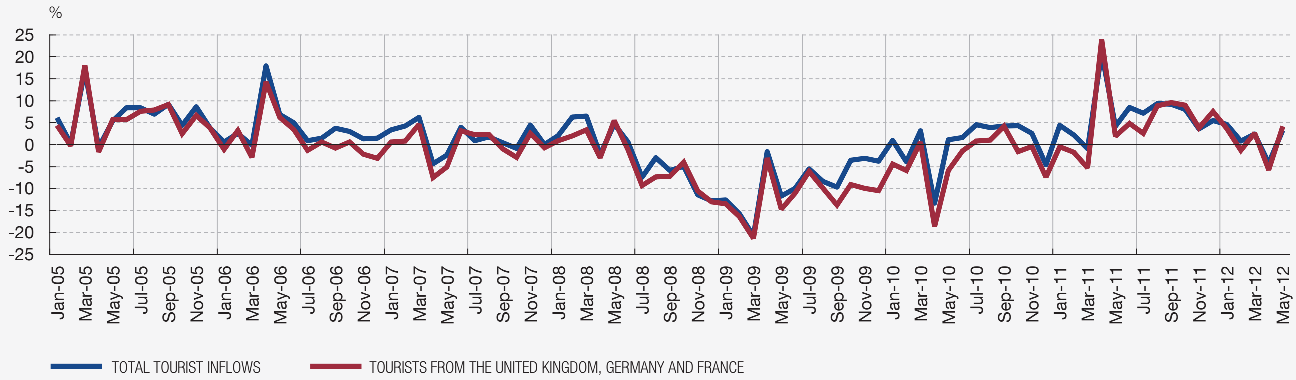
3 Specifically, the correlation between total tourists and tourists from the United Kingdom, Germany and France is very close to unity, without this being merely the reflection of similar seasonal behaviour, since the correlation between year-on-year rates is likewise very high.

4 The search terms used were "Spain holiday", "Spanien Urlaub" and "Vacances Espagne" for searches by residents in the United Kingdom, Germany and France, respectively. Tests have likewise been made with other terms relating to leisure trips to Spain and the results are very similar (see C. Artola and E. Galán, *Tracking the future on the web: construction of leading indicators using Internet searches,* Occasional Papers, no. 1203, Banco de España).

5 In addition to this lead, a rise in searches in January each year can be observed, despite the fact that in that month, and those immediately preceding it, tourist inflows are low. However, searches for holidays are relatively numerous in January, which probably reflects new plans being made as the year begins.

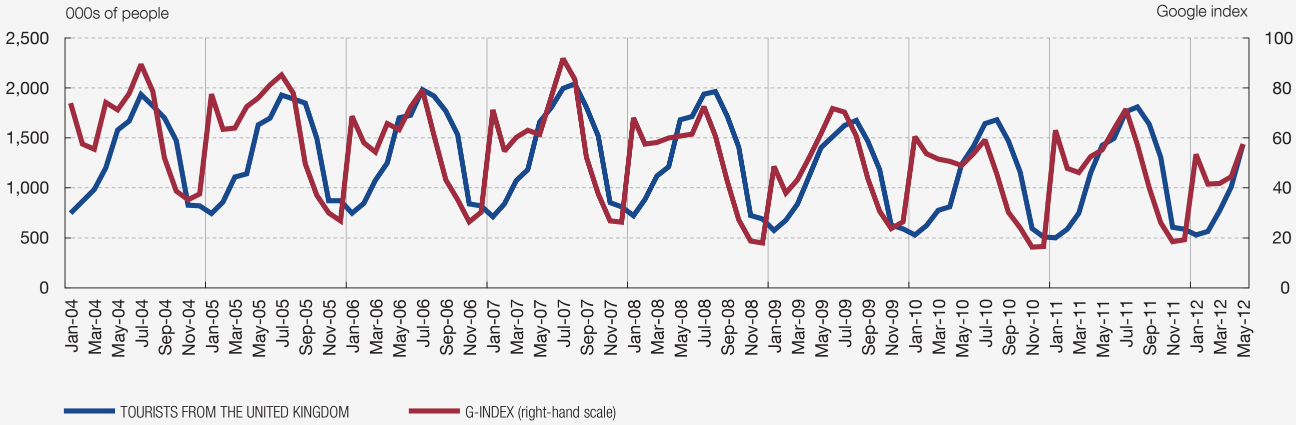
6 In all instances, a model that included as regressors the G-indicator with up to six lags was initially estimated. The final models only included the lags that were significant.

1 TOURIST INFLOWS INTO SPAIN
(year-on-year rates)



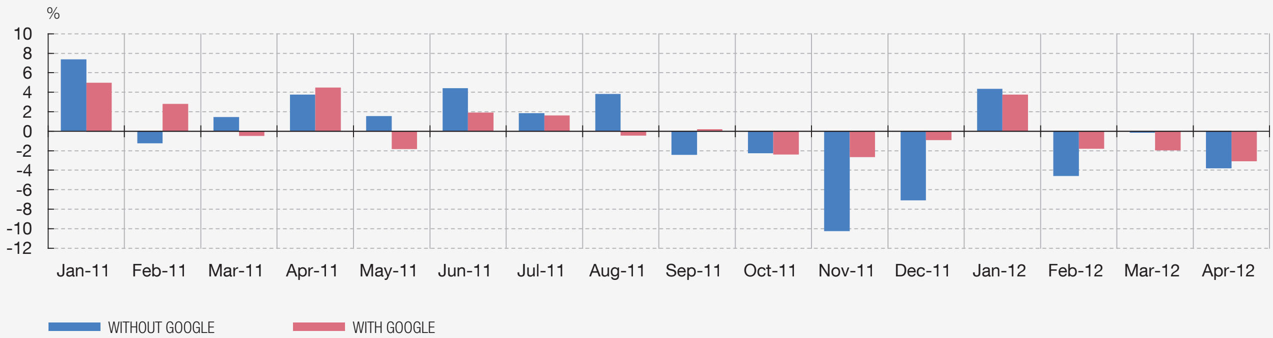
SOURCE: Instituto de Estudios Turísticos.

2 TOURIST INFLOWS INTO SPAIN AND GOOGLE SEARCHES
TOURISTS FROM THE UNITED KINGDOM



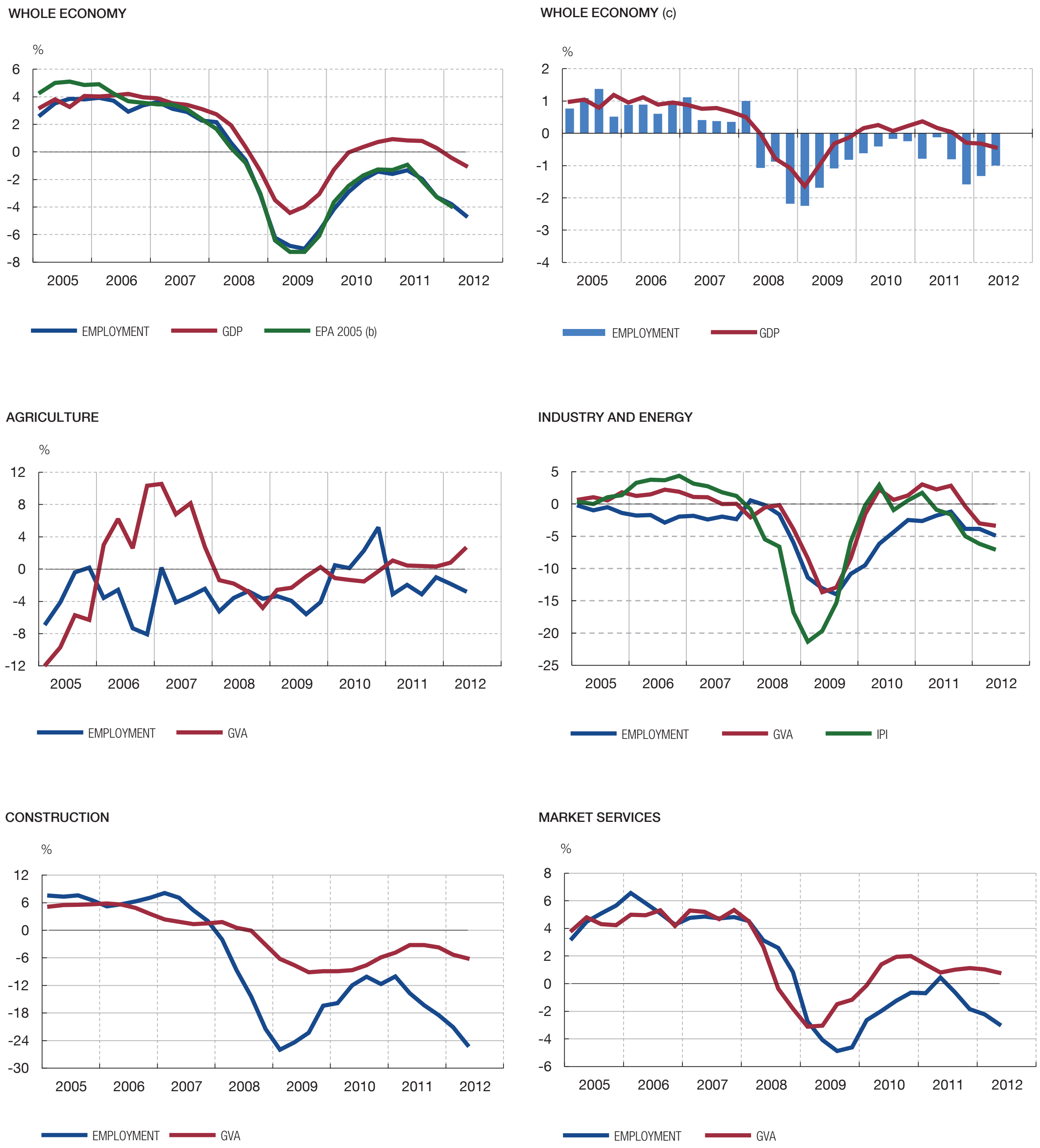
SOURCES: Instituto de Estudios Turísticos and Google Insights for Search.

3 ONE-PERIOD-AHEAD FORECASTING ERRORS



SOURCES Instituto de Estudios Turísticos, Google Insights for Search and Banco de España.

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



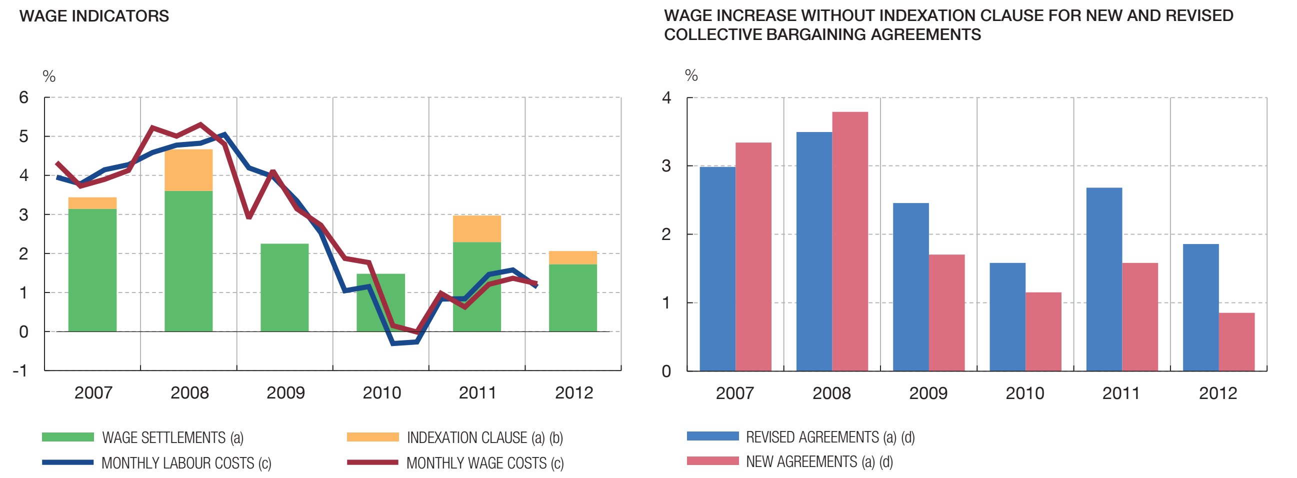
SOURCES: INE and Banco de España.

a Year-on-year rates based on seasonally adjusted series, except 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.

eased. Further, there was a notable reduction in employment in non-market services. As the labour force remained stable, the fall in employment passed through in full to an increase in the unemployment rate, which rose to 24.4% in Q1, 1.6 pp up on end-2011. As to labour market developments in Q2, Social Security registrations continued to evidence the decline in employment, posting a year-on-year rate of -3.2%, 0.6 pp high-

WAGE AND LABOUR COSTS INDICATORS

CHART 19



SOURCES: INE and Ministerio de Empleo y Seguridad Social.

a The latest year takes information from collective bargaining agreements to June 2012.
b Previous year's indexation clause.
c Quarterly labour costs survey. 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 same or only year in which they are applicable.

er than in Q1. The quarter-on-quarter decline in seasonally adjusted terms was of the same order as in 2012 Q1 (-0.9%). The steepening of the year-on-year declines in registrations was across the board, this being the first quarter in which registrations in non-market services[3] have posted a negative rate (-1.3%) since homogeneous series have been in place. Construction continued to show the highest rates of decline (-17.3%), followed by industry (-5.2%), with more modest figures in agriculture (-1%) and in total services (-1.6%). Significantly, however, a lower decline was observed in June, owing to favourable developments in the services sector, affected in part by the end of the deadline to comply with the new domestic service regulations. The trend in registrations in Q2 would be consistent with a further weakening in employment in year-on-year terms.

The National Public Employment Service figures on the contraction in employment set the year-on-year fall at -4.8% in Q2, 3 pp milder than the decline in the previous period. On this occasion, the fall in both temporary and permanent contracts eased, albeit somewhat more sharply in the latter case, whereby the weight of this employment modality in total hires stood at 8%. Within this group, the sizeable growth in initial ordinary contracts of employment was notable, including the new small business contract[4], approved in February this year by Royal Decree-Law 3/2012, although itemised information enabling a more detailed assessment of its use by companies is not available.

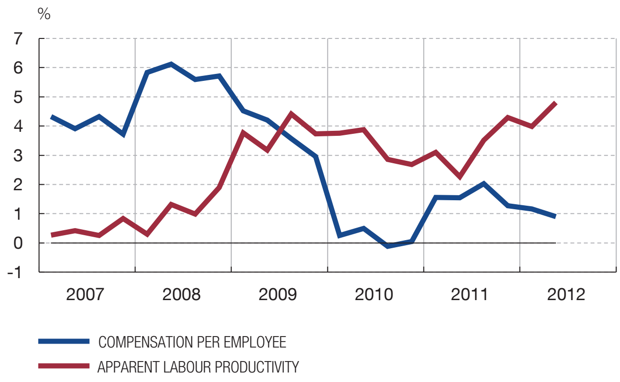
Lastly, registered unemployment stood at a year-on-year rate of 11.9% in Q2 (more than 2 pp up on Q1), although a significant decline was witnessed in June (of 99,000 people compared with May). These changes in registrations and in registered unemployment appear to indicate that the unemployment rate might stabilise in 2012 Q2.

3 Aggregation of the sections of General Government and of Defence, Education and Health under the general and self-employed regimes.
4 Aimed at small and medium-sized enterprises, with different tax incentives and rebates. Its sole difference from the ordinary contract of employment is that it has a one-year trial period.

WAGES 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.

4.3 Costs and prices

Against a background of major collective bargaining delays, the agreements registered between January and June 2012 showed a cumulative increase in wage rates of 1.7%, 0.4 pp less than the figure to March. Recent months have seen the first significant progress in newly signed collective bargaining agreements (2012 is the first year these will be in force), for which wage increases of 0.85% have been agreed (see Chart 19). This figure draws closer to the wage recommendations of the II Agreement for Employment and Collective Bargaining 2012-2014 (AENC), signed in January 2012. However, most wage-earners with agreements concluded for this year (86%) are subject to revised agreements, i.e. multi-year agreements entered into in previous years, in which settlements stand at around 1.9%. Given the delicate situation of the labour market, the social partners should step up their efforts so as to strictly fulfil the AENC wage recommendations, which should provide for a more balanced adjustment between wages and employment. In turn, intensely harnessing the greater internal flexibility possibilities contained in the labour reform would allow working conditions to be tailored to a greater extent to the economic situation of each company, thereby contributing to preserving employment and competitiveness.

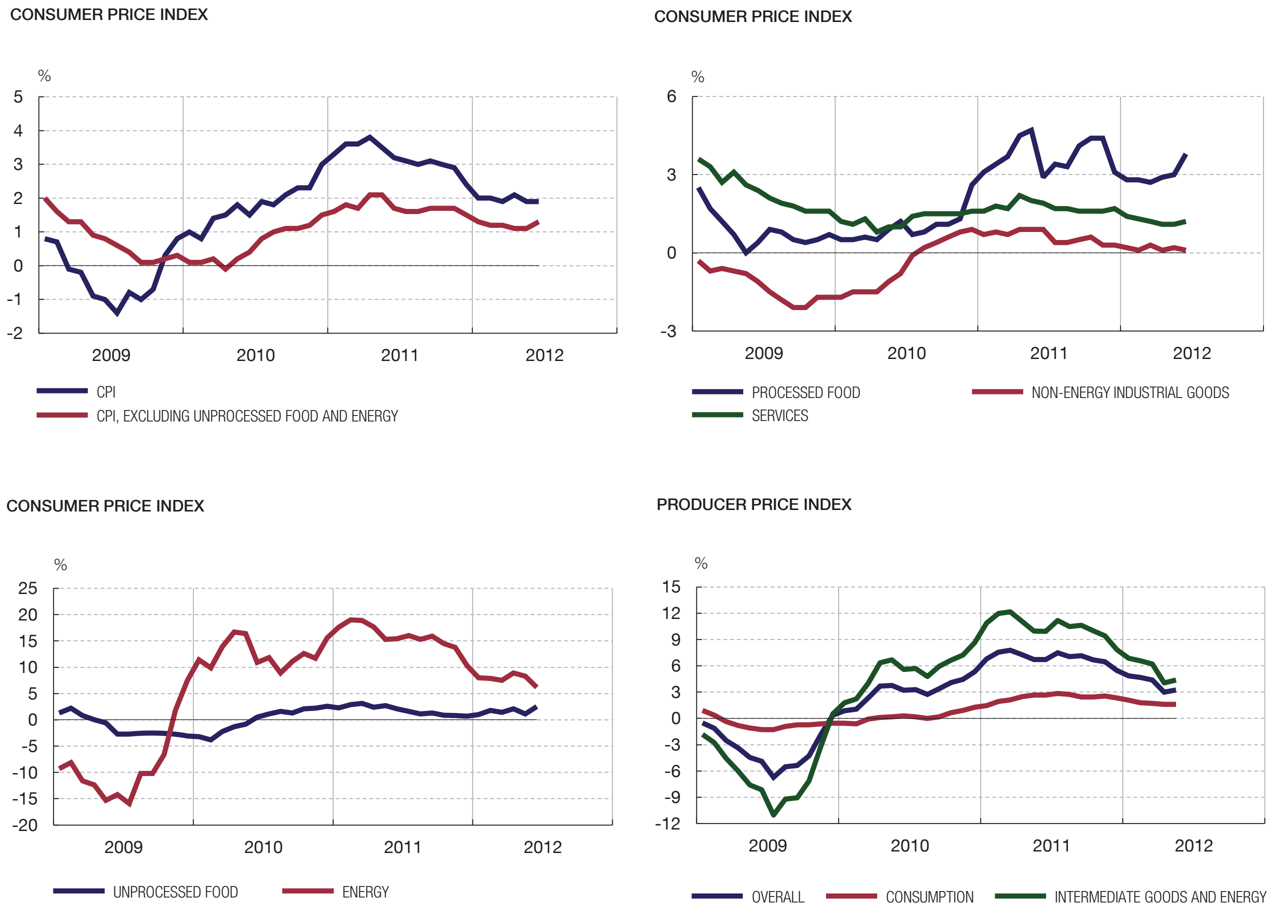
As occurred in the two previous years, both the quarterly labour costs survey and the QNA figures on compensation per employee showed more moderate wage growth rates in 2012 Q1 than those reflected in collective bargaining agreements. Moreover, in the market economy, the slowing in wage rates and the modest increase to May in average gross compensation (according to State Tax Revenue Service data relating to large corporations) suggests a further slowdown in the year-on-year growth of compensation in Q2 (see Chart 20).

In 2012 Q2, the pace of the deflators of all demand components eased, reflecting both domestic output prices (proxied by the GDP deflator), whose rate of change is expected to have declined by 0.2 pp compared with the previous quarter, and the prices of imported goods and services, whose growth was more moderate.

During the second quarter, the main indicators of consumer prices trended stably, in contrast to their declining trajectory in the previous months. The year-on-year rate of the CPI in June was 1.9%, unchanged on March (see Chart 21). This same period, the growth rate

PRICE INDICATORS (a)
Spain

CHART 21



SOURCE: INE.

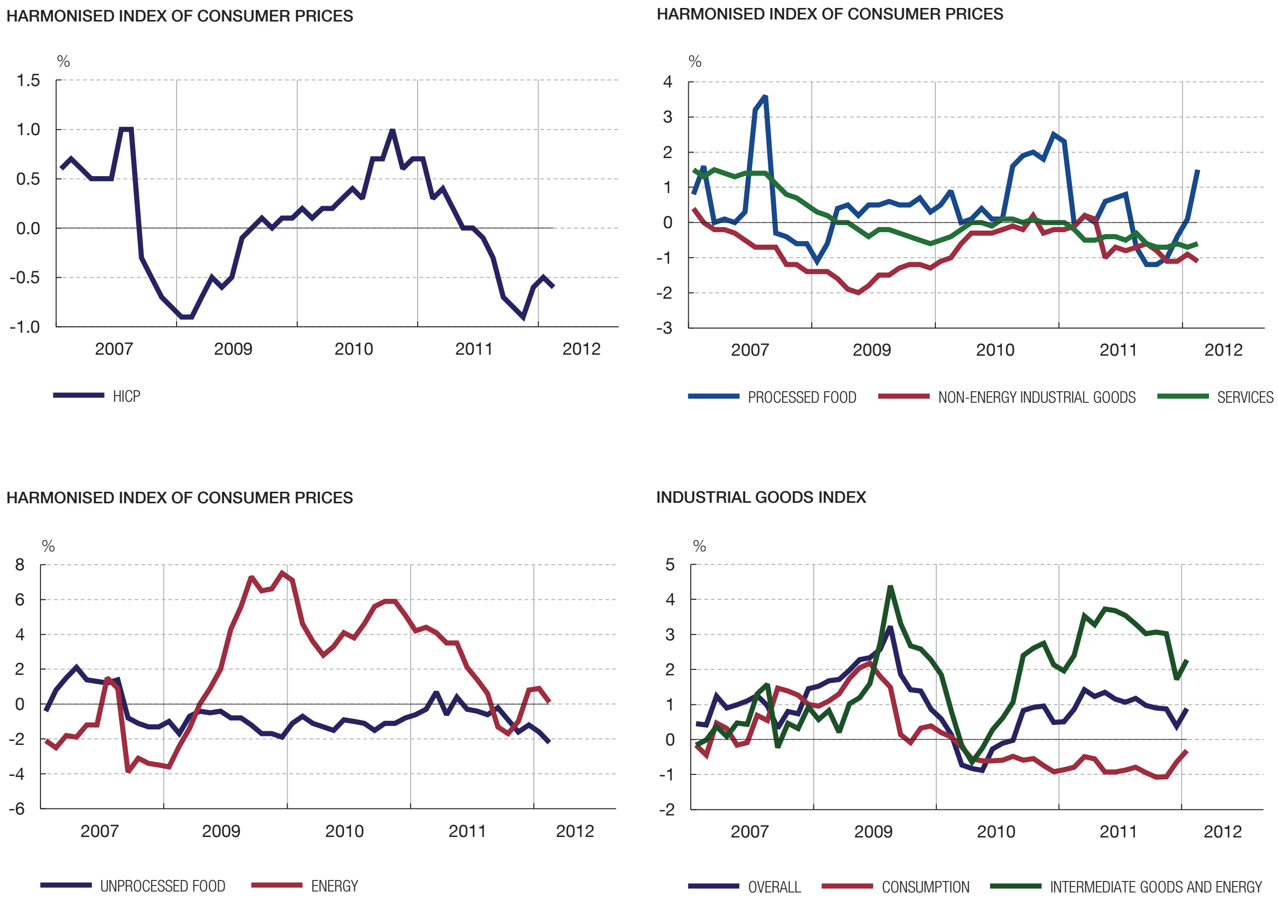
a Twealve-month percentage change based on the original series.

of the CPI excluding energy and unprocessed food prices was 1.3%, 0.1 pp up on the related rate at the end of Q1. Notable among the components of this index is the higher growth rate of processed food prices, which stood at 3.8% in June, 1.1 pp up on March. This is partly due to the increase in the duties on tobacco. The rate of increase of prices of non-energy and industrial goods dipped by 0.2 pp. The year-on-year rate of change in services prices held stable during the quarter at 1.2%, despite the increases in regulated transport prices. The energy component of the CPI slowed somewhat, against the background of lower crude oil prices on international markets, as a result of which its growth rate compared with March fell by 1.3 pp to 6.2%. Finally, the rate of change of unprocessed food prices continued to fluctuate strongly during Q2.

In the first half of 2012, inflation measured by the harmonised index of consumer prices (HICP) continued to be lower in Spain and in the euro area, although the difference narrowed slightly in Q2. Specifically, Spanish inflation in June was 0.6 pp lower than that of the euro area (see Chart 22). The prices of energy products moved from a negative difference of -1 pp in March to 0.9 pp in June, owing to the rise in regulated prices in Spain. The difference in terms of the CPI excluding energy and unprocessed food prices was negative in June (-0.5 pp) as a result of the differences in services (-0.6 pp) and non-energy industrial goods (-1.1 pp), while in the case of processed food prices the difference was positive (1.5 pp).

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

CHART 22



SOURCES: Eurostat and Banco de España.

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

The producer price index continued to ease in Q2, posting a year-on-year rate of 3.2% in May, 1.2 pp down on March. This slowdown mirrored the deceleration in prices of energy products, since the pace of the non-energy component held stable during the quarter. The growth rate of the price indices of industrial product imports and exports likewise fell, posting respective year-on-year rates of 3.8% and 2.3% in May.

4.4 The State budget

At its meeting on 10 July 2012, the Ecofin analysed Spain's excessive deficit procedure and, having regard to the deterioration of the economic situation, it decided to extend by one year, to 2014, the deadline for the correction of the excessive budget deficit. As a result, the new path of targets for the general government deficit/GDP ratio will be 6.3%, 4.5% and 2.8% in 2012, 2013 and 2014, respectively (compared with the targets of 5.3%, 3% and 2.2% of GDP for these years set under the Stability Programme published in April). In order to strengthen the credibility of these objectives, the EU Council requested that the Spanish government adopt, before the end of July, a budgetary plan spanning 2013 and 2014. In addition, the Council's recommendations include: a structural fiscal drive over the period 2010-2013 amounting to at least 1.5% of GDP in annual average terms; the strict application of the fiscal plans under way at all levels of general government, and of the provisions of the new budgetary stability law relating to data transparency and to the control of the budgets of all tiers of government; the creation of an independent budgetary institution to analyse, advise on and supervise budg-

GENERAL GOVERNMENT. NON-FINANCIAL ACCOUNT IN NATIONAL ACCOUNTS TERMS

TABLE 4

€m and %

	Outturn 2011	Percentage change 2011/2010	Stability Programme 2012	Percentage change 2012/2011	Outturn 2011 Jan-Mar	Outturn 2012 Jan-Mar	Outturn Percentage change 2012/2011
	1	2	3	4=3/1	5	6	7=6/5
1 Total resources	377,085	**-1.1**	386,911	2.6	88,702	85,783	**-3.3**
Current resources	378,391	**-0.8**	--	--	90,829	88,796	**-2.2**
Taxes on output and imports	104,971	**-3.4**	104,455	**-0.5**	28,659	26,863	**-6.3**
Income and wealth taxes	101,610	1.9	112,982	11.2	20,812	21,445	3.0
Social Security contributions	139,868	**-0.2**	140,695	0.6	34,166	33,299	**-2.5**
Other	31,942	**-2.4**	--	--	7,192	7,189	**-0.0**
Capital resources	**-1,306**	—	--	--	**-2,127**	**-3,013**	**-41.7**
2 Total uses	468,505	**-2.3**	443,402	**-5.4**	103,188	100,429	**-2.7**
Current uses	429,216	0.5	--	--	93,830	94,380	0.6
Employee compensation	122,926	**-1.5**	116,180	**-5.5**	26,862	26,617	**-0.9**
Other final consumption spending (a)	88,315	**-3.3**	77,808	**-11.9**	18,329	16,364	**-10.7**
Social benefits (not in kind)	163,486	1.6	169,473	3.7	35,570	37,073	4.2
Actual interest paid	25,867	28.6	33,042	27.7	6,010	7,240	20.5
Subsidies	11,325	**-6.8**	9,593	**-15.3**	2,388	2,247	**-5.9**
Other uses and current transfers	17,297	**-1.8**	--	--	4,671	4,839	3.6
Capital uses	39,289	**-25.4**	--	--	9,358	6,049	**-35.4**
Gross capital formation	28,700	**-30.3**	18,120	**-36.9**	7,824	5,065	**-35.3**
Other capital spending (b)	10,589	**-7.6**	--	--	1,534	984	**-35.9**
3 Net lending (+)/borrowing (–) (3 = 1 – 2)	**-91,420**	6.9	**-56,491**	38.2	**-14,486**	**-14,646**	**-1.1**
(% of nominal GDP)	**-8.5**		**-5.3**		**-5.5**	**-5.6**	
MEMORANDUM ITEM							
Primary balance	**-65,553**	16.1	**-23,449**	64.2	**-8,476**	**-7,406**	12.6
Final consumption spending	217,675	**-1.8**	201,449	**-7.5**	261,657	261,913	0.1

SOURCE: Ministerio de Hacienda y Administraciones Públicas.

a Includes imports, social transfers in kind purchased on the market and other taxes on production. Excludes fixed capital consumption, market production (residual sales) and payments for other market production.

b Includes net acquisition of non-produced non-financial assets (K2).

etary policy; the implementation of measures to enhance the efficiency of public spending; the definition of the sustainability factor envisaged in the latest pension system reform and, finally, the assignment of greater weight to indirect as opposed to direct taxation and the scaling back of the existing favourable tax treatment for house purchases.

Against this background, the Council of Ministers approved on 13 July a new package of adjustment measures. These include the rise from 1 September in the standard and reduced rates for VAT from 18% and 8% to 21% and 10%, respectively; a 1 pp reduction in social security contributions in both 2013 and 2014; a reduction from 60% to 50% in the amount of unemployment benefit as from the sixth month for new recipients; the elimination of the extra monthly payment in December for civil servants at all levels of general government in 2012; the elimination of the tax deduction for house purchase as from 2013; and a further cut to ministerial spending. The Government expects that this set of measures will provide for an improvement of €13.5 billion in the general government balance in 2012.

These measures seek to counter the risks of slippage from the budget target seen in the first half of the year. In this respect, on the latest available National Accounts budg-

SOCIAL SECURITY SYSTEM BUDGET OUTTURN

TABLE 5

€m and %

	Outturn 2011	Percentage change 2011/2010	Initital budget 2012	Percentage change 2011/2010	Outturn		
					2011 Jan-May	2012 Jan-May	Percentage change
	1	2	3	4 = 3 /1	5	6	7 = 6 / 5
1 Non-financial revenue	117,965	-0.4	119,883	1.6	49,398	31,581	-36.1
Social security contributions	106,229	-0.4	107,725	1.4	44,047	26,174	-40.6
Current transfers	8,337	-3.9	8,930	7.1	4,029	4,475	11.1
Other revenue	3,399	8.0	3,228	-5.0	1,322	932	-29.5
2 Non-financial expenditure	118,495	2.2	119,882	1.2	41,850	25,425	-39.2
Wages and salaries	2,357	-2.1	2,358	0.0	916	505	-44.9
Goods and services	1,560	-8.8	1,541	-1.2	602	289	-51.9
Current transfers	114,304	2.5	115,683	1.2	40,281	24,611	-38.9
Contributory pensions	99,528	4.0	101,954	2.4	35,271	22,018	-37.6
Sickness	6,295	-8.0	5,799	-7.9	1,614	593	-63.2
Other	8,481	-5.4	7,930	-6.5	3,396	2,000	-41.1
Other expenditure	274	-24.6	300	9.4	50	20	-60.2
3 Balance (3 = 1 – 2)	-530	—	1	—	7,548	6,156	—

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

et outturn figures, the overall general government sector posted a deficit of €14.6 billion in 2012 Q1, slightly up on the figure recorded in the same period a year earlier (see Table 4). In cumulated four-quarter terms, the budget deficit scarcely improved since it stood at 8.5% of GDP, compared with 8.9% in 2011. Developments in Q1 were particularly conditioned by the sluggishness of revenue: total revenue declined in this period by 3.3% year-on-year, compared with the official growth forecast of 2.6% for the year as a whole set in the Stability Programme. Public spending fell by 2.7%, thanks to the significant declines in capital expenditure and in non-wage final consumption spending.

Regarding 2012 Q2, only partial data for April and May are available. This information includes, for the general government sector as a whole, that relating to taxes shared by the State and the regional governments; and for the State and the Social Security system, the data on the budget outturn (see Tables 5 and 6). Under the shared taxes, there were notably negative rates in revenue for VAT and for excise duties, in cash-basis terms, with cumulative declines from January to May of 10.1% and 2.8%, respectively. The increase in VAT rates, to take effect from 1 September, should allow revenue to pick up to the extent of meeting budgetary targets. In relation to direct taxes, personal income tax revenue continued to quicken in Q2, reflecting the impact of the rise in rates approved in December 2011. Corporate income tax revenue fell by 8% to May; however, once adjusted for certain transitory effects, some recovery should also be seen in the following months. Finally, revenue relating to Social Security contributions remained very slack in cash-basis terms, mirroring wage and employment developments, and posted a year-on-year decline of 1.1% in the January-May period.

Turning to expenditure, the information on public works procurement, to May, reveals a continuation of the substantial adjustment in public investment. Under the current ex-

STATE BUDGET OUTTURN

TABLE 6

EUR m and %

	Outturn 2011	Percentage change 2011/2010	Initial budget 2012	Percentage change 2011/2010	2011 Jan-May	2012 Jan-May	Percentage change
	1	2	3	4 = 3/1	5	6	7 = 6/5
1 Non-financial revenue	104,145	-18.2	119,233	14.5	44,606	45,923	3.0
Direct taxes	53,382	-9.9	54,846	2.7	19,808	20,285	2.4
Personal income tax	33,545	-14.7	29,232	-12.9	14,447	15,597	8.0
Corporate income tax	16,611	2.5	19,564	17.8	3,883	3,572	-8.0
Other (a)	3,227	-13.7	6,050	87.5	1,479	1,116	-24.6
Indirect taxes	34,644	-33.2	21,095	-39.1	18,949	16,707	-11.8
VAT	25,355	-34.1	13,633	-46.2	15,285	13,227	-13.5
Excise duties	6,325	-38.8	4,502	-28.8	2,410	2,221	-7.9
Other indirect (b)	2,965	-1.2	2,960	-0.2	1,254	1,260	0.4
Other revenue (c)	16,118	-0.8	43,292	168.6	5,849	8,930	52.7
2 Non-financial expenditure	151,095	-15.9	152,630	1.0	58,688	65,716	12.0
Wages and salaries	27,420	1.7	27,339	-0.3	9,998	10,139	1.4
Goods and services	4,319	-6.8	3,238	-25.0	1,505	1,044	-30.7
Interest payments	22,204	13.1	28,876	30.0	8,757	11,555	32.0
Current transfers	79,892	-23.7	80,498	0.8	31,109	39,553	27.1
Contingency fund	—	—	2,377	—	—	—	—
Investment	6,895	-21.5	5,280	-23.4	3,028	1,941	-35.9
Capital transfers	10,365	-30.4	5,022	-51.5	4,291	1,485	-65.4
3 Cash-basis balance (3 = 1 – 2)	-46,950	—	-33,397	—	-14,082	-19,793	
MEMORANDUM ITEM: total taxes (State plus share of regional and local governments)							
TOTAL	**138,079**	**1.7**	**139,223**	**-10.0**	**62,898**	**60,372**	**-4.0**
Personal income tax	69,803	4.2	73,106	4.7	29,881	30,124	0.8
VAT	49,302	0.5	47,691	-3.3	25,339	22,782	-10.1
Excise duties	18,974	-4.2	18,426	-2.9	7,678	7,466	-2.8

SOURCE: Ministerio de Hacienda y Administraciones Públicas.

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

penditure heading, National Accounts figures on State spending on goods and services consumption to May indicate that the adjustment had been deepened, which is also apparent in the regional government accounts for Q1 (see Table 7). Under the wage expenditure heading, in contrast, the information for the State in the period to May does not appear to be in line with the contraction budgeted for the year as a whole. As to social benefits, on the latest cash-basis information drawn from the Social Security system and the National Public Employment Service, spending on contributory benefits held in cumulative terms to May at a year-on-year rate of increase close to 4.5%, up on the figure budgeted for 2012 as a whole (2.4%), whereas unemployment benefit payments quickened. Finally, the overall general government debt burden rose in Q2 affected not only by the maintenance of high financing requirements by all agents in the sector, but also by the increase in funding costs. The only information available in National Accounts terms refers to the State, which shows that interest payments grew by 18% to May.

REGIONAL GOVERNMENT BUDGET OUTTURN

TABLE 7

€m and %

	Outturn 2011	Percentage change 2011/2010	Initial budget 2012	Percentage change 2012/2011	Outturn		
					2012 Jan-Mar	2012 Jan-Mar	Percentage change
	1	2	3	4 = 3/1	5	6	7 = 6/5
1 REVENUE	126,110	-6.1	137,004	8.6	29,536	32,517	10.1
Current revenue	120,457	-5.3	129,054	7.1	28,845	31,947	10.8
Direct taxes	39,873	35.3	38,740	-2.8	10,178	9,649	-5.2
Indirect taxes	46,882	39.0	50,765	8.3	11,983	11,080	-7.5
Charges, prices and other revenue	4,769	-14.1	4,578	-4.0	1,087	944	-13.2
Current transfers	28,228	-51.3	34,159	21.0	5,456	10,179	86.6
Interest and dividends	705	70.7	811	15.0	140	95	-32.4
Capital	5,653	-21.3	7,950	40.6	691	570	-17.5
Disposal of investments	178	-38.1	1,546	769.9	52	37	-30.0
Capital transfers	5,475	-20.6	6,404	17.0	639	533	-16.5
2 EXPENDITURE	150,211	-4.4	150,654	0.3	34,531	31,722	-8.1
Current expenditure	132,490	-1.7	131,187	-1.0	31,481	29,582	-6.0
Wages and salaries	57,377	-2.4	56,219	-2.0	12,719	12,583	-1.1
Goods and services	27,344	-2.4	26,931	-1.5	6,867	5,994	-12.7
Interest payments	4,555	51.9	6,381	40.1	932	1,193	28.0
Current transfers	43,213	-4.0	41,287	-4.5	10,962	9,811	-10.5
Contingency fund	—	—	369		—	—	—
Capital	17,721	-20.8	19,466	9.8	3,050	2,141	-29.8
Investment	7,661	-20.9	8,708	13.7	1,524	1,066	-30.0
Capital transfers	10,060	-20.7	10,758	6.9	1,526	1,074	-29.6
3 BALANCE (3 = 1 – 2)	-24,101	—	-13,649	—	-4,995	795	—

SOURCES: Ministerio de Hacienda y Administraciones Públicas, Regional Governments and Banco de España.

In sum, the budget outturn data observed in the year to date pointed to the presence of considerable risks to the budget targets set for 2012 as a whole being met. The risks stemmed, in particular, from the weakness of public revenue, although they have been addressed with the approval in July of the significant measures adopted. In any event, meeting the targets will require a very strict outturn on the part of all levels of government and stringent implementation of adjustment plans.

4.5 Current and capital account balances

The ongoing correction of the Spanish economy's external imbalance has continued in the first half of the year. Specifically, in the first four months of 2012, the overall deficit on current and capital accounts was €15.1 billion, 16% down on the same period a year earlier (see Table 8). This improvement is essentially due to the decline in the trade deficit and the widening of the surplus on services, which offset the deterioration in the income and current transfers balances. The capital account surplus fell over this same period.

The trade deficit decreased by 18.5% in the first four months of 2012 to €11.9 billion. This was due to the improvement in its non-energy component which, on Customs data, posted a surplus, more than offsetting the increase in the energy bill. Further, the surplus on the services balance widened to €8.5 billion, 31% up on the figure for the first four months of 2011, thanks to the improvement in non-tourism services, the balance of which moved into surplus, and to the widening of the surplus on the tourism balance. Conversely, the

BALANCE OF PAYMENTS: CURRENT AND CAPITAL ACCOUNTS (a)

TABLE 8

EUR m

		January-April		Rate of change
		2011	2012	2012/2011(b)
Credits	Current account	116,831	121,208	3.7
	Goods	72,715	74,897	3.0
	Services	28,302	30,047	6.2
	Tourism	10,418	10,340	-0.7
	Other services	17,885	19,707	10.2
	Income	11,324	11,158	-1.5
	Current transfers	4,489	5,106	13.8
	Capital account	2,259	1,391	-38.4
	Current + capital accounts	119,089	122,599	2.9
Debits	Current account	136,661	137,330	0.5
	Goods	87,265	86,757	-0.6
	Services	21,768	21,500	-1.2
	Tourism	3,527	3,389	-3.9
	Other services	18,242	18,111	-0.7
	Income	18,551	19,168	3.3
	Current transfers	9,078	9,906	9.1
	Capital account	412	391	-4.9
	Current + capital accounts	137,073	137,722	0.5
Balances	Current account	-19,831	-16,123	3,708
	Goods	-14,549	-11,860	2,689
	Services	6,534	8,547	2,013
	Tourism	6,891	6,951	60
	Other services	-357	1,596	1,953
	Income	-7,227	-8,010	-783
	Current transfers	-4,589	-4,800	-211
	Capital account	1,847	1,000	-847
	Current + capital accounts	-17,984	-15,123	2,861

SOURCE: Banco de España.

a Provisional data.
b Absolute changes for balances.

income deficit widened to €1 billion, owing to the increase in net interest payments, while the deficit on the balance of current transfers increased slightly to €4.8 billion.

5.1 Highlights

The relatively stable situation on financial markets during 2012 Q1 gave way in Q2, especially from May, to a situation of severe tensions which has been manifest in increases in the risk premia on fixed-income securities issued by resident sectors and in declines in stock market indices. These developments were accompanied, furthermore, by downgrades in the credit ratings of public and private debt (particularly, that of financial institutions). Several factors have contributed to the worsening of the tensions, including most notably political uncertainty in Greece and investors' concern about Spanish public finances and the situation of its financial system. Against this backdrop, on 9 June the Spanish government announced its intention to request financial assistance from the European institutions in order to recapitalise the weakest banks, and on 21 June the reports of two independent consultancies – engaged by the Spanish authorities – were published. In these reports the Spanish banking system's capital requirements in an adverse macroeconomic scenario were estimated to be between €51 billion and €62 billion. The request for aid, which was formalised on 25 June, has the backing of the Eurogroup, which has agreed to grant up to €100 billion of funds. Once the single banking supervisor has been set up, in which connection important steps were taken at the meeting of the European Council on 29 June (see Box 2), the funds may be given directly to the banks that need them without them having to be channelled through the Spanish State. In the meantime, they will be channelled through the FROB. Into July, the Spanish government has adopted a broad set of measures aimed at guaranteeing compliance with its fiscal commitments and the ECB has cut its key interest rate by 25 bp to 0.75%. Despite these developments and the outcome of the Greek elections (in which a majority was obtained by parties in favour of observing the agreements governing Greece's financial assistance programme), tensions continue to mark financial markets' behaviour at the cut-off date for this article.

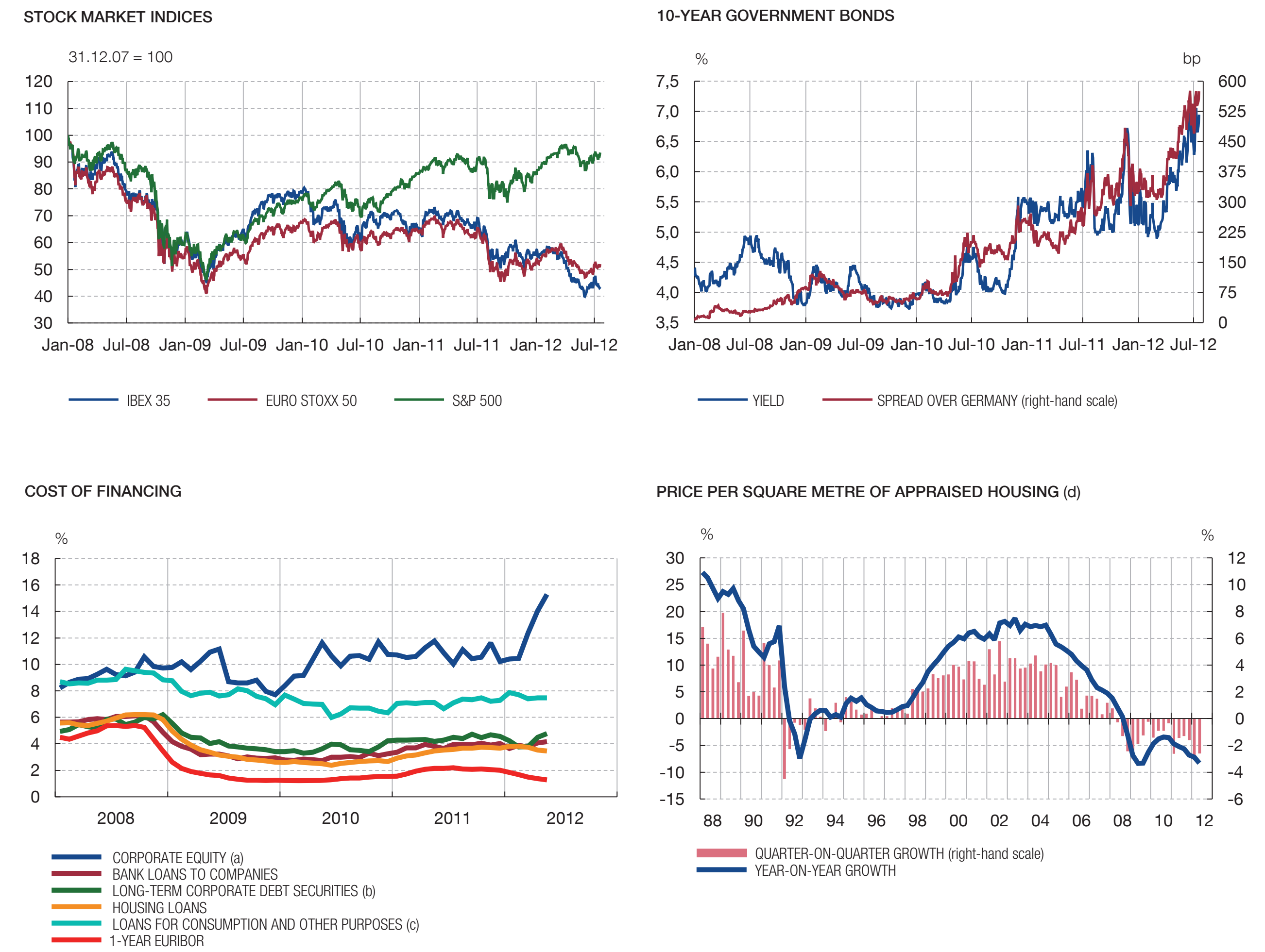
On the secondary bond markets, the yield on Spanish government bonds and the spread over German bonds increased. Thus, the interest rates on 10-year bonds rose by 113 bp with respect to end-March to 6.55%, and at specific junctures they had reached values of close to 7.2%, the highest recorded since the euro area was created. The spread over the German Bund also rose and even breached 570 bp mid-June, before falling back to 495 bp at the end of that month (see Chart 23). The premia on credit derivatives on securities issued by the private sector, both by financial and non-financial corporations, also rose. On the stock markets, the IBEX 35 dropped 16.4% during the same period, compared with the decline of 11.3% in the EUROSTOXX 50 and that of 3.6% in the S&P 500. On the interbank market, interest rates continued to fall at all terms. The one-year EURIBOR shed 20 bp, while the spread with the EUREPO (the cost of secured transactions) at the same term stood at 110 bp compared with 125 bp at the end of the previous quarter, showing that the tensions have not affected these markets in this quarter.

In July to date the financial tensions have continued, resulting in high volatility in 10-year government bond yields and in their spread over the German Bund, which stood at the cut-off date for this report[5] at levels above those recorded at end-June (around 7% and 575 bp, respectively). On the stock markets, the IBEX 35 posted a decline of 7.2%, while the EUROSTOXX 50 and the S&P 500 rose slightly by 0.9% and 0.8%, respectively.

5 18 July.

FINANCING CONDITIONS AND ASSET PRICES

CHART 23



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

a The cost of equity is based on the three-stage Gordon dividend discount model.
b The interest rate on long-term fixed income is approximated as the sum of the five-year euro swap rate and a weighted average of Spanish non-financial corporations' credit default swap premia at this same term.
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, which from that month no longer includes credit card transactions.
d Base 2001 to December 2004 and base 2005 thereafter.

In the real estate market, on the latest data published by the Ministry of Infrastructure and Transport, the decline in open-market housing prices continued during 2012 Q2. Thus, the year-on-year rate of decline stood at 8.3% in June, compared with 7.2% in March (see Chart 23). In quarter-on-quarter terms, however, the fall recorded at end-June (2.6%) was slightly lower than in the previous quarter (3.1%).

The latest available information on private-sector financing costs, which relates to May, shows that the recent decrease in interbank market interest rates has still not passed through to the interest rates on household and corporate loans. The latter rose with respect to March, except in the case of house purchase loans, which is reflected in a widening of the spreads over the market rates traditionally used as a benchmark. The evidence available indicates that the financial tensions are likely to have prompted a widening of these spreads in recent quarters, due to the resulting increase in banks' cost of borrowing (see Box 5). The ongoing uncertainty and its negative effects on po-

Since 2010, the cost of financing for credit institutions has risen notably, partly further to the euro area sovereign debt crisis. In line with this rise, financial institutions have increased the interest rates they apply to lending operations with households and firms.

As can be seen in the first four panels of the accompanying graphics, the variable interest rates applied to new lending business with households and non-financial corporations[1] have moved on a rising path since mid-2010. This has been more marked in those lending segments entailing higher risk (consumer loans and loans for other purposes, and, in the case of firms, loans for less than €1 million, no doubt more to small and medium-sized enterprises than to major corporations). It was these segments too which, compared with the euro area, showed the most marked cumulative increase in bank financing costs. Thus the increases in the interest rates on consumer loans and loans for other purposes, and on those extended to firms for up to €1 million, were respectively around 1 pp and 80 bp bigger in Spain. In the other two cases, the increase has also been higher in Spain, but to a lesser degree (33 bp in the case of funds intended for house purchase and 66 bp in that of loans granted to corporations for an amount of more than €1 million). The accompanying panels also show that the spreads over the benchmark market yields in each of the segments analysed have increased since early 2009, against the background of the economic downturn, which raises the risk associated with the extension of loans, and of the tensions on financial markets.

To gauge the impact that the tensions derived from the sovereign debt crisis have had on bank interest rates in Spain, equations have been estimated in which the rates are explained on the basis of their usual determinants. The specification of the equation therefore includes the EURIBOR (3- or 12-month), which is the usual benchmark for lending operations, and to which banks apply a spread which, under normal conditions, varies depending on the end-use and the amount of the loan (and, therefore, on the risk associated with granting it). However, in a setting of growing tensions, which have direct effects on bank financing costs, this spread may respond to other factors linked to the source of these tensions. To capture this impact in the equations, the difference between the Spanish 10-year government bond yield and that of its German counterpart has been added as an explanatory variable. According to the results obtained, this variable has a positive and significant impact on the interest rates applied by banks to new lending business. Specifically, in the case of interest rates associated with loans to households for house purchase and to non-financial corporations, it is estimated that a 1 pp increase in this difference results in the long run in a rise of 23 bp in the former, and of 33 bp in the latter. Part of this impact might, however, be associated with the downturn in the economic situation in this period, which has in turn contributed to the increase in the risk premium on Spanish public debt during this period of tensions on euro area financial markets.[2]

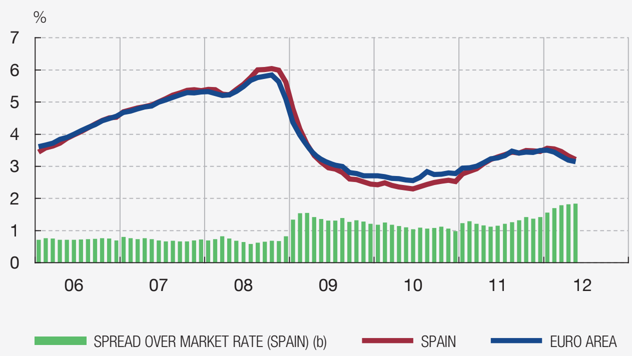
Panels 5 and 6 show the contribution, according to the estimated equations, of the various explanatory variables to the interest rate applied to new loans to households for house purchase and to non-financial corporations. As can be seen, the bulk of the changes in bank rates is attributable to movements in the benchmark market yield (the 1-year EURIBOR in the case of loans for property purchases and the 3-month EURIBOR in that of loans to firms). It can likewise be seen that, since mid-2010, the spread between the respective Spanish and German 10-year government bonds has played an increasingly bigger role in explaining bank lending rates in both instances, somewhat more so in the case of non-financial corporations.

In sum, the evidence available suggests that financial tensions have led banks to increase the interest rates they apply to their loans, in a setting in which such banks have faced higher costs in raising funds. It is estimated these tensions have played an increasing role since mid-2010 in explaining the cost of bank financing, although it is difficult to quantify the scale of this impact, isolating it from that arising from the economic downturn in recent years.

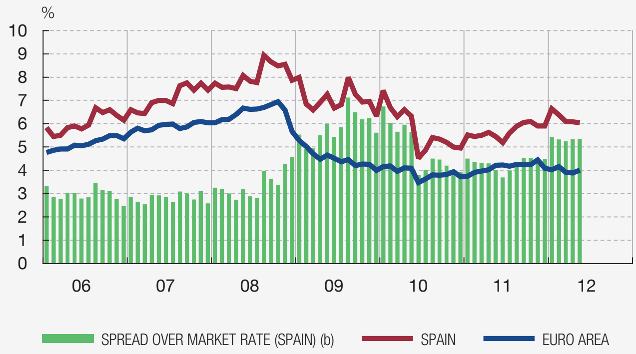
1 Variable-rate loans comprise the bulk of the financing granted to households and firms (on average, since early 2010, 73% of the financing granted to households and 92% of that extended to firms).

2 When, in the specification used to explain the changes in interest rates, the spread between the Spanish and German government debt yields and another variable relating to the business cycle – such as the unemployment rate – are concurrently added, both variables are not simultaneously significant; accordingly, the latter variable has been excluded from the estimated equation. It is likely that part of the impact that is estimated to be associated with the financial tensions is reflecting the impact derived from the downturn in the economic situation.

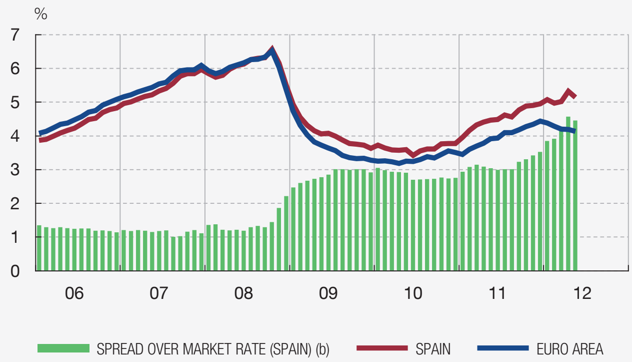
1 LENDING TO HOUSEHOLDS FOR HOUSE PURCHASE (a)



2 LENDING TO HOUSEHOLDS FOR CONSUMPTION AND OTHER PURPOSES (a)

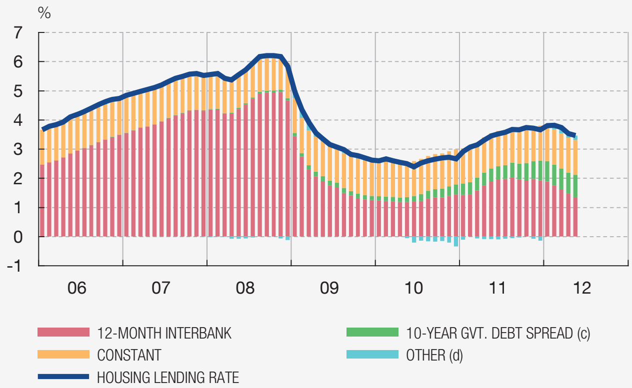


3 LENDING TO NON-FINANCIAL CORPORATIONS FOR AN AMOUNT OF LESS THAN ONE MILLION EUROS (a)

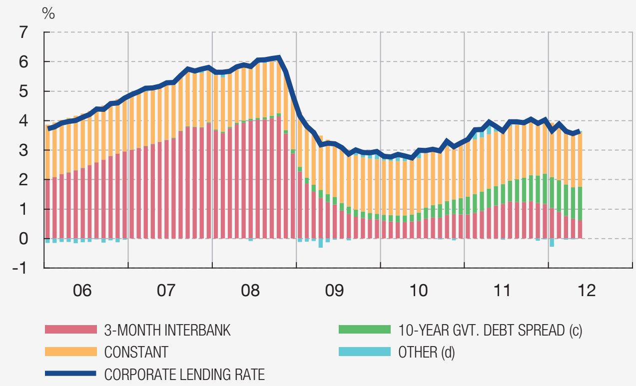


4 LENDING TO NON-FINANCIAL CORPORATIONS FOR AN AMOUNT OF MORE THAN ONE MILLION EUROS (a)

5 LENDING TO HOUSEHOLDS FOR HOUSE PURCHASE. CONTRIBUTIONS OF THE EXPLANATORY VARIABLES



6 LENDING TO NON-FINANCIAL CORPORATIONS. CONTRIBUTIONS OF THE EXPLANATORY VARIABLES



SOURCE: Banco de España.

a Variable-rate loans and up to one year with initial rate fixation.
b Calculated as the difference between the corresponding bank rate and the one-year euribor for loans to households for house purchase, and three-month euribor for the rest.
c Spain/Germany ten-year government bond yield spread.
d Includes seasonal dummies and intervention variables reflecting certain breaks in the series analysed.

tential borrowers' credit quality may also help to explain this behaviour of bank rate spreads.

Against this backdrop, the private sector has continued to reduce its debt. The latest available information for May shows a decline in household liabilities (2.8%) similar to that at the end of Q1, as a result of the larger decrease in house purchase loans and the moderation of the fall in consumer and other purpose loans. In the case of corporations, the rate of decline stepped up slightly compared with March to 1.7%. By instrument, bank loans decreased by 4.2%, whereas the rate of increase in fixed-income securities fell back to 7.2%. In annualised quarter-on-quarter terms, negative growth rates can also be seen in households' and non-financial corporations' liabilities, which are slightly higher in absolute terms than those for March. The latest data on lending by purpose for 2012 Q1 confirms that during this period bank financing in all productive sectors continued to decline.

As a result of the reduction in corporate and household debt, the deleveraging in both sectors continued in 2012 Q1. The decrease in debt ratios was not reflected in a parallel decline in the related interest burden, which hardly changed due to the rise in the average cost of debt for both sectors. In the case of households a fall was also recorded in net assets, essentially resulting from the decline in housing wealth (financial wealth hardly varied). For the sample of corporations reporting to the Central Balance Sheet Data Office Quarterly Survey (CBQ), among which the biggest have a notable weight, their income is seen to have worsened in the first three months of 2012, stemming in particular from the fall in their activity and financial revenue. Thus, the ordinary net profit of these companies decreased by 41% in this period in comparison with the same months a year earlier.

The volume of doubtful loans has continued to rise since March, and this, along with the decrease in debt, meant that the doubtful assets ratio moved further upwards. Specifically, for total other resident sectors (which includes households and firms), this indicator, at 8.95% in May, was 0.59 pp higher than in Q1.

The year-on-year growth rate of general government debt climbed 1.1 pp between March and May to 14.3%. By instrument, financing obtained through long-term securities and loans remained highly buoyant. In contrast, the fall in financing channelled through short-term securities steepened. The breakdown by holder shows that in May credit institutions reduced their holdings of government debt for the second month running. Conversely, other financial institutions and non-residents made net positive – albeit small – purchases of these assets. The expansion of general government liabilities, along with the weakness shown by GDP, gave rise to further increases in the debt ratio and in the debt burden, which in March 2012 stood at 72.1% and 2.7% of GDP, respectively.

Meanwhile, according to the latest Financial Accounts information, in 2012 Q1 the nation's net borrowing continued on its downward path to stand at 3.2% of GDP in 12-month cumulated terms, down 0.2 pp from December (see Table 9). This behaviour was the result of a slight increase in the credit position of financial institutions, while the net balance of the other sectors' financial transactions held at very similar levels to the previous quarter. The breakdown by instrument shows that in 2012 Q1 the bulk of foreign capital inflows was channelled through increases in the Banco de España's intra-system debtor position, while in contrast, the net debtor position of credit institutions on the interbank market decreased substantially. These developments partly reflect the result of the ECB's second extraordinary three-year LTRO at the end of February, in which resident institutions raised a large volume of funds to bolster their liquid assets. These funds were used, in part, to

NET FINANCIAL TRANSACTIONS
Four-quarter data

TABLE 9

% of GDP

	2007	2008	2009	2010	2011				2012
					Q1	Q2	Q3	Q4	Q1
National economy	-9.6	-9.2	-4.7	-4.0	-4.1	-3.6	-3.5	-3.4	-3.2
Non-financial corporations and households and NPISHs	-13.4	-6.5	5.1	4.4	4.3	4.8	4.6	3.9	3.9
Non-financial corporations	-11.5	-6.7	-0.8	1.3	1.6	2.3	1.6	1.1	1.1
Households and NPISHs	-1.9	0.2	5.9	3.1	2.7	2.4	3.0	2.8	2.8
Financial institutions	1.9	1.8	1.3	1.0	0.9	0.8	0.7	1.3	1.5
General government	1.9	-4.5	-11.2	-9.3	-9.2	-9.2	-8.8	-8.5	-8.6
MEMORANDUM ITEM									
Financing gap of non-financial corporations (a)	-17.9	-11.4	-2.1	-2.9	-2.2	-0.7	0.0	0.8	1.4

SOURCE: Banco de España.

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

replace funding from other sources, in particular that from the interbank market (including that channelled through central counterparty clearing houses). Similarly, during this period there was divestment by non-residents in fixed-income securities issued by financial institutions and general government, which was also offset by the increase in the Banco de España's intra-system debtor position.

To summarise, the Spanish economy is facing a problem of confidence which is reflected in considerable financing difficulties in international financial markets. This tightening is feeding through to the credit conditions applied to loans extended to households and corporations. Against this backdrop, restoring international investors' confidence in our economy is essential so that the necessary aggregate deleveraging of the various institutional sectors is consistent with the availability of funds for solvent projects and does not hinder economic recovery.

5.2 Households

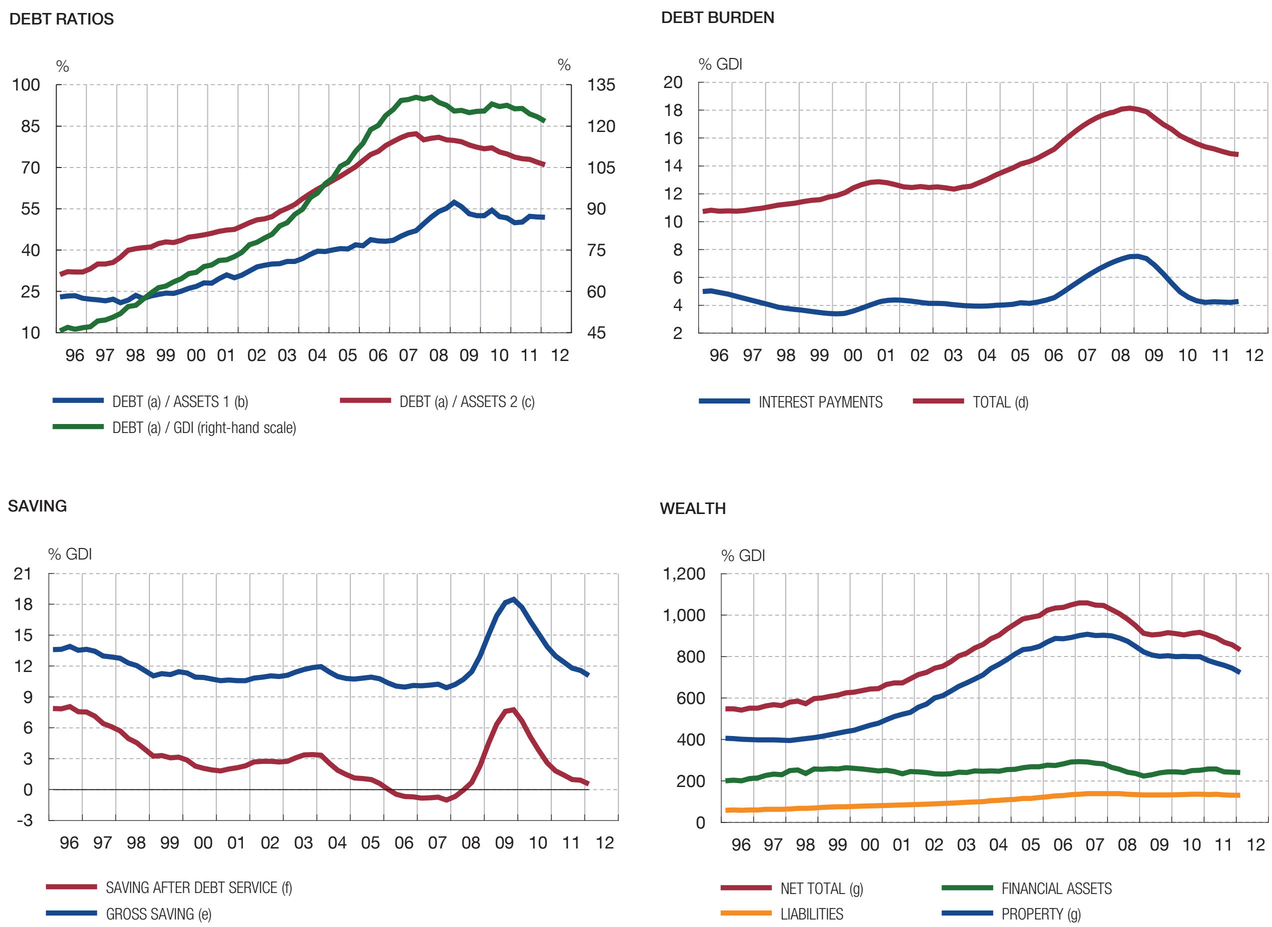
Between March and May, the interest rate on house purchase loans to households fell by 27 bp to 3.5%, while the cost of consumer credit and other lending increased 5 bp to 7.5%.

Household debt continued to decline. Thus, the year-on-year rate of contraction stood at 2.8% in May, similar to that recorded at the end of Q1. When analysing developments by loan purpose, it can be seen that whereas the rate of decline in credit to purchase real estate quickened to 2.4%, 0.4 pp higher than in Q1, the decrease in consumer credit and lending for other purposes eased slightly in year-on-year terms from 5.3% to 4.2% over the same period.

The decrease in household liabilities meant that, despite the stagnation of income, the ratio of debt to gross disposable income (GDI) in this sector fell in 2012 Q1 (see Chart 24). Consequently, payments relating to debt principal repayments fell. However, interest payments increased slightly and, accordingly, the total debt burden hardly changed. The gross saving rate and, consequently, the sectors' ability to save, net of debt servicing, continued to decline, thus prolonging the trend seen since the beginning of 2010. Similarly, another factor which contributed to weakening households' financial position in this period was the contraction of their net wealth, which fell back, essentially due to the decline in value

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 minus «Other».
c Assets 2 = Assets 1 minus shares minus securities fund participations.
d Estimated interest payments plus debt repayments.
e Balance of households' use of disposable income account.
f Gross saving minus 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.

of their real estate assets (the value of their financial instruments remained virtually unchanged). The provisional information available indicates that between March and June the debt and debt burden ratios are likely to have hardly varied, whereas household net wealth is estimated to have declined again.

According to the Financial Accounts, household investment in financial assets decreased 0.4 pp in 2012 Q1, in 12-month cumulated terms, to 1.5% of GDP (see Table 10). Investment in the form of cash and cash equivalents (cash and sight deposits) turned negative again, by an amount equivalent to 0.4% of GDP, 0.3 pp up in absolute terms on that recorded at end-2011. By contrast, in 12-month cumulated terms, investment in term deposits and fixed-income securities, though lower than in previous quarters, remained positive (0.6% of GDP) as did investment in shares and other equity, albeit for a modest amount.

Lastly, the sector’s doubtful assets ratio rose again in 2012 to 3.8%. By type, the increase was sharper in consumer loans and lending for other purposes (up 0.5 pp to 7.4%) than in loans for house purchase (up 0.2 pp to 3.1%).

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

TABLE 10

% of GDP

	2008	2009	2010	2011 Q3	2011 Q4	2012 Q1
Households and NPISHs						
Financial transactions (assets)	2.4	4.6	3.0	1.9	1.9	1.5
Cash and cash equivalents	-0.4	4.2	-0.3	-0.1	-0.1	-0.4
Other deposits and fixed-income securities (a)	6.3	-0.8	2.8	2.0	1.4	0.6
Shares and other equity (b)	0.1	1.1	0.8	0.3	0.2	0.3
Mutual funds	-3.5	-0.1	-1.7	-0.7	-0.4	-0.2
Insurance technical reserves	0.5	0.8	0.5	0.3	0.4	0.4
Of which:						
Life assurance	*0.3*	*0.6*	*0.1*	*0.3*	*0.5*	*0.4*
Retirement	*0.1*	*0.2*	*0.3*	*0.0*	*-0.1*	*0.0*
Other	-0.6	-0.6	1.0	0.1	0.3	0.8
Financial transactions (liabilities)	2.1	-1.3	-0.1	-1.2	-0.9	-1.2
Credit from resident financial institutions (c)	3.4	-0.5	0.0	-1.4	-2.0	-2.3
House purchase credit (c)	2.7	0.1	0.5	-0.5	-1.1	-1.2
Consumer and other credit (c)	0.8	-0.4	-0.3	-0.8	-0.9	-1.0
Other	-1.3	-0.8	-0.1	0.2	1.1	1.0
Non-financial corporations						
Financial transactions (assets)	-1.2	-9.8	6.8	2.0	-0.5	-0.8
Cash and cash equivalents	-1.1	-0.4	0.1	-0.7	-0.7	-1.2
Other deposits and fixed-income securities (a)	2.2	-0.8	2.0	1.6	0.9	1.4
Shares and other equity	3.7	0.5	3.7	0.9	0.0	-0.3
Of which:						
Vis-à-vis the rest of the world	*3.5*	*0.2*	*3.0*	*0.6*	*-0.2*	*-0.7*
Trade and intercompany credit	-6.6	-9.4	0.8	-0.4	-1.6	-1.8
Other	0.6	0.3	0.2	0.5	0.9	1.1
Financial transactions (liabilities)	5.5	-9.0	5.5	0.4	-1.6	-1.9
Credit from resident financial institutions (c)	5.5	-3.0	-1.0	-3.1	-3.5	-3.3
Foreign loans	3.0	-0.1	1.0	0.9	0.5	0.7
Fixed-income securities (d)	0.3	1.3	0.5	0.5	0.5	0.7
Shares and other equity	2.4	2.5	3.3	3.5	3.0	2.3
Trade and intercompany credit	-6.4	-9.3	1.2	-0.7	-1.7	-1.9
Other	0.7	-0.4	0.4	-0.7	-0.4	-0.4
MEMORANDUM ITEM: year-on-year growth rates (%)						
Financing (e)	6.6	-0.9	0.4	-1.5	-2.1	-2.0
Households and NPISHs	4.4	-0.3	0.2	-1.5	-2.4	-2.7
Non-financial corporations	8.2	-1.4	0.6	-1.5	-1.9	-1.4

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.

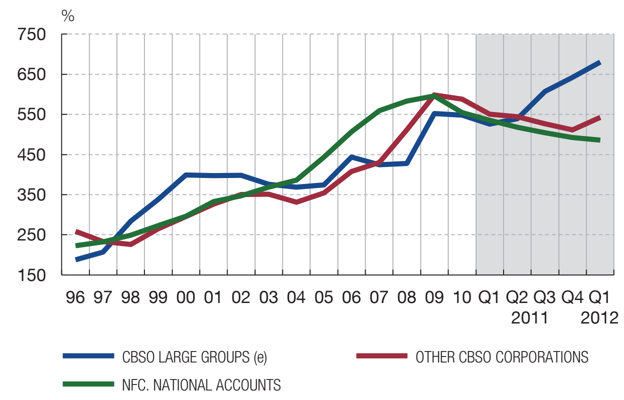
5.3 Non-financial corporations

Developments in interest rates on loans to firms between March and May differed depending on the amount of the operations. The cost of loans for amounts higher than €1 million increased by 64 bp to 3.6%. By contrast, the associated rate on loans for less than this amount, which in prior months had posted more marked increases, rose by only 8 bp to stand at 5.6%. As regards the cost of other sources of business financing, the rate on long-term fixed-income issues increased by almost 1 pp over the same period, while that of securities maturing at up to one year fell slightly (by 6 bp). The cost of equity issuance was also higher (by almost 3 pp), in step with the decline in stock market prices during these months.

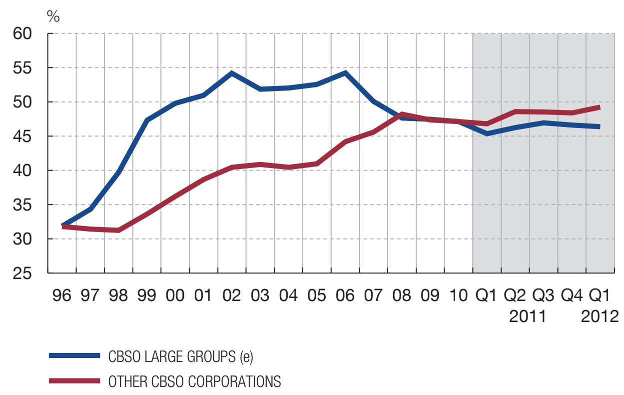
INDICATORS OF THE FINANCIAL POSITION OF NON-FINANCIAL CORPORATIONS (a)

CHART 25

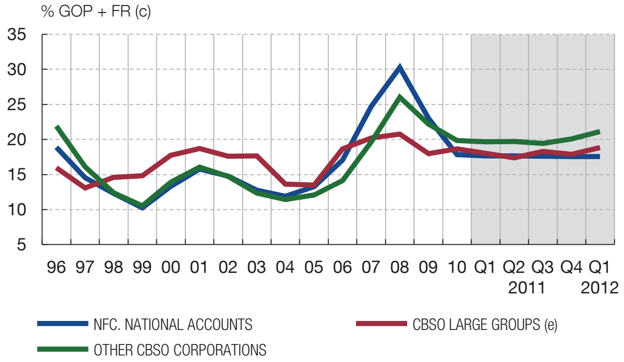
DEBT (b) / GOP + FR (c)



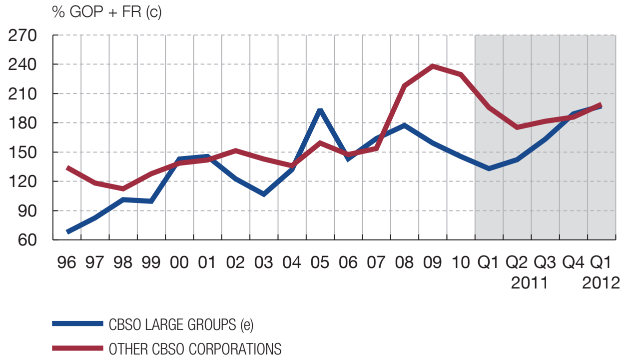
DEBT (b) / ASSETS (d)



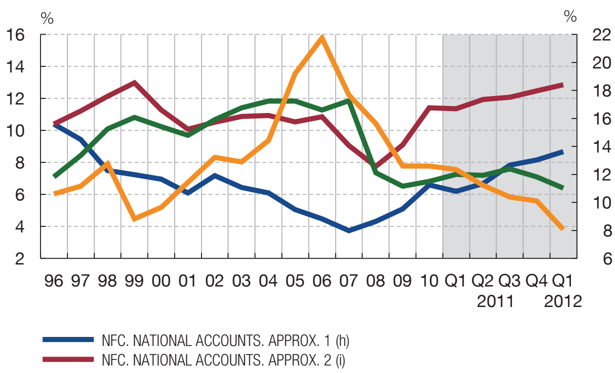
INTEREST DEBT BURDEN



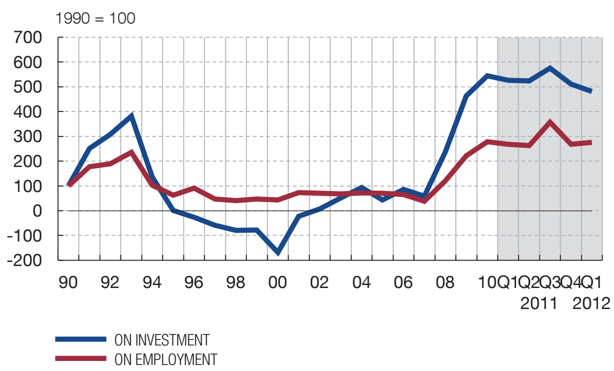
TOTAL DEBT BURDEN (f)



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 Endesa, Iberdrola, Repsol and Telefónica. Adjusted for intra-group financing to avoid double counting.
f Includes interests plus interest-bearing short-term debt.
g NOP, using National Accounts data, is defined as GOS + interest and dividends received – interests paid – fixed capital consumption.
h Own funds valued at market prices.
i Own funds calculated by accumulating flows from the 1996 stock onwards.
j ndicators estimated drawing on the CBA and CBQ surveys. A value above (below) 100 denotes more (less) financial pressure than in the base year.

The latest available figures on corporate financing, for May, show somewhat higher rates of contraction than those from two months earlier (1.7%, against 1.4% in March). The breakdown by instrument shows a 4.2% fall in bank loans by resident credit institutions, a similar figure to Q1, whereas the rate of increase of fixed-income securities (used by large corporations) eased by 4 pp to 7.2%. The latest information on lending by purpose, relating to 2012 Q1, reveals that the outstanding balance of bank financing in virtually all the productive sectors continued to decline. Once again, the biggest year-on-year fall was in construction (12.2%), although this rate eased somewhat compared with the previous quarters. The rate of decline in industry (4.1%) and in the real estate services branch (5.3%) was also checked, whereas in other services the fall was somewhat more marked (3.2%).

On the latest Financial Accounts information for 2012 Q1, the credit balance of the corporate sector's net financial transactions held at 1% of GDP in 12-month cumulated terms. In combination with the reduction in the sector's purchases in the rest of the world, this led to an increase in the "financing gap" indicator, which approximates – with the sign changed – the funds required to bridge the difference between gross corporate saving and gross capital formation plus permanent foreign investment (a positive figure of 1.4% of GDP, against 0.8% three months earlier).

The quarter-on-quarter stagnation in corporate liabilities, combined with the moderate rise in income on National Accounts figures for 2012 Q1, meant that these sector's debt ratio continued to diminish slowly (see Chart 25). Notwithstanding this development, the slight rise in average financing costs prevented the associated debt burden from declining. The provisional information available suggests these trends have continued in Q2. For the sample of corporations reporting to the Central Balance Sheet Data Office Quarterly Survey (CBQ), among which the biggest companies have a notable weight, income fell off significantly in the first three months of 2012. Thus, gross operating profit and ordinary net profit respectively shrank by 6.5% and 40.9% compared with the same period in 2011, against a background of deteriorating productive activity and adversely trending financial revenue. The decline in profit was mirrored in firms' related ratios, the ROA and the ROE, both of which stood at 3.6%, 0.6 pp and 1.3 pp down, respectively, on March 2011. This trajectory of corporate income translated into a rise in the debt and debt burden ratios. As a result, the indicators of financial pressure on investment and employment held at historically high levels, although they declined somewhat in relation to end-2011. Analysts have scaled back their expectations concerning listed companies' profits in the short run, while over longer horizons these expectations have scarcely changed (see Chart 26).

Finally, the doubtful assets ratio of non-financial corporations continued to grow in 2012 Q1. It did so more sharply in construction and real estate services (increasing by 1.5 pp to 22.1%) than in the other sectors, where the increase was more moderate (0.4 pp to 5.6%).

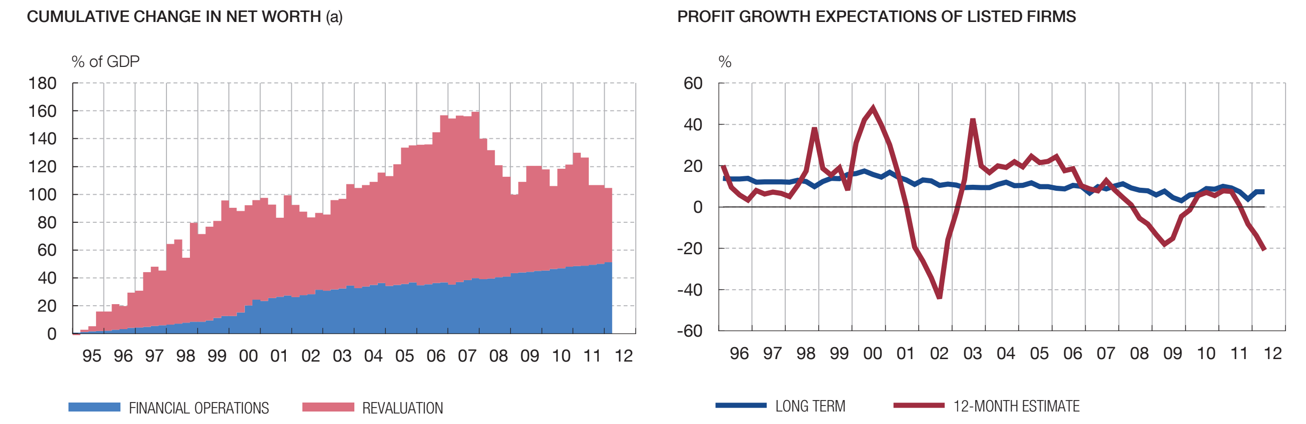
5.4 General government

On Financial Accounts figures, general government borrowing needs increased slightly in 2012 Q1 (by 0.1 pp of GDP in 12-month cumulated terms), meaning that they remain at a high level (8.6% of GDP) (see Table 9).

As in previous quarters, the main financing channel used by general government was the issuance of medium and long-term bonds, whereby it raised funds equivalent to 6.9% of GDP, in 12-month cumulated terms, 0.5 pp up on December (see Chart 27). Further, the tapping of funds through short-term securities dipped by 0.6 pp, practically to zero, while funds channelled through loans increased by 0.4 pp to 0.8% of GDP. On the asset side, net

OTHER FINANCIAL INDICATORS OF NON-FINANCIAL CORPORATIONS

CHART 26

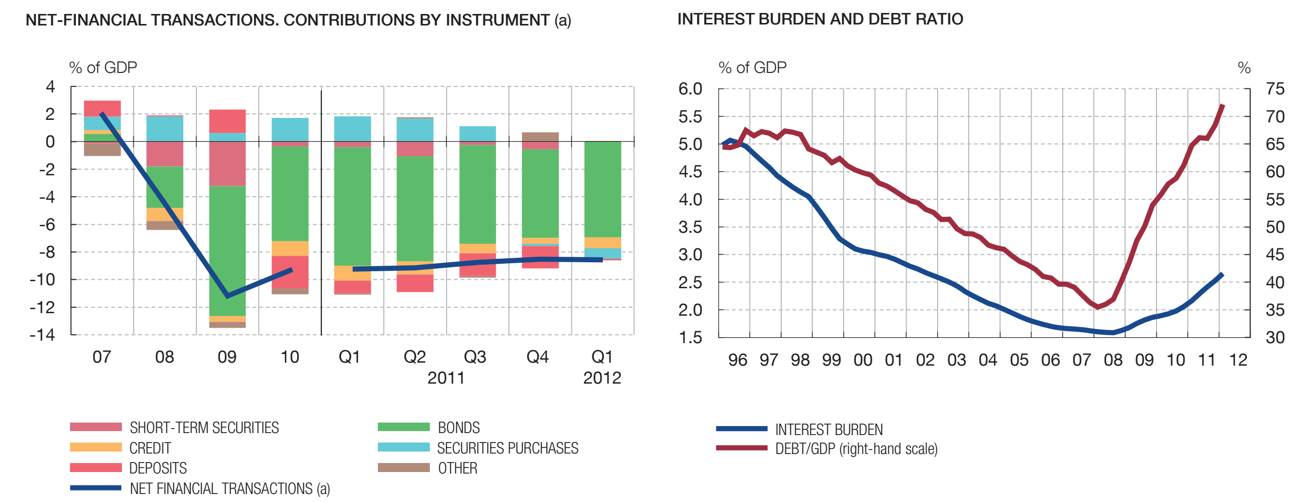


SOURCES: I/B/E/S and Banco de España.

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

GENERAL GOVERNMENT
Four-quarter data

CHART 27



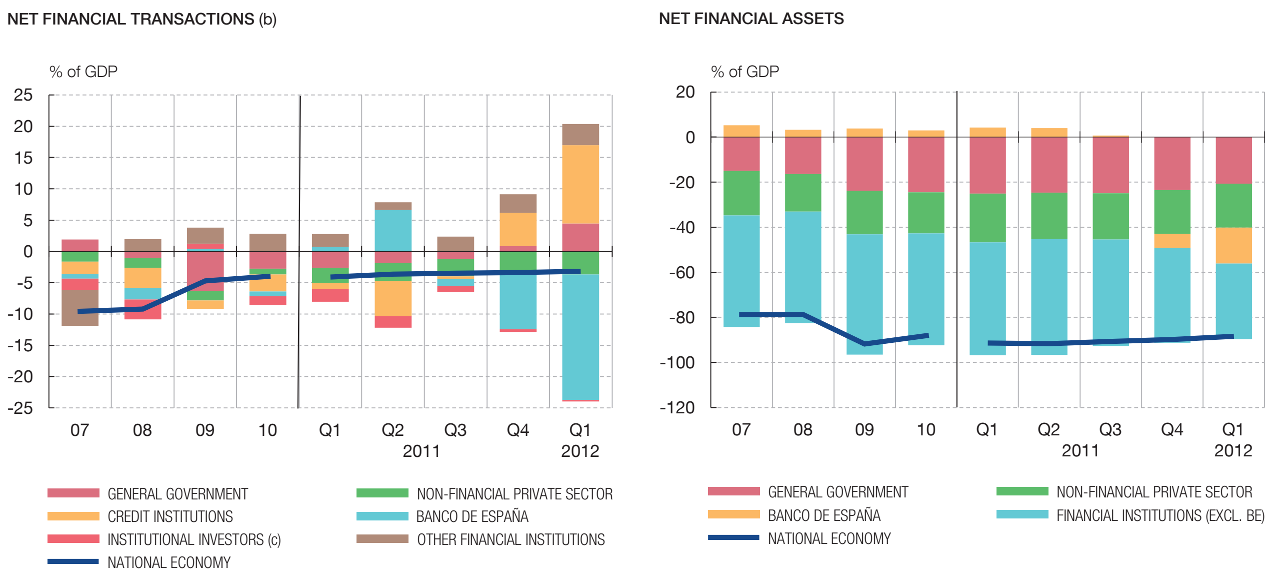
SOURCE: Banco de España.

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

holdings of securities fell for the third quarter running, in line with the progressive redemption of financial assets in the FAAF portfolio, the winding up of which was approved in March. Divestment in these instruments thus increased by 0.6 pp in four-quarter cumulated terms to 0.8% of GDP. The outstanding balance of general government deposits also dipped slightly, albeit by a very modest amount equivalent to 0.1% of GDP, far below the percentages recorded in previous quarters.

Overall, the growth rate of general government debt increased by 1.1 pp between March and May to 14.3% year-on-year. In terms of instruments, financing obtained through long-term securities remained very buoyant (growing at a year-on-year rate of 15%, virtually identical to that in Q1). There was also an increase in the raising of funds through loans, the bulk of which have been used to cover outlays associated with the programme of pay-

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



SOURCE: Banco de España.

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

ments to suppliers, involving unsettled public-sector invoices. Set against this, the decline in financing routed through short-term securities steepened to 15.2%. The expansion of general government liabilities, along with the weakness of GDP, has made for further increases in the sector's debt ratio and debt burden, which stood in March at 72.1% and 2.7% of GDP, respectively.

5.5 The rest of the world

On the latest Financial Accounts information, 2012 Q1 saw a continuation of the downward path of the nation's net borrowing, which stood at 3.2% of GDP in 12-month cumulated terms, 0.2 pp less than in December (see Table 9). This performance was the result of a slight increase in the credit balance of financial institutions, the maintenance of non-financial corporations' and households' net lending capacity, and the general government debtor position.

In 2012 Q1 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 and its excess of expenditure over income. As a result, the Banco de España's net financial transactions with the rest of the world once again showed a debit balance, and for a very high amount: €104 billion, up to 20.1% of GDP in 12-month cumulated terms (see Chart 28). As earlier mentioned, this development is partly influenced by the result of the ECB's extraordinary three-year LTRO in March, in which resident institutions raised a sizable volume of funds. The latest balance of payments information for April reflects, however, a continuation of these trends.

The breakdown by instrument shows, in line with the foregoing, that most external financing in 2012 Q1 was channelled through the Banco de España intra-system position. The funds obtained by this means amounted to €100 billion which, in 12-month cumulated terms, took them to 21% of GDP, double their proportion in December (see Table 11). Conversely, funding flows obtained on interbank markets (through bilateral operations

FINANCIAL TRANSACTIONS OF THE NATION
Four-quarter data

TABLE 11

% of GDP

	2008	2009	2010	2011		2012
				Q3	Q4	Q1
Net financial transactions	-9.2	-4.7	-4.0	-3.5	-3.4	-3.2
Financial transactions (assets)	1.8	-1.1	-2.4	2.7	2.0	2.4
Gold and SDRs	0.0	0.0	0.0	0.0	0.0	0.0
Cash and deposits	-1.3	-3.3	-1.4	1.5	0.3	0.9
Of which:						
Interbank, credit institutions	*-0.5*	*-1.7*	*-1.3*	*0.9*	*0.0*	*0.9*
Securities other than shares	1.3	0.0	-7.1	-2.5	-1.2	-0.6
Of which:						
Credit institutions	*1.5*	*1.2*	*-3.1*	*-0.1*	*0.1*	*0.3*
Institutional investros	*-0.5*	*-1.0*	*-2.6*	*-1.5*	*-1.0*	*-0.6*
Shares and other equity	1.7	1.6	3.2	1.5	1.0	0.0
Of which:						
Non-financial corporations	3.5	0.2	3.0	0.6	-0.2	-0.7
Institutional investros	-2.3	0.6	1.0	0.6	0.5	0.3
Loans	0.8	0.3	1.0	1.5	1.3	1.6
Financial transactions (liabilities)	10.9	3.7	1.6	6.2	5.3	5.6
Deposits	8.0	-0.5	-0.5	4.9	8.7	14.4
Of which:						
Interbank, credit institutions (a)	*6.2*	*0.7*	*-7.4*	*-5.4*	*-3.6*	*-4.6*
Repos, credit institutions (b)	*0.2*	*0.1*	*5.8*	*8.4*	*2.7*	*-1.0*
Interbank, BE (intra-system position)	*1.9*	*-0.8*	*0.2*	*1.7*	*10.5*	*21.0*
Securities other than shares	-2.7	3.5	-2.0	-2.9	-6.6	-11.9
Of which:						
General government	*1.1*	*5.2*	*2.0*	*1.1*	*-0.8*	*-4.6*
Credit institutions	*-1.9*	*1.0*	*-1.3*	*-1.6*	*-2.8*	*-3.9*
Other non-monetary financial institutions	*-1.9*	*-2.7*	*-2.6*	*-2.5*	*-3.1*	*-3.4*
Shares and other equity	3.2	1.0	2.3	2.8	2.3	1.7
Of which:						
Non-financial corporations	*2.4*	*0.4*	*2.3*	*2.6*	*2.3*	*1.8*
Loans	2.9	0.1	1.3	1.2	0.8	1.4
Other, net (c)	0.2	-0.7	-1.5	-0.5	-0.4	-0.5
MEMORANDUM ITEMS						
Spanish direct investment abroad	4.7	0.9	2.8	2.3	2.5	1.4
Foreign direct investment in Spain	4.8	0.7	2.9	2.2	2.0	1.8

SOURCE: Banco de España.

a Including bilateral repos operations.
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.

and, to a lesser extent, via the central counterparty clearing houses) were once again negative, for an amount equivalent to 25% of 2012 Q1 GDP. There was once again divestment by non-residents in fixed-income securities issued by financial institutions and general government. By contrast, the raising of funds through shares and other equity continued to be positive, accounting for an amount equivalent to 5.3% of GDP (the bulk of which related to instruments issued by non-financial corporations), although in 12-month cumulated terms this amount declined. Foreign direct investment in Spain continued to move on a slightly but progressively declining trend, to 1.8% of GDP in annual terms, 0.2 pp less than at end-2011.

Residents' investment abroad increased in 2012 Q1 to 6.8% of GDP, and also grew in 12-month cumulated terms to 2.4% of GDP (0.4 pp up on end-2011). The bulk of this amount was routed through interbank operations. Net purchases of fixed-income securities were negative for the second quarter running as a result of disinvestment by institutional investors exceeding acquisitions by the other sectors. Set against this, investment in shares and other equity increased slightly, continuing on the trend exhibited the previous quarter. However, Spanish foreign direct investment fell, dipping to 1.4% of GDP in annual terms, 1.1 pp down on December.

As a result of cross-border flows and changes in asset prices and in the exchange rate, the Spanish economy's net liabilities to the rest of the world was equivalent to 91.1% of GDP in March 2012, 0.5 pp down on December. This slight decrease was due to a reduction in the financial sector's (excluding the Banco de España) and general government sector's debit balance vis-à-vis the rest of the world, which was almost offset by the increase in the Banco de España's position, while the net external debt of the non-financial private sector showed no significant changes.

18.7.2012.

RESULTS OF NON-FINANCIAL CORPORATIONS IN 2012 Q1

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

Overview[1]

The information compiled by the Central Balance Sheet Data Office Quarterly Survey (CBQ) reveals that corporations' activity continued contracting during 2012 Q1, furthering the declining trend observed throughout the previous year. This was apparent in a year-on-year reduction in gross value added (GVA) of 4.2%, while in 2011 Q1 this variable had scarcely shown any appreciable changes. The deterioration had an across-the-board effect on all sectors, against a background of falling national demand and slowing exports.

Personnel costs fell by 1.4% during the first three months of the year, compared with virtually zero growth in the same period in 2011. This was the result of the decline in employment[2] (1.7%) stepping up, which was partly offset by a 0.3% increase in average compensation, 0.7 pp down on 2011 Q1. By contract type, the decline in employment was centred mainly on the temporary segment, which contracted strongly (by 12.4%), while permanent employment held practically stable, falling slightly by 0.2%.

Gross operating profit (GOP) shrank by 6.5%, compared with growth of 0.1% a year earlier. Financial revenue fell appreciably, mainly due to the lower dividends received, which declined strongly (81.3%), following their exceptional increase during 2011 Q1. Financial costs increased by 2.8%, owing to the rise in interest rates, which fed through progressively to corporations' financial outlays, since there was scarcely any change in debt. The overall effect of the deterioration in productive activity and of the adverse developments in financial costs (and especially in financial revenue) led ordinary net profit (ONP) to fall by 40.9%, a movement in contrast to the 21.2% increase in this variable in the same period a year earlier. The fall in ordinary profits prompted a downturn in corporations' profit ratios: both the return on investment and that on equity posted figures of 3.6%, 0.6 pp and 1.3 pp down, respectively, on 2011 Q1. The financial cost of borrowed funds rose slightly to 3.5%, 0.1 pp up on the level recorded in the same period in 2011. That means the spread between the return on investment and this indicator narrowed by 0.8 pp, posting a value of practically zero in 2012 Q1 and even turning negative in some sectors, such as industry.

Lastly, an analysis of extraordinary gains (losses) reveals that they exerted a strongly negative impact during 2012 Q1 on profits for the year. This was due to the recognition of significant capital losses and the impairment of financial asset portfolios, which made the decline in corporate profits steeper. Indeed, in the period under study, these fell by 64.2% compared with the profits generated in 2011 Q1. If final profit is expressed as a percentage of GVA, to March 2012 it accounted for only 10%, far below the figure a year earlier (26.6%) and, within the attendant CBQ series, it marked the minimum value recorded for a first quarter since 1994.

1 This article is based on the quarterly information, to 12 June, sent by the 712 corporations reporting to the Central Balance Sheet Data Office. In terms of GVA, this sample accounts for 12.3% of the total non-financial corporations sector.

2 The CBQ's employment data are an average calculated by taking into account the hours actually worked and, consequently, variations in this item may include changes in the number of employees and in the average working day.

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

TABLE 1

	CBA Structure	CBA		CBQ		
DATABASES	2010	2009	2010	11 Q1-Q4/ 10 Q1-Q4 (a)	11 Q1/ 10 Q1	12 Q1/ 11 Q1
Number of corporations		9.836	8.347	802	841	712
Total national coverage (% of GVA)		31.0	29.1	12.8	14.2	12.3
PROFIT AND LOSS ACCOUNT						
1 Value of output (including subsidies)	100.0	-12.9	4.8	8.7	9.1	4.7
Of which:						
Net amount of turnover and other operating income	*147.7*	*-13.2*	*4.5*	*10.4*	*9.7*	*7.9*
2 Inputs (including taxes)	65.8	-15.5	6.5	13.8	14.0	8.8
Of which:						
Net purchases	*93.4*	*-18.6*	*8.8*	*20.3*	*22.3*	*11.5*
Other operating costs	*22.6*	*-6.6*	*1.5*	*-0.6*	*0.7*	*0.7*
S.1 GROSS VALUE ADDED AT FACTOR COST [1 – 2]	34.2	-7.8	1.6	-1.4	-0.1	-4.2
3 Personnel costs	19.7	-3.3	-0.3	0.1	-0.2	-1.4
S.2 GROSS OPERATING PROFIT [S.1 – 3]	14.5	-13.7	4.3	-2.8	0.1	-6.5
4 Financial revenue	5.0	-19.3	2.4	6.9	91.8	-54.9
5 Financial costs	4.3	-29.0	-2.2	10.8	16.8	2.8
6 Depreciation and operating provisions	6.5	-5.1	1.5	2.0	3.9	2.3
S.3 ORDINARY NET PROFIT [S.2 + 4 – 5 – 6]	8.7	-13.9	8.9	-6.6	21.1	-40.9
7 Gains (losses) from disposals and impairment	-0.5	-	-	-	-	-
7' As a percentage of GVA (7 / S.1)		4.5	-1.5	-4.9	0.0	-3.6
8 Changes in fair value and other gains (losses)	-0.9	3.8	38.5	-99.9	-	-
8' As a percentage of GVA (8 / S.1)		-4.5	-2.7	-6.5	0.0	-3.7
9 Corporate income tax	1.1	31.2	30.2	-54.3	-1.4	-44.8
S.4 NET PROFIT [S.3 + 7 + 8 - 9]	6.2	44.6	-15.7	-26.7	24.1	-64.2
S. 4' As a percentage of GVA (S.4 / S.1)		20.4	18.0	19.5	26.6	10.0
PROFIT RATIOS	Formulas (b)					
R.1 Return on investment (before taxes)	(S.3 + 5.1) / NA	6.2	6.1	5.7	4.2	3.6
R.2 Interest on borrowed funds/ interest-bearing borrowing	5.1 / IBB	3.5	3.3	3.6	3.4	3.5
R.3 Ordinary return on equity (before taxes)	S.3 / E	8.7	8.8	7.5	4.9	3.6
R.4 ROI – cost of debt (R.1 – R.2)	R.1 – R.2	2.7	2.9	2.1	0.8	0.1

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

a All the data in this column have been calculated as the weighted average of the quarterly data.
b NA = Net assets 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).

In sum, the activity of the CBQ reporting corporations continued to contract during the first three months of 2012, against a background of declining domestic demand and slowing exports. The deterioration was fairly widespread, extending to all productive sectors, and it also translated into a step-up in job destruction, essentially affecting temporary employment. Financial revenue fell back significantly, as a result of lower dividends received compared with the same period the previous year. The reflection of all these developments was a significant slump in corporate profits and in ROI levels which, combined with the slight rise in the cost of borrowed funds, led to a further decline in the spread between these two indicators.

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

TABLE 2

		CBA	CBQ		
		2010	2011 Q1-Q4 (a)	2011 Q1	2012 Q1
Total corporations		8,347	802	712	712
Corporations reporting source/destination		8,347	763	671	671
Percentage of net purchases according to source	Spain	65.6	82.6	81.3	81.5
	Total abroad	34.4	17.4	18.7	18.5
	EU countries	17.0	12.5	13.8	13.2
	Third countries	17.4	4.8	4.9	5.3
Percentage of net turnover according to destination	Spain	83.3	86.3	86.2	85.2
	Total abroad	16.7	13.7	13.8	14.8
	EU countries	11.2	9.5	10.2	10.3
	Third countries	5.5	4.2	3.6	4.5
Change in net external demand (exports less imports), rate of change	Industry	1.1	29.0	32.0	30.4
	Other corporations	-24.8	35.6	18.5	18.2

SOURCE: Banco de España.

a All the data in this column have been calculated as the weighted average of the relevant quarterly data.

Activity

The information compiled by the CBQ highlights the fact that GVA fell by 4.2% in 2012 Q1 (see Table 1 and Chart 1), compounding the negative trend observed over the course of 2011. The breakdown of turnover by sector shows that foreign transactions remained the most dynamic item, increasing by 5.1%, which nevertheless marks a slowdown on the 14.3% increase a year earlier. However, this meant that the relative weight of this component increased, accounting for 14.8% of total sales (1 pp up on the previous year), to the detriment of domestic transactions, which fell by 3% to 85.2% (see Table 2).

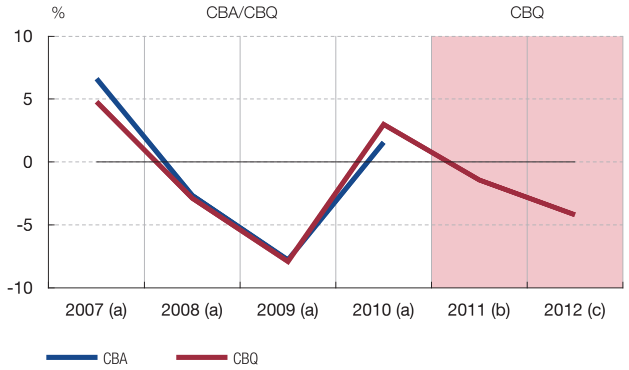
The sectoral breakdown shows the downturn in activity was across the board, extending to all productive sectors (see Table 3). Of these, it was in industry where GVA fell sharpest (12.5%), in contrast to its 15% rise a year earlier. This negative pattern can be seen in all the industrial sub-sectors, without exception, although it is apparent to a greater extent in other manufacturing, the manufacture of mineral and metal products and the chemical industry, with reductions of 20.1%, 15.3% and 14.3%, respectively. The information and communications sector also contracted sharply, with a decline in GVA of 7%, reflecting the sluggishness of consumption. This factor likewise explains the behaviour of firms in the wholesale and retail trade and accommodation and food services activities, which led to a fall of 1.3% in this aggregate. The energy sector fell back by 1.5%, the outcome of the decline in the sub-sector of electricity, gas and water production, in which GVA fell by 2%. This development was partly offset by the increase in oil refining companies (7.8%). Finally, the group encompassing other activities showed a decline in productive activity of 3.1%, where it was the transport and the construction and real estate development companies that trended most unfavourably.

Chart 2 shows the distribution of firms according to their changes in GVA. The main conclusion drawn is that the deterioration in productive activity affected the firms comprising this sample across the board; all the quartiles fell, with a notable decline in the

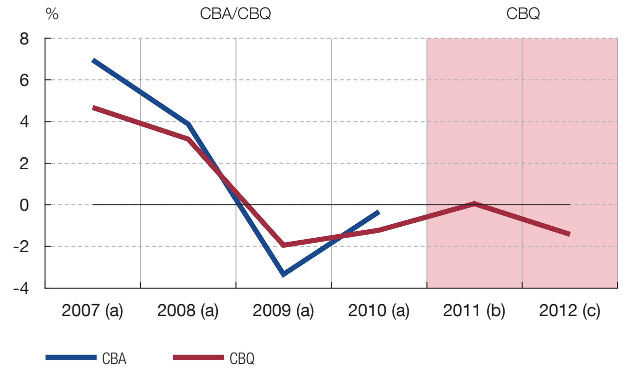
NON-FINANCIAL CORPORATIONS REPORTING TO THE CENTRAL BALANCE SHEET DATA OFFICE

CHART 1

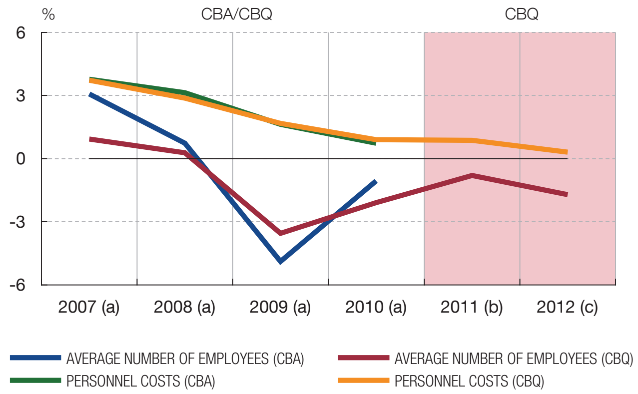
GROSS VALUE ADDED AT FACTOR COST
Rate of change



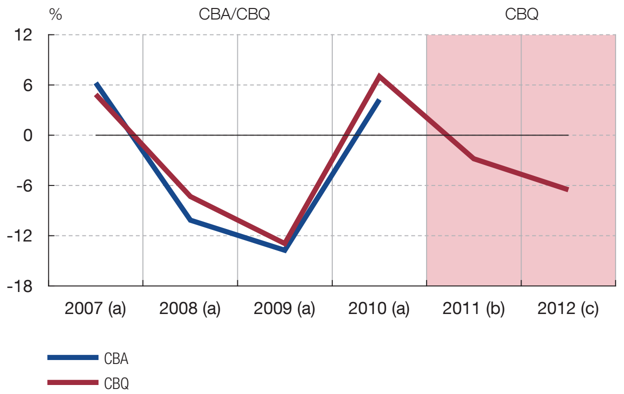
PERSONNEL COSTS
Rate of change



EMPLOYMENT AND WAGES
Rate of change



GROSS OPERATING PROFIT
Rate of change



NON-FINANCIAL CORPORATIONS		2007	2008	2009	2010	2011	2012
Number of corporations	CBA	9,321	9,639	9,836	8,347	—	—
	CBQ	851	819	805	811	802	712
% of GVA of the sector non-financial corporations	CBA	33.7	31.4	31.0	29.1	—	—
	CBQ	14.2	13.0	12.7	13.2	12.8	12.3

SOURCE: Banco de España.

a The 2007, 2008, 2009 and 2010 data are for the corporations reporting to the annual survey (CBA) and the average for the four quarters of each year in relation to the previous year (CBQ).
b Average of the four quarters of 2011 relative to the same period in 2010.
c Data of 2012 Q1 relative to the same period in 2011.

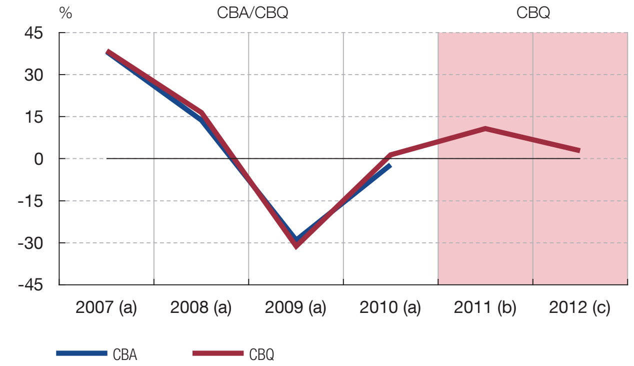
75th percentile (a level above which there are 25% of the firms in the sample with bigger increases in GVA), which stood in 2012 Q1 at 10.1%, more than 9 pp below the figure recorded a year earlier.

Employment and personnel costs

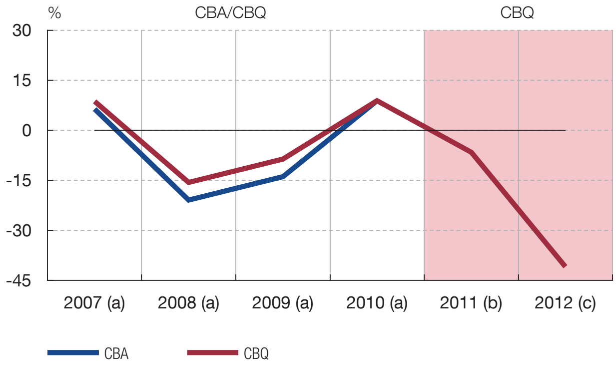
Personnel costs fell 1.4% in 2012 Q1, compared with the practically zero change in the same period the previous year. The reduction in this item is the result of the decline in average employment at the CBQ reporting firms, offset in part by the 0.3% growth in average compensation (see Table 3).

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

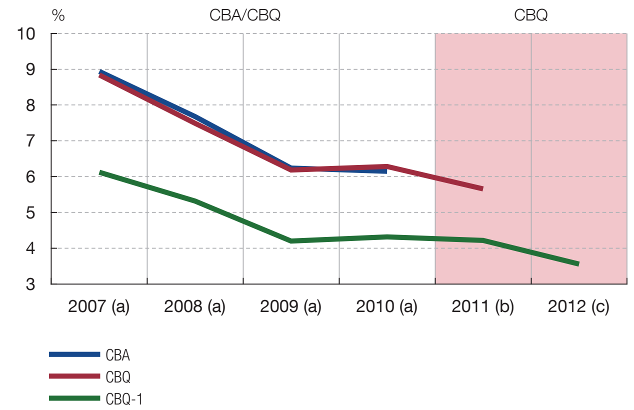
FINANCIAL COSTS
Rate of change



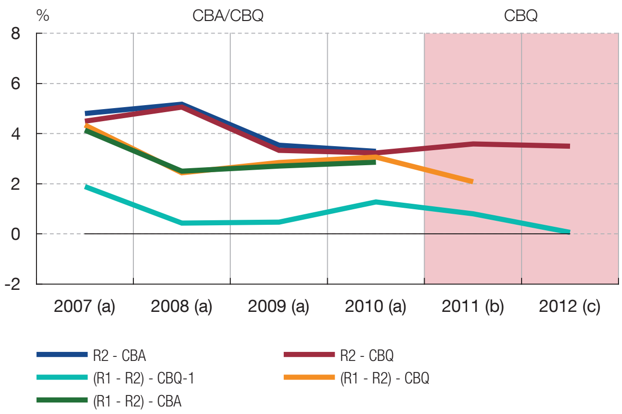
ORDINARY NET PROFIT
Rate of change



RETURN ON INVESTMENT (R.1)
Ratios



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



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SOURCE: Banco de España.

a The 2007, 2008, 2009 and 2010 data are for the corporations reporting to the annual survey (CBA) and the average data of the four quarters of each year (CBQ). The rates are calculated relative to the previous year.
b Average of the four quarters of 2011. The rates are calculated relative to the same period in 2010.
c Data of 2012 Q1. The rates are calculated relative to the same period in 2011.

Indeed, during the first three months of the year the decline in average employment intensified, with a 1.7% reduction, 0.5 pp above that observed during the same period in 2011 and almost 1 pp up on the figure recorded over 2011 as a whole. In line with these developments, Table 4 shows that the number of corporations destroying jobs increased significantly in 2012 Q1, rising to 55.8% of the quarterly sample, more than 5 pp above the percentage of companies that were in this situation in the same period the previous year. This further reverses the trend, observed in the past two years, of a progressive rise in the proportion of companies that had managed to maintain or increase

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. Percentages

TABLE 3

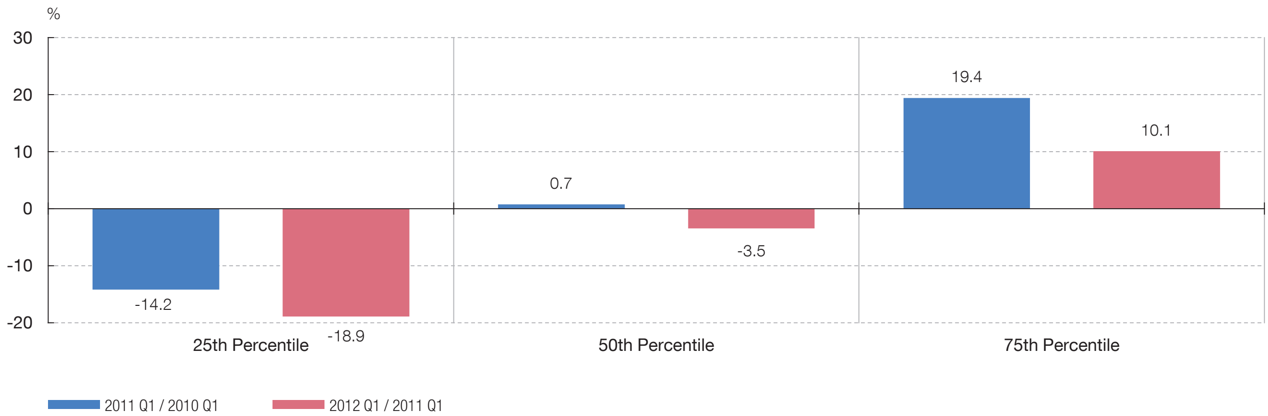
	Gross value added at factor cost				Employees (average for period)				Personnel costs				Compensation per employee			
	CBA	CBQ			CBA	CBQ			CBA	CBQ			CBA	CBQ		
	2010	11 Q1-Q4 (a)	11 Q1	12 Q1	2010	11 Q1-Q4 (a)	11 Q1	12 Q1	2010	11 Q1-Q4 (a)	11 Q1	12 Q1	2010	11 Q1-Q4 (a)	11 Q1	12 Q1
TOTAL	**1.6**	**-1.4**	**-0.1**	**-4.2**	**-1.1**	**-0.8**	**-1.2**	**-1.7**	**-0.3**	**0.1**	**-0.2**	**-1.4**	**0.7**	**0.9**	**1.0**	**0.3**
Size																
Small	-3.8	—	—	—	-4.3	—	—	—	-3.1	—	—	—	1.3	—	—	—
Medium	0.9	-0.4	10.1	-9.1	-2.0	-1.6	-1.4	-3.8	-0.7	-0.4	-0.1	-2.4	1.3	1.2	1.3	1.4
Large	1.8	-1.5	-0.4	-4.0	-0.8	-0.8	-1.2	-1.6	-0.2	0.1	-0.2	-1.4	0.6	0.9	1.0	0.3
Breakdown of activities																
Energy	7.6	-0.5	3.4	-1.5	-2.1	-1.9	-1.7	-0.5	0.5	0.1	1.6	-2.2	2.6	2.1	3.4	-1.7
Industry	8.6	1.0	15.0	-12.5	-2.4	0.0	-0.8	-2.4	-0.1	1.9	2.4	-1.1	2.3	1.9	3.2	1.4
Wholesale & retail trade & accommodation & food service activities	1.8	-1.7	-3.6	-1.3	-0.5	1.7	1.4	0.9	0.5	2.0	1.4	1.5	1.0	0.2	0.0	0.6
Information & communication	-4.9	-5.4	-6.4	-7.0	-1.7	-0.1	0.0	-4.6	-0.3	2.2	2.9	-3.4	1.4	2.3	2.9	1.3
Other activities	-2.3	-0.1	-2.1	-3.1	-0.6	-2.7	-3.4	-2.8	-1.1	-2.2	-3.5	-2.0	-0.5	0.5	-0.1	0.8

SOURCE: Banco de España.

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

DISTRIBUTION OF CORPORATIONS BY RATE OF CHANGE IN GVA

CHART 2



SOURCE: Banco de España.

the average number of employees. By type of contract, the bulk of the adjustment continued to be centred on temporary employment, with a decline of 12.4% (see Table 5), while the number of employees with a permanent contract scarcely changed (the related rate of change was slightly negative, at -0.2%). The sectoral breakdown reveals that the reductions in employment were fairly widespread, with the sharpest decline in information and communications (4.6%, see Table 3). Conversely, the wholesale and retail trade and accommodation and food services sector was the only aggregate where

PERSONNEL COSTS AND EMPLOYEES
Percentage of corporations in specific situations

TABLE 4

	CBA		CBQ			
	2009	2010	10 Q1 - Q4 (a)	11 Q1 - Q4 (a)	11 Q1	12 Q1
Number of corporations	9,836	8,347	811	802	841	712
Personnel costs	100	100	100	100	100	100
Falling	57.4	48.6	47.4	47.1	46.5	54.5
Constant or rising	42.6	51.4	52.6	52.9	53.5	45.5
Average number of employees	100	100	100	100	100	100
Falling	54.7	46.6	53.7	51.1	50.2	55.8
Constant or rising	45.3	53.4	46.3	48.9	49.8	44.2

SOURCE: Banco de España.

a Weighted average of the relevant quarters for each column.

EMPLOYMENT

TABLE 5

		Total CBQ corporations 2012 Q1	Corporations increasing (or not changing) staff levels	Corporations reducing staff levels
Number of corporations		712	315	397
Number of employees				
Initial situation 11 Q1 (000s)		652	247	405
Rate 12 Q1/ 11 Q1		-1.7	5.6	-6.2
Permanent	Initial situation 11 Q1 (000s)	571	221	350
	Rate 12 Q1/ 11 Q1	-0.2	5.6	-3.9
Non-permanent	Initial situation 11 Q1 (000s)	81	27	55
	Rate 12 Q1/ 11 Q1	-12.4	5.3	-21.1

SOURCE: Banco de España.

the average number of employees grew (0.9%), a rate in any event lower than that recorded a year earlier (1.4%).

Average compensation grew by 0.3%, a lower increase than both that recorded in 2011 Q1 (1%) and that in 2011 as a whole (0.9%). A more detailed analysis by productive sector shows that there was a notable fall in wages of 1.7% in energy, a development affected by the decline in the variable component of compensation in certain large corporations in this sector. In the remaining aggregates, personnel costs per employee evidence a relatively uniform increase, with growth rates oscillating around 1%.

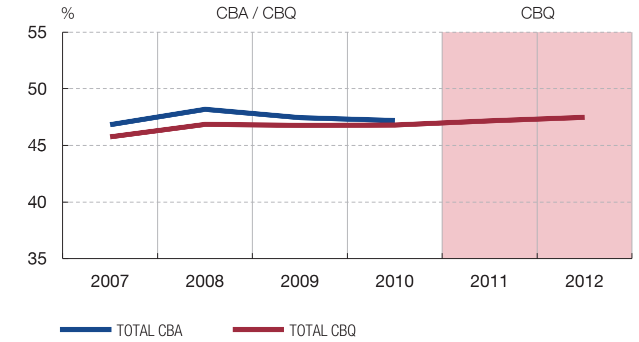
Profits, rates of return and debt

In line with the contractionary course of activity in 2012 Q1, gross operating profit (GOP) also declined (by 6.5%), while in the same period a year earlier it had grown slightly (0.1%).

DEBT RATIOS

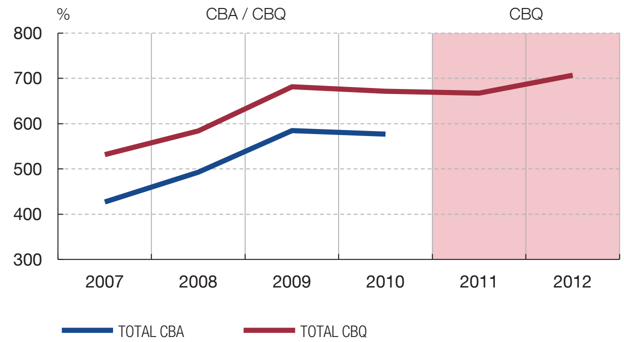
CHART 3

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



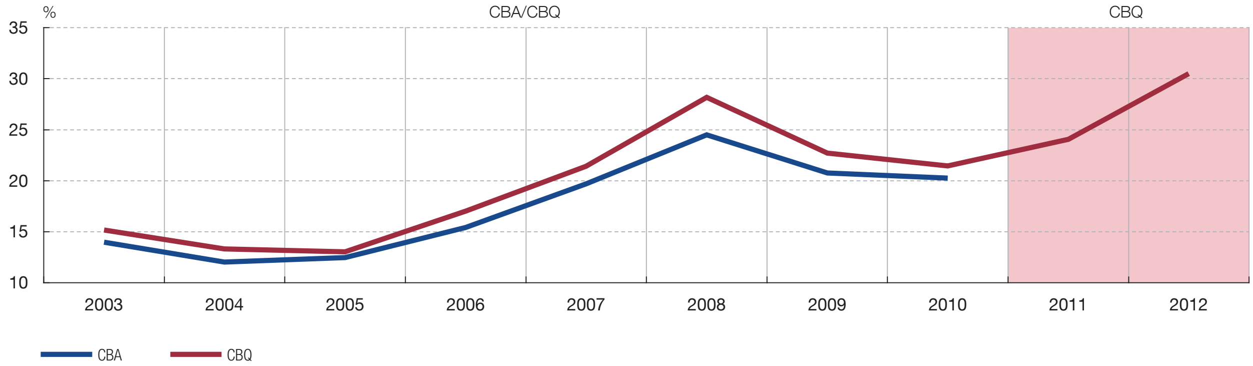
	2007	2008	2009	2010	2011	2012
CBA	46.8	48.2	47.5	47.2		
CBQ	45.8	46.9	46.8	46.8	47.2	47.5

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



	2007	2008	2009	2010	2011	2012
CBA	427.0	492.6	584.5	576.7		
CBQ	531.5	583.8	681.6	671.1	667.2	707.0

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



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
CBA	14.0	12.0	12.5	15.4	19.7	24.5	20.8	20.2		
CBQ	15.2	13.3	13.0	17.0	21.4	28.2	22.7	21.4	24.1	30.5

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).

Financial revenue fell by 54.9%, influenced by dividends received, which declined by more than 80% after the exceptional increase they had posted in 2011 Q1. Conversely, revenue relating to interest received grew by 20.1%.

Financial costs increased by 2.8%, far from their growth of 16.8% a year earlier. Despite the slowdown in these costs, the ratio that measures the interest burden increased by more than 6 pp compared with a year earlier, standing at 30.5% of GOP and of financial revenue (see Chart 3). This is due to the significant contraction in revenue (the denominator of this ratio). The information in Table 6 shows that the interest borne by corporations increased by 2.7%, raising the average cost of borrowed funds to 3.5%, 0.1 pp up on the same period in

ANALYSIS OF DEVELOPMENTS IN FINANCIAL COSTS
Percentages

TABLE 6

	CBA	CBQ	
	2010 / 2009	2011 Q1-Q4 / 2010 Q1-Q4	2012 Q1 / 2011 Q1
Change in financial costs	-2.2	10.8	2.8
A Interest on borrowed funds	-2.8	11.9	3.0
1 Due to the cost (interest rate)	-6.9	12.0	2.7
2 Due to the amount of interest-bearing debt	4.1	-0.1	0.3
B Other financial costs	0.6	-1.1	-0.2

SOURCE: Banco de España.

2011. The changes in financial costs due to changes in interest-bearing debt did not exert in this case significant influence on this item, since these liabilities scarcely altered. This behaviour is also consistent with the context of slack investment in the Spanish economy, which is also confirmed by the data offered by the CBQ sample, according to which gross fixed capital formation fell by 21.9% in the first three months of 2012.

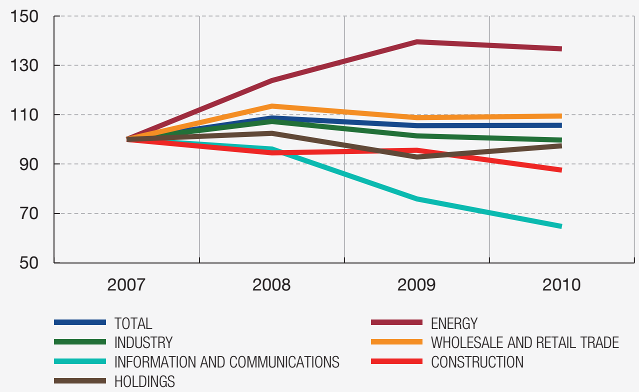
The slight growth in debt led the E1 ratio, which measures the level of debt in terms of total net assets, to rise slightly too by 0.3 pp to 47.5%, although it held at similar levels to the two previous years (see Chart 3). The apparent stability of this ratio over recent years for the whole of the sample nevertheless masks notable sectoral dispersion, since while in certain sectors, such as information and communications, debt has fallen from its 2008 peak, in others, such as wholesale and retail trade, a rising trend has been observed over the same period (for greater details see Box 1). The flatness of debt in 2012 Q1, along with the fall-off in ordinary profits, translated into a rise in the E2 ratio, which relates interest-bearing borrowed funds to GOP and financial revenue, which reveals the increase in the degree of financial pressure borne by the sector.

The course of operating activity and of financial costs and revenue led the ordinary net profit (ONP) obtained by the reporting corporations to decline by 40.9% in 2012 Q1, the consequence of which was a fall in ordinary profitability levels (see Table 7). Thus, the ratio approximating the return on net investment fell by 0.6 pp to 3.6%, while the return on equity also declined to 3.6%, 1.3 pp down on a year earlier. The sectoral breakdown highlights the fact that this negative performance was centred particularly on industry and on the sector encompassing other activities, placing the ROI ratio at 1.9% and at 1.4%, respectively, compared with 4.1% and 2.3% a year earlier. Conversely, in energy, wholesale and retail trade, and information and communications, this ratio held stable or even increased slightly. Table 8 presents the distribution of corporations in terms of their levels of profitability. It shows that in 2012 Q1 there was a shift towards the lowest profitability segments (below 5%), which suggests that the deterioration was fairly generalised. The decline in the ROI, along with the slightly rising trend in the cost of borrowed funds, meant that the difference between both indicators narrowed once more, giving a practically zero value for the sample as a whole. The sectoral data further show that, in the case of the aggregates for industry and other activities, this difference stood at negative values (of around -2%), owing to the marked impact that the downturn in economic situation had on these two productive sectors.

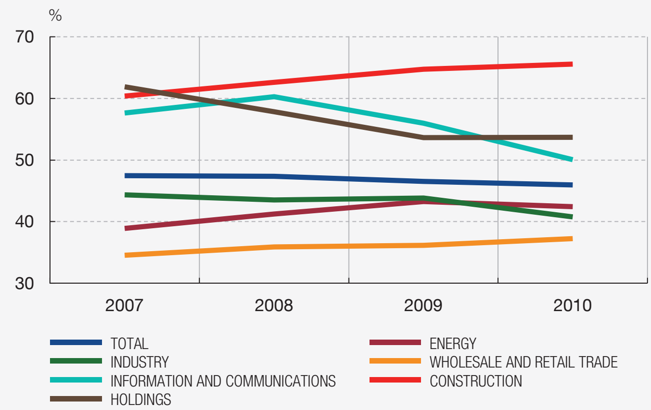
Lastly, an analysis of extraordinary gains (losses) shows that these exerted a negative influence on final profits. Behind this behaviour lies the recognition of significant capital

Non-financial corporations' borrowed funds grew at a very high rate in the pre-crisis years. As a result, their debt climbed to very high levels both from a time perspective and in comparison with other developed countries. The deleveraging process started in 2009, when this sector's financing began to contract slightly following a process of sharp deceleration.

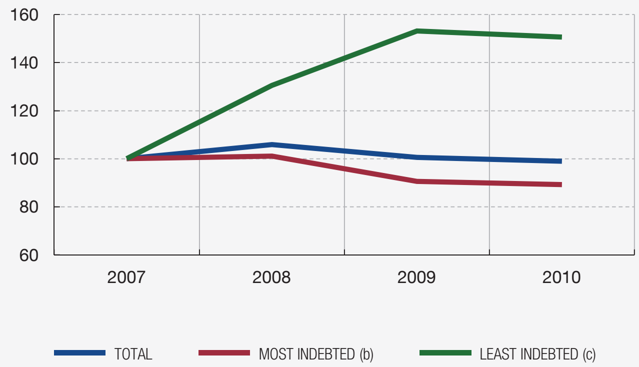
1 DEBT LEVEL BY SECTOR
100 = 2007



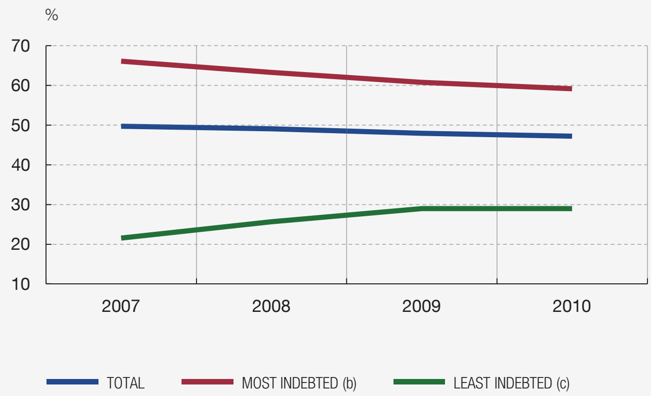
2 DEBT RATIO BY SECTOR (a)



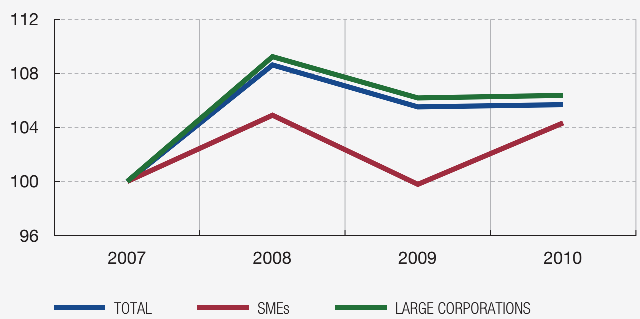
3 DEBT BY LEVEL OF INDEBTEDNESS
100 = 2007



4 DEBT RATIO BY LEVEL OF INDEBTEDNESS (a)



5 DEBT LEVEL BY SIZE



6 DEBT RATIO BY SIZE (a)

SOURCE: Banco de España.

a Ratio defined as total interest-bearing debt divided by net assets.
b Corporations whose debt ratio in 2007 was higher than the median ratio of the sector to which they belong.
c Corporations whose debt ratio in 2007 was lower than or the same as the median ratio of the sector to which they belong.

This box reviews the recent changes in non-financial corporations' debt, with a breakdown by sector, company size and level of leverage (debt as a percentage of assets), in order to study the main characteristics of their deleveraging process. For this purpose, the Central Balance Sheet Data Office's (CBSO) databases (CBA and CBB[1]) were used, forming a sample of the 180,000 corporations in existence throughout the period analysed from 2007 to 2010, the last year for which this information is available.

Changes in debt levels for the whole sample replicate quite well the developments in this variable for the business sector which are obtained from the Financial Accounts of the Spanish Economy. These developments show: growth in 2008, a slight contraction in 2009 and stabilisation in 2010. The breakdown by sector shows considerable heterogeneity which is seemingly related to the initial debt level (see Panels 1 and 2). Thus, in the sectors of activity that prior to the crisis (in 2007) showed a comparatively higher leverage ratio – such as construction,[2] the information and communications sector and holdings – borrowed funds tended to decrease from 2008 (and in some cases from 2007). Conversely, in the other sectors analysed, which started out with much more modest debt ratios, these liabilities have shown more buoyancy and, in the case of energy, have even increased.

These developments in debt between 2007 and 2010 resulted, generally, in a gradual reduction of leverage ratios of the productive sectors that were most indebted at the beginning of the period and a certain stabilisation or slight increase in those which started out with lower levels of said ratio, thus there was some sectoral convergence in terms of this indicator. The exception to this pattern is construction; the reduction in its debt levels has been insufficient to counter the decline in its net assets (the denominator of the ratio) which is linked to the considerable losses built up by these corporations and, as a result, their leverage ratio has tended to rise.

The information available in the CBSO Quarterly Survey which, unlike the sample above, essentially includes large companies and in which certain sectors, such as construction are not well represented, indicates that in 2011 and in 2012 Q1 the pattern seen in previous years will likely continue with a trend towards debt reduction in the most highly leveraged sectors and remain the same or increase in the least indebted sectors. Thus, for example, the borrowed funds of firms in the information and communications sector continued to contract, while these liabilities increased somewhat for corporations in the wholesale and retail sector.

This relationship between changes in debt and the initial degree of leverage also seems to be observed if, in each sector, firms are separated on the basis of the latter. Thus, as shown in Panels 3 and 4, companies with a leverage ratio in 2007 below the median for their sector considerably increased their borrowed funds during the period analysed, while those with higher levels reduced them. The result of the foregoing is a slight convergence between the debt ratios of the two groups of corporations.

Lastly, the breakdown by company size also shows some differences in developments in debt and in the leverage ratio based on this characteristic (see Panels 5 and 6). Thus, although during 2008 and 2009 the profile of borrowed funds showed a similar pattern at large corporations and SMEs (an increase in 2008 and a contraction in 2009), the rise in 2008 was more moderate and the decline in 2009 was sharper among the smallest SMEs. As a result, the debt levels of the smallest SMEs were lower in 2009 than in 2007, whereas for large corporations these liabilities increased throughout this period. This occurred even though the smaller companies had lower leverage ratios, most likely reflecting the greater impact of the crisis on their economic and financial situation. This situation was partly corrected in 2010, since the debt of SMEs rose, whereas that of large companies stalled. Due to these developments, together with those in assets, the leverage ratio of the larger corporations, with systemically higher values, tended to decrease gradually during the period analysed, while this indicator showed a more stable path for small and medium-sized enterprises.

In short, the evidence presented in this box shows that recent developments in non-financial corporations' indebtedness are highly heterogeneous on the basis of sector of activity, company size and the level of leverage. In particular, companies which started out with a higher proportion of borrowed funds in their balance sheets are the ones that have reduced these liabilities more sharply, most likely reflecting their greater need for adjustment in general since they are subject to more financial pressure. Conversely, the least indebted corporations have seemingly been able to increase their use of borrowed funds during the period analysed since they have a wider margin to do so and, on average, are perceived as being more solvent by lenders.

1 The CBA (Central Balance Sheet Data Office Annual Survey) contains information on companies reporting annually to the CBSO; larger companies have a higher weight in this survey. The CBB includes information on small companies taken from the mercantile registers.

2 The construction sector includes real estate developers.

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

TABLE 7

	Gross operating profit				Ordinary net profit				Return on investment (R.1)				ROI-Cost of debt (R.1-R.2)			
	CBA	CBQ			CBA	CBQ			CBA	CBQ			CBA	CBQ		
	2010	11 Q1-Q4 (a)	11 Q1	12 Q1	2010	11 Q1-Q4 (a)	11 Q1	12 Q1	2010	11 Q1-Q4 (a)	11 Q1	12 Q1	2010	11 Q1-Q4 (a)	11 Q1	12 Q1
TOTAL	**4.3**	**-2.8**	**0.1**	**-6.5**	**8.9**	**-6.6**	**21.1**	**-40.9**	**6.1**	**5.7**	**4.2**	**3.6**	**2.9**	**2.1**	**0.8**	**0.1**
Size																
Small	-5.9	—	—	—	6.2	—	—	—	3.7	—	—	—	0.2	—	—	—
Medium	4.1	-0.4	26.7	-17.3	18.2	8.5	47.6	-19.5	5.0	6.5	6.5	5.6	1.7	3.2	3.7	2.4
Large	4.5	-2.9	-0.6	-6.2	8.4	-7.0	20.4	-41.6	6.2	5.6	4.2	3.5	2.9	2.1	0.8	0.0
Breakdown of activities																
Energy	11.1	-0.7	4.0	-1.4	5.3	-11.1	-6.4	0.1	6.2	5.5	4.9	5.3	2.9	2.1	1.7	1.7
Industry	25.5	-0.8	43.7	-30.7	73.4	53.9	-	-92.4	6.1	4.8	4.1	1.9	2.4	0.6	0.0	-2.4
Wholesale & retail trade and accommodation & food service activities	4.4	-8.0	-10.0	-5.3	5.2	-8.7	-11.5	0.4	7.9	5.9	8.5	8.5	4.2	2.1	4.8	4.5
Information & communication	-7.2	-8.4	-10.2	-8.6	-8.7	-11.6	-16.5	-10.4	23.3	24.4	22.2	23.4	19.1	20.0	17.4	19.9
Other activities	-5.8	4.4	1.4	-5.6	1.7	-6.9	-	-	4.8	4.8	2.3	1.4	1.6	0.1	-1.0	-1.9

SOURCE: Banco de España.

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

STRUCTURE OF RETURN ON INVESTMENT AND ORDINARY RETURN ON EQUITY

TABLE 8

		CBQ			
		Return on investment (R.1)		Ordinary return on equity (R.3)	
		11 Q1	12 Q1	11 Q1	12 Q1
Number of corporations		841	712	841	712
Percentage of corporations by profitability bracket	R <= 0	30.9	32.9	34.7	39.7
	0 < R <= 5	25.7	27.5	17.4	17.3
	5 < R <= 10	16.1	13.6	12.2	10.4
	10 < R <= 15	6.3	8.0	8.4	8.0
	15 < R	21.0	18.0	27.2	24.6
MEMORANDUM ITEM: Average return		4.2	3.6	4.9	3.6

SOURCE: Banco de España.

losses, associated essentially with financial assets. Such losses have emerged both via losses arising on disposals and through negative changes in fair value. As a consequence, profit for the year fell back in 2012 Q1 by 64.2%. Expressing this profit as a percentage of GVA also shows a strong decline, to 10% in the period under study, far below the figure of 26.6% a year earlier. In terms of the CBQ series, this marks the lowest percentage recorded by this ratio for a first quarter since 1994.

12.6.2012.

THE ADJUSTMENT OF THE EXTERNAL IMBALANCE IN THE SPANISH ECONOMY

The author of this article is Juan Peñalosa, of the Directorate General Economics, Statistics and Research.

Introduction

There are several facets to the highly complex economic crisis that Spain has been undergoing in recent years. And it is in the external sector that many of the features characterising this crisis and the requirements for overcoming it can be found. Many reports have analysed how the long expansionary phase from the mid-1990s until 2007 led to a growing loss of competitiveness of Spanish production, a high external deficit and high indebtedness vis-à-vis the rest of the world. Although some of these developments have begun to be corrected, the deterioration of expectations triggered by the crisis has affected perceptions about the sustainability of the external position, acting as a drag on the adjustment phase and increasing the Spanish economy's vulnerability.

In particular, the deepening of the sovereign debt crisis has made external financing one of the crucial problems of the Spanish economy in the current situation. The deterioration of confidence – possibly both in the economic outlook for Spain and in the current institutional framework of the euro area – has stemmed the flows of external refinancing of the economy, resulting in high net outflows in recent months that have had to be covered by credit institutions increasingly resorting to the Eurosystem for financing.

In the European arena, from 2012 the framework for coordination of the EU's economic policies has been strengthened considerably through the *macroeconomic imbalance procedure,* whereby not only fiscal policy is subject to close surveillance by the European authorities, but also national macroeconomic policy as a whole, in order to detect the existence of imbalances in areas such as private debt or the external sector, to propose solutions and monitor that they are implemented [see Matea (2012)]. Thus, on 14 February the European Commission published the first *Alert Mechanism Report,* in which Spain was included among the countries in which, due to the severity of the imbalances that had built up, a subsequent in-depth analysis should be performed. On 30 May, the European Commission published this exhaustive examination of Spain (an *In-Depth Review)* which concludes that the imbalances of the Spanish economy are very serious and need to be addressed urgently. The imbalances were not described as *excessive* in any country – which would have meant that the corrective part of the procedure would have started – however, Spain and Cyprus were assessed to have the most severe macroeconomic imbalances.

This means that Spain's economic imbalances will continue to be closely monitored by the European authorities. The external imbalance will occupy a key place in this procedure and, consequently, changes in the current account balance, the performance of exports, the competitiveness trajectory of national production and the correction of high indebtedness vis-à-vis the rest of the world will be meticulously examined. The crucial role that improved competitiveness should play in Spain's economic policy strategy has been analysed in depth in Chapter 2 of the Banco de España's *Annual Report, 2011,* whereas developments in the current, capital and financial account balances have been described in detail in the Balances of Payments report which is published annually.

This article reviews progress in the correction of the external imbalances throughout the adjustment phase which began in 2008. Firstly, the decline in the external deficit since

2008 is analysed, seeking to identify the determinants of that improvement and the products and areas in which Spanish production has been more competitive. Secondly, the external financing of the Spanish economy during that period is examined and, finally, to conclude, the ways of pressing ahead with the correction of the external imbalances and consolidating the sustainability of Spain's external position are discussed.

The adjustment of the external deficit in the period 2007-2011

Spain's external deficit declined rapidly between 2007 and 2011. In terms of the nation's net borrowing requirement the deficit fell by more than 6 pp (percentage points) of GDP to 3.4% in 2011 (see Chart 1). The trade balance in goods and services improved by a similar amount (see Table 1). This correction was shared almost equally between the increase in exports and the decrease in imports, which indicates that Spanish firms took advantage of the continuing slight buoyancy in world trade in this period to increase their exports. However, part of the correction was in response to the effect of the decline in national demand – which has been especially significant in Spain – on the demand for imports.[1] If recent trends continue, the external deficit could be in balance in the near future.

In real terms, these changes in exports and imports of goods and services represented a sizable positive contribution to activity. Specifically, from 2007 to 2011 net external demand contributed almost 8 pp to GDP growth in cumulated terms compared with national demand's negative contribution to GDP of almost 10 pp, with the result that the external sector cushioned a very large part of that effect on final GDP figures. Furthermore, the correction of the deficit was hindered by the deterioration in the terms of trade, which decreased by 5%, owing to the cumulative increase of import prices which exceeded the deflator of exports of goods and services and was partly due to higher energy prices.

If the goods balance is analysed in more detail, it can be seen that the improvement in this period was quite widespread both in terms of geographical areas and products (see Table 2[2]). By country, most of that correction occurred in trade with the euro area against which, furthermore, Spain recorded a surplus in 2011 for the first time in several decades. Additionally, in 2011, it achieved a surplus vis-à-vis the rest of the EU. The improvement in the case of the rest of the world was smaller, partly due to higher energy prices. The largest deficits were seen vis-à-vis the OPEC countries and China, whereas the balance against other developed countries, such as the US or Japan, was close to equilibrium in 2011. By component, the foreign trade balance for consumer and capital goods recorded a surplus in 2011, but maintained a substantial deficit in intermediate goods.[3] In any event, there was an improvement in the three categories in the trade balance in recent years.

Changes in the energy deficit warrant slightly more attention, given their volume and persistency, since the Spanish economy is highly reliant on net energy imports. In this adjustment phase the energy deficit has shown various fluctuations in response to volatile oil prices, but an upward trend has predominated, prompting an imbalance of 3.8% of GDP in 2011, compared with 3.2% in 2007. The magnitude of this deficit is higher than that of other European countries and shows substantially larger oil consumption per unit of GDP than in the euro area [see Banco de España (2011)]. In this period the price of oil denominated

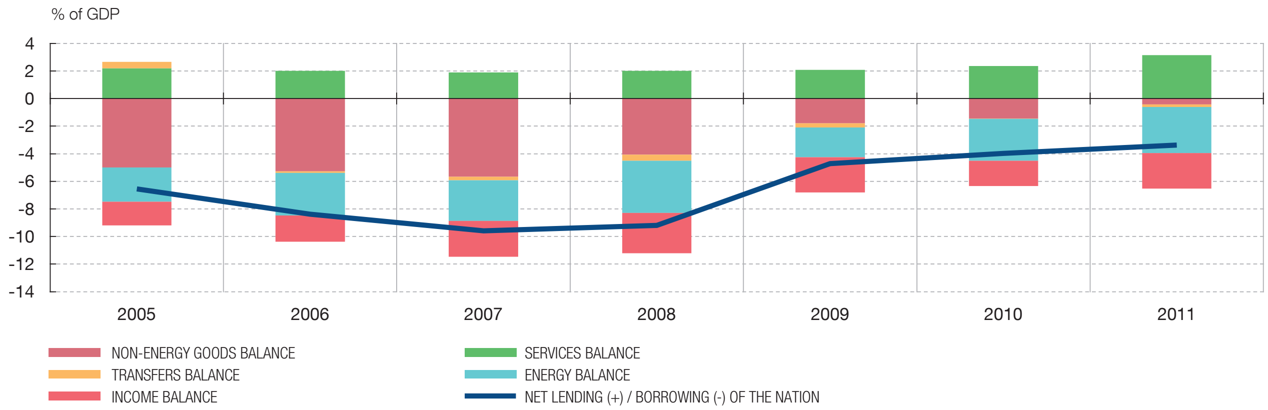
1 The first variable would have a more defined structural component, whereas the second would be more cyclical.

2 Tables 2 and 3 present information on trade in goods based on Customs data which may differ slightly from the information on these items provided by National Accounts that is used in other parts of the article (such as in Table 1).

3 If valued together, the improvement in the balance in terms of consumer and capital goods accounted for almost two-thirds of the reduction in the trade deficit, which is approximately double the weight of these items in goods trade in Spain.

THE NATION'S NET BORROWING

CHART 1



SOURCES: INE, Departamento de Aduanas and Banco de España.

FOREIGN TRADE IN GOODS AND SERVICES IN SPAIN
% of nominal GDP

TABLE 1

	2007	2011	Change	Percentage of total adjustment
Exports	26.9	30.1	3.2	52
Goods	18.3	20.7	2.4	40
Services	8.6	9.4	0.8	13
Tourism	4.0	4.0	0.0	0
Other	4.6	5.4	0.8	13
Imports	33.6	30.7	-2.9	48
Goods	26.9	24.5	-2.4	40
Services	6.7	6.2	-0.5	8
Tourism	1.1	1.0	-0.2	3
Other	5.6	5.3	-0.3	5
Balance	-6.7	-0.6	6.1	100
Goods	-8.6	-3.7	4.9	79
Services	1.9	3.2	1.3	21
Tourism	2.9	3.1	0.2	3
Other	-1.0	0.1	1.1	17

SOURCE: INE.

in euro increased by 52% and that of gas by 32%. This has influenced the decline in net energy imports in real terms – estimated at 8% in cumulated terms – which is higher than the cumulative decline in real GDP in the period 2007-2011 (see Chart 2).

The improvement in the trade balance, as discussed above, was shared quite similarly between the increase in exports and the decrease in imports, but it is worth analysing whether or not that equal distribution is maintained in terms of areas and products. Firstly, it should be underlined that exports have responded favourably during the crisis period. Between 2007 and 2011 international goods trade in nominal terms grew more than Spanish exports, however, that result is influenced by the rise in energy prices. For instance, in real terms, Spanish exports grew in that period at a considerably higher pace than world trade (17% and 8%, respectively, in cumulative terms) and, consequently, the share of Spain's production increased its weight in the world total (see Chart 3). In any event, it should be recalled that Spain's share of the international goods

TRADE BALANCE BY COUNTRY AND PRODUCT
% of nominal GDP

TABLE 2

	2007	2011	Change	Total percentage of adjustment
Trade balance	-9.4	-4.3	5.1	100
Euro area	-3.5	0.2	3.7	72
Of which:				
France	*0.0*	*0.9*	*1.0*	
Germany	*-2.2*	*-0.8*	*1.3*	
Italy	*-0.8*	*0.0*	*0.8*	
Portugal	*0.6*	*0.6*	*0.0*	
Other	*-1.1*	*-0.6*	*0.5*	
Rest of the EU	-0.2	0.2	0.4	7
United Kingdom	0.0	0.3	0.3	
Other	-0.2	-0.1	0.1	
Rest of the world	-5.7	-4.7	1.0	20
Of which:				
United States	*-0.2*	*-0.2*	*0.0*	
Japan	*-0.4*	*-0.1*	*0.3*	
China	*-1.6*	*-1.4*	*0.2*	
Latin America	*-0.4*	*-0.6*	*-0.2*	
OPEC	*-1.5*	*-1.8*	*-0.2*	
Other	*-1.6*	*-0.6*	*1.0*	
Consumer goods	-1.0	0.9	1.9	38
Food	0.5	0.9	0.4	
Cars	0.0	1.1	1.2	
Other	-1.5	-1.1	0.4	
Capital goods	-1.2	0.1	1.3	26
Intermediate goods	-7.1	-5.3	1.8	36
Energy	-3.3	-4.0	-0.7	
Mineral	-0.7	0.2	1.0	
Chemical	-0.6	-0.8	-0.2	
Metal and electrical	-1.3	-0.3	1.0	
Transport equipment	-0.6	-0.4	0.3	
Other	-0.6	0.0	0.5	

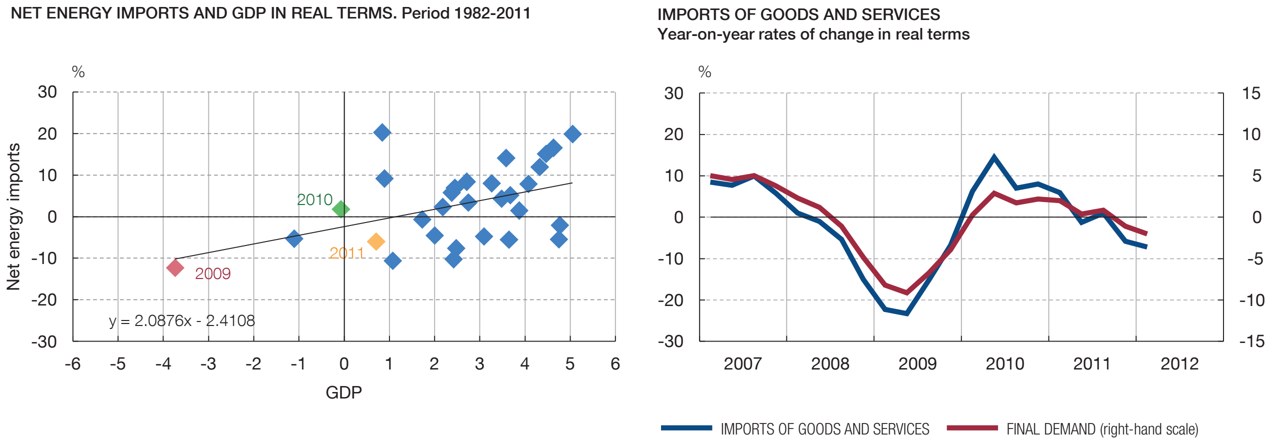
SOURCE: Departamento de Aduanas.

trade is slightly lower than the weight, for example, of its GDP in world GDP [see García and Gordo (2006)].

By country, the increase in sales has been based proportionately more on non-EU countries, which indicates their relatively more buoyant trade and the gradual diversification of Spanish foreign trade (see Table 3). In 2011, 53% of goods were exported to the euro area, but that was 4 pp lower than four years earlier (and 9 pp lower than in 1999, at the inception of EMU). In EU countries that do not belong to the euro area, the percentage held hardly unchanged at 13%, whereas the weight of sales outside the EU as a percentage of the total increased by 1 pp each year to 34%. The concentration of exports on certain euro area economies continues to be very high (France, Germany, Italy and Portugal represent 44% of total goods sales abroad) and exports to emerging economies account for a small share of the total. Noteworthy is the low relative weight of exports to Latin America: in

IMPORTS

CHART 2



SOURCES: INE and Ministerio de Economía y Competitividad.

SPAIN'S EXPORT SHARES

CHART 3

SOURCES: Ministerio de Economía y Competitividad and CPB (Netherlands Bureau for Economic Policy Analysis).

a Seasonally adjusted series.

2011 they amounted to 1% of GDP which represents, for example, only 60% of exports to Portugal in that year. Admittedly, in recent years these relative shares have gradually changed and many Spanish firms have expanded into new markets; however, it seems necessary to strengthen that trend so as to increase export momentum [see González *et al.* (2012)]. By type of goods, the increase in exports in this adjustment stage has centred significantly on intermediate goods and on numerous items within this category.

Goods imports decreased 7% between 2007 and 2011 in nominal terms (almost 15% in real terms), in a setting of a sharp weakness in demand, which resulted in a decline in imports of 2.4 pp as a percentage of GDP (see Table 3). By country, the lower import dependence was centred on the euro area. Conversely, imports from outside the EU rose, although higher energy prices were a decisive influence in this connection; if they are stripped out, it is estimated that purchases from this region stabilised between 2007 and 2011. This distribution can be explained by changes in imports by product, where it can

EXPORTS AND IMPORTS OF GOODS BY COUNTRY AND PRODUCT
% of nominal GDP

TABLE 3

	Exports				Imports			
	2007	2011	Change	Total percentage of adjustment	2007	2011	Change	Total percentage of adjustment
TOTAL	**17.2**	**20.0**	**2.8**	**100**	**26.6**	**24.3**	**-2.3**	**100**
Euro area	9.7	10.5	0.8	29	13.3	10.4	-2.9	123
Of which:								
France	*3.2*	*3.6*	*0.4*		*3.3*	*2.6*	*-0.6*	
Germany	*1.9*	*2.0*	*0.2*		*4.0*	*2.9*	*-1.2*	
Italy	*1.5*	*1.6*	*0.1*		*2.3*	*1.6*	*-0.7*	
Portugal	*1.5*	*1.6*	*0.1*		*0.9*	*1.0*	*0.1*	
Other	*1.7*	*1.7*	*0.0*		*2.8*	*2.3*	*-0.5*	
Rest of the EU	2.3	2.6	0.3	12	2.5	2.4	-0.1	2
United Kingdom	1.3	1.3	0.0		1.3	1.0	-0.3	
Other	1.0	1.4	0.3		1.2	1.4	0.2	
Rest of the world	5.2	6.8	1.6	59	10.9	11.5	0.6	-25
Of which:								
United States	*0.7*	*0.7*	*0.0*		*0.9*	*1.0*	*0.0*	
Japan	*0.1*	*0.2*	*0.0*		*0.6*	*0.3*	*-0.3*	
China	*0.2*	*0.3*	*0.1*		*1.8*	*1.7*	*0.0*	
Latin America	*0.9*	*1.0*	*0.1*		*1.3*	*1.6*	*0.3*	
OPEC	*0.5*	*0.8*	*0.3*		*2.1*	*2.6*	*0.5*	
Other	*2.7*	*3.7*	*1.1*		*4.3*	*4.3*	*0.0*	
Consumer goods	6.3	6.6	0.3	11	7.3	5.7	-1.6	70
Food	2.0	2.4	0.4		1.5	1.5	0.0	
Cars	1.9	2.0	0.1		2.0	0.9	-1.1	
Other	2.3	2.2	-0.2		3.8	3.3	-0.6	
Capital goods	1.6	1.7	0.1	5	2.8	1.6	-1.2	51
Intermediate goods	9.3	11.7	2.3	84	16.5	17.0	0.5	-21
Energy	0.6	1.2	0.6		3.9	5.2	1.3	
Mineral	1.8	2.3	0.4		2.6	2.0	-0.5	
Chemical	1.5	2.2	0.7		2.0	3.0	0.9	
Metal and electrical	1.8	2.0	0.2		3.1	2.3	-0.8	
Transport equipment	1.5	1.4	-0.1		2.1	1.7	-0.4	
Other	2.2	2.6	0.5		2.7	2.7	0.0	

SOURCE: Departamento de Aduanas.

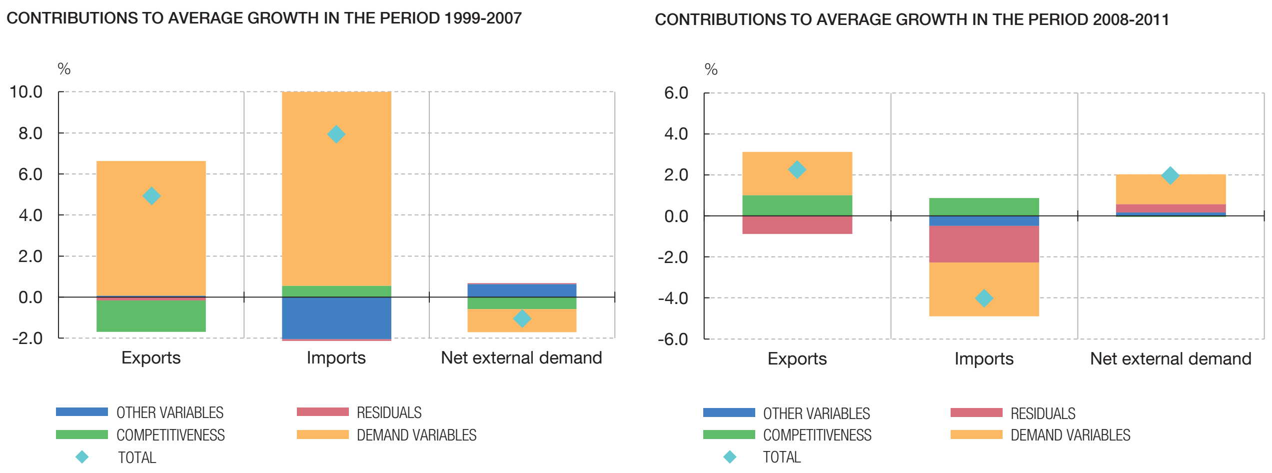
be seen that imports of consumer and capital goods fell, a sign of the weak spending of Spanish households and firms.[4] Purchases of intermediate goods remained slightly buoyant which is related to the fact that Spanish exports were relatively dynamic and have a high import content [see Cabrero and Tiana (2012)].

Turning to services, in the period 2008-2011 as a whole, there were hardly any increases in the tourism surplus which held at around 3% of GDP, partly due to the general cyclical weakness of many countries that provide the majority of tourists to Spain. This surplus is

4 Note in the case of consumer goods that car imports fell in 2011 to less than half of their level recorded four years earlier.

MAIN DETERMINANTS OF FOREIGN TRADE IN GOODS AND SERVICES

CHART 4



SOURCES: INE and Banco de España.

a structural feature of the Spanish economy which must be preserved and built on, paying attention to maintaining suitable quality and price-competitiveness levels. Under the "other services" item, the deficit of 1% of GDP seen in 2007 changed to a slight surplus in 2011, with more vigorous exports, particularly of business services [see Banco de España (2012b)]. Noteworthy is the growing importance of services exports, both in Spain and in international trade, as well as the role that large Spanish services exporting firms can play in promoting the opening up of new markets abroad for smaller companies.[5]

The performance of exports and imports in this period seems to be reasonably explained by changes in its usual determinants, such as those considered in traditional functions of foreign trade [see García *et al.* (2009)]. In the case of exports, the main explanatory factor is the increase in export markets, although, as discussed above, Spanish firms have diversified their sales abroad to take advantage of the higher buoyancy of markets outside the euro area (see Chart 4). Furthermore, the price competitiveness indicators and relative costs have performed favourably in this adjustment phase, compared with their contribution in the previous boom period, with the result that the differential which built up in the expansionary phase has narrowed, especially significantly in the case of unit labour costs. Both factors – market diversification and the improvement in competitiveness – are linked to sluggish internal markets which have compelled firms to make further efforts to open up new markets and compete internationally.[6]

The elasticity of imports to changes in final demand is very high when compared to other countries, since it is close to a value of two (see Chart 2). Obviously, this leads to a rapid increase in the external deficit during boom periods but also helps to correct that deficit in adjustment phases as is currently happening. It is difficult to determine whether that elasticity has varied in recent years.[7] In any event, it should be recalled that the strong penetration

5 The characteristics of Spanish firms exporting non-tourism services are examined in González Sanz and Rodríguez Caloca (2010).

6 Certain estimates from an export equation show that in Spain national demand has a negative influence on the volume of exports [see Martínez-Mongay and Maza (2009)].

7 The European Commission (2012) shows that countries affected by banking crises display a persistent weakness in imports, insofar as these crises are usually linked to credit restrictions and the need for the private sector to deleverage.

INTERNATIONAL INVESTMENT POSITION (IIP) AND INVESTMENT INCOME

CHART 5

SOURCE: Banco de España.

a Excluding reserves and financial derivatives.

in world markets of very cheap products from countries such as China, which are difficult to compete with on price, coupled with the Spanish economy's reliance on high-technology goods, which cannot be replaced in the short term by Spanish products, are keeping the weight of imports in Spain persistently high.

Together with the balance of goods and services, there are two main items which determine the nation's net borrowing requirement: the transfers balance and the income balance. The former is dominated by migrants' remittances and current and capital transfers vis-à-vis the EU. This balance is close to equilibrium. In recent years there has been a slight decrease in migrants' remittances as a result of the economic crisis, which has triggered an increase in unemployment in this group and even prompted some migrants to return to their country of origin.

Conversely, the deficit on the income balance is very significant and the result of the build up of high external deficits in the boom phase which have led to a highly negative net international investment position. This balance has fluctuated in recent years insofar as it depends on the level of interest rates, in addition to other decisions by firms such as the extent to which their profits are repatriated. Firstly, it should be noted that the investment income deficit is a result of significant flows of receipts and payments: receipts represented almost 4% of GDP in 2011, whereas payments were slightly higher than 6% of GDP (see Chart 5). Secondly, by instrument, the breakdown is different between receipts and payments: 60% of receipts come from Spain's foreign direct investment,[8] whereas payments centre on the Spanish economy's debt in the form of fixed-income securities and loans. Finally, it should be pointed out that the implicit returns of receipts and payments are similar and in 2011 they stood at around 3%, compared with 4.5% in 2007. Within receipts, the most profitable item was FDI with an implicit return of close to 5%,[9] whereas on the payments side the fixed-income securities incurred a cost of 3.5% and short-term loans (which include interbank deposits and repos) incurred a cost of 1.5%, due to the low level of short-term interest rates.

External financing during the adjustment phase

As a result of the significant correction of the external deficit in recent years, the expansionary dynamic of the net debtor position vis-à-vis the rest of the world was halted, but not sufficiently so as to reverse it. The burgeoning external deficits of the boom phase led to a swollen debt position, which reached a weight in GDP of around 90% in recent years, one of the highest among euro area countries.

In this boom phase, the external deficit was financed without difficulty thanks to strong capital inflows, largely intermediated by the banking system which raised abundant funds through the issuance of securities and the securitisation of loans. Following the financial crisis of 2007, the availability of financing began to dry up. As shown in Chart 6, between 2007 and 2009 the net inflows of funds were not sufficient to finance the external deficit, since in many economies a greater "home bias" began to be seen, namely the purchase of national assets and the sale of foreign ones. The tone was similar in 2010 as a whole, although the considerable impact that uncertainty about the future of the euro area could have on those flows was seen as early as in Q2 when there was a sharp outflow of financing, coinciding with the worsening of the sovereign debt crisis in Greece and its reflection in the financial markets of other countries considered vulnerable, such as Spain. In 2011 this phenomenon became more acute, especially after Q3: in the year as a whole, net outflows of financing represented almost 7% of GDP, which, together with the external deficit that had to be financed, led to an increase in the Banco de España's net liabilities amounting to 10% of GDP. In the first four months of 2012 the situation has got worse with €122 billion of net outflows of financing (11% of GDP).[10]

These net outflows of financing from Spain occurred through various channels: in some cases, the outflows represent an active decision of foreign investors such as the sale on the secondary market of Spanish government debt holdings; in others, the decision is passive, such as non-residents simply not renewing securities on maturity. The delocalisation of deposits from Spanish banks to non-resident banks has been less significant, in particular certain foreign firms with operations in Spain have played a substantial role in this process [see Banco de España (2012c)]. Finally, these outflows have at some point been partially offset by divestment abroad by residents, too. As a result of this, Spaniards' portfolio investments held in foreign assets decreased from 42% of GDP in 2007 to 24% in 2011. In any event, total external assets still represented 120% of GDP in 2011.

These sharp fluctuations in cross-border financing flows create a severe balance of payments crisis which reflects the financial markets' negative assessment both of the imbalances of the Spanish economy and the possibilities of them being absorbed within the institutional

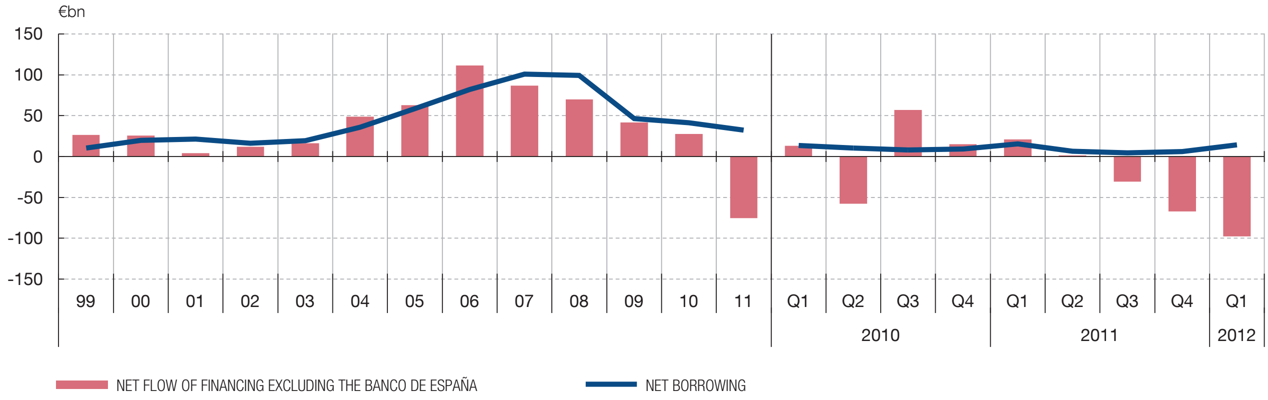
8 Most of these receipts come from Latin American with the result that the low level of goods exports to this area is offset by the higher funds provided from the return on these investments.

9 The calculation of these implicit receipts should be assessed cautiously since the way the FDI balance is valued (i.e. the denominator of that ratio) may substantially affect the estimate.

10 In the first few months of the year part of the outflows of financing were related to an increase in the foreign assets of resident agents, especially credit institutions.

FINANCING OF THE SPANISH ECONOMY

CHART 6



SOURCE: Banco de España.

framework that has prevailed to date in the euro area. Since they are taking place within a monetary union, the typical instruments to combat a crisis of these characteristics (such as currency devaluation or the introduction of exchange control measures) are not available to the authorities.[11] In a fixed exchange rate system, these pressures would compel central banks to intervene in the markets by selling reserves to offset the depreciating momentum of financial outflows.

However, EMU is not a fixed exchange rate system because national currencies no longer exist and, consequently, outflows of financing from an economy in the euro area do not put pressure on the exchange rate. However, the strains can be reflected in the Eurosystem's balance sheet, given the central role played by the banking system in the intermediation of cross-border financial flows and its access to central bank liquidity injecting operations.[12] Thus, Spanish credit institutions, faced with the difficulties of renewing external financing or raising new funds, have resorted to a greater extent to these Eurosystem tenders, especially the two three-year liquidity tenders conducted at end-2011 and at the beginning of 2012.[13] With these funds, institutions have been able to meet net payments which they owed to the rest of the world, either through current account operations – in which Spain has continued to post a deficit – or through financial accounts operations – due to net outflows of financing.[14]

The full allotment of the liquidity demanded in the Eurosystem's tenders – which has been maintained since 2008 – and the recent three-year LTROs, have made it easier for Spanish

11 The possibility of generating inflation as a form of reducing indebtedness is not available either, given the absence of monetary sovereignty.

12 In the case of the euro area, banks regularly tap the tenders conducted by the Eurosystem, but they do so through their national central bank. Thus, it is the Banco de España which lends to Spanish banks and holds that asset on its balance sheet vis-à-vis the banks.

13 The outflows of financing may also be partly endogenous in nature, since they respond to the desire of Spanish banks to replace external funding by Eurosystem funds, possibly at a lower cost.

14 Insofar as those payments abroad are channelled through the banks' accounts at the Banco de España, the latter will order a national central bank of another country in the area to credit the current account of a credit institution with a certain amount. That payment order does not entail a material transfer of funds, it is recorded for accounting purposes as a liability of the Banco de España and an asset of the other central bank. These operations, which are called intra-system accounts, disappear in the Eurosystem's consolidated balance sheet since the asset and liability positions are fully netted off. That is to say, if the liquidity-injecting operations were performed directly by the European Central Bank instead of by national central banks, those intra-system accounts would not exist. These intra-system balances – which are also called "TARGET balances" because this is the payment system for channelling operations between central banks only reflect the form of conducting monetary policy in the euro area and cannot be limited ex ante, since, ultimately, they are the logical consequence of the euro being the currency in various countries with the same intrinsic and indistinguishable value [see Merler and Pisani-Ferry (2012)].

banks to substantially increase their borrowing from the Eurosystem in recent months. Access to that funding has maintained a regular flow of funds to finance the external deficit, with the result that the latter has been corrected gradually. However, resorting to that funding cannot permanently cover the outflows of financing from the economy, if the latter continue to occur at the speed seen recently. Consequently, that funding from the Eurosystem should be considered as a mechanism for temporarily resolving a situation of high uncertainty and lack of confidence. Accordingly, the request for financial assistance from the EU to recapitalise the Spanish banking system intends to end one of those sources of uncertainty, since it guarantees the solvency of Spanish credit institutions even in the hypothetical case that the economic outlook should deteriorate significantly.[15]

Conclusions

From 2007 until 2011 there has been quite a sharp adjustment of the Spanish external deficit, based partly on weak internal demand but also on the momentum of Spanish firms' exports. This adjustment should continue. However, in order to achieve a lasting external equilibrium, it is necessary to offset the high, persistent weight represented by two items: the energy and income deficits (see Table 4). The balances of these two items can only be corrected gradually as greater energy efficiency measures are introduced, in the case of the former, and a reduction is achieved in the Spanish economy's net debtor position, in the case of the latter, or, at least, that the external funding costs for general government and credit institutions can be reduced. Therefore, in the short term the correction of the deficit should lie, in particular, in widening the surplus of non-energy goods and of services.

The short-term outlook for the external deficit is shrouded in uncertainty, especially due to the greater weakness shown recently by international markets, particularly in the euro area. Thus, in the early months of 2012 exports were less buoyant, although, once again, weak national demand has resulted in a lower level of imports. As a result, the nation's net borrowing requirement has dropped 16% year-on-year in the period January-April 2012.

From a financial standpoint, the Spanish economy is in a vulnerable situation since its heavy net debtor position requires sizable refinancing, which, furthermore, has been compounded by financing outflows triggered by the early redemption of securities held by non-residents vis-à-vis Spanish issuers. Compared with the volume of the financial flows, the external deficit is in itself of secondary importance: for example in the period January-April 2012, net financing outflows rose to €122 billion, whereas the external deficit in that period increased to €15 billion. Nevertheless, the importance of a swifter correction of the external deficit should not be underestimated: firstly, because it would represent, in principle a greater positive contribution of external demand to growth and, secondly, due to the improvement that it would make to external debt since it would favourably impact the external balance and the pace of GDP growth.[16]

In short, the external imbalances of the Spanish economy are one of the keys to the current crisis and, consequently, correcting them is essential in order to restore the confidence of the financial markets and to improve the outlook for growth. From the standpoint of the external deficit, the adjustment to date has been significant but possibly, part of it can be explained by weak national demand, i.e. it is seemingly very cyclical. This could mean that the external

15 Furthermore, the financial assistance programme for the recapitalisation of certain Spanish credit institutions will bring temporary relief to the external financing problems since it represents a capital inflow.

16 The debtor position vis-à-vis the rest of the world moves according to similar determinants to those analysed in the case of the public debt dynamic. In order to reduce the debtor position it is therefore necessary to achieve a primary surplus (i.e. net of the income balance) or for the pace of nominal growth to exceed the cost of the debt. Movements in both directions would obviously bolster the correction of that position.

THE NATION'S NET BORROWING
% of nominal GDP

TABLE 4

	2007	2011	Change
Balance of goods and services	-6.7	-0.6	6.1
Energy goods (Customs data)	-3.2	-3.8	-0.6
Other	-3.5	3.2	6.7
Balance of transfers	-0.3	-0.2	0.1
Current transfers	-0.7	-0.7	0.0
Capital transfers	0.4	0.5	0.1
Balance of income	-2.6	-2.6	0.0
Nation's net borrowing (-)	-9.6	-3.4	6.2

SOURCES: INE, Departamento de Aduanas and Banco de España.

deficit may rise again faced with an incipient recovery in activity. Consequently, all the necessary competitiveness-enhancing policies must be implemented so that the external balance rapidly moves into surplus and the recovery in activity is essentially external demand-led,[17] so that the aforementioned surplus and the decrease in the net international debtor position can be maintained in a phase of higher growth. From the standpoint of financing, it is essential to redress the situation and improve the outlook of the two agents most heavily indebted abroad (credit institutions and general government), so that they might once again regularly tap the international markets for funds. Uncertainties about the solvency of some institutions have received a suitable response in the form of the request for financial assistance from the EU and in the clean-up and recapitalisation plans which will be drawn up immediately. It is also necessary to stem the growth of public debt through stringent compliance with the fiscal consolidation process in place to put public finances back on a stable trajectory.

13.7.2012.

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17 La Caixa (2012) estimates the growth that would have to be achieved by exports to maintain a certain pace of expansion without any contribution from internal demand.

SECTORAL CHANGE AND IMPLICATIONS FOR OCCUPATIONAL MISMATCH IN SPAIN

The authors of this article are Aitor Lacuesta, Sergio Puente and Ernesto Villanueva of the Directorate General Economics, Statistics and Research.

Introduction

The level of unemployment in an economy depends on a broad set of factors, noteworthy among which are institutional considerations having to do with labour market regulation. This article focuses, however, on the difficulty of the unemployed in meeting the skill requirements of the jobs available. The reason for analysing this issue in the Spanish economy is because, of the more than 2.5 million jobs destroyed since the onset of the crisis, nearly 1.5 million have been in the construction sector, the weight of which in total employment shrank from 13 % in 2007 to 7 % at end-2011.[1] Given that this sector cannot be expected to recoup the same level of activity as in the past, it is important to analyse the future employability of jobless construction workers.

In this connection, the economic literature on human capital formation emphasises that the future employability of those who have lost their jobs depends mainly on the specific skills learned during their work experience, and only to a lesser extent on the economic sector in which they worked before they became unemployed. In particular, this literature finds that the type and transferability of workers' skills plays an important role in explaining the differences in growth between the USA and Europe [Wasmer (2004)], the higher unemployment in Europe than in the USA [Ljungqvist and Sargent (1998)] and the recent growth in wage inequality [Gavilán (2012), Autor and Dorn (2009)].

Following this approach, the present article analyses to what extent the mismatch between the occupations and skills of the employed and unemployed may help to explain the higher unemployment rate in Spain than in the rest of the EU. To do this, we look at the degree of similarity between the past occupations of the unemployed and the newly created ones. The main assumption of the article is that the greater the difference between these occupations, the lower the likelihood of finding a job and, therefore, the greater the significance of the role played by active labour market policies designed to bring the qualifications of the unemployed into line with those required by the labour market.

To carry out the work reported here, two alternative methods were used. First, the distribution of occupations in the economy in 2011 was analysed, which enabled us to classify workers into different groups (managers, professionals, technicians, etc.) and to compare this distribution of occupations in employed and unemployed people. The essential assumption in this exercise is that it is more costly to change one's occupation, even in the same sector, than to work in the same occupation in a different sector. Thus the likelihood that an unemployed person with experience in a certain occupation will find a job rises with increasing number of vacancies in that occupation in any productive sector.

The second method assumes a certain labour mobility between occupations, insofar as the specific skills required in different occupations may show some similarity. For example, unemployed persons with experience in a certain occupation and sector requiring contact with the public might find work in a different occupation and/or sector requiring that same

1 This percentage is practically the same as the historical low, recorded in 1985 following the crisis of the early 1980s, of the time series which has been compiled since 1976.

SECTORAL STRUCTURE IN SPAIN BEFORE AND AFTER THE CRISIS

TABLE 1

% GDP

	Spain		Euro area		Spain-euro area difference 2008	Change (Spain)	Spain-euro area difference 2011
	2008 Q1	2011 Q4	2008 Q1	2011 Q4	2008 Q1	2011-2008	2011 Q4
Construction	13.1	7.2	8.4	7.3	4.7	-5.9	0.0
Wholesale & retail trade, transport and accommodation & food service activities	27.2	28.7	23.9	23.8	3.3	1.5	4.9
Domestic service	3.7	3.7	1.6	1.8	2.1	0.1	1.9
Agriculture, forestry and fishing	4.2	4.5	3.3	3.2	0.9	0.3	1.3
Other market services (a)	18.0	19.2	19.8	20.2	-1.8	1.2	-1.0
Industry	16.3	14.2	18.7	18.0	-2.4	-2.1	-3.8
Non-market services (b)	17.5	22.3	24.2	25.6	-6.7	4.9	-3.3

SOURCES: Eurostat and Banco de España.

a These comprise groups J, K, L, M, N, R and S of the CNAE-2009. Group U is included in non-market services.
b Government, education, health care and social services.

skill. In this case, the employment possibilities of a person with past experience in occupations requiring certain skills will increase in proportion to the number of job vacancies requiring that skill, regardless of the sector.

Sectoral change in the Spanish economy and size of the occupational mismatch between the unemployed and the employed

Since 2008 the Spanish economy has undergone a huge change in its productive specialisation. This contrasts with the euro area, where the sectoral composition of employment has scarcely varied (see Table 1). In Spain the fall in the weight of construction has shifted its relative importance towards that of this sector in the euro area. The weight of the wholesale & retail trade, transport and accommodation & food service activities sectors, which was relatively high in Spain in 2008, has continued to rise during the crisis. Meanwhile, the industrial sector, which had a lower weight, has continued to lose relative importance since the onset of the crisis.

These changes in sectoral composition and, in particular, the concentration of job losses during the crisis in sectors such as construction, with a high percentage of unskilled workers, pose significant challenges to their future employability. Table 2 shows the distribution by occupation of employment and unemployment at end-2011[2] in Spain, in the euro area and in three European countries. It can be seen that generally lower-skilled workers are over-represented in unemployment in all countries, although the weight of unskilled workers among the unemployed is particularly high in Spain (nearly 30 %). Also, the table shows that the Spanish productive structure is, compared with other European economies, skewed towards unskilled work, which accounts for somewhat more than 13 % of total employment.

Quantified below are the occupational differences between the unemployed (whose occupation is taken as that of the last job held) and the employed.[3] This was done by calculating a similarity index which takes values between 0 % (no similarity) and 100 % (full

2 The occupation of the unemployed is that of their last job. This information is only available for those who have been unemployed for less than one year. For others, the same distribution of occupations has been assumed. The results do not vary when the same exercise is carried out under the assumption that the distribution of occupations of those unemployed for more than one year is the same as that of those unemployed for less than one year in 2010 Q4 or in 2009 Q4.

3 It was decided to conduct a one-digit study to enable a certain transferability between occupations which do not seem to be very different, even if they are in different two-digit groups. In principle, this seems more important for unskilled occupations.

OCCUPATIONAL DISTRIBUTION OF THE EMPLOYED AND THE UNEMPLOYED

TABLE 2

% of GDP

CNO-2011 occupations	Spain		Euro area		Germany		Italy		United Kingdom	
	Employed	Unemployed	Employed	Unemployed	Employed	Unemployed	Employed	Unemployed	Employed	Unemployed
Armed forces occupations	0.0	0.5	0.0	0.7	0.0	0.4	0.0	1.2	0.0	0.3
Managers	1.1	5.1	1.6	5.5	1.6	5.0	0.5	3.6	5.5	10.1
Professionals	6.1	16.2	6.8	16.8	6.8	17.5	5.0	13.2	15.3	23.7
Technicians and associate professionals	7.0	10.9	8.3	17.1	8.3	20.3	10.0	17.3	8.9	11.6
Clerical support workers	6.5	10.2	8.5	10.9	8.5	12.1	8.7	12.7	9.6	10.5
Service and sales workers	23.7	21.5	23.6	17.1	23.6	15.4	27.0	16.1	24.9	19.2
Skilled agricultural, forestry and fishery workers	1.7	2.6	2.0	2.9	2.0	1.5	1.8	2.5	1.5	1.2
Craft and related trades workers	18.0	12.0	18.1	12.1	18.1	12.6	20.0	15.3	10.4	9.3
Plant and machine operators, and assemblers	6.7	7.8	7.5	7.0	7.5	6.5	7.3	7.3	5.0	4.5
Elementary occupations	29.4	13.2	23.6	9.8	23.6	8.7	19.6	10.8	18.9	9.7
Similarity of occupational structure of employment and unemployment (a)	87.5		85.1		80.8		89.1		92.8	

SOURCES: Eurostat and Banco de España.

a For each country, the similarity of the productive structure of employment and unemployment is defined as $I = (\Sigma op \cdot oe)/(\Sigma op^2 \cdot \Sigma oe^2)^{1/2}$ where op and oe are two vectors which describe the percentage of workers in the different one-digit occupations of the CNO-2011 for the unemployed and the employed, respectively.

equality).[4] Chart 1 plots this index since 2000, while the last row of Table 2 gives the values at end-2011. The occupational distributions of the employed and the unemployed have become less similar since the crisis began, although not sufficiently so to counteract the increase in similarity at the beginning of the past decade. Also, in relative terms, the degree of similarity between the occupations of the unemployed and the employed in Spain does not differ from that in other European countries. Thus the high weight of unskilled unemployed persons is offset because the unskilled are also over-represented among the employed. Indeed, the aforementioned sectoral change in Spain has not significantly increased the mismatch between the occupational profiles of the unemployed and the employed.

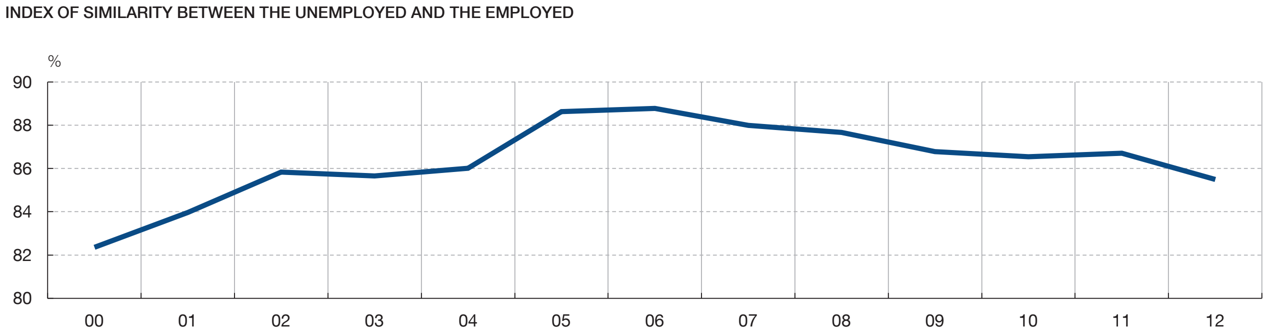
It should, however, be taken into account that this similarity index examines only the potential for shifts between unemployment and employment determined by the degree of similarity of the distribution of occupations in the two groups. Hence this analysis should be supplemented by a study of individual shifts between unemployment and employment based on the previous occupation of the unemployed.[5]

4 Specifically, the index measures the angular separation between the two distributions. See Gathmann and Schönberg (2010). The one-digit analysis by occupation gains in aggregation and compression of results, although it inevitably entails that, for example, a professional in the medical area can be replaced by an engineering professional. To remedy this problem, the same exercise can be carried out at a greater level of disaggregation, but this solution is not exempt from problems, since in this case an agricultural labourer would not be replaceable by a construction labourer.

5 In this respect, Gathman and Schönberg (2010) report for Germany a correlation between the inter-sectoral movements of workers and the sectoral similarity indices calculated on the basis of skills. For Spain, some preliminary results also point to a positive association between the probability of changes in employment between sectors and their degree of occupational similarity. Meanwhile, the recent decrease in the flow out of unemployment into employment, estimated using EPA flow data, coincides with the fall shown in the similarity index, which may indicate a certain relationship between these two variables.

OCCUPATIONAL SIMILARITY BETWEEN THE EMPLOYED AND THE UNEMPLOYED

CHART 1



SOURCE: Banco de España.

Transferability of skills

The above approach assumed that the skills acquired in different occupations are not mutually interchangeable. For example, assume a worker employed as a professional or technician cannot take on the tasks of a company manager, even though both occupations require a specialisation in IT, organisational and presentational tasks. It would thus be of interest to consider the type of skills used by the unemployed in their previous jobs. If these skills are in demand in jobs in other sectors, an unemployed person's chance of finding work would be greater.

The O*NET database[6] allows the skills required in the various occupations to be calculated.[7] Table 3 shows that all occupations require, to a greater or lesser extent, the use of all skills. That said, there are differences in the intensity of use of each. Thus, for example, managerial posts require a higher level of cognitive and analytical skills, while occupations involving contact with the public, such as those associated with accommodation & food service activities and personal services, are relatively intense in communicative skills. Meanwhile, machine operators require manual skills in particular.

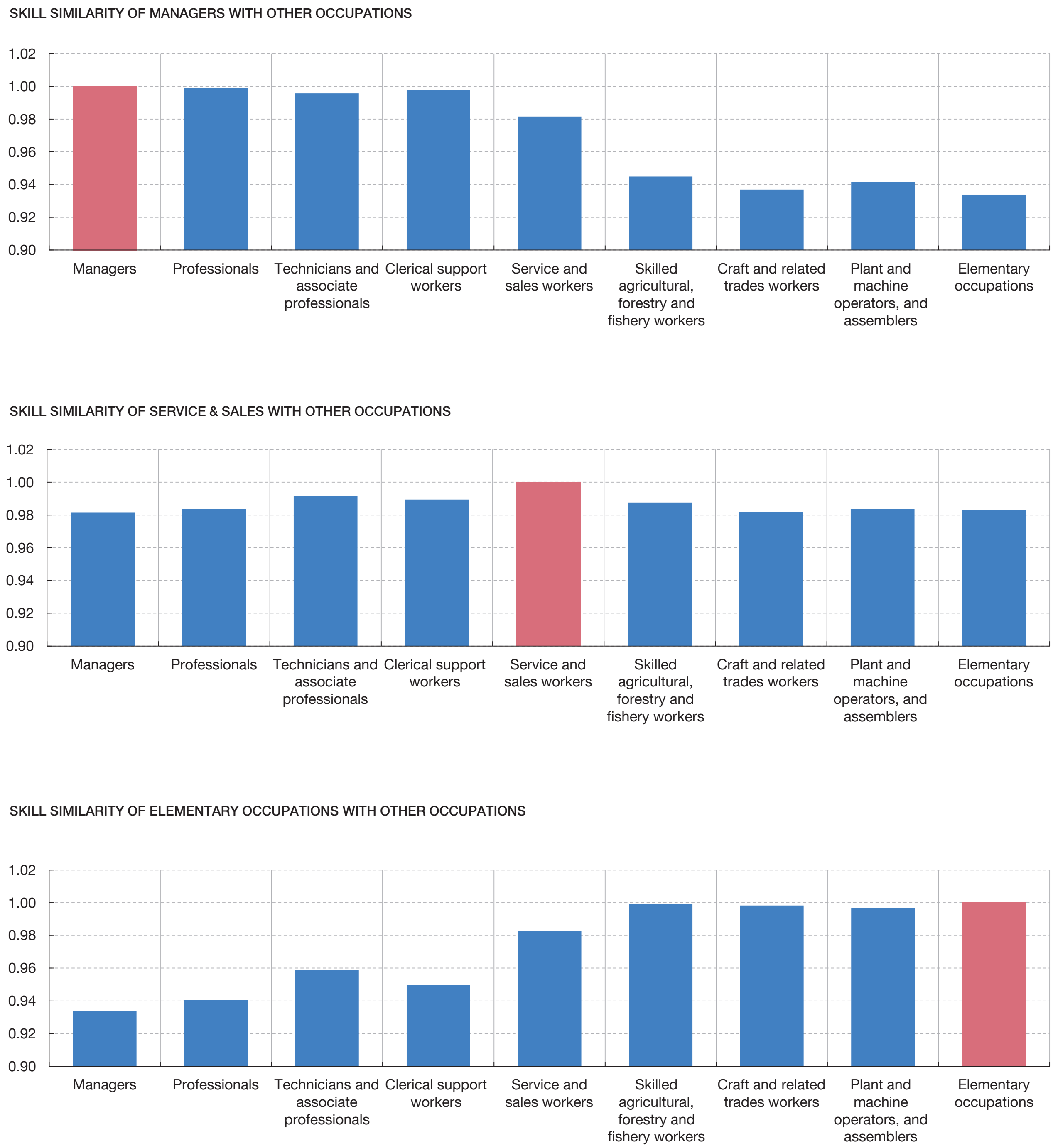
Once the various skills used in each occupation have been estimated, the next step is to analyse which of these occupations are most similar to each other. An index such as that defined in the preceding section, which takes a value of 100 when two occupations require exactly the same skills and zero if none of the skills used in an occupation is required in the second one, allows occupations to be classified into three broad groups (see Chart 2). The first consists of occupations intensive in cognitive skills. These include corporate management, professionals, support technicians and clerical staff. The second comprises employees requiring basically communicative skills, among whom are service and sales workers. The third group is those occupations requiring intensive use of manual skills, such as skilled agricultural, manufacturing, construction and mining workers, craft artists, machine tool operators, assemblers and unskilled workers. The comparison of skills required in each of these groups suggests that a worker in a group intensive in cognitive skills will be unlikely to pursue, without additional training, an activity requiring manual

6 This database was developed in the United States based on the quantification by diverse experts of skills required in each occupation at a three-digit level of disaggregation. To do this, experts visit different workplaces and ask workers about the importance of a skill in their job. There are 52 skills which go from visual perception to mathematical problem solving or the use of force. The database may be found at http://www.onetonline.org. Since in Spain there is no data on the skills used in each occupation, the US data have been used. In this connect, it has been assumed that the skills required in a given occupation do not differ across countries, an assumption which does not seem very crucial in light of the stability of these indices over time.

7 The 52 skills have been divided into nine groups of skills according to Peri and Sparber (2009); and the occupations, which in the original data follow the US classification, have been mapped to the ISCO-88 two-digit groups, as in Amuedo Dorantes and De la Rica (2011).

SKILL SIMILARITY OF OCCUPATIONS

CHART 2



SOURCES: O*NET, with pairings of Amuedo Dorantes and De la Rica (2011), and Banco de España.

skills, or vice versa. However, the professions intensive in communicative skills are more versatile, given that these are required in a wide range of work.

Table 4 shows the degree of mismatch between the unemployed and the employed, based on the abovementioned classification of occupations according to their intensiveness in manual, communicative or cognitive skills. The results tend to confirm the conclusions of the preceding section. The mismatch between the skills of the employed and unemployed is similar to that estimated in other countries such as Italy or the euro area as a whole, although it is greater than that estimated for the United Kingdom. In all countries, the distribution of

INTENSITY OF SKILL USE IN OCCUPATIONS

TABLE 3

%	Limb, hand, and finger dexterity	Body coordination and flexibility	Strength	General perception	Visual perception	Hearing perception	Oral skills	Writing skills	Cognitive and analytical skills	Vocal skills
Managers	46.2	52.2	55.0	80.7	63.5	65.7	99.4	95.0	92.2	99.6
Professionals	49.9	54.6	52.7	81.2	63.1	72.0	94.7	96.4	93.0	94.4
Technicians and associate professionals	58.7	58.0	56.2	81.9	68.1	74.9	91.1	88.2	87.5	90.1
Clerical support workers	53.2	53.9	52.2	79.0	57.8	68.6	91.7	84.6	81.6	91.2
Service and sales workers	63.1	73.9	75.5	80.7	67.0	75.8	88.7	73.8	76.9	89.1
Skilled agricultural, forestry and fishery workers	81.4	90.3	92.6	82.7	78.9	82.8	76.2	69.0	78.3	69.3
Craft and related trades workers	84.3	83.2	82.7	81.5	72.8	76.5	64.1	64.5	73.4	61.1
Plant and machine operators, and assemblers	87.9	81.2	80.6	86.6	82.0	89.7	69.4	68.4	73.4	67.6
Elementary occupations	77.9	86.8	89.4	79.7	77.2	79.2	67.2	59.6	68.4	65.2

SOURCES: O*NET, with occupation matches from Amuedo Dorantes and De la Rica (2011), and Banco de España.

DISTRIBUTION OF JOB SKILLS IN THE UNEMPLOYED AND THE EMPLOYED

TABLE 4

	Spain		Euro area		Germany		Italy		United Kingdom	
CNO-2011 occupations	Unemployed	Employed	Unemployed	Employed	Unemployed	Employed	Unemployed	Employed	Unemployed	Employed
Cognitive skills	20.6	42.9	25.3	51.2	25.3	55.3	24.2	48.0	39.4	56.2
Communication skills	23.7	21.5	23.6	17.1	23.6	15.4	27.0	16.1	24.9	19.2
Manual skills	55.7	35.6	51.2	31.8	51.2	29.3	48.8	35.9	35.8	24.7
Similarity of current occupational structure to that of the unemployed (a)	88.4		85.9		81.9		88.8		94.6	

SOURCES: Eurostat and Banco de España.

a Defined as $I = (\Sigma op \cdot oe)/(\Sigma op^2 \cdot \Sigma oe^2)^{1/2}$ where *op* and *oe* are two vectors which describe the percentage of unemployed and employed, respectively. in the aggregation of occupations according to their intensity in cognitive, communication and manual skills.

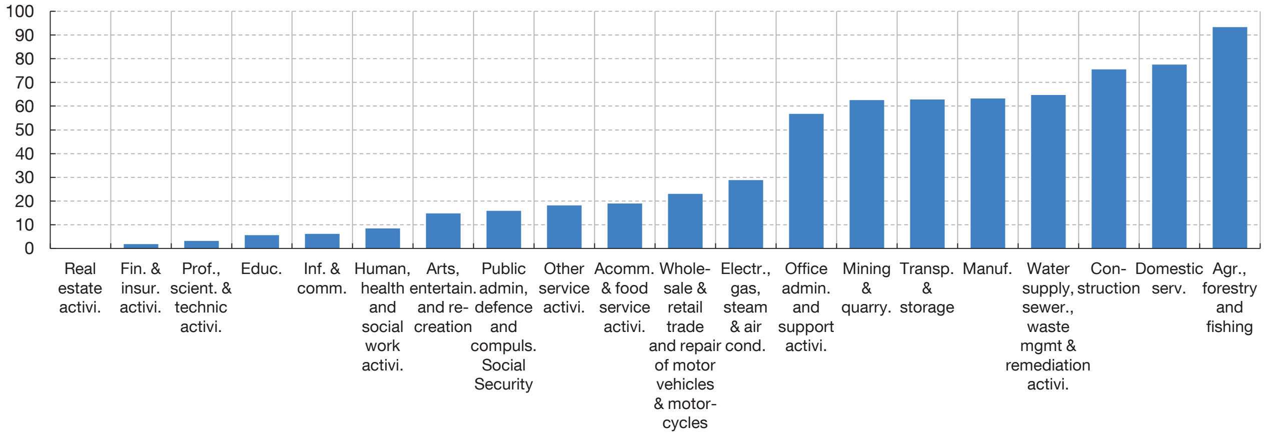
the unemployed population is skewed towards the less skilled workers who in their last job carried out work requiring manual skills. This percentage is higher in Spain than in other European countries, but at the same time the jobs requiring manual skills are also more numerous than in the rest of Europe. If the demand for this type of skills is stable over time, the productive specialisation of the Spanish economy will make it easier for the unemployed to find jobs.

To illustrate in which sectors the unemployed could find jobs, based on the skills exercised in their last job, Chart 3 shows the different skill requirements for each sector. It can be seen that, in addition to construction, the sectors in which unemployed persons with manual skills are potentially most likely to find jobs are agriculture, domestic service, industry and transport services. The sectors requiring communicative skills include most notably accommodation & food service activities and retail & wholesale trade. Finally, cognitive skills are used more intensively in real estate, financial and professional activities.

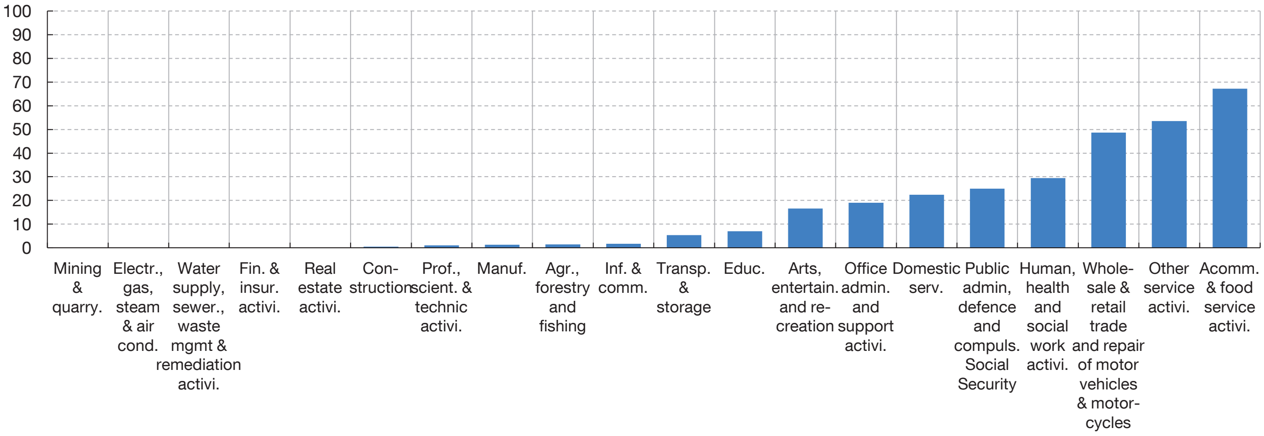
INTENSITY OF SKILL USE IN SECTORS

CHART 3

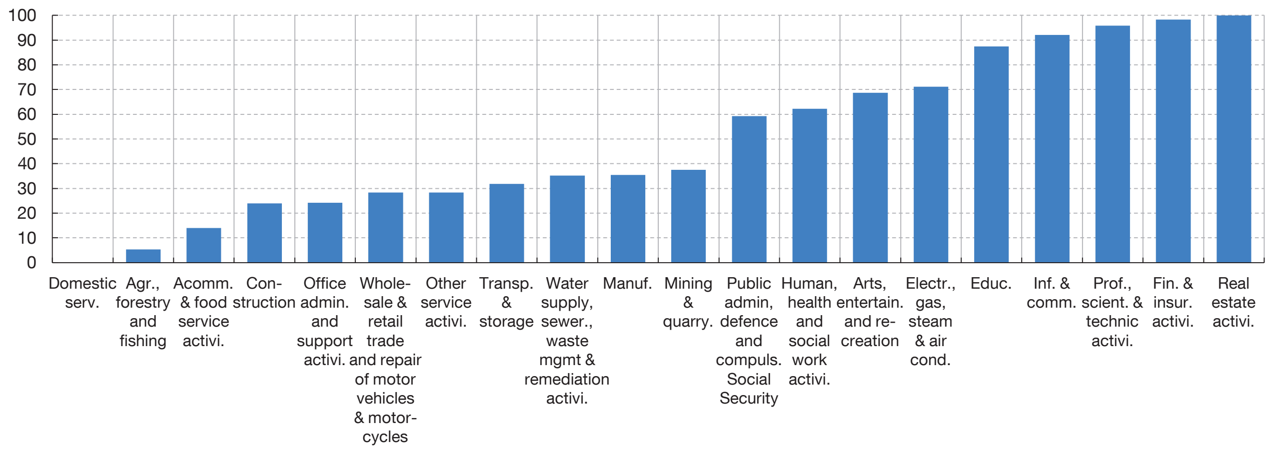
INTENSITY OF MANUAL SKILLS



INTENSITY OF COMMUNICATION SKILLS



INTENSITY OF COGNITIVE SKILLS



SOURCES: O*NET, with matches from Amuedo Dorantes and De la Rica (2011), and Banco de España.

INDEX OF SIMILARITY WITH VARIOUS SECTORAL EMPLOYMENT STRUCTURES

TABLE 5

%	Spain
Job structure in Spain. 2011 Q4	87.5
Sectoral job vacancy structure in Spain. 2010 (a)	90.0
Sectoral structure of jobs created in the past year in Spain. 2011 Q4	91.1
Sectoral structure of the euro area and technology in Spain. 2011 Q4	82.6
Job structure of the euro area. 2011 Q4	79.2

SOURCES: Eurostat, Encuesta de la Población Activa (EPA), Encuesta de Coyuntura Laboral (ECL) and Banco de España.

a Job vacancies only reported for the market economy. Vacancies in the rest of the economy are assumed to be equal to jobs created in the past year in Spain according to the 2011 Q4 EPA (Spanish Labour Force Survey).

Occupational mismatch according to the sectoral pattern of employment growth

The aforementioned occupational mismatch problems will be exacerbated or lessened depending on which sectors generate employment in the future. Given the difficulty in predicting the future sectoral specialisation pattern, Table 5 calculates the degree of similarity of the unemployed and the employed under the different assumptions as to how the employment structure will vary in the coming years.[8] In the first row the sectoral structure at end-2011 is taken as reference. As shown above, the degree of similarity is fairly high, due to the high relative weight of the sectors which use most intensively the most common skills among the unemployed. Alternatively, a sectoral structure of employment could be assumed which reflects the sectoral distribution of job vacancies in 2010.[9] This sectoral structure will be overweight in accommodation & food service activities and underweight in manufacturing, so the unemployed/employed similarity index will improve relative to the current sectoral distribution. A similar result is obtained when the proxy used for a possible sectoral employment structure is the distribution of recently created jobs (those created less than one year ago).

Finally, counterfactual exercises were carried out to determine what would happen if Spain's sectoral structure were to converge with that of Europe. Thus the fourth row of Table 5 shows the degree of similarity of the unemployed and the employed when it is assumed that the sectoral distribution of employment in Spain becomes equal to the average in the euro area. Also, in the fifth row it is assumed that distribution of occupations in each sector also converges with the current one in the euro area. In these two cases the results show a considerable increase in the occupational mismatch, since euro area employment is skewed towards activities involving more intensive use of cognitive skills. Significantly, the similarity decreases even more if the European occupational distribution is applied, since in Spain the distribution of occupations within each sector is skewed towards occupations that are more intensive in manual and communicative skills.

Conclusions

This article seeks to assess the obstacles to future employability of the unemployed derived from possible mismatch between skills/occupations demanded by firms and those offered by the unemployed. The results obtained indicate that, despite the marked process of sectoral reallocation of employment derived from the crisis, the degree of similarity between the occupations of unemployed persons in their last job and those of the currently employed is high compared with other European countries. This result basically indicates

8 It is assumed that the distribution of occupations within a sector remains unchanged and only the relative weight of the sectors varies.

9 Using the data on job vacancies by sector in the 2010 *Encuesta de Coyuntura Laboral* (Labour Situation Survey).

that the high weight of lower-skilled occupations in the unemployed population is offset by the weight, also higher than in other countries, of those same skills among the employed. It should be noted, however, that if the future demand for labour tends towards a structure more skewed towards cognitive rather than manual skills, as in other European countries, the employability of the lower-skilled unemployed will decrease.

These results show the importance of active and passive labour market policies so that the unemployed can acquire or maintain the skills necessary to fill new job vacancies. To this end, government employment services would have to cooperate with private recruitment agencies in addressing firms' actual needs, and the occupational training system would have to be flexible enough to allow the required training when mismatches are detected between the job seekers' profile and the skills required.

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FINANCIAL REGULATION: 2012 Q2

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Introduction

In comparison with previous periods, relatively few new financial provisions were published in 2012 Q2.

In the area of financial institutions, four provisions should be highlighted: new measures to restructure balance sheets affected by the impairment of assets linked to the real estate sector; the implementation of legislation on electronic money institutions; the creation of new personal data files managed by the Banco de España; and the updating of the legislation on communication by Spanish residents of cross-border economic transactions and their external assets and financial liabilities.

In the securities markets, certain aspects of the rules on takeover bids were modified, and these rules were extended to other share capital companies. In addition, a law was published on mergers and divisions of share capital companies, to simplify the information and documentation obligations in relation to such transactions.

In the EU sphere, a regulation was published on risk-sharing instruments for certain Member States and various regulations delegated by the European Commission were published to supplement the law on credit rating agencies.

Finally, the financial and fiscal measures contained in the recently promulgated State budget law for 2012 are analysed.

The contents of this article are set out in Table 1.

Write-downs and sales of the financial sector's real estate assets

Royal Decree-Law 18/2012 of 11 May 2012 (BOE of 12 May 2012) on write-downs and sales of the financial sector's real estate assets, which builds on Royal Decree-Law 2/2012 of 3 February 2012, was published.[1]

There follows a brief summary of the most important provisions of this Royal Decree-Law.

NEW PROVISIONS

Royal Decree-Law 2/2012 of 3 February 2012 required credit institutions to create new provisions for their portfolio of loans and assets foreclosed or received in payment of debts relating to development land and to real estate construction or development existing as at 31 December 2011.[2] The bulk of the additional provisions required correspond to that part of the portfolio classified as troubled (doubtful, substandard and foreclosed assets).[3] For assets classified as standard exposures, other than "inappreciable risk", institutions had to set aside a one-off general provision equal to 7% of their outstanding amount as at 31 December 2011.[4]

1 See "Financial regulation: 2012 Q1", ***Economic Bulletin,*** April 2012, Banco de España, pp. 122-128.
2 This is a specific and extraordinary write-down of a particular portfolio of assets and, therefore, did not affect new loans for real estate development made after 31 December 2011, unless they refinance pre-existing loans.
3 To determine the impairment of assets classified as other than standard exposures, the rules contained in Annex I of this Royal Decree-Law were applicable.
4 These provisioning requirements must be complied with before 31 December 2012, except in the case of those institutions that in 2012 carry out integration processes, which will have 12 months from when they obtain the necessary authorisation to comply with the requirements.

CONTENTS

TABLE 1

Royal Decree-Law 18/2012 establishes certain additional requirements in relation to the impairment of loans linked to real estate activity classified as standard exposures, which must be fully complied with on a one-off basis, and which differ according to the type of loan involved (see Table 2).

When this Law comes into force, the compulsory provisions for mortgage-secured financing of real estate construction or development will be increased by 45 percentage points (pp) in the case of land (from 7% to 52%), by 22 pp in that of development in progress (from 7% to 29%) and by 7 pp in that of completed development (from 7% to 14%). In the case of unsecured real estate construction or development loans, the compulsory provisions will be increased by 45 pp in all of the above-mentioned cases (from 7% to 52%).

These new requirements, like the previous ones, must be complied with before 31 December 2012, except in the case of institutions that carry out integration processes during 2012, which will have 12 months from when such processes are authorised. These processes must involve a significant transformation of the institutions concerned, involve institutions that do not belong to the same group and comply with the following conditions:

1) They must be carried out through operations that entail structural modifications or the acquisition of institutions in which the Fund for the Orderly Restructuring of the Banking Sector (FROB) has a majority holding, or for which the latter has been appointed provisional administrator.

2) They will include measures tending to improve their corporate governance.

PROVISIONS FOR ASSETS CLASSIFIED AS STANDARD EXPOSURES RELATING TO LAND OR REAL-ESTATE CONSTRUCTION OR DEVELOPMENT

TABLE 2

Royal Decree Law 2/2012 of 3 February 2012	Royal Decree Law 18/2012 of 11 May 2012
A one-off general provision of 7% of their outstanding amount as at 31 December 2011.	In addition: — Mortgage-secured: 45% for land (up from 7% to 52%), 22% for development in progress (up from 7% to 29%) and 7% for completed development (up from 7% to 14%). — Unsecured: 45% for all cases (up from 7% to 52%).

SOURCES: BOE and Banco de España.

3) They must incorporate a plan for the divestment of assets related to real estate exposures, as well as commitments to increase lending to households and small and medium-sized enterprises.

For this purpose, credit institutions and consolidable groups of credit institutions had to submit a plan to the Banco de España, by 11 June 2012, detailing the measures they intended to adopt to comply with the new requirements.[5]

Those institutions that, as a consequence of these write-downs, have a capital or core capital shortfall according to the rules in force will have to capitalise themselves in the market or, failing that, request financial support from the FROB. This might consist in subscription for instruments convertible into shares (contingent convertible bonds, known as "CoCos") or contributions to share capital, irrespective of whether they participate in integration processes. Institutions that seek this support must submit a restructuring plan which, inter alia, must set out the support measures that the envisaged FROB intervention would include.[6]

ASSET MANAGEMENT COMPANIES

In order for real estate assets to be identified and sold, the Royal Decree-Law envisages the creation of share capital companies to which credit institutions must transfer all the real estate assets foreclosed or received in payment of debts relating to land or real estate construction or development, and other real estate assets foreclosed or received in payment of debts since 31 December 2011.

The transfers must be made at fair value and by the end of the period for setting aside the new provisions established in Royal Decree-Laws 2/2012 and 18/2012 (i.e. before 31 December 2012, unless integration processes are carried out). In the event of absence of and difficulty estimating a fair value, the value in the accounts of the institution contributing the asset may be used instead, taking into account the provisions that must be created for the assets pursuant to Royal Decree-Laws 2/2012 and 18/2012.

5 Credit institutions that have outstanding preference shares or mandatory convertible debt instruments, issued before the entry into force of this Royal Decree-Law or exchanged for shares or instruments so issued, may include in the plan an application to defer for a period of no more than 12 months payment of the remuneration envisaged, even though, as a consequence of the restructuring that they have had to carry out, they do not have sufficient distributable profits or reserves or there is a capital shortfall at the issuing or parent institution. The payment of the deferred remuneration may only be made when this period expires if sufficient distributable profits or reserves are available and there is no capital shortfall at the issuing or parent credit institution.

6 The issuing institutions must undertake to repurchase the securities subscribed by the FROB, as soon as they are in a position to do so, on the terms included in the integration plan. If the preference shares have not been repurchased by the institution within five years from their payment, or if the Banco de España considers before then that it is unlikely in view of the situation of the institution or its group, that they will be repurchased or redeemed within such period, the FROB may apply to convert them into shares or capital contributions in the issuer.

In the case of credit institutions in which the FROB has majority holdings or which are managed by a provisional administrator appointed by the FROB, the latter will decide if the credit institution should create such a company.

Where credit institutions have received financial support from the FROB, the exclusive corporate objects of the companies to which they transfer their assets will be the management and disposal, directly or indirectly, of such assets. In addition, they will be obliged to dispose each year of at least 5% of their assets to a third party other than the transferor credit institution or any other company in the same group. The directors of such companies must have proven experience of the management of real estate assets. Finally, these credit institutions will have a period of three years, from the entry into force of this Royal Decree-Law, to adopt and implement the necessary measures to ensure that the link of the asset management company to the institution is, at most, that of an associate.

TAXATION OF TRANSACTIONS TO TRANSFER ASSETS TO ASSET MANAGEMENT COMPANIES

The tax regime established for the transactions to transfer assets to these companies will be the one for mergers, divisions, asset transfers, security exchanges and change of registered office of a European company or a European cooperative from one Member State to another laid down in the consolidated text of the corporate income tax law, approved by Royal Legislative Decree 4/2004 of 5 March 2004,[7] in order to ensure fiscal neutrality for the transactions carried out when asset management companies are set up.

In order to stimulate the sale of real estate assets, certain tax incentives are established, subject to certain conditions. For example, 50% of the positive income deriving from the transfer of urban real estate assets acquired for valuable consideration between the entry into force of this Royal Decree-Law and 31 December 2012 is exempt from taxation. The capital gains obtained without a permanent establishment in Spain from the disposal of urban real estate acquired during that period are also 50% exempt.

Finally, the fees of notaries public and property registrars are reduced significantly for transfers of financial or real estate assets as a consequence of financial institutions' write-downs and restructuring transactions.

The Royal Decree-Law entered into force on 12 May 2012.

Electronic money institutions: implementation of new legislation

Royal Decree 778/2012 of 4 May 2012 (BOE of 5 May 2012) on the legal regime for electronic money institutions (ELMIs), implementing Law 21/2011 of 26 July 2011on electronic money,[8] which established a new regulatory framework for ELMIs and the issuance of electronic money, was published.[9]

This completes the transposition of Directive 2009/110/EC of 16 September 2009 on the taking up, pursuit and prudential supervision of the business of ELMIs amending Directives 2005/60/EC of 26 October 2005 and 2006/48/EC of 14 June 2006 and repealing Directive 2000/46/EC of 18 September 2000.[10]

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7 See "Financial regulation: 2004 Q1", *Economic Bulletin,* April 2004, Banco de España, pp. 99-100.
8 See "Financial regulation: 2011 Q3", *Economic Bulletin,* October 2011, Banco de España, pp. 177-181.
9 The previous law was contained in Article 21 of Law 44/2002 of 22 November 2002 on measures to reform the financial system and in Royal Decree 322/2008 of 29 February 2008 on the legal regime for electronic money institutions, which is now repealed.
10 See "Financial regulation: 2009 Q4", *Economic Bulletin,* January 2010, Banco de España, pp. 155-158.

REGULATIONS GOVERNING ELECTRONIC MONEY INSTITUTIONS

TABLE 3

Royal Decree 322/2008 of 29 February 2008	Royal Decree 778/2012 of 4 May 2012
Legal regime	
They have the status of credit institutions.	They lose the status of credit institutions and are classified as financial institutions.
A number of requirements must be met to set up an ELMI. These relate in particular to the suitability and repute of the directors, the establishment of mechanisms for good, sound and prudent internal management, an appropriate organisational structure, and effective procedures for the identification, management, control and communication of risks.	No significant changes.
Guarantee and solvency regime	
None envisaged.	ELMIs must use one of the two methods of guarantee established in Law 21/2011 of 26 July 2011 to safeguard the funds received from their users for issuing electronic money and, where applicable, executing payment transactions.
A minimum initial capital of €1 million is required, as well as ongoing own funds greater than or equal to 2% of the total amount of financial liabilities arising from outstanding electronic money issued or the average amount of such liabilities during the preceding six months, if higher.	The minimum initial capital is reduced to €350,000. This is supplemented by a minimum level of own funds, which depends on the provision of payment services not linked to the issuance of electronic money, and on the activity of issuing electronic money.
Investment restrictions: ELMIs are required to make a number of investments in a particular set of assets.	Lifted.
Activities	
The issuance of electronic money, and the provision of financial and non-financial services closely linked to the issuance of electronic money.	In addition to the foregoing, they may provide payment services, grant credit in connection with certain payment services, manage payment systems, provide operational and auxiliary services closely linked to these activities, and engage in any other economic activities distinct from the issuance of electronic money, in conformity with the applicable legislation.
Not specifically envisaged.	ELMIs may delegate to third parties or agents the performance of certain activities, such as the distribution and redemption of electronic money. However, they are not permitted to issue electronic money through agents.
Not envisaged.	The concept of hybrid ELMIs is introduced. These perform, in addition to the issuance of electronic money and the provision of payment services, some other economic activity.
Cross-border activity	
Cross-border activity is not specifically envisaged. However, a regime is established of consultation between supervisors prior to the authorisation of ELMIs controlled by financial institutions authorised in other EU Member States. In addition, where the persons that are going to control an ELMI are domiciled in third countries, authorisation may be refused, not only on the usual grounds, but also for reasons relating to the application of the principle of reciprocity.	Cross-border activity is extensively regulated, with the granting of the "European passport" based on the system of communication between supervisors.
Supervisory and penalty regime	
The Banco de España is responsible for controlling and inspecting these institutions, within the framework laid down by Law 26/1988 of 29 July 1988 on the discipline and intervention of credit institutions.	No significant changes.

SOURCES: BOE and Banco de España.

Table 3 compares, in summary form, the main features of the Royal Decree with those of the previous legislation.

SCOPE

The scope coincides with that of Law 21/2011, which defines electronic money as any electronically or magnetically stored monetary value representing a claim on the issuer, which is issued on receipt of funds for the purpose of making payment transactions as defined in Law 16/2009 of 13 November 2009 on payment services,[11] and which is accepted by a natural or legal person other than the electronic money issuer.

Excluded from the scope of application is monetary value stored on specific instruments designed to meet specific needs and with limited use, either because the holder may only

11 See "Financial regulation: 2009 Q4", *Economic Bulletin*, January 2010, Banco de España, pp. 150-155.

acquire goods or services in the premises of the issuer of these instruments, or because the instruments may only be used to acquire a limited range of goods or services, or when they are used for payment transactions executed using telecommunications, digital or IT devices when the goods or services acquired are delivered or used by means of such devices.

LEGAL REGIME FOR ELMIs

As anticipated by Law 21/2011, a legal regime is developed that is more appropriate for the risks that their activity may generate. ELMIs lose the status of credit institution, since they cannot accept deposits from the public or grant credit with the funds received from the public. However, they have the status of financial institutions.

For the authorisation and pursuit of the business of ELMIs, the procedure of Law 21/2011 is maintained, which was similar to that of the previous legislation: 1) authorisation and registration by the Ministry for Economic Affairs and Competitiveness, upon prior reports of the Banco de España and the Executive Service of the Commission for the Prevention of Money Laundering and Monetary Offences on those aspects within their areas of competence; 2) a minimum initial capital of €350,000 (as against €1 million previously); 3) repute and professionalism of the directors, and of the general managers or those holding similar positions in the institution; 4) appropriate corporate governance procedures, including a clear organisational structure, with well-defined, transparent and consistent lines of responsibility to ensure the institution is soundly and prudently managed; and 5) internal control and communication procedures to prevent and impede money laundering and the financing of terrorism.

As provided in Law 21/2011, ELMIs are permitted to engage in economic activities other than the issuance of electronic money, which was previously their sole activity.[12]

The name "electronic money institution" and its abbreviation "ELMI" may only be used by these institutions, which may include them in their company names. A reference to their legal status must be included in all documents that are executed or issued in the pursuit of the business of issuing electronic money or, where applicable, of providing payment services, or that have legal effects vis-à-vis third parties.

GUARANTEE AND SOLVENCY REGIME

The Royal Decree lays down certain requirements for guarantees and own funds, which are similar to those for payment institutions.

With regard to the former, ELMIs are required to use one of the two methods of guarantee established in Law 21/2011 of 26 July 2011 to safeguard the funds received from their users for issuing electronic money and, where applicable, executing payment transactions: 1) establishing a deposit in a separate account at a credit institution with the funds received from users or investing them in low-risk liquid assets, or 2) taking out an insurance policy or obtaining a comparable guarantee from a credit institution or insurance company, which must comply with certain conditions and may only be used with the express authorisation of the Banco de España.

The calculation method ELMIs must apply to determine their minimum capital requirements is also detailed. In general, it will be the sum of the following two amounts: 1) in the

12 These include: the provision of the payment services defined in Law 16/2009; the granting of credit in connection with certain payment services provided that certain conditions are met and subject to the limitation that this credit is not granted from funds received in exchange for electronic money; the provision of operational and auxiliary services closely linked to the issuance of electronic money and to the provision of payment services; payment systems management; and, in general, any other economic activities distinct from the issuance of electronic money, in conformity with applicable EU and national legislation.

event of provision of payment services not linked to the issuance of electronic money, the same amount as required of payment institutions, which is based on a weighting of the amount of the payment transactions executed by them during the previous year, and 2) with respect to the activity of issuance of electronic money, 2% of the average amount of electronic money in circulation.

In the event that an ELMI has a capital shortfall with respect to requirements, it must make this known to the Banco de España, along with a programme to return to compliance. An obligation is established in these cases to submit the application of results to the prior authorisation of the Banco de España.

CROSS-BORDER ACTIVITY

Spanish ELMIs, since they are not subject to regulatory exemptions,[13] are granted a "European passport", and therefore their intra-EU cross-border activity is subject to the system of communication between supervisors (analogous to that of credit institutions). The system of prior authorisation by the Banco de España remains in place where the authorisation encompasses third countries.

In this latter case, it should be noted that for the branch of a foreign ELMI, authorised or domiciled in a non-EU country, to be established in Spain, the same requirements will apply as for the creation of a Spanish ELMI, with the special features detailed in the Royal Decree. The authorisation may be refused, in addition to on the grounds indicated for Spanish ELMIs, on the basis of the principle of reciprocity.

Prior authorisation is also required when seeking to set up an ELMI in a non-EU country. This requirement is extended when seeking to acquire a qualifying holding in or take control of an ELMI that already exists in such a country.

AGENTS AND DELEGATION OF OPERATIONAL FUNCTIONS

ELMIs are allowed to use agents (i.e. natural or legal persons acting on their behalf) to distribute and redeem electronic money, and, where applicable, to provide payment services, but in no case may they issue electronic money through agents.

In order to delegate operational functions that are considered essential (the issuance of electronic money or the provision of payment services) ELMIs must inform the Banco de España in advance, providing detailed information on the characteristics of the delegation and the identity of the firm to which they propose to delegate. The Banco de España may, giving reasons, object to such delegation. In the case of other operational functions, notification will be sufficient.

HYBRID ELECTRONIC MONEY INSTITUTIONS

The Royal Decree introduces the concept of hybrid ELMIs, defined as those that perform, in addition to the issuance of electronic money and the provision of payment services, any other economic activity. Certain specific requirements to pursue their business will be applicable to the latter, in addition to the general requirements.

The Banco de España may require a hybrid ELMI to set up a separate ELMI, when the pursuit of other economic activities apart from the issuance of electronic money and the provision of payment services may affect their financial soundness or the capacity of the authorities to perform their supervisory functions.

13 In the transposition of Directive 2009/110/EC, the power granted to Member States in Article 9, to authorise Spanish ELMIs subject to regulatory exemptions was not used. Had this power been used Spanish ELMIs would not have qualified for the European passport.

OTHER ASPECTS OF THE ROYAL DECREE

Law 21/2011 and the Royal Decree discussed here lay down the supervisory and penalty regime applicable to ELMIs, which is basically that applicable to credit institutions with certain adaptations. The Banco de España is given supervisory functions in respect of ELMIs: control and inspection, cooperation with EU authorities, exercise of competences under the qualifying holding regime for these institutions, etc. All this is in line with the powers already exercised by the Banco de España in relation to credit institutions. The penalty regime applicable to them is, basically, that provided for in Law 26/1988 of 29 July 1988 on the discipline and intervention of credit institutions.[14]

Also, the duty of professional secrecy for all persons who, in the performance of a professional activity for the Banco de España or as a result of the exchange of information with other authorities, have had knowledge of confidential data is regulated.

Finally, a transitional regime is introduced for ELMIs authorised under the previous legislation (Article 21 of Law 44/2002 of 22 November 2002,[15] and Royal Decree 322/2008 of 29 February 2008).[16] These ELMIs are not required to apply for fresh authorisation, but must evidence compliance with the requirements specified in Law 21/2011 of 26 July 2011 and in this Royal Decree, subject to certain qualifications.

The Royal Decree entered into force on 6 May 2012.

Personal data files managed by the Banco de España

CBE 3/2012 of 28 March 2012 (BOE of 7 April 2012) on the creation, modification and deletion of personal data files managed by the Banco de España was published. This involved the amendment of Circulars 2/2005 of 25 February 2005, 4/2008 of 31 October 2008 and 1/2011 of 26 January 2011.

From the standpoint of financial regulation, the most important changes are: 1) the creation of the files “Supervisory college members” and “Key public infrastructure, European System of Central Banks”, the descriptions of which, as set out in the annex to this Circular, are incorporated into Annex 1 of CBE 2/2005 of 25 February 2005; and 2) the deletion of the file “foreign currency exchanges”, the data of which are incorporated into the file “Cash transactions”, which is modified by this Circular.

The Circular entered into force on 7 April 2012.

Updating of the regulations for cross-border economic transactions

CBE 4/2012 of 25 April 2012 (BOE of 4 May 2012) on rules for the reporting by residents in Spain of cross-border economic transactions and stocks of external financial assets and liabilities was published. This Circular repeals, as from 1 January 2014, Circulars 6/2000 of 31 October 2000 and 3/2006 of 28 July 2006, as well as certain sections of Circular 2/2001 of 18 July 2001.

The purpose of the Circular is to adapt the rules for reporting by residents to the Banco de España to the new regime for the declaration of cross-border economic transactions laid down in Royal Decree 1360/2011 of 7 October 2011,[17] which amends Royal Decree 1816/1991 of 20 December 1991 on cross-border economic transactions, and in Order EHA/2670/2011 of 7 October 2011, which amends the Order of 27 December 1991, which implements Royal Decree 1816/1991 of 20 December 1991.

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14 See “Regulación financiera: tercer trimestre de 1988”, *Boletín Económico,* October 1988, Banco de España, pp. 56-58.
15 See “Financial regulation: 2002 Q4”, *Economic Bulletin*, January 2003, Banco de España, pp. 101-113.
16 See “Financial regulation: 2008 Q1”, *Economic Bulletin*, April 2008, Banco de España, pp. 167-170.
17 See “Financial regulation: 2011 Q4”, *Economic Bulletin*, January 2012, Banco de España, p. 135.

The scope of the Circular is natural and legal persons resident in Spain (other than suppliers of payment services) who carry out transactions with non-residents and operations involving cross-border receipts, payments and/or transfers, as well as changes in accounts or debit or credit financial positions, or who have external assets or liabilities.

Relative to the previous legislation, the fundamental change is that, as from the entry into force of this Circular, the information on operations must be provided by the residents involved by means of a direct declaration to the Banco de España. Under the previous procedure, it was also permissible for the suppliers of payment services to provide the information.

Also, new periodicities and deadlines are laid down for sending the information (which must be done online), which vary according to the amount of the transactions with non-residents and of the stocks of external assets and liabilities.[18]

— Monthly periodicity, if the amounts of the transactions during the immediately preceding year, or the stocks of assets and liabilities as at 31 December of the preceding year, are greater than or equal to €300 million.

— Quarterly periodicity, if the amounts of the transactions during the immediately preceding year, or the stocks of assets and liabilities as at 31 December of the preceding year, are greater than or equal to €100 million and less than €300 million.

— Annual periodicity, if the amounts of the transactions during the immediately preceding year, or the stocks of assets and liabilities as at 31 December of the preceding year, are less than €100 million. This declaration may be submitted in an abridged form, in the terms laid down by the Circular, where neither the amount of the balances nor that of the transactions exceeds €50 million. If €1 million is not exceeded, the declaration shall only be sent to the Banco de España on the express requirement of the latter, within a maximum period of two months from the date of the request.

Finally, residents who were obliged to supply the information required in accordance with Circulars 6/2000 of 31 October 2000, and/or 3/2006 of 28 July 2006, must continue to supply it and declare it up to and including that corresponding to 31 December 2013, without prejudice to the performance of the obligations established in this Circular.

The Circular will enter into force on 1 January 2013.

Changes to the rules on takeover bids and the law on share capital companies in relation to mergers and divisions

Law 1/2012 of 22 June 2012 (BOE of 23 June 2012) on simplification of reporting and documentation requirements in the case of mergers and divisions of share capital companies, which repeals Royal Decree-Law 9/2012 of 16 March 2012[19], was published.

18 Previously, for the financial loans and credits residents granted to non-residents, in whatever form, the obligation to send the information applied to those with an amount greater than or equal to €3 million, always before the first drawdown of funds on the loan or credit obtained. In the case of settlements of receipts and payments with non-residents, the obligation applied to those whose amount was greater than or equal to €600,000 within one month.

19 See “Financial regulation: 2012 Q1”, *Economic Bulletin*, April 2012, Banco de España, p. 135.

The Law has the same objectives as the repealed Royal Decree-Law,[20] but it introduces a number of drafting improvements and also makes some amendments to Securities Market Law 24/1988 of 28 July 1988[21] in relation to takeover bids.

CHANGES TO THE RULES ON TAKEOVER BIDS

When takeover bids (mandatory[22] or voluntary[23]) are made, the bidder must submit a report of an independent expert on the valuation methods and criteria applied to determine the bid price[24] if, during the two years immediately preceding the bid announcement, any of the following circumstances have existed: a) reasonable evidence of manipulation of the market prices of the target securities, which would have been grounds for the opening of sanctioning proceedings by the CNMV, had the interested party been notified of the relevant charges; b) either market prices in general, or the market price of the company concerned, in particular, have been affected by exceptional circumstances, such as natural disasters, war, calamity or some other situation of force majeure, or c) the company concerned has been subject to expropriations, confiscations or some other similar action that could entail a significant change in its real net asset value.

The bid price may not be lower than the higher of the fair price established in the mandatory takeover bid and the price based on the methods contained in the report (with justification of their respective relevance). Also, if the bid is in the form of an exchange of securities, then an equivalent cash consideration or price, that is at least financially equivalent to the exchange, must be included at least as an alternative to the foregoing.

Some of the neutralisation measures that companies may adopt in the case of mandatory takeover bids are modified. [25] Specifically, the percentage that must be held by the bidder to avoid security-transfer or voting-right restrictions in shareholders' agreements is reduced from 75% to 70%. Also, the provisions of the articles of association that set, as a general rule, the maximum number of votes that may be exercised by a single shareholder, by companies belonging to the same group or by those acting in concert with the foregoing will not apply if, following a takeover bid, the bidder holds 70% or more of the capital with voting rights, unless it was not subject to equivalent neutralisation measures or it has not adopted them. Finally, the decision to apply this type of measure must be adopted by the shareholders in general meeting, subject to the quorum and majority requirements applicable to amendments to the articles of association of public limited companies.[26]

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20 That is, the transposition into Spanish law of Directive 2009/109/EC of the European Parliament and of the Council of 16 September 2009 amending Council Directives 77/91/EEC, 78/855/EEC and 82/891/EEC and Directive 2005/56/EC as regards reporting and documentation requirements in the case of mergers and divisions.

21 See "Regulación financiera: tercer trimester de 1988", *Boletín Económico,* October 1988, Banco de España, pp. 61-62.

22 Mandatory takeover bids must be made when an entity gains control of a listed company, which is presumed to occur when 30% or more of the voting rights have been directly or indirectly obtained, or when a smaller holding has been obtained and the bidder appoints, pursuant to the terms laid down in regulations, a number of directors that, combined, where applicable, with those that it would already have appointed, represents more than 50% of the members of the company's board of directors.

23 The takeover bid is voluntary when, without reaching the percentages stipulated for a mandatory takeover bid, an entity seeks to acquire shares in a listed company (or other securities that may entitle their holder to subscribe for or acquire shares), on a voluntary basis.

24 This report must include the average market value during a specific period, the realisable value of the company, the value of the consideration paid by the bidder for the same securities during the 12 months prior to the bid announcement, the company's underlying book value and other generally accepted objective valuation criteria that, in any case, safeguard the rights of the shareholders.

25 These measures seek to neutralise the possible defensive strategies adopted by the target company, consisting, for example, in voting restrictions in the articles of association or transfer and voting restrictions in shareholders' agreements.

26 To amend the articles of association, at a general meeting of shareholders held at first call, shareholders representing 50% of the subscribed capital with voting rights must be present. At second call, shareholders representing 25% of such capital will be sufficient. In the latter case, a favourable majority of two-thirds of the capital represented is required.

Law 1/2012 makes the amendments to the Securities Market Law applicable to all other share capital companies.

SIMPLIFICATION OF REPORTING AND DOCUMENTATION REQUIREMENTS IN THE CASE OF MERGERS AND DIVISIONS OF SHARE CAPITAL COMPANIES

As regards the rest of the Law, those aspects of Royal Decree-Law 9/2012 relating to the simplification of the reporting and documentation requirements in the case of mergers and divisions of share capital companies have been maintained, including notably: 1) the status of the website and electronic communications is enhanced, in order to facilitate the functioning of companies and enable greater cost savings, and having a website is made compulsory for listed companies; 2) the merger balance sheet may be replaced by the 6-monthly financial report in the case of listed public limited companies; 3) the right of creditors to object to the merger in respect of financial claims existing before the draft terms of merger are filed at the Mercantile Registry or, as the case may be, before the draft terms of merger are made available on the websites of the respective companies, is guaranteed; 4) simplification of the formalities in the event of a division due to the formation of new companies; 5) the establishment of new cases in which it is not necessary to submit an independent experts' report to value the non-monetary contributions in the formation or in capital increases of public limited companies; and 6) certain changes to the wording of the rules on equity holders' entitlement to be insulated against the claims of other creditors in the event of cross-border mergers and a change in the address of the registered office to a foreign one.

Finally, the possibility is established of calling general meetings by means of announcements published on the website of the company, when the latter has been created and duly registered. Also, the articles of association may establish publication mechanisms in addition to those envisaged in the Law and require the company to manage a system of electronic alerts to shareholders for the call announcements posted on the company's website.

The Law entered into force on 24 June 2012.

EU regulation on risk-sharing instruments for certain Member States

Regulation 423/2012 of the European Parliament and of the Council of 22 May 2012 (OJ L of 23 May 2012) amending Council Regulation 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund was published, and Regulation 1260/1999 was repealed.

The Regulation introduces certain provisions relating to risk-sharing instruments. A Member State seeking to benefit from a risk-sharing instrument should specify in a written request to the Commission, by 31 August 2013, why it considers that it meets one of the eligibility conditions established in the Regulation. In particular, only projects for which a favourable financing decision is taken either by the European Investment Bank (EIB) or by a national or international public-sector body or body governed by private law with a public-service mission, as the case may be, will be accepted as eligible for financing through an established risk-sharing instrument.

Cooperation agreements concluded by the Commission either with the EIB or with national or international public-sector bodies or bodies governed by private law with a public-service mission will establish a number of rules, in particular on: the total amount of the Union contribution and a schedule on how it will be made available; the trust account conditions to be set up by the contracted implementing body; the eligibility criteria for the use of the Union contribution; the details of the exact risk-sharing (including the leverage ratio) to be covered and the guarantees to be provided by the contracted implementing body; the pricing of the risk-sharing instrument based on the risk margin and the coverage of all the administrative costs of the risk-sharing instrument; the application and approval procedure for the project proposals covered by the risk-sharing instrument; the period of availability of the risk-sharing instrument; and the reporting requirements.

The Commission should verify that the information submitted by the requesting Member State is correct and that the Member State request is justified, and should be empowered to adopt, by means of an implementing act, within four months of the Member State request, a decision on the terms and conditions of the participation of the requesting Member State in the risk-sharing instrument.

The Regulation entered into force on 23 May 2012.

Credit rating agencies: rules supplementing the EU regulation

Various Commission delegated regulations supplementing the legislation on credit rating agencies (CRAs) contained in Regulation 1060/2009 of the European Parliament and of the Council of 16 September 2009 were adopted.[27] Following is a brief summary.

TECHNICAL STANDARDS ON INFORMATION TO BE PROVIDED FOR THE REGISTRATION AND CERTIFICATION OF CRAs

Commission Delegated Regulation 449/2012 of 21 March 2012 (OJ L of 30 May 2012) completes Regulation 1060/2009 by laying down certain technical standards on information to be provided by CRAs to the European Securities and Markets Authority (ESMA) in their applications for registration and certification.

In their applications for registration, CRAs must submit to the ESMA abundant documentation specified in the Regulation, including most notably the following: 1) identification of each person who directly or indirectly holds 5% or more of their capital or voting rights or whose holding makes it possible to exercise a significant influence over their management; 2) internal corporate governance policies and the procedures and terms of reference which govern their senior management, including the administrative or supervisory board, its independent members and, where established, committees; 3) accreditation of the suitability and good repute of their senior managers; and 4) information regarding their policies and procedures with respect to the identification, management and disclosure of conflicts of interest and the rules on rating analysts and other persons directly involved in credit rating activities.

The documentation to be submitted by CRAs to the ESMA in their applications for certification is mostly the same as that required in applications for registration, with some additional documents such as: 1) information on the credit ratings which they issue or intend to issue; 2) indication of whether they currently hold, or expect to apply for, External Credit Assessment Institution (ECAI) status in one or more Member States and, if so, they have to identify the relevant Member State; and 3) the information set out in Annex XII regarding the systemic importance of their credit ratings and credit rating activities to the financial stability or integrity of the financial markets of one or more Member States.

The Delegated Regulation entered into force on 19 June 2012.

TECHNICAL STANDARDS APPLICABLE TO THE ASSESSMENT OF CREDIT RATING METHODS

Commission Delegated Regulation 447/2012 of 21 March 2012 (OJ L of 30 May 2012) supplements Regulation 1060/2009 by laying down regulatory technical standards for the assessment of compliance of credit rating methods.

27 See “Financial regulation: 2009 Q4”, *Economic Bulletin,* January 2010, Banco de España, pp. 165 and 175.

CRAs must at all times be able to demonstrate to ESMA their compliance with the requirements set out in Regulation 1060/2009 relating to the use of credit rating methods.[28] Also, the ESMA must examine compliance with such requirements as the ESMA considers appropriate. Specifically, the ESMA must assess the process of developing, approving, using and reviewing credit rating methods. In determining the appropriate level of assessment, the ESMA shall consider whether a credit rating method has a demonstrable history of consistency and accuracy in predicting credit worthiness.

CRAs must use credit rating methods and their associated analytical models, key credit rating assumptions and criteria that are applied systematically in the formulation of all credit ratings in a given asset class or market segment. Also, they must periodically review their methods, models and key rating assumptions, such as mathematical or correlation assumptions, and any significant changes or modifications thereto as well as the appropriateness of those methods, models and key rating assumptions where they are used or intended to be used for the assessment of new financial instruments.

The Delegated Regulation entered into force on 19 June 2012.

REGULATORY TECHNICAL STANDARDS ON THE CONTENT AND FORMAT OF PERIODIC REPORTING

Commission Delegated Regulation 446/2012 of 21 March 2012 (OJ L of 30 May 2012) supplements Regulation 1060/2009 with regard to regulatory technical standards on the content and format of ratings data periodic reporting to be submitted to the ESMA by CRAs.

Reports submitted in accordance with this Delegated Regulation have to be submitted on a monthly basis and provide rating data relating to the preceding calendar month. CRAs that have fewer than 50 employees and that do not form part of a group of CRAs may submit, every two months, reports that provide rating data relating to the preceding two calendar months, unless the ESMA informs the CRA that it requires monthly reporting in view of the nature, complexity and range of issue of its credit ratings.

The content of the reports is specified in the annexes to the Delegated Regulation and has to be submitted in two files: 1) qualitative data reporting in accordance with the format specified in the Delegated Regulation annexes, particularly data on the rating scale, explaining the individual characteristics and meaning of each rating, and 2) reports on the rating data to be submitted to the ESMA for each action carried out, and for each credit rating concerned by that action.

Further, rules are set for the submission of information, particularly for reporting structure, format, method and period in respect of qualitative data and rating data which CRAs must submit to a central repository established by the ESMA. They also have to report both solicited and unsolicited ratings, specifying each of them.

The Delegated Regulation will enter into force on 30 November 2012.

TECHNICAL STANDARDS FOR PRESENTATION OF THE INFORMATION THAT CRAs HAVE TO REPORT TO A CENTRAL REPOSITORY ESTABLISHED BY THE ESMA

Commission Delegated Regulation 448/2012 of 21 March 2012 (OJ L of 30 May 2012) supplements Regulation 1060/2009 with regard to technical standards for the presentation of the information that CRAs have to make available in a central repository established by the ESMA.

Regulation 1060/2009 stipulated that CRAs had to make certain information on historical performance data available in the central repository established by the ESMA and that the

28 Article 8(3) specifies that CRAs must use rating methods that are rigorous, systematic, continuous and subject to validation based on historical experience, including back-testing.

ESMA would make that information available to the public, along with a summary of the main developments observed. Delegated Regulation 448/2012 now specifies how the information provided is to be presented, including structure, format, method and period of reporting.

The Delegated Regulation entered into force on 19 June 2012.

State budget for 2012

Law 2/2012 of 29 June 2012 (BOE of 30 June 2012) on the State budget for 2012 was promulgated. Notable from the standpoint of financial regulation were the following.

GOVERNMENT DEBT

The government is authorised to increase the outstanding State debt in 2011 by no more than €35,325 million with respect to the level at the beginning of the year (the limit for last year's budget was €43,626 million). This limit may be exceeded during the course of the year following authorisation from the Ministry of Economic Affairs and Competitiveness, and those cases in which it shall be automatically revised are laid down.

As regards government guarantees and the like, the overall limit is set at €217,043 million for guarantees given by the State and government agencies (the limit set in the previous budget was €59,900 million).

That amount is apportioned as follows: 1) €92,543 million to guarantee the economic obligations to the firm known as the "European Financial Stability Facility" arising from financial instrument issuance and from the arrangement of loan and credit transactions and of any other financing transactions by that firm;[29] 2) €55,000 million to guarantee the economic obligations arising from new bond issues by credit institutions resident in Spain with significant activity in the Spanish credit market;[30] €66,000 million to guarantee the economic obligations to the FROB arising from the transactions envisaged in Royal Decree-Law 9/2009 of 26 June 2009[31] on bank restructuring and strengthening of the capital of credit institutions; and 3) €3,000 million (the same amount as in the previous budget) to guarantee the fixed-income securities issued by securitisation special purpose vehicles, aimed at improving the financing of corporate productive activity.

FISCAL MEASURES

With regard to personal income tax, a supplementary levy on top of the 2012 and 2013 gross tax payable is provided for in Royal Decree-Law 20/2011 of 30 December 2011[32] on urgent budgetary, tax and financial measures to correct the budget deficit.

The rebates to compensate for the loss of tax benefits affecting certain taxpayers under the current personal income tax law, regulated by Law 35/2006 of 28 November 2006, remain in place. The first establishes for 2011 a tax credit for purchase of principal residence[33] for taxpayers who purchased their principal residence before 20 January 2006. The amount is equal to the difference between the tax credit resulting from application of

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29 Pursuant to Royal Decree-Law 9/2010 of 28 May 2010 authorising Spanish general government to guarantee certain financing transactions within the framework of the European Financial Stabilisation Mechanism for euro area Member States.

30 The guarantee covers the issue principal and current interest. Should the guarantee be enforced, provided such enforcement is initiated within five calendar days from the maturity date of the guaranteed obligation, the State will pay compensation to the lawful holders of the guaranteed securities, without prejudice to the amounts to be paid under the guarantee.

31 See "Financial regulation: 2009 Q2", *Economic Bulletin*, July 2009, Banco de España, pp. 186-190.

32 See "Financial regulation: 2011 Q4", *Economic Bulletin,* January 2012, Banco de España, pp. 148-150.

33 Royal Decree-Law 20/2011 of 30 December 2011 on urgent budgetary, tax and financial measures to correct the budget deficit reinstated the tax credit for purchase of principal residence, without setting a taxpayer income limit (previously it could be imposed if the recipient's income was below €24,107.20).

the previous personal income tax legislation (Legislative Royal Decree 3/2004 of 5 March 2004),[34] in force until end-2006, and that under Law 35/2006.[35]

The second rebate will affect those receiving in 2011 certain income from capital arising over a period exceeding two years. On one hand, income from capital obtained from transfer to third persons of capital from financial instruments entered into prior to 20 January 2006 will qualify for a reduction of 40%, as it did under the previous personal income tax law. On the other, income received in the form of deferred capital arising from life and disability insurance policies taken out prior to 20 January 2006 will qualify for a 40% or 75% reduction, as envisaged under the previous personal income tax law.

For transfers of real estate not used in business activities, the updated acquisition cost adjustment coefficient of 1% remains in place in 2012 for the purpose of determining the capital gain or loss arising from the transfer of such real estate.

In corporate income tax, as a result of the regulation of withholdings or prepayments set out in Royal Decree-Law 20/2011 of 30 December 2011, the standard withholding rate applicable to income from the leasing or sub-leasing of urban real estate is raised from 19% to 21%. Also, the monetary adjustment coefficients applicable to transfers of fixed assets or of such assets classified as non-current assets held for sale, if they are real estate, are updated by 1%. Finally, the method for determining partial payments of corporate income tax in 2012 is regulated.

The tax on the income of non-residents is modified to adapt Spanish legislation to Union law. To do this, the exemption applicable to profits distributed by subsidiaries resident in Spain to their parents resident in another EU Member State is extended to all States forming part of the European Economic Area.[36]

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

3.7.2012

34 See "Financial regulation: 2004 Q1", *Economic Bulletin,* April 2004, Banco de España, pp. 99 and 100.

35 During 2010 a tax credit may be taken, in general, for 15% of the amounts paid for the purchase or renovation of the principal residence, with a maximum of €9,015.18 per annum. In 2006, although the same tax credit was available, in general, when the purchase was made using borrowed funds, in the two years following the purchase the tax credit was for 25% of the first €4,507.59 and for 15% of the remainder up to €9,015.18. Subsequently, these percentages were 20% and 15%, respectively.

36 The European Economic Area is made up of the 27 EU countries plus Iceland, Liechtenstein and Norway.

CONTENTS

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

1 IMF Special Data Dissemination Standard (SDDS).

INTEREST RATES
AND INDICES OF SPANISH
COMPETITIVENESS

1 IMF Special Data Dissemination Standard (SDDS).

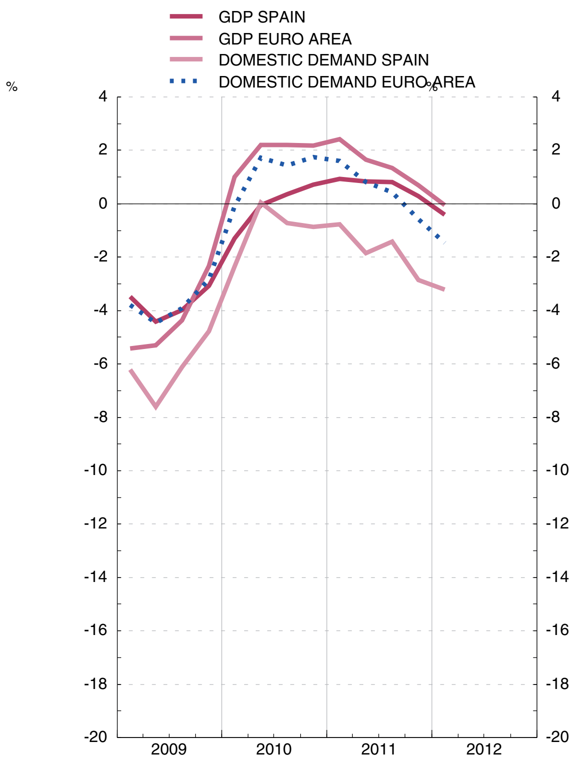
1.1. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES, REFERENCE YEAR 2008=100. DEMAND COMPONENTS. SPAIN AND EURO AREA (a)

■ Series depicted in chart.

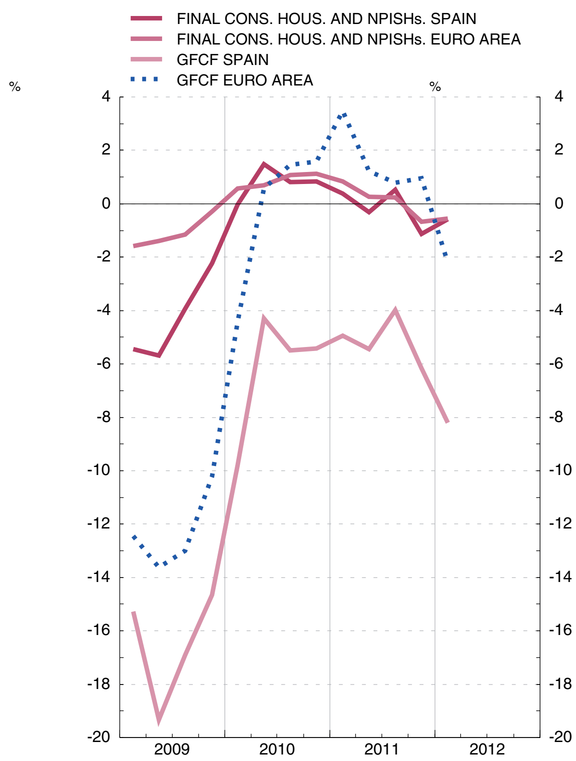
Annual percentage changes

		GDP		Final consumption of households and NPISHs		General government final consumption		Gross fixed capital formation		Domestic demand		Exports of goods and services		Imports of goods and services		Memorandum item: GDPmp (current prices) (g)	
		Spain	Euro area	Spain (b)	Euro area (c)	Spain	Euro area (d)	Spain	Euro area	Spain (e)	Euro area	Spain	Euro area (f)	Spain	Euro area (f)	Spain	Euro area
		1 ■	2 ■	3 ■	4 ■	5	6	7 ■	8 ■	9 ■	10 ■	11	12	13	14	15	16
09	P	-3.7	-4.4	-4.3	-1.1	3.7	2.6	-16.6	-12.3	-6.2	-3.8	-10.4	-12.5	-17.2	-11.3	1 048	8 917
10	P	-0.1	1.9	0.8	0.9	0.2	0.7	-6.3	-0.2	-1.0	1.2	13.5	11.0	8.9	9.4	1 051	9 155
11	P	0.7	1.5	-0.1	0.2	-2.2	-0.3	-5.1	1.6	-1.7	0.6	9.0	6.4	-0.1	4.1	1 073	9 411
09 *Q2*	P	-4.4	-5.3	-5.7	-1.4	4.6	2.7	-19.3	-13.6	-7.6	-4.5	-15.2	-16.3	-23.3	-14.6	262	2 220
Q3	P	-4.0	-4.4	-3.9	-1.2	3.3	2.6	-16.9	-13.0	-6.1	-3.9	-9.1	-12.6	-15.2	-11.6	261	2 231
Q4	P	-3.1	-2.3	-2.2	-0.3	1.4	2.5	-14.6	-10.2	-4.8	-2.8	-0.4	-5.0	-6.7	-6.3	260	2 241
10 *Q1*	P	-1.3	1.0	-0.0	0.6	0.6	1.4	-9.8	-4.4	-2.3	-0.1	11.9	7.3	6.3	4.4	261	2 258
Q2	P	-0.0	2.2	1.5	0.7	1.0	0.8	-4.3	0.6	0.1	1.7	15.3	13.0	14.5	12.0	262	2 285
Q3	P	0.4	2.2	0.8	1.1	0.2	0.5	-5.5	1.5	-0.7	1.4	11.8	12.1	7.0	10.4	263	2 301
Q4	P	0.7	2.2	0.8	1.1	-0.9	-0.1	-5.4	1.6	-0.9	1.8	14.9	11.8	8.0	11.1	265	2 312
11 *Q1*	P	0.9	2.4	0.4	0.8	0.6	0.1	-4.9	3.5	-0.8	1.6	13.1	10.1	6.0	8.2	267	2 339
Q2	P	0.8	1.6	-0.3	0.3	-2.1	-0.1	-5.4	1.2	-1.8	0.8	8.8	6.4	-1.3	4.4	268	2 351
Q3	P	0.8	1.3	0.5	0.2	-3.6	-0.4	-4.0	0.8	-1.4	0.4	9.2	5.7	0.9	3.6	269	2 362
Q4	P	0.3	0.7	-1.1	-0.7	-3.6	-0.6	-6.2	1.0	-2.9	-0.6	5.2	3.3	-5.9	0.3	269	2 359
12 *Q1*	P	-0.4	-0.1	-0.6	-0.6	-5.2	-0.3	-8.2	-2.2	-3.2	-1.5	2.2	2.9	-7.2	-0.3	267	2 364

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



DEMAND COMPONENTS. SPAIN AND EURO AREA
Annual percentage changes



Sources: INE (Quarterly National Accounts of Spain. Base year 2008) and Eurostat.

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

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

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

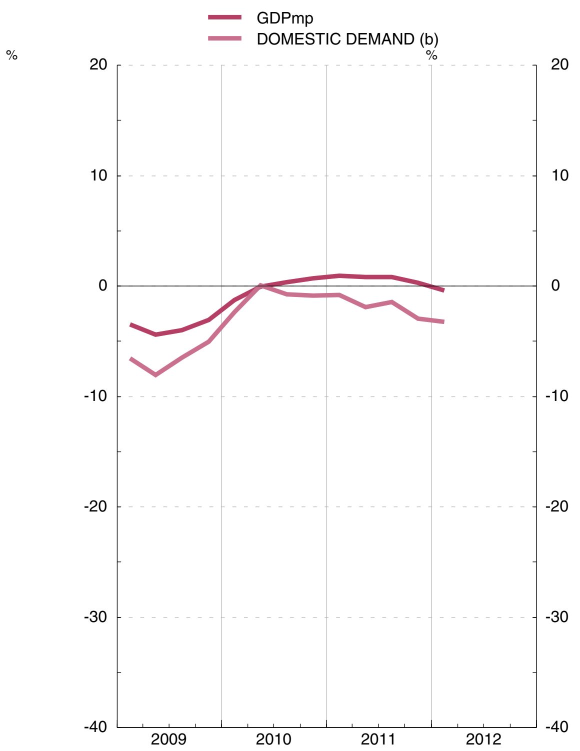
1.2. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES. REFERENCE YEAR 2008=100. DEMAND COMPONENTS. SPAIN: BREAKDOWN (a)

■ Series depicted in chart.

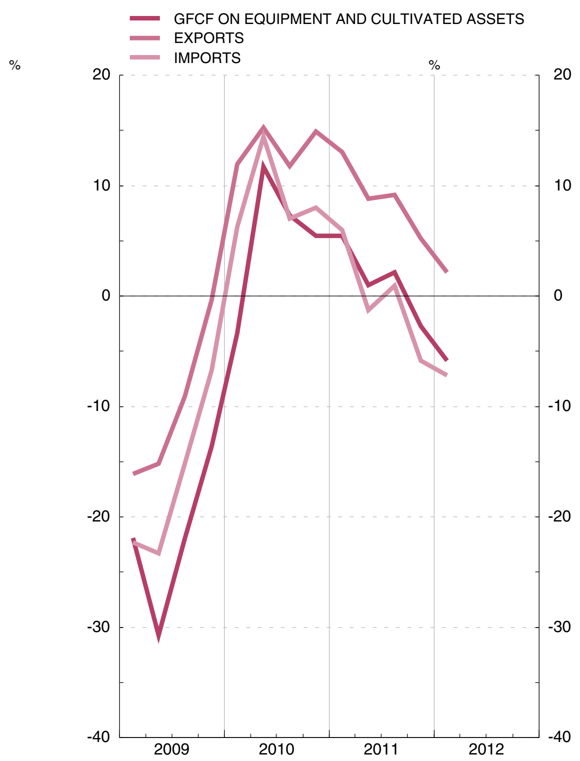
Annual percentage changes

		Gross fixed capital formation					Change in Stocks (b)	Exports of goods and services				Imports of goods and services				Memorandum items	
		Total	Tangible fixed assets			Intangible fixed assets		Total	Goods	Of which		Total	Goods	Of which		Domestic demand (b) (c)	GDP
			Total	Construc-tion	Equipment and cultivated assets					Services	Final con-sumption of non-residents in economic territory			Services	Final con-sumption of resi-dents in the rest of the world		
		1	2	3	4 ■	5	6	7 ■	8	9	10	11 ■	12	13	14	15 ■	16 ■
09	P	-16.6	-17.2	-15.4	-22.3	-3.9	-0.0	-10.4	-10.8	-9.6	-9.6	-17.2	-18.6	-12.0	-13.3	-6.5	-3.7
10	P	-6.3	-6.4	-10.1	5.1	-4.8	0.0	13.5	13.9	12.6	2.6	8.9	11.3	1.1	0.4	-1.0	-0.1
11	P	-5.1	-5.4	-8.1	1.4	0.0	-0.0	9.0	9.5	7.8	6.4	-0.1	0.6	-2.9	-4.6	-1.8	0.7
09 *Q2*	P	-19.3	-20.0	-16.1	-30.7	-5.9	-0.0	-15.2	-17.1	-11.2	-11.1	-23.3	-25.7	-14.1	-14.5	-8.0	-4.4
Q3	P	-16.9	-17.6	-16.0	-22.0	-3.2	-0.1	-9.1	-8.5	-10.3	-9.9	-15.2	-16.3	-11.1	-11.9	-6.5	-4.0
Q4	P	-14.6	-15.2	-15.8	-13.6	-3.6	-0.0	-0.4	4.9	-10.2	-5.2	-6.7	-5.6	-10.6	-7.1	-5.1	-3.1
10 *Q1*	P	-9.8	-10.0	-12.2	-3.4	-5.4	-0.0	11.9	14.9	6.5	-0.9	6.3	7.8	1.3	-1.3	-2.4	-1.3
Q2	P	-4.3	-4.5	-9.4	11.7	-0.5	0.0	15.3	16.0	13.8	1.0	14.5	17.8	3.9	0.1	0.1	-0.0
Q3	P	-5.5	-5.4	-9.5	7.3	-7.8	0.0	11.8	10.8	13.9	5.4	7.0	9.6	-1.2	2.4	-0.7	0.4
Q4	P	-5.4	-5.4	-9.3	5.4	-5.4	0.1	14.9	14.3	16.4	4.9	8.0	10.4	0.4	0.3	-0.9	0.7
11 *Q1*	P	-4.9	-5.3	-9.2	5.5	1.5	0.0	13.1	17.0	5.5	6.0	6.0	8.3	-1.8	-2.8	-0.8	0.9
Q2	P	-5.4	-5.6	-8.1	1.0	-3.1	-0.0	8.8	9.6	7.4	8.3	-1.3	-0.2	-5.3	-5.7	-1.9	0.8
Q3	P	-4.0	-4.3	-7.0	2.2	2.0	-0.1	9.2	9.5	8.2	6.3	0.9	1.4	-1.0	-5.6	-1.4	0.8
Q4	P	-6.2	-6.5	-8.2	-2.7	-0.3	-0.1	5.2	2.9	10.1	5.1	-5.9	-6.6	-3.3	-4.3	-2.9	0.3
12 *Q1*	P	-8.2	-8.8	-10.2	-5.9	2.2	-0.0	2.2	1.7	3.2	-1.0	-7.2	-7.2	-7.2	-8.7	-3.2	-0.4

GDP. DOMESTIC DEMAND
Annual percentage changes



GDP. DEMAND COMPONENTS
Annual percentage changes



Source: INE (Quarterly National Accounts of Spain. Base year 2008).
a. Prepared in accordance with ESA95, seasonally- and working-day-adjusted series (see Economic bulletin April 2002).
b. Contribution to GDPmp growth rate.
c. Residents' demand within and outside the economic territory.

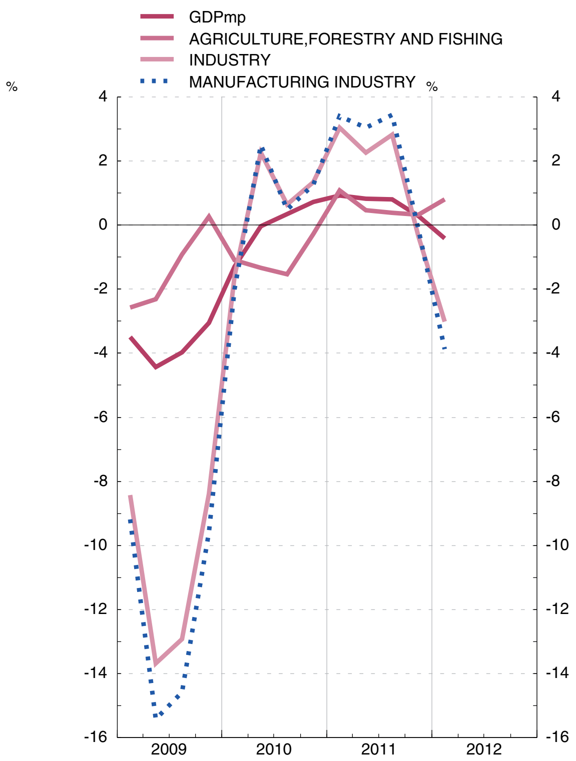
1.3. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES. REFERENCE YEAR 2008=100. BRANCHES OF ACTIVITY. SPAIN (a)

■ Series depicted in chart.

Annual percentage changes

		Gross domestic product at market prices	Agriculture livestock breeding, forestry and fishing	Industry		Construction industry	Services								Net taxes on products
				Total	Of which Manufacturing industry		Total	Trade, transport and acomodation	Information and communications	Financial and insurance activities	Real estate activities	Professional activities	Public Administration, Health and Education	Artistic, recreational and other services activities	
		1 ■	2 ■	3 ■	4 ■	5 ■	6 ■	7	8	9	10	11	12	13	14
09	P	-3.7	-1.4	-10.9	-12.2	-8.0	-0.9	-2.4	-1.2	-3.8	-1.0	-3.1	2.9	-0.3	-5.4
10	P	-0.1	-1.1	0.6	0.5	-7.8	1.4	0.9	1.2	6.6	1.5	0.4	1.6	-3.2	-1.2
11	P	0.7	0.6	1.9	2.4	-3.8	1.1	1.5	0.7	-1.0	1.1	2.5	1.0	-1.8	1.7
09 *Q2*	P	-4.4	-2.3	-13.7	-15.4	-7.6	-1.4	-3.4	-2.0	-5.4	-1.3	-3.6	3.5	-0.5	-5.1
Q3	P	-4.0	-0.9	-12.9	-14.6	-9.1	-0.3	-2.1	-1.8	0.0	-0.4	-2.7	3.3	1.3	-7.1
Q4	P	-3.1	0.3	-8.4	-9.6	-8.9	-0.4	-0.1	0.8	-6.7	-0.1	-3.0	1.7	-0.3	-4.8
10 *Q1*	P	-1.3	-1.1	-1.6	-2.0	-8.9	0.3	-0.5	-0.9	1.8	0.0	-0.2	1.4	-1.9	-1.1
Q2	P	-0.0	-1.3	2.3	2.5	-8.7	1.2	1.1	2.7	6.4	0.6	0.0	0.6	-2.6	-0.6
Q3	P	0.4	-1.5	0.6	0.5	-7.6	2.0	1.5	2.2	10.0	0.9	0.7	2.0	-3.4	-0.9
Q4	P	0.7	-0.3	1.3	1.3	-5.9	2.2	1.4	0.7	8.9	4.4	1.3	2.6	-4.8	-2.2
11 *Q1*	P	0.9	1.1	3.0	3.4	-4.9	1.4	2.7	1.2	-4.7	2.6	3.1	1.2	-3.1	1.2
Q2	P	0.8	0.5	2.3	3.0	-3.2	1.0	2.0	-0.4	-2.3	1.0	1.7	1.4	-3.8	2.5
Q3	P	0.8	0.4	2.8	3.4	-3.2	1.0	0.9	0.9	-0.1	1.3	2.8	1.0	-1.1	1.3
Q4	P	0.3	0.3	-0.4	-0.1	-3.7	0.9	0.3	1.1	3.5	-0.3	2.6	0.3	0.7	2.0
12 *Q1*	P	-0.4	0.8	-3.0	-3.9	-5.3	0.8	1.2	1.5	3.8	0.1	-0.0	0.0	0.5	1.5

GDP. BRANCHES OF ACTIVITY
Annual percentage changes



GDP. BRANCHES OF ACTIVITY
Annual percentage changes

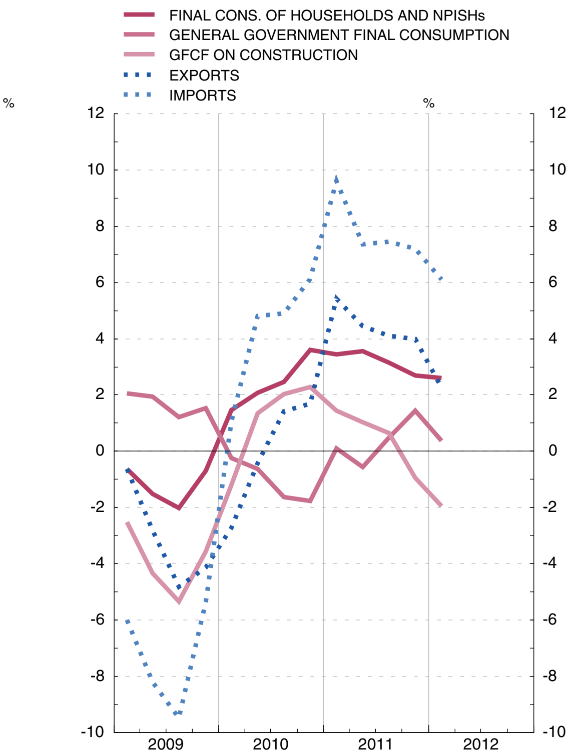
Source: INE (Quarterly National Accounts of Spain. Base year 2008).
a. Prepared in accordance with ESA95, seasonally- and working-day-adjusted series (see Economic bulletin April 2002).

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

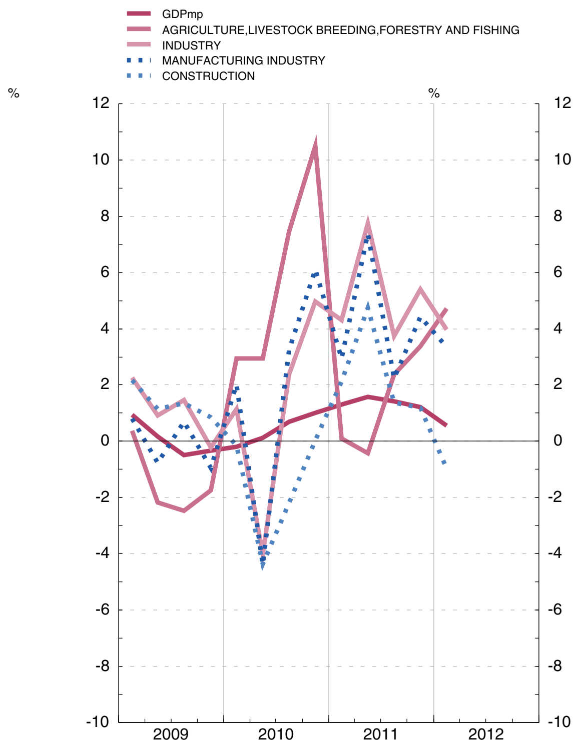
■ Series depicted in chart. *Annual percentage changes*

		Demand components: Final consumption of households and NPISHs (b)	Demand components: General government final consumption	Demand components: Gross fixed capital formation: Total	Demand components: Gross fixed capital formation: Tangible fixed assets: Construction	Demand components: Gross fixed capital formation: Tangible fixed assets: Equipment and cultivated assets	Demand components: Gross fixed capital formation: Intangible fixed asstes	Demand components: Exports of goods and services	Demand components: Imports of goods and services	Gross domestic product at market prices	Branches of activity: Agriculture, livestock breeding, forestry and fishing	Branches of activity: Industry: Total	Branches of activity: Industry: On which: Manufacturing industry	Branches of activity: Construction	Branches of activity: Services: Total	Branches of activity: Services: Trade, transport and accommodation	Branches of activity: Services: Information and communications	Branches of activity: Services: Financial and insurance activities	Branches of activity: Services: Real estate activities	Branches of activity: Services: Professional activities	Branches of activity: Services: Public administration, Health and Education	Branches of activity: Services: Artistic recreational and other services activities
		1 ■	2 ■	3	4 ■	5	6	7 ■	8 ■	9 ■	10 ■	11 ■	12 ■	13 ■	14	15	16	17	18	19	20	21
09	P	-1.2	1.7	-3.4	-3.9	-2.5	-0.3	-3.1	-7.3	0.1	-1.5	1.1	-0.1	1.4	1.4	1.5	-0.0	10.1	-8.2	0.7	2.8	1.4
10	P	2.4	-1.1	2.0	1.1	4.4	2.1	0.0	4.3	0.4	5.9	1.1	1.7	-1.7	-1.9	0.7	-6.7	-29.4	13.2	-0.4	-1.2	0.9
11	P	3.2	0.4	2.0	0.6	5.2	1.6	4.5	7.8	1.4	1.4	5.2	4.2	2.3	1.1	3.2	-0.8	-5.4	4.5	1.1	-1.2	2.2
09 *Q2*	P	-1.5	1.9	-3.8	-4.3	-3.0	0.0	-2.8	-8.2	0.2	-2.2	0.9	-0.8	1.1	1.4	1.4	0.2	13.1	-10.0	0.7	3.1	0.6
Q3	P	-2.0	1.2	-4.7	-5.3	-3.8	-0.2	-4.8	-9.5	-0.5	-2.5	1.5	0.7	1.3	1.5	1.3	2.0	8.2	-5.8	0.6	2.7	2.4
Q4	P	-0.7	1.5	-2.9	-3.6	-1.3	-0.7	-4.1	-5.4	-0.3	-1.7	-0.2	-1.0	0.8	0.1	0.2	-2.9	7.3	-9.2	-0.9	2.6	0.7
10 *Q1*	P	1.5	-0.2	-0.3	-1.2	1.7	2.3	-2.7	1.0	-0.2	2.9	1.2	2.0	-0.1	-1.0	1.1	-5.7	-27.5	14.5	-0.8	0.7	2.0
Q2	P	2.1	-0.6	2.1	1.4	4.1	1.8	-0.4	4.8	0.1	3.0	-4.0	-4.4	-4.4	-2.7	-1.1	-8.4	-29.1	10.5	-2.6	0.4	-0.2
Q3	P	2.4	-1.6	3.0	2.0	5.6	2.0	1.4	4.9	0.7	7.5	2.4	3.2	-2.2	-2.6	0.1	-7.9	-31.5	13.3	0.2	-2.1	-0.7
Q4	P	3.6	-1.8	3.4	2.3	6.1	2.2	1.7	6.1	1.0	10.5	5.0	6.1	0.0	-1.2	2.7	-4.5	-29.6	14.4	1.8	-3.9	2.9
11 *Q1*	P	3.4	0.1	2.6	1.4	5.8	1.2	5.4	9.6	1.3	0.1	4.3	2.9	2.1	0.5	2.6	-1.4	-13.2	4.4	1.9	-1.2	1.9
Q2	P	3.5	-0.5	2.4	1.0	5.7	2.0	4.4	7.3	1.6	-0.4	7.7	7.4	4.7	2.0	4.7	0.5	-6.1	8.7	3.1	-2.4	2.4
Q3	P	3.1	0.5	2.0	0.6	5.1	1.4	4.1	7.5	1.4	2.4	3.7	2.2	1.4	1.0	3.1	-1.1	-1.2	2.3	-0.3	-1.0	1.5
Q4	P	2.7	1.5	0.8	-1.0	4.5	1.9	4.0	7.2	1.2	3.4	5.4	4.4	1.2	1.0	2.5	-1.3	-0.9	3.1	-0.1	-0.3	2.7
12 *Q1*	P	2.6	0.4	0.1	-1.9	4.2	1.6	2.3	6.1	0.5	4.7	4.0	3.4	-1.0	0.9	2.1	-2.5	1.7	1.9	0.2	-0.3	1.9

GDP. IMPLICIT DEFLATORS
Annual percentage changes



GDP. IMPLICIT DEFLATORS
Annual percentage changes



Source: INE (Quarterly National Accounts of Spain. Base year 2008).

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

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

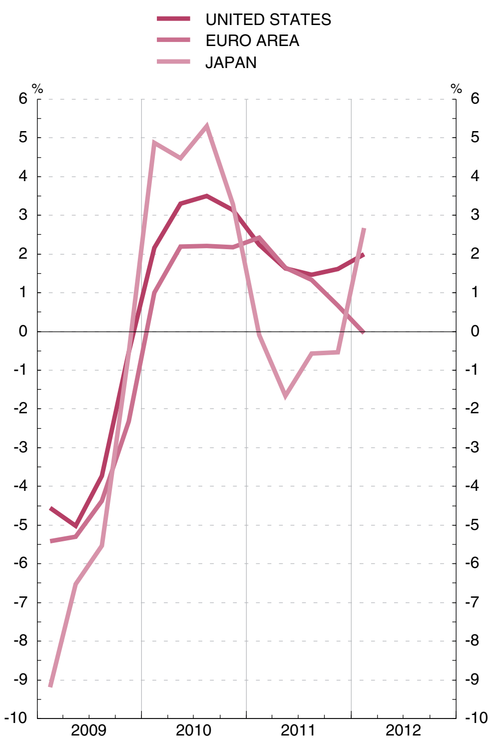
2.1. INTERNATIONAL COMPARISON. GROSS DOMESTIC PRODUCT AT CONSTANT PRICES

■ Series depicted in chart.

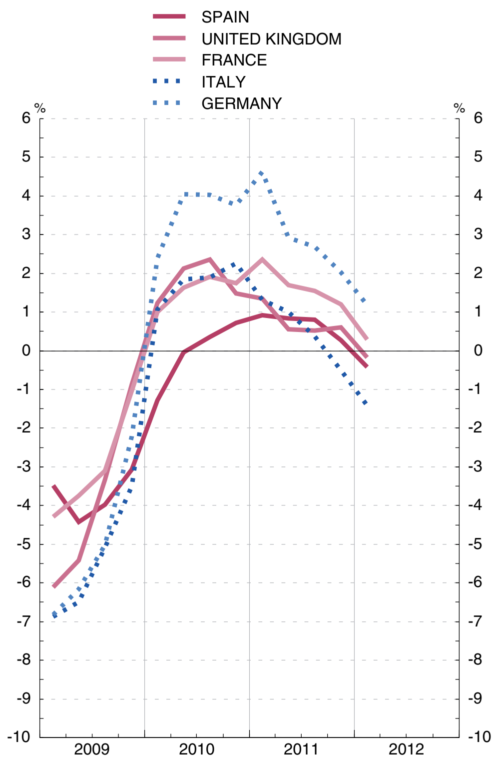
Annual percentage changes

	OECD 1	EU-27 2	Euro area 3 ■	Germany 4 ■	Spain 5 ■	United States 6 ■	France 7 ■	Italy 8 ■	Japan 9 ■	United Kingdom 10 ■
09	-3.7	-4.3	-4.4	-5.1	-3.7	-3.5	-3.1	-5.5	-5.5	-4.0
10	3.2	2.0	1.9	3.6	-0.1	3.0	1.6	1.8	4.5	1.8
11	1.8	1.6	1.5	3.1	0.7	1.7	1.7	0.5	-0.7	0.8
09 *Q1*	-5.4	-5.4	-5.4	-6.8	-3.5	-4.5	-4.3	-6.9	-9.2	-6.1
Q2	-5.1	-5.3	-5.3	-6.2	-4.4	-5.0	-3.7	-6.5	-6.5	-5.4
Q3	-3.8	-4.3	-4.4	-5.0	-4.0	-3.7	-3.1	-5.1	-5.5	-3.3
Q4	-0.7	-2.1	-2.3	-2.2	-3.1	-0.5	-1.0	-3.5	-0.6	-0.9
10 *Q1*	2.6	1.0	1.0	2.4	-1.3	2.2	1.0	1.1	4.9	1.2
Q2	3.5	2.2	2.2	4.1	-0.0	3.3	1.6	1.8	4.5	2.1
Q3	3.4	2.4	2.2	4.0	0.4	3.5	1.9	1.9	5.3	2.4
Q4	3.1	2.3	2.2	3.8	0.7	3.1	1.7	2.3	3.3	1.5
11 *Q1*	2.5	2.4	2.4	4.6	0.9	2.2	2.4	1.3	-0.1	1.4
Q2	1.7	1.7	1.7	2.9	0.8	1.6	1.7	1.0	-1.7	0.5
Q3	1.7	1.4	1.3	2.7	0.8	1.5	1.5	0.4	-0.6	0.5
Q4	1.4	0.8	0.7	2.0	0.3	1.6	1.2	-0.5	-0.5	0.6
12 *Q1*	1.6	0.1	-0.0	1.2	-0.4	2.0	0.3	-1.4	2.7	-0.2

GROSS DOMESTIC PRODUCT
Annual percentage changes



GROSS DOMESTIC PRODUCT
Annual percentage changes



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

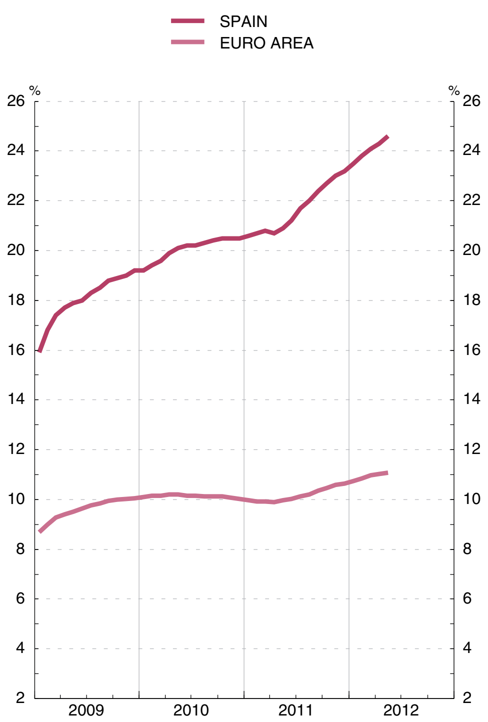
2.2. INTERNATIONAL COMPARISON. UNEMPLOYMENT RATES

■ Series depicted in chart.

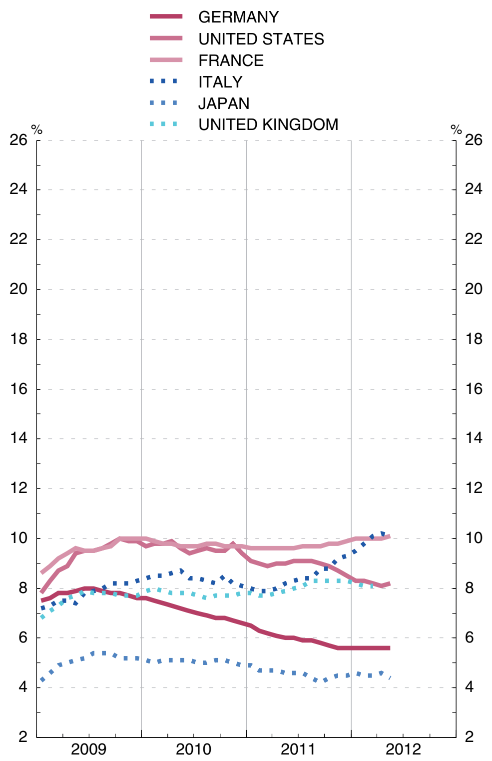
Percentages

	OECD	EU-27	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3 ■	4 ■	5 ■	6 ■	7 ■	8 ■	9 ■	10 ■
09	8.2	9.0	9.6	7.8	18.0	9.3	9.5	7.8	5.1	7.6
10	8.4	9.6	10.1	7.1	20.1	9.6	9.8	8.4	5.1	7.8
11	8.0	9.7	10.2	6.0	21.7	8.9	9.7	8.4	4.6	8.0
10 *Dec*	8.1	9.6	10.0	6.6	20.5	9.4	9.7	8.1	4.9	7.8
11 *Jan*	8.0	9.5	10.0	6.5	20.6	9.1	9.6	8.0	4.9	7.8
Feb	8.0	9.4	10.0	6.3	20.7	9.0	9.6	7.9	4.7	7.7
Mar	7.9	9.4	9.9	6.2	20.8	8.9	9.6	7.9	4.7	7.7
Apr	7.9	9.5	9.9	6.1	20.7	9.0	9.6	8.0	4.7	7.8
May	7.9	9.5	10.0	6.0	20.9	9.0	9.6	8.2	4.6	7.9
Jun	8.0	9.6	10.0	6.0	21.2	9.1	9.6	8.3	4.6	8.0
Jul	8.0	9.6	10.1	5.9	21.7	9.1	9.7	8.4	4.6	8.1
Aug	8.0	9.7	10.2	5.9	22.0	9.1	9.7	8.4	4.4	8.3
Sep	8.0	9.8	10.3	5.8	22.4	9.0	9.7	8.8	4.2	8.3
Oct	8.0	9.9	10.4	5.7	22.7	8.9	9.8	8.8	4.4	8.3
Nov	7.9	10.0	10.6	5.6	23.0	8.7	9.8	9.2	4.5	8.3
Dec	7.9	10.0	10.6	5.6	23.2	8.5	9.9	9.3	4.5	8.3
12 *Jan*	7.9	10.1	10.8	5.6	23.5	8.3	10.0	9.5	4.6	8.2
Feb	8.0	10.1	10.8	5.6	23.8	8.3	10.0	9.8	4.5	8.1
Mar	7.9	10.2	10.9	5.6	24.1	8.2	10.0	10.1	4.5	8.1
Apr	7.9	10.2	...	5.6	24.3	8.1	10.0	10.2	4.6	...
May	7.9	10.3	...	5.6	24.6	8.2	10.1	10.1	4.4	...

UNEMPLOYMENT RATES



UNEMPLOYMENT RATES



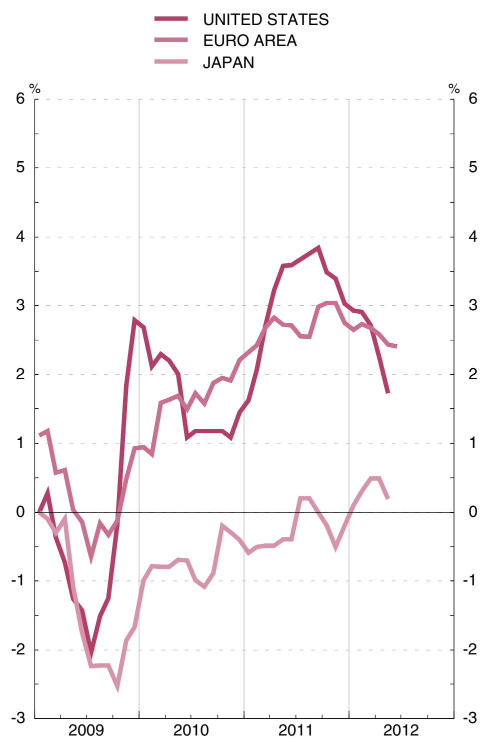
Source: OECD.

2.3. INTERNATIONAL COMPARISON. CONSUMER PRICES (a)

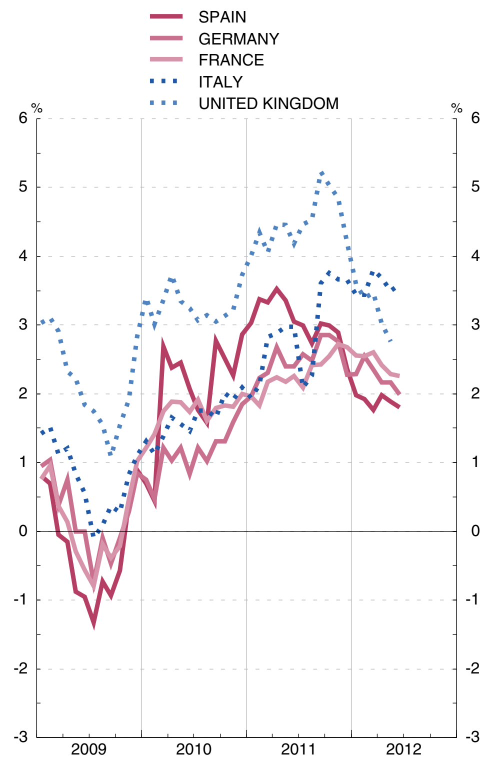
■ Series depicted in chart. *Annual percentage changes*

	OECD 1	EU-27 2	Euro area 3 ■	Germany 4 ■	Spain 5 ■	United States 6 ■	France 7 ■	Italy 8 ■	Japan 9 ■	United Kingdom 10 ■
09	0.5	1.0	0.3	0.2	-0.2	-0.3	0.1	0.8	-1.3	2.2
10	1.9	2.1	1.6	1.2	2.0	1.6	1.7	1.6	-0.7	3.3
11	2.9	3.1	2.7	2.5	3.1	3.2	2.3	2.9	-0.3	4.5
11 *Jan*	2.1	2.7	2.3	2.0	3.0	1.6	2.0	1.9	-0.6	4.0
Feb	2.3	2.9	2.4	2.2	3.4	2.1	1.8	2.1	-0.5	4.3
Mar	2.6	3.1	2.7	2.3	3.3	2.7	2.2	2.8	-0.5	4.1
Apr	2.9	3.3	2.8	2.7	3.5	3.2	2.2	2.9	-0.5	4.5
May	3.1	3.2	2.7	2.4	3.4	3.6	2.2	3.0	-0.4	4.5
Jun	3.0	3.1	2.7	2.4	3.0	3.6	2.3	3.0	-0.4	4.2
Jul	3.1	2.9	2.6	2.6	3.0	3.7	2.1	2.1	0.2	4.5
Aug	3.2	3.0	2.5	2.5	2.7	3.8	2.4	2.3	0.2	4.5
Sep	3.2	3.3	3.0	2.9	3.0	3.8	2.4	3.6	-	5.2
Oct	3.1	3.4	3.0	2.9	3.0	3.5	2.5	3.8	-0.2	5.0
Nov	3.1	3.3	3.0	2.8	2.9	3.4	2.7	3.7	-0.5	4.8
Dec	2.9	3.0	2.7	2.3	2.4	3.0	2.7	3.7	-0.2	4.2
12 *Jan*	2.8	2.9	2.7	2.3	2.0	2.9	2.6	3.4	0.1	3.6
Feb	2.8	2.9	2.7	2.5	1.9	2.9	2.5	3.4	0.3	3.4
Mar	2.6	2.9	2.7	2.3	1.8	2.7	2.6	3.8	0.5	3.5
Apr	2.4	2.7	2.6	2.2	2.0	2.3	2.4	3.7	0.5	3.0
May	2.1	2.6	2.4	2.2	1.9	1.7	2.3	3.5	0.2	2.8
Jun	...	...	2.4	2.0	1.8	...	2.3	3.6	...	...

CONSUMER PRICES
Annual percentage changes



CONSUMER PRICES
Annual percentage changes



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

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

■ Series depicted in chart.

Average of daily data

	Exchange rates			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
09	1.3940	130.30	93.57	110.6	80.8	111.7	109.2	88.9	86.1	104.3	92.6	84.9
10	1.3267	116.42	87.78	103.7	78.6	119.9	101.6	86.7	90.2	98.1	93.0	88.0
11	1.3918	111.00	79.74	103.4	74.0	127.5	100.7	82.4	92.8	97.6	90.4	89.2
11 *J-J*	1.4033	115.03	81.99	103.9	73.9	123.4	101.4	82.1	90.4	98.2	89.8	87.1
12 *J-J*	1.2966	103.37	79.70	98.9	76.7	131.5	96.7	85.0	94.0	94.2	94.0	89.3
11 *Apr*	1.4442	120.42	83.39	105.9	72.7	119.6	103.3	80.9	87.2	100.0	88.9	84.1
May	1.4349	116.47	81.17	104.9	72.7	123.1	102.2	81.0	89.5	98.8	89.8	86.1
Jun	1.4388	115.75	80.45	105.0	72.7	124.0	102.2	81.1	90.1	99.0	89.5	86.8
Jul	1.4264	113.26	79.40	104.0	72.3	125.9	101.0	80.9	91.6	98.1	89.3	87.9
Aug	1.4343	110.43	77.00	103.9	72.1	129.4	100.8	80.7	94.2	97.9	88.5	90.3
Sep	1.3770	105.75	76.79	102.8	74.2	132.9	100.0	82.8	96.3	96.8	91.2	92.3
Oct	1.3706	105.06	76.65	103.0	74.8	133.7	100.3	83.1	97.0	97.0	91.5	92.6
Nov	1.3556	105.02	77.47	102.6	75.4	133.0	99.9	83.7	95.8	96.7	92.3	91.9
Dec	1.3179	102.55	77.81	100.8	76.3	134.1	98.1	84.7	96.6	95.1	93.4	92.7
12 *Jan*	1.2905	99.33	76.97	98.9	76.6	136.5	96.3	85.5	98.7	93.6	94.0	93.8
Feb	1.3224	103.77	78.46	99.6	75.5	132.1	97.2	84.4	95.3	94.6	92.9	90.5
Mar	1.3201	108.88	82.48	99.8	76.3	125.8	97.3	85.2	90.4	94.8	94.7	85.7
Apr	1.3162	107.00	81.30	99.5	76.1	127.8	97.0	84.9	91.5	94.6	94.4	87.1
May	1.2789	101.97	79.73	98.0	77.3	132.3	95.6	...	...	93.4	...	...
Jun	1.2526	99.26	79.24	97.2	78.3	134.5	...	...	...	...	...	...

EXCHANGE RATES

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

Sources: ECB and BE.

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

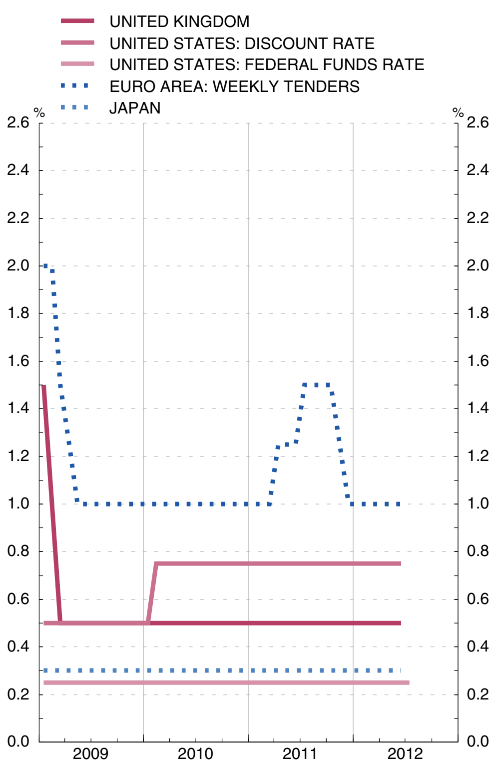
b. Obtained by multiplying the relative prices of each area/country (relation betwen its price index and the price index of the group) by the nominal effective exchange rate. A decline in the index denotes a depreciation of the real effective exchange rate and, may be interpreted as an improvement in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

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

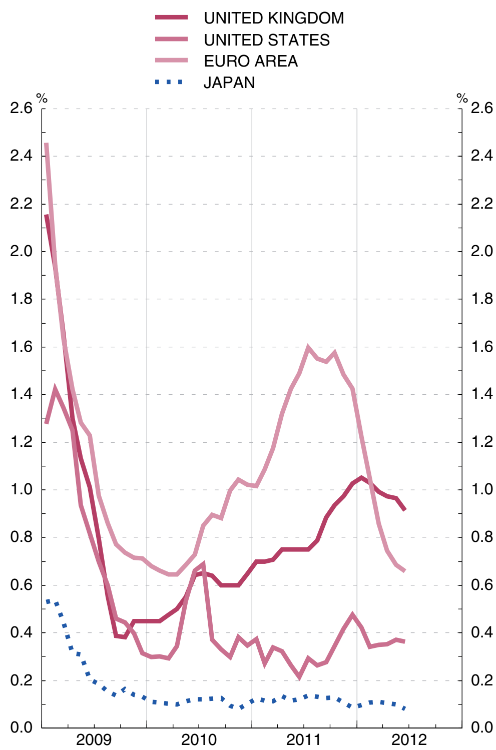
■ Series depicted in chart. *Percentages*

	Official intervention interest rates					3-month interbank rates									
	Euro area (a)	United States: Discount rate (b)	United States: Federal funds rate	Japan (c)	United Kingdom (d)	OECD	EU-15	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1 ■	2 ■	3 ■	4 ■	5 ■	6	7	8 ■	9	10	11 ■	12	13	14 ■	15 ■
09	1.00	0.50	0.25	0.30	0.50	0.93	1.19	1.22	-	1.23	0.83	-	-	0.27	1.01
10	1.00	0.75	0.25	0.30	0.50	0.61	0.78	0.81	-	0.87	0.40	-	-	0.11	0.57
11	1.00	0.75	0.25	0.30	0.50	0.81	1.32	1.39	-	1.34	0.32	-	-	0.12	0.81
11 *Feb*	1.00	0.75	0.25	0.30	0.50	0.68	1.05	1.09	-	1.08	0.27	-	-	0.12	0.70
Mar	1.00	0.75	0.25	0.30	0.50	0.74	1.13	1.18	-	1.17	0.34	-	-	0.11	0.71
Apr	1.25	0.75	0.25	0.30	0.50	0.78	1.25	1.32	-	1.31	0.32	-	-	0.14	0.75
May	1.25	0.75	0.25	0.30	0.50	0.79	1.34	1.43	-	1.43	0.26	-	-	0.12	0.75
Jun	1.25	0.75	0.25	0.30	0.50	0.79	1.39	1.49	-	1.49	0.21	-	-	0.12	0.75
Jul	1.50	0.75	0.25	0.30	0.50	0.86	1.48	1.60	-	-	0.29	-	-	0.14	0.75
Aug	1.50	0.75	0.25	0.30	0.50	0.83	1.44	1.55	-	1.45	0.26	-	-	0.13	0.79
Sep	1.50	0.75	0.25	0.30	0.50	0.84	1.46	1.54	-	1.68	0.28	-	-	0.13	0.88
Oct	1.50	0.75	0.25	0.30	0.50	0.88	1.49	1.58	-	-	0.34	-	-	0.13	0.93
Nov	1.25	0.75	0.25	0.30	0.50	0.88	1.42	1.48	-	1.46	0.42	-	-	0.11	0.97
Dec	1.00	0.75	0.25	0.30	0.50	0.88	1.38	1.43	-	-	0.48	-	-	0.09	1.03
12 *Jan*	1.00	0.75	0.25	0.30	0.50	0.79	1.21	1.22	-	1.16	0.42	-	-	0.10	1.05
Feb	1.00	0.75	0.25	0.30	0.50	0.71	1.07	1.05	-	1.07	0.34	-	-	0.11	1.03
Mar	1.00	0.75	0.25	0.30	0.50	0.65	0.91	0.86	-	0.94	0.35	-	-	0.11	0.99
Apr	1.00	0.75	0.25	0.30	0.50	0.62	0.81	0.74	-	-	0.35	-	-	0.11	0.97
May	1.00	0.75	0.25	0.30	0.50	0.60	0.76	0.68	-	-	0.37	-	-	0.10	0.96
Jun	1.00	0.75	0.25	0.30	0.50	0.58	0.72	0.66	-	-	0.36	-	-	0.08	0.91
Jul	-	-	0.25	-	-	-	-	-	-	-	-	-	-	-	-

OFFICIAL INTERVENTION INTEREST RATES



3-MONTH INTERBANK RATES



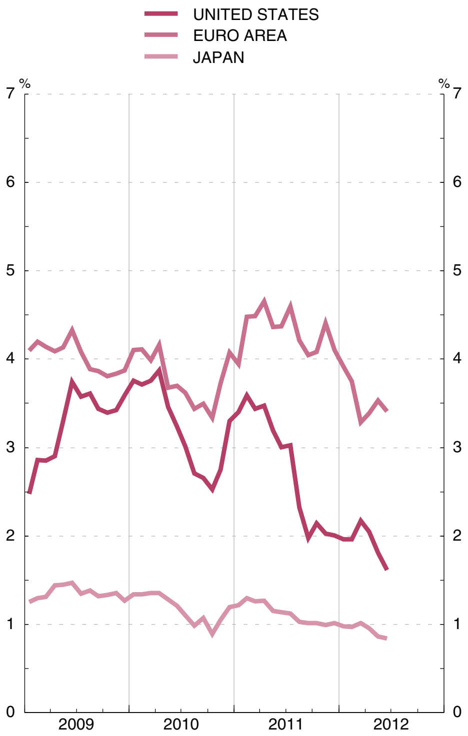
Sorces: ECB, Reuters and BE.
a. Main refinancing operations.
b. As from January 2003, the Primary Credit Rate.
c. Discount rate.
d. Retail bank base rate.

2.6. 10-YEAR GOVERNMENT BOND YIELDS ON DOMESTIC MARKETS

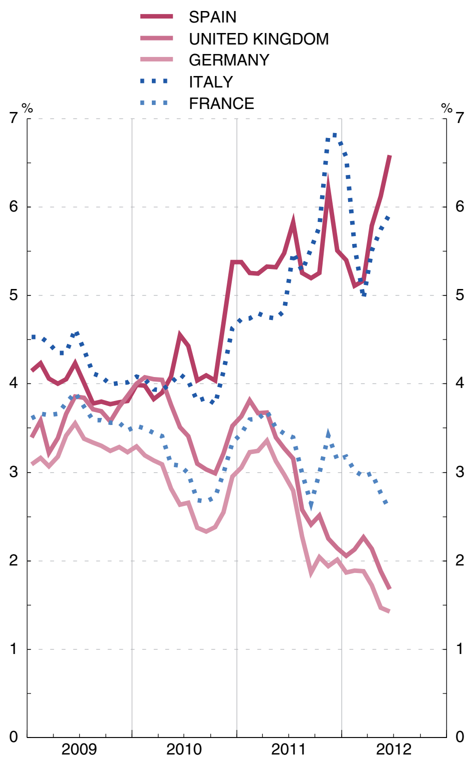
■ Series depicted in chart. *Percentages*

	OECD 1	EU-15 2	Euro area 3 ■	Germany 4 ■	Spain 5 ■	United States 6 ■	France 7 ■	Italy 8 ■	Japan 9 ■	United Kingdom 10 ■
09	3.18	3.74	4.03	3.27	3.97	3.27	3.65	4.28	1.35	3.63
10	3.05	3.52	3.78	2.78	4.25	3.22	3.12	4.03	1.18	3.56
11	3.03	4.02	4.31	2.66	5.44	2.80	3.32	5.36	1.12	3.04
11 *Jan*	3.32	4.02	3.94	3.05	5.38	3.41	3.44	4.73	1.22	3.63
Feb	3.46	4.13	4.48	3.23	5.26	3.59	3.60	4.74	1.29	3.81
Mar	3.40	4.15	4.49	3.24	5.25	3.44	3.60	4.80	1.26	3.67
Apr	3.46	4.26	4.66	3.36	5.33	3.47	3.69	4.75	1.27	3.68
May	3.28	4.15	4.37	3.13	5.32	3.19	3.50	4.74	1.15	3.40
Jun	3.18	4.14	4.37	2.98	5.48	3.00	3.44	4.82	1.14	3.27
Jul	3.21	4.22	4.59	2.79	5.82	3.03	3.40	5.49	1.12	3.15
Aug	2.70	3.74	4.21	2.27	5.25	2.32	2.99	5.28	1.03	2.57
Sep	2.49	3.58	4.04	1.87	5.20	1.98	2.65	5.53	1.01	2.41
Oct	2.63	3.77	4.09	2.04	5.25	2.14	2.99	5.77	1.01	2.51
Nov	2.68	4.05	4.41	1.94	6.19	2.02	3.42	6.82	0.99	2.25
Dec	2.64	4.00	4.11	2.01	5.50	2.00	3.14	6.81	1.01	2.14
12 *Jan*	2.62	4.00	3.92	1.87	5.40	1.96	3.18	6.56	0.98	2.05
Feb	2.56	3.83	3.75	1.89	5.11	1.96	3.02	5.56	0.97	2.13
Mar	2.55	3.56	3.29	1.88	5.17	2.17	2.96	4.96	1.01	2.26
Apr	2.52	3.65	3.39	1.72	5.79	2.05	2.99	5.51	0.95	2.14
May	2.38	3.63	3.53	1.47	6.13	1.81	2.76	5.75	0.86	1.88
Jun	2.28	3.61	3.41	1.43	6.59	1.61	2.57	5.92	0.84	1.68

10-YEAR GOVERNMENT BOND YIELDS



10-YEAR GOVERNMENT BOND YIELDS



Sources: ECB, Reuters and BE.

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

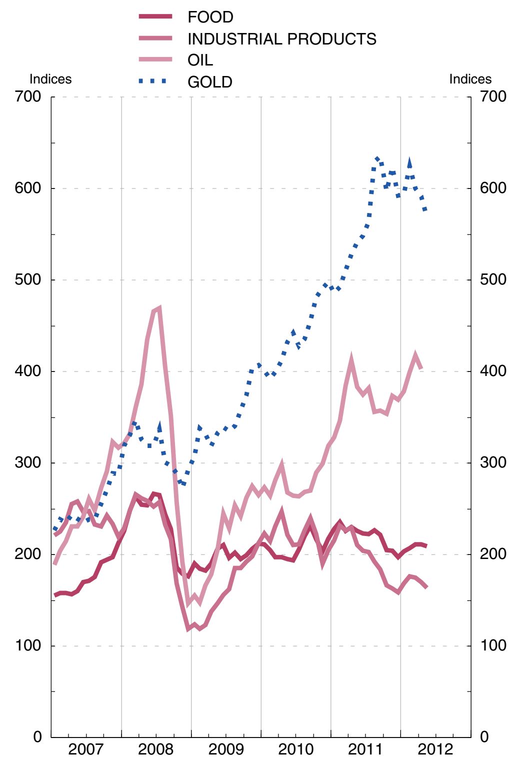
■ Series depicted in chart.

Base 2000 = 100

	Non-energy commodity price index (a)						Oil		Gold		
	Euro index	US dollar index					Index (b)	Brent North sea	Index (c)	US dollars per troy ounce	Euro per gram
	General	General	Food	Industrial products				US dollars per barrel			
				Total	Non-food agricul-tural products	Metals					
	1 ■	2 ■	3 ■	4 ■	5	6	7 ■	8	9 ■	10	11
07	136.4	202.3	175.1	237.4	162.4	278.4	252.1	73.0	249.8	696.7	16.32
08	142.2	227.4	232.4	221.0	176.0	245.5	343.7	97.2	312.5	871.7	19.07
09	120.8	182.3	198.0	162.2	136.0	176.4	219.2	61.7	348.8	973.0	22.42
10	158.6	213.1	207.9	220.2	211.2	225.9	280.0	79.9	439.2	1 225.3	29.76
11	187.3	209.6	220.3	198.5	239.6	180.9	368.4	112.2	562.6	1 569.5	36.29
11 *J-M*	201.4	225.7	228.9	222.5	284.6	195.8	371.1	111.5	512.0	1 428.3	32.91
12 *J-M*	180.4	189.9	208.3	170.6	188.2	163.0	...	117.9	595.3	1 660.8	40.91
11 *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	373.3	111.1	623.4	1 739.0	41.24
Dec	168.6	178.4	197.0	158.9	174.5	152.3	369.2	108.7	592.3	1 652.3	40.18
12 *Jan*	179.4	186.5	203.6	168.7	183.8	162.3	378.6	111.1	593.7	1 656.1	41.35
Feb	179.8	191.8	206.9	176.2	192.6	169.2	399.2	120.6	624.7	1 742.6	42.37
Mar	181.9	193.2	210.9	174.5	192.8	166.7	417.2	126.8	600.0	1 673.8	40.75
Apr	180.0	191.0	210.9	170.2	191.5	161.1	402.9	120.5	591.3	1 649.6	40.30
May	180.8	186.9	209.4	163.6	180.9	156.2	...	111.0	568.8	1 586.8	39.83

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

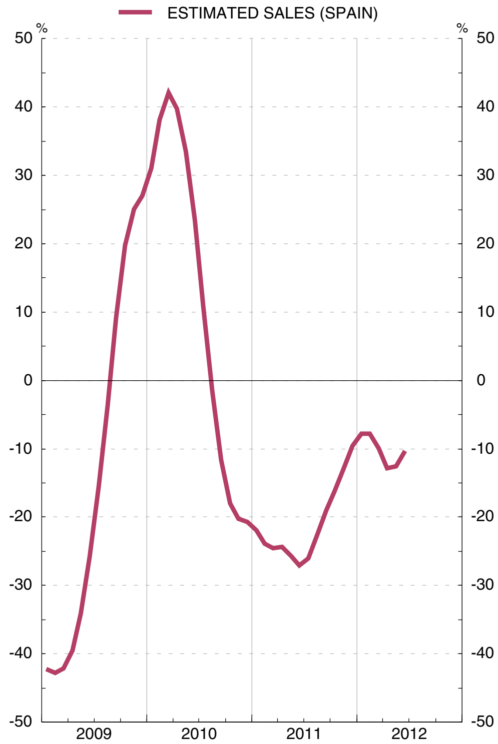
■ Series depicted in chart.

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			of which		Memorandum item: euro area	General retail trade index	General index without petrol stations						
		Confidence index	General economic situation: anticipated trend	Household economic situation: anticipated trend		Consumer confidence index	Retail trade confidence index	Registrations	Private use	Estimated sales	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
09		-28.2	-26.2	-13.2	-24.6	-24.8	-15.5	-18.1	-10.7	-17.9	4.4	-5.7	-5.8	-3.4	-6.0	-1.6	-7.1	-7.2	-2.2
10		-20.9	-18.0	-9.7	-17.2	-14.2	-4.1	3.0	...	3.1	-8.1	-1.6	-0.9	-0.4	-1.6	1.9	-3.1	-2.0	1.3
11	P	-17.1	-13.8	-6.7	-19.8	-14.6	-5.5	-18.3	...	-17.7	-0.7	-5.7	-5.6	-2.8	-7.2	-0.7	-7.2	-7.0	-0.3
11 *J-J*	P	-17.9	-14.8	-7.8	-20.4	-10.9	-1.7	-27.3	...	-26.8	-2.2	-5.4	-5.3	-2.8	-7.2	0.4	-6.7	-7.2	0.1
12 *J-J*	P	-26.8	-24.2	-13.2	-21.9	-19.9	-14.3	-8.0	...	-8.2	...	...	...	...	...	...	...	...	...
11 *Jul*	P	-13.4	-8.1	-2.2	-17.3	-11.5	-3.7	-5.5	...	-4.0	2.2	-6.2	-5.8	-5.7	-5.5	-4.0	-7.0	-6.3	0.0
Aug	P	-17.0	-14.4	-6.0	-20.3	-16.8	-8.8	3.6	...	5.9	6.1	-3.8	-3.4	-0.9	-3.3	1.7	-6.8	-5.6	0.3
Sep	P	-17.0	-16.1	-6.9	-19.0	-19.3	-9.9	-2.4	...	-1.3	1.3	-5.3	-5.1	-1.4	-4.5	-0.8	-7.1	-6.7	-1.0
Oct	P	-19.6	-16.0	-8.1	-19.3	-20.1	-9.9	-6.9	...	-6.7	-0.6	-7.1	-6.9	-2.7	-10.3	-2.3	-9.0	-7.3	-0.7
Nov	P	-15.4	-12.0	-5.6	-18.4	-20.5	-11.2	-6.9	...	-6.4	-3.3	-7.3	-7.2	-3.9	-9.9	-2.9	-8.5	-8.1	-1.2
Dec	P	-15.3	-9.8	-4.8	-20.4	-21.3	-12.2	-4.2	...	-3.6	-1.2	-6.5	-6.4	-2.4	-9.1	-2.4	-7.0	-7.4	-1.6
12 *Jan*	P	-20.2	-17.6	-9.5	-24.6	-20.7	-15.5	1.9	...	2.5	-13.2	-4.6	-4.2	-1.2	-8.2	-1.3	-4.2	-4.1	-0.8
Feb	P	-24.7	-19.9	-7.5	-22.2	-20.3	-14.0	-2.7	...	-2.1	-14.8	-3.7	-3.3	-0.1	-4.6	1.3	-5.0	-5.3	-1.2
Mar	P	-28.9	-23.8	-13.3	-22.2	-19.1	-12.0	-4.4	...	-4.5	-7.2	-3.9	-2.8	0.7	-3.6	2.8	-6.6	-5.1	0.3
Apr	P	-28.6	-24.9	-15.6	-21.2	-19.9	-11.1	-21.5	...	-21.7	-7.7	-11.5	-11.3	-6.8	-16.9	-8.7	-12.5	-10.5	-2.3
May	P	-33.2	-34.1	-18.7	-23.8	-19.3	-18.1	-7.3	...	-8.2	-6.6	-4.3	-3.7	-1.2	-5.9	0.6	-4.6	-5.6	...
Jun	P	-25.1	-24.8	-14.7	-17.6	-19.8	-14.9	-11.7	...	-12.1	...	...	...	...	...	...	...	...	...

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.

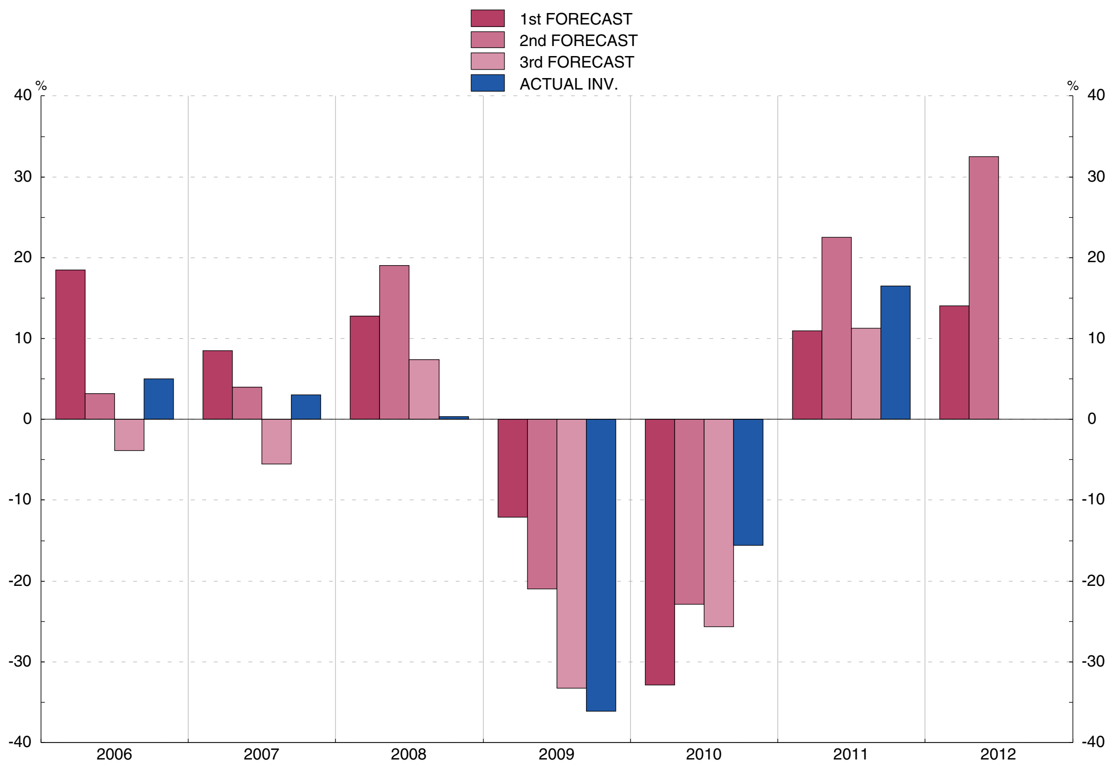
a. Data adjusted by working days.

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	17	11	23	11
12	...	14	33	...

INVESTMENT IN INDUSTRY
Annual rates of change



Source: Ministerio de Industria, Energía y Turismo.
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.

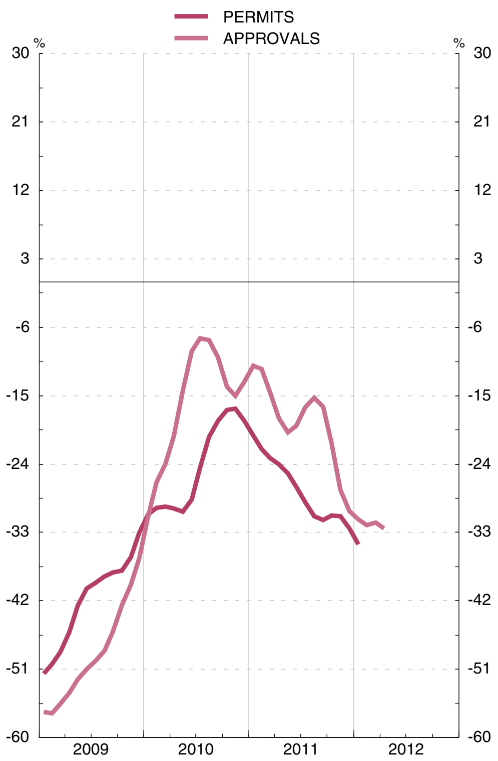
3.3. CONSTRUCTION. INDICATORS OF BUILDING STARTS AND CONSUMPTION OF CEMENT. SPAIN

■ Series depicted in chart.

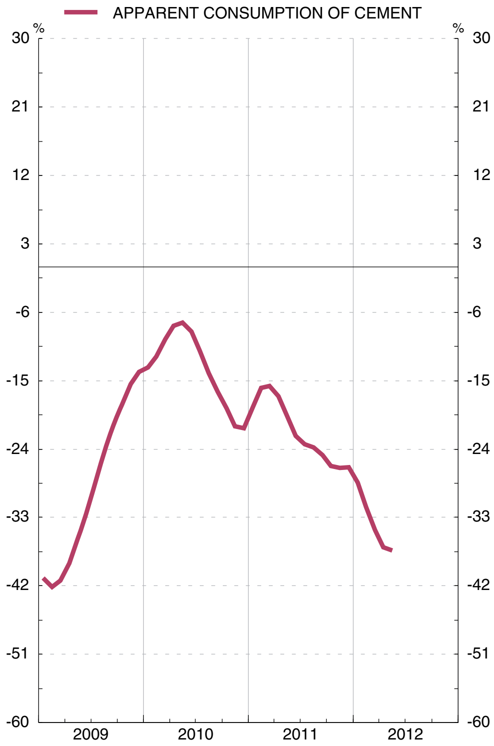
Annual percentage changes

		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 ■
09	P	-43.4	-49.3	-49.2	-27.2	-51.4	-56.8	-8.2	-8.2	1.1	3.7	-19.9	0.3	-11.4	-32.3
10	P	-28.7	-24.3	-25.2	-36.9	-16.0	-16.1	-38.0	-38.0	-20.3	-38.5	-38.7	-14.6	-45.2	-15.4
11	P	-16.4	-17.5	-16.6	-13.9	-18.6	-13.2	-46.2	-46.2	-56.6	-47.8	-51.0	-58.6	-40.1	-17.0
11 *J-M*	P	5.4	5.5	4.1	5.2	-14.9	-11.9	-37.0	-37.0	-56.9	-52.4	-42.8	-58.0	-21.7	-6.4
12 *J-M*	P	...	...	...	...	...	...	...	...	...	...	...	...	...	-34.6
11 *Feb*	P	-17.7	-19.9	-24.7	-12.4	-6.3	5.0	-45.9	-36.5	-57.6	-58.6	-72.0	-57.4	-37.1	3.7
Mar	P	25.4	17.7	20.7	42.5	-16.2	-23.3	-57.9	-45.5	-66.5	-65.8	-92.6	-66.8	-49.7	-3.1
Apr	P	6.2	-10.0	-11.6	36.9	-22.9	-25.0	-52.1	-47.0	-62.5	33.6	98.4	-71.7	-43.2	-14.8
May	P	2.6	17.2	16.9	-21.0	-21.9	-20.1	1.4	-37.0	-56.3	-64.9	19.5	-54.4	35.5	-13.6
Jun	P	-13.0	-24.2	-21.8	12.4	-20.7	-11.2	-56.3	-40.3	-50.1	3.6	-46.2	-60.6	-58.7	-23.0
Jul	P	-24.1	-30.7	-31.5	-6.6	-19.0	-12.9	-44.2	-40.7	-61.3	-54.2	-38.8	-63.4	-27.9	-26.1
Aug	P	-24.9	-27.4	-28.8	-19.5	-4.6	-9.0	-50.9	-42.0	-47.6	-48.6	-59.5	-47.4	-52.4	-16.7
Sep	P	-37.8	-32.6	-29.9	-49.5	-14.8	4.8	-40.0	-41.8	-43.3	-40.4	-50.5	-44.2	-39.1	-21.1
Oct	P	-18.7	-19.7	-17.3	-16.9	-7.4	-0.7	-66.7	-44.1	-48.4	-13.8	-82.1	-56.2	-78.3	-29.8
Nov	P	-20.2	-26.4	-21.5	-3.4	-41.4	-35.8	-39.9	-43.7	-66.2	-79.8	-85.1	-62.3	-30.3	-29.3
Dec	P	-51.7	-44.4	-41.9	-68.2	-32.6	-30.4	-72.0	-46.2	-71.6	-67.4	-77.9	-72.1	-72.1	-21.9
12 *Jan*	P	-50.3	-51.8	-50.2	-45.1	-24.5	-29.8	-67.8	-67.8	-66.3	-83.4	-87.7	-63.2	-68.7	-23.3
Feb	P	...	...	...	...	-38.5	-34.7	-17.7	-42.4	-39.4	-83.1	-64.2	-35.0	-6.6	-32.0
Mar	P	...	...	...	...	-27.9	-26.7	-68.0	-50.6	-68.1	-72.9	11.2	-65.9	-67.9	-36.5
Apr	P	...	...	...	...	-34.3	-32.2	-56.7	-51.9	-59.3	-87.8	-90.0	-46.2	-55.3	-41.1
May	P	...	...	...	...	...	...	...	...	...	...	...	...	...	-37.2

CONSTRUCTION
Trend obtained with TRAMO-SEATS



CONSTRUCTION
Trend obtained with TRAMO-SEATS



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

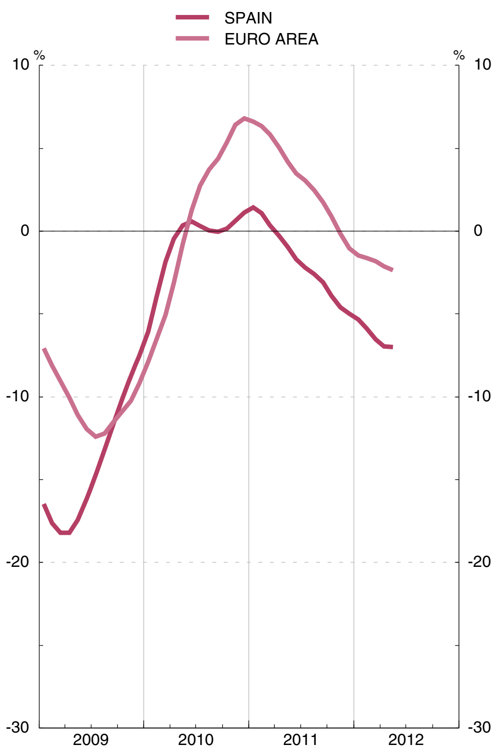
3.4. INDUSTRIAL PRODUCTION INDEX. SPAIN AND EURO AREA (a)

■ Series depicted in chart.

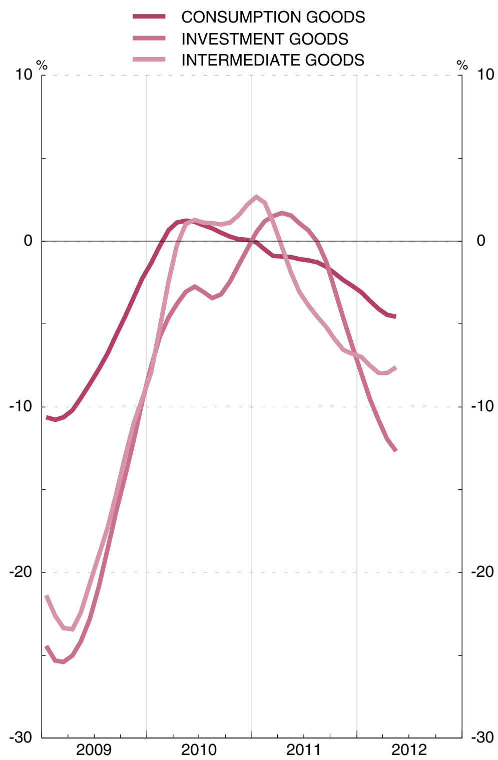
Annual percentage changes

		Overall Index		By end-use of goods				By branch of activity (NACE 2009)			Memorandum item: euro area				
		Total		Consumer goods	Capital goods	Inter-mediate goods	Energy	Mining and quarrying	Manufac-turing	Electrity and gas supply	Total	of which	By end-use of goods		
		Original series	12-month %change 12									Manufac-turing	Consumer goods	Capital goods	Inter-mediate goods
		1	2 ■	3 ■	4 ■	5 ■	6	7	8	9	10 ■	11	12	13	14
09	MP	82.6	-16.2	-8.8	-22.5	-21.4	-8.6	-24.3	-17.0	-7.6	-14.9	-15.9	-5.0	-20.9	-19.2
10	MP	83.4	0.9	0.9	-3.3	2.7	2.5	4.4	0.6	2.9	7.3	7.7	3.0	9.2	10.0
11	MP	81.9	-1.8	-1.4	0.3	-2.6	-3.6	-14.6	-1.4	-3.6	3.5	4.7	0.6	8.8	4.2
11 *J-M*	MP	84.5	1.3	-0.7	3.6	2.4	-0.3	-11.2	1.8	-1.2	5.8	7.3	1.6	12.1	7.4
12 *J-M*	MP	79.3	-6.1	-3.9	-11.7	-7.4	0.1	-6.9	-6.9	0.4	-2.0	-2.0	-3.3	0.7	-3.4
11 *Feb*	P	83.5	3.3	0.1	5.1	6.6	0.2	-10.9	4.3	-2.3	7.7	9.6	2.3	15.1	10.3
Mar	P	92.4	1.3	-3.2	3.1	5.6	-1.8	-9.0	1.7	-0.6	5.8	6.8	0.5	11.8	7.6
Apr	P	78.9	-4.0	-6.1	-1.4	-4.1	-3.2	-15.9	-3.7	-5.5	5.3	6.7	3.4	10.6	5.7
May	P	87.1	1.2	2.9	6.4	-2.2	-1.0	-14.8	1.9	-1.7	4.2	5.8	1.8	10.8	4.4
Jun	P	86.7	-2.6	-1.5	0.3	-4.2	-5.2	-14.7	-2.4	-2.3	2.7	3.4	-0.2	6.9	3.0
Jul	P	85.0	-5.2	-4.3	-1.3	-6.2	-10.2	-15.3	-4.6	-9.3	4.2	5.1	-0.7	11.6	4.2
Aug	P	64.1	0.3	3.0	7.3	-3.4	-3.1	-23.3	1.5	-4.1	5.8	6.8	2.6	12.7	5.4
Sep	P	84.9	-1.4	0.7	1.1	-4.3	-2.9	-17.8	-1.2	-1.6	2.2	2.7	0.0	5.8	2.0
Oct	P	81.1	-4.5	-2.4	-1.9	-6.3	-7.6	-20.7	-4.0	-6.0	0.9	1.8	0.1	4.9	-
Nov	P	84.0	-7.0	-4.0	-7.8	-9.9	-5.2	-16.2	-6.9	-6.3	0.0	0.8	-1.8	4.7	-0.6
Dec	P	74.2	-6.5	-4.0	-8.1	-8.1	-6.4	-8.5	-6.4	-7.2	-1.7	0.3	-0.7	2.1	-0.1
12 *Jan*	P	78.4	-2.6	0.9	-6.0	-3.5	-3.6	-	-2.3	-5.1	-1.7	-0.7	-2.1	1.7	-1.7
Feb	P	80.8	-3.2	-2.3	-9.0	-5.2	7.9	-2.6	-4.7	8.9	-1.6	-2.4	-4.8	1.4	-4.5
Mar	P	82.7	-10.5	-8.2	-14.3	-13.1	-3.1	-12.6	-11.0	-5.6	-1.5	-0.8	-2.6	2.9	-2.7
Apr	P	72.4	-8.2	-7.5	-15.3	-8.1	-0.2	-6.0	-9.7	3.6	-2.4	-3.1	-4.3	-0.7	-4.4
May	P	82.4	-5.4	-2.3	-12.7	-6.1	0.6	-11.4	-6.1	1.9	-2.7	-2.8	-2.5	-1.8	-3.9

INDUSTRIAL PRODUCTION INDEX
Trend obtained with TRAMO-SEATS



INDUSTRIAL PRODUCTION INDEX
Trend obtained with TRAMO-SEATS



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

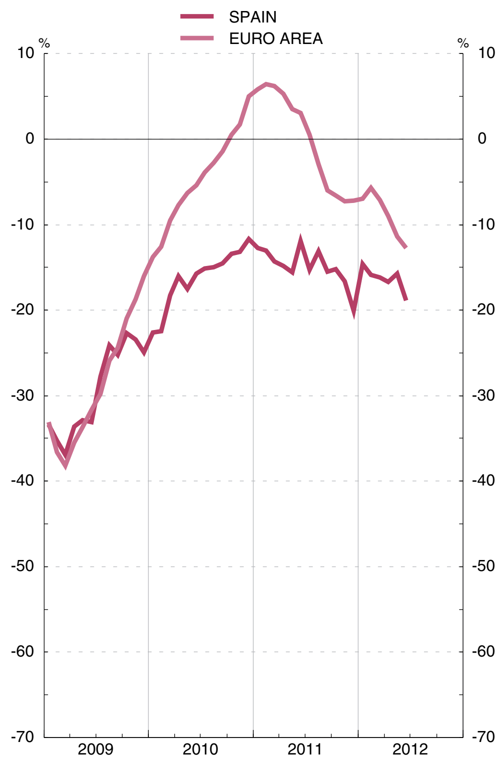
3.5. MONTHLY BUSINESS SURVEY: INDUSTRY AND CONSTRUCTION. SPAIN AND EURO AREA (NACE 2009)

■ Series depicted in chart.

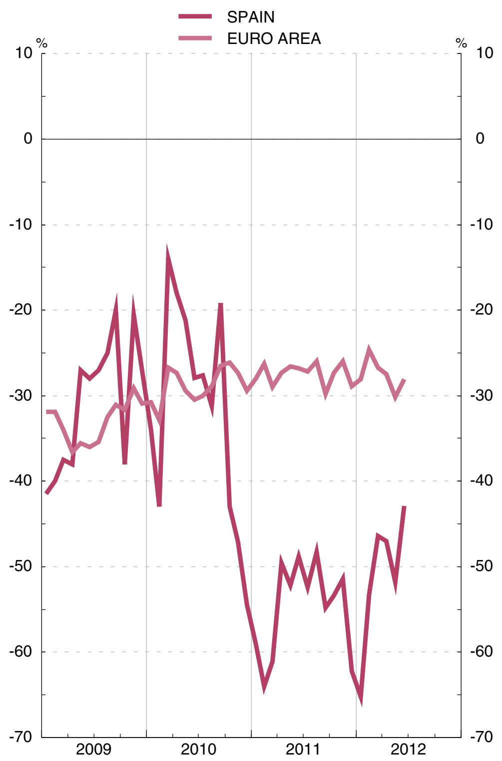
Percentage balances

		Industry, excluding construction										Construction					Memorandum item:euro area (b)		
		Business climate 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				Business climate indicator	Produc- tion	Orders	Trend		Industry, excluding construction		Construc- tion climate indicator
								Con- sum- ption (a)	In- vest- ment (a)	In- ter- me- diate goods (a)	Other sec- tors (a)				Produc- tion	Orders	Business climate indicator	Order Book	
		1 ■	2	3	4	5	6	7	8	9	10	11 ■	12	13	14	15	16 ■	17	18 ■
09	M	-29	-34	-11	-54	-52	23	-19	-26	-37	-44	-31	-20	-32	-13	-19	-29	-57	-33
10	M	-16	-8	-1	-37	-29	11	-10	-14	-18	-52	-32	-19	-31	-26	-33	-5	-25	-29
11	M	-15	-12	-3	-31	-24	11	-10	-12	-17	-45	-55	-23	-48	-46	-45	0	-7	-27
11 *J-J*	M	-14	-8	-2	-29	-22	10	-10	-10	-14	-56	-56	-25	-53	-38	-31	5	-2	-27
12 *J-J*	M	-16	-20	-5	-36	-24	8	-9	-15	-21	-14	-51	-20	-42	-45	-62	-9	-19	-28
11 *Mar*		-14	-7	-2	-30	-24	11	-12	-12	-13	-53	-61	-48	-58	-43	-21	6	-1	-29
Apr		-15	-6	-4	-29	-21	12	-9	-14	-12	-68	-50	-10	-47	-43	-27	5	-1	-27
May		-16	-7	-6	-30	-22	12	-11	-13	-16	-64	-52	-6	-47	-24	-31	4	-3	-27
Jun		-12	-6	-2	-28	-17	6	-11	-4	-13	-33	-49	-6	-41	-27	-31	3	-2	-27
Jul		-15	-6	-4	-28	-20	13	-10	-13	-17	-45	-52	-9	-40	-62	-65	1	-5	-27
Aug		-13	-7	0	-30	-24	10	-12	-6	-16	-34	-48	-10	-45	-47	-49	-3	-10	-26
Sep		-16	-11	-3	-31	-28	12	-9	-15	-21	-28	-55	-38	-46	-51	-56	-6	-12	-30
Oct		-15	-19	-3	-32	-23	11	-7	-9	-22	-35	-53	-12	-46	-31	-54	-7	-14	-27
Nov		-17	-26	-5	-36	-29	9	-9	-18	-23	-29	-51	-37	-33	-71	-74	-7	-14	-26
Dec		-20	-30	-6	-38	-30	16	-10	-26	-26	-35	-62	-19	-43	-65	-62	-7	-16	-29
12 *Jan*		-15	-26	-3	-37	-26	4	-10	-15	-18	-10	-65	-14	-50	-67	-66	-7	-16	-28
Feb		-16	-26	-3	-35	-26	10	-12	-14	-18	-6	-53	-40	-46	-49	-51	-6	-14	-25
Mar		-16	-19	-7	-34	-19	8	-10	-15	-21	-8	-46	-29	-31	-34	-61	-7	-17	-27
Apr		-17	-17	-5	-35	-23	10	-7	-16	-24	-10	-47	7	-33	-31	-67	-9	-19	-28
May		-16	-18	-3	-37	-25	7	-8	-16	-20	-16	-52	-26	-52	-42	-65	-11	-24	-30
Jun		-19	-16	-9	-39	-28	9	-7	-17	-26	-34	-43	-14	-43	-45	-63	-13	-26	-28

INDUSTRIAL BUSINESS CLIMATE
Percentage balances



CONSTRUCTION BUSINESS CLIMATE
Percentage balances



Sources: Ministerio de Industria, Energía y Turismo and ECB.
a. Seasonally adjusted.
b. To April 2010, NACE 1993; from May 2010, NACE 2009.

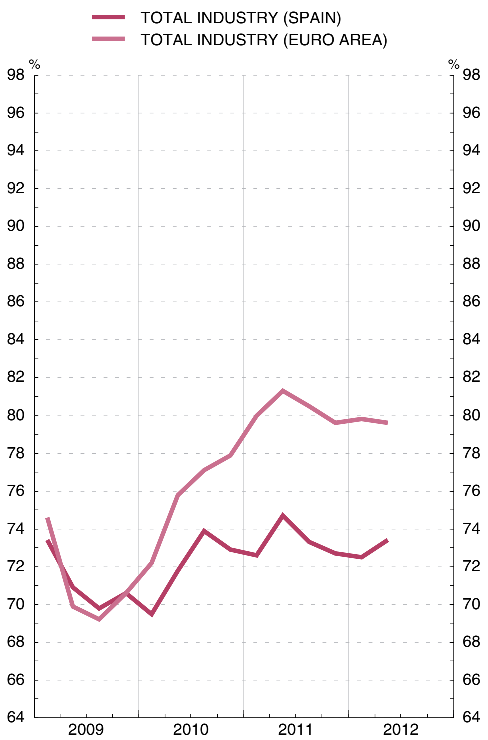
3.6. BUSINESS SURVEY: CAPACITY UTILISATION. SPAIN AND EURO AREA (NACE 2009)

■ Series depicted in chart.

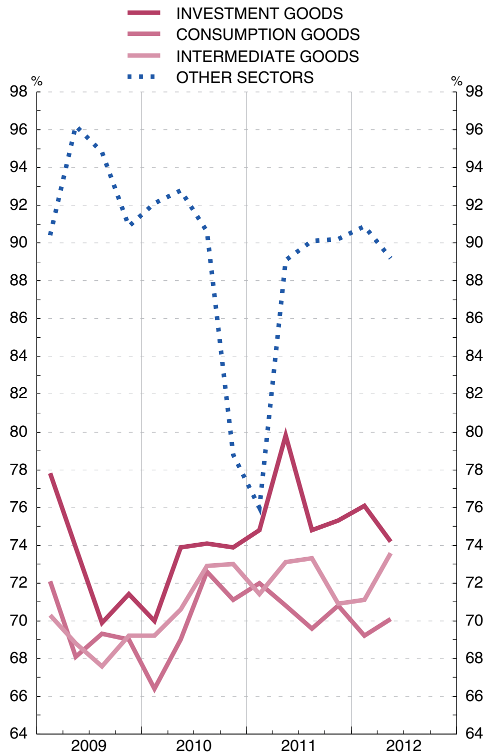
Percentages and percentage balances

	Total industry			Consumer goods			Investment goods			Intermediate goods			Other sectors (a)			Memo-ramdum item: euro area capacity utilisa-tion
	Capacity utilisation		Installed capacity	Capacity utilisation		Installed capacity	Capacity utilisation		Installed capacity	Capacity utilisation		Installed capacity	Capacity utilisation		Installed capacity	
	Over last three months (%)	Forecast (%)	(Per-centage balan-ces)	Over last three months (%)	Forecast (%)	(Per-centage balan-ces)	Over last three months (%)	Forecast (%)	(Per-centage balan-ces)	Over last three months (%)	Forecast (%)	(Per-centage balan-ces)	Over last three months (%)	Forecast (%)	(Per-centage balan-ces)	(b) (%)
	1 ■	2	3	4 ■	5	6	7 ■	8	9	10 ■	11	12	13 ■	14	15	16 ■
09	71.2	71.4	26	69.6	70.7	18	73.3	73.6	25	69.0	68.5	34	93.1	94.3	1	71.1
10	72.0	72.8	22	69.8	70.5	18	73.0	72.5	23	71.4	72.9	24	88.6	90.5	18	75.8
11	73.3	73.7	18	70.8	71.8	17	76.2	75.2	16	72.2	72.7	22	86.4	87.6	4	80.4
11 *Q1-Q2*	73.7	74.6	17	71.4	72.7	16	77.3	77.3	12	72.3	73.5	21	82.6	85.2	2	80.7
12 *Q1-Q2*	73.0	74.0	22	69.7	70.9	18	75.2	75.6	16	72.4	73.5	30	90.1	91.9	5	79.7
09 *Q4*	70.6	70.4	24	69.0	70.4	23	71.4	73.7	22	69.2	66.7	28	90.9	91.9	-	70.6
10 *Q1*	69.5	70.7	25	66.4	67.1	20	70.0	71.0	26	69.2	70.9	30	92.1	92.8	0	72.2
Q2	71.8	73.9	21	69.0	70.1	19	73.9	74.3	22	70.6	74.3	24	92.8	93.6	-	75.8
Q3	73.9	74.6	15	72.6	73.6	10	74.1	74.5	19	72.9	73.8	18	90.6	90.9	0	77.1
Q4	72.9	72.1	26	71.1	71.3	21	73.9	70.3	25	73.0	72.4	24	78.8	84.5	73	77.9
11 *Q1*	72.6	73.4	16	72.0	72.6	13	74.8	75.0	15	71.4	72.7	20	76.0	78.4	3	80.0
Q2	74.7	75.8	17	70.8	72.7	20	79.8	79.6	9	73.1	74.2	21	89.1	91.9	-	81.3
Q3	73.3	73.4	20	69.6	70.7	20	74.8	73.5	16	73.3	73.5	22	90.1	90.0	6	80.5
Q4	72.7	72.0	21	70.8	71.3	17	75.3	72.6	24	70.9	70.4	23	90.2	90.1	8	79.6
12 *Q1*	72.5	73.4	23	69.2	70.3	20	76.1	75.9	15	71.1	72.3	31	90.9	90.9	4	79.8
Q2	73.4	74.6	21	70.1	71.4	15	74.2	75.3	16	73.6	74.6	30	89.2	92.9	5	79.6

CAPACITY UTILISATION. TOTAL INDUSTRY
Percentages



CAPACITY UTILISATION. BY TYPE OF GOOD
Percentages



Sources: Ministerio de Industria, Energía y Turismo and ECB.
a. Includes mining and quarrying, manufacture of coke and refined petroleum products, and nuclear fuels.
b. To April 2010, NACE 1993; from May 2010, NACE 2009.

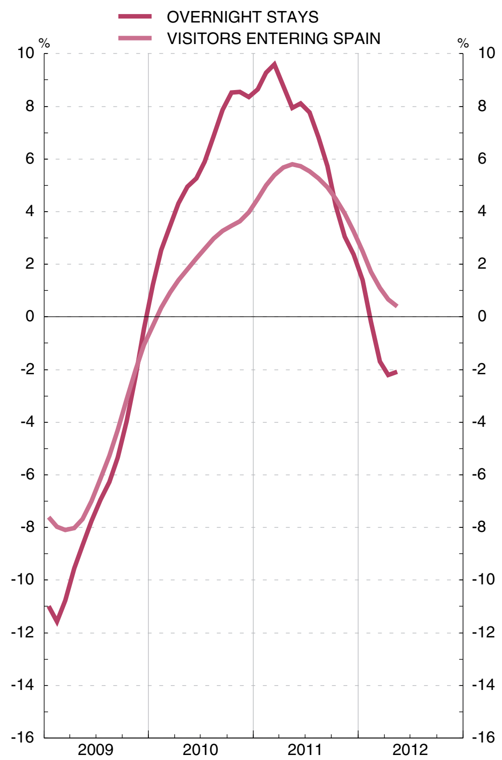
3.7. TOURISM AND TRANSPORT STATISTICS. SPAIN

■ Series depicted in chart.

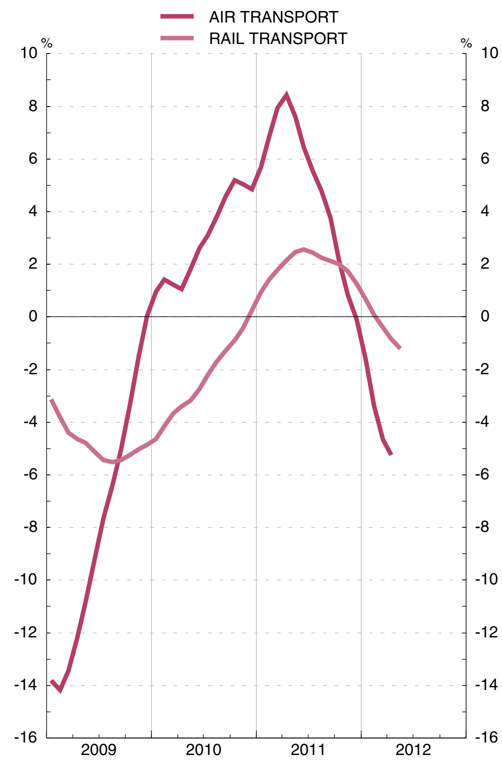
Annual percentage changes

		Hotel stays (a)		Overnight stays		Visitors entering Spain			Air transport				Maritime transport		Rail transport	
									Passengers							
		Total	Foreig-ners	Total	Foreig-ners	Total	Tourists	Day-trip-pers	Total	Domestic flights	Interna-tional flights	Freight	Passen-gers	Freight	Passen-gers	Freight
		1	2	3 ■	4	5 ■	6	7	8 ■	9	10	11	12	13	14 ■	15
09	P	-7.2	-10.8	-6.9	-9.6	-5.9	-8.8	-1.9	-8.0	-8.0	-8.0	-9.6	-4.1	-12.9	-5.5	-24.8
10	P	5.7	10.6	5.5	7.6	2.0	1.0	3.4	3.0	1.3	4.1	15.8	2.8	4.6	-2.8	-3.0
11	P	3.8	10.6	6.4	12.7	6.6	6.9	6.3	6.1	-0.4	10.5	2.2	-5.4	5.8	2.7	7.9
11 *J-M*	P	3.0	9.3	5.7	12.7	5.8	5.2	6.5	8.8	1.6	14.2	2.2	-10.0	5.7	2.6	7.7
12 *J-M*	P	-1.1	0.8	-1.4	0.2	-1.4	2.4	-5.9	...	...	...	...	...	...	-0.4	...
11 *Feb*	P	3.6	7.3	5.7	10.0	5.0	2.2	7.9	4.9	-0.6	9.5	5.9	-5.3	7.8	3.1	14.7
Mar	P	1.0	10.9	5.2	13.9	-0.6	-0.9	-0.2	4.8	0.5	8.3	4.0	-19.8	2.5	4.4	17.3
Apr	P	8.4	13.1	11.8	20.5	13.6	17.9	8.3	20.7	4.3	33.5	-8.8	-1.4	5.5	-1.4	2.7
May	P	-0.8	6.6	1.7	9.3	4.7	1.8	9.6	6.4	0.9	9.7	2.9	-1.2	6.9	3.6	11.4
Jun	P	8.4	18.0	10.9	18.1	11.1	8.5	15.4	6.8	-0.2	11.0	3.6	-4.3	4.6	5.3	8.3
Jul	P	7.2	13.5	8.9	14.1	6.0	7.2	4.1	6.7	0.5	10.3	4.5	-4.4	1.3	1.3	6.9
Aug	P	5.6	13.0	6.2	12.2	6.8	9.4	3.8	4.6	-0.3	7.4	4.3	-11.8	8.5	0.5	18.4
Sep	P	6.0	10.3	8.4	12.4	8.1	9.2	6.5	7.6	1.8	10.9	8.0	8.4	5.3	2.4	23.5
Oct	P	-0.2	8.2	3.2	11.1	8.0	8.0	7.9	2.3	-6.3	7.5	0.4	2.9	1.9	3.2	4.3
Nov	P	-1.5	2.5	1.7	6.2	3.8	3.6	4.0	-2.1	-7.0	1.9	-1.6	-0.5	6.9	3.4	4.8
Dec	P	-1.2	3.6	2.0	8.0	4.3	5.5	3.2	4.1	-1.5	8.8	-2.3	-5.9	12.8	2.3	-9.7
12 *Jan*	P	2.6	4.3	3.5	6.1	1.0	4.6	-2.3	-3.0	-7.4	0.2	-5.0	8.3	8.7	2.4	3.6
Feb	P	-1.2	2.0	-0.7	1.3	-2.5	0.8	-5.9	-5.7	-12.2	-0.6	-2.8	13.7	10.3	2.5	0.1
Mar	P	-0.6	0.4	-3.5	-3.8	-1.7	2.5	-6.4	-7.0	-15.0	-1.1	-6.6	20.0	9.5	-1.6	-10.5
Apr	P	-4.0	-2.8	-4.8	-4.6	-5.1	-1.7	-9.4	-7.2	-14.1	-3.0	-3.5	0.8	5.8	-2.1	1.7
May	P	-0.4	2.1	0.4	3.5	1.5	5.8	-5.1	...	...	...	...	...	...	-2.6	...

TOURISM
Trend obtained with TRAMO-SEATS



TRANSPORT
Trend obtained with TRAMO-SEATS



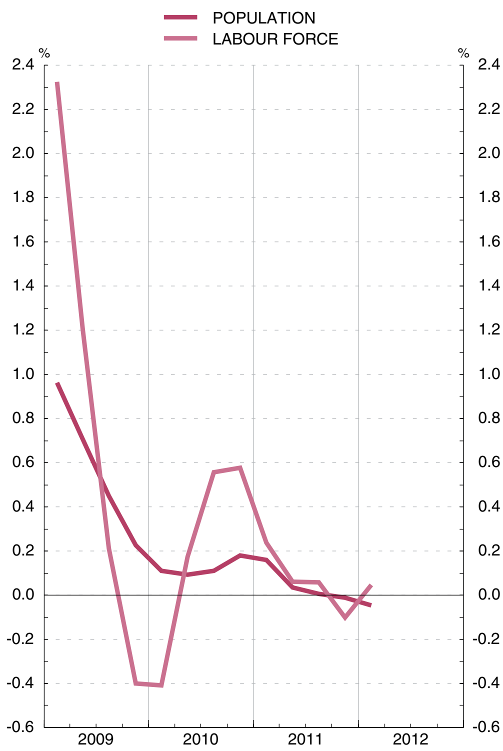
Sources: INE and Instituto de Estudios Turísticos, Estadística de Movimientos Turísticos en Frontera.
Note: The underlying series for this indecator are in Tables 23.14 and 23.15 of the BE Boletín estadístico .
a. Information from hotel directories. Since January 2006, the frequency of data collection 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

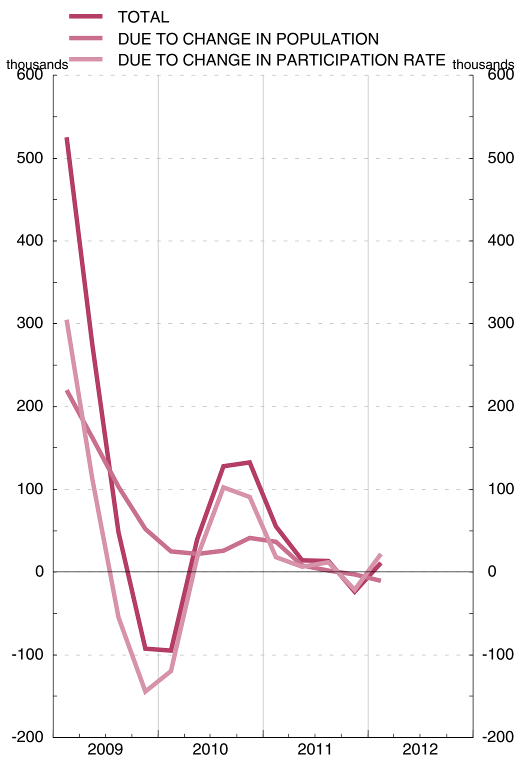
■ Series depicted in chart. *Thousands and annual percentage changes*

	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 ■
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
11 M	38 497	18	0.0	60.01	23 104	15	11	4	0.1
11 *Q1-Q1* M	38 512	61	0.2	59.88	23 062	55	37	18	0.2
12 *Q1-Q1* M	38 494	-18	-0.0	59.94	23 073	11	-11	22	0.0
09 *Q3*	38 443	172	0.4	59.81	22 994	48	103	-54	0.2
Q4	38 443	87	0.2	59.76	22 973	-92	52	-144	-0.4
10 *Q1*	38 451	42	0.1	59.83	23 007	-95	25	-120	-0.4
Q2	38 468	36	0.1	60.11	23 122	40	22	18	0.2
Q3	38 485	43	0.1	60.08	23 122	128	26	102	0.6
Q4	38 512	69	0.2	59.99	23 105	132	42	91	0.6
11 *Q1*	38 512	61	0.2	59.88	23 062	55	37	18	0.2
Q2	38 481	13	0.0	60.12	23 137	14	8	6	0.1
Q3	38 488	2	0.0	60.11	23 135	13	1	12	0.1
Q4	38 508	-4	-0.0	59.94	23 081	-24	-3	-21	-0.1
12 *Q1*	38 494	-18	-0.0	59.94	23 073	11	-11	22	0.0

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

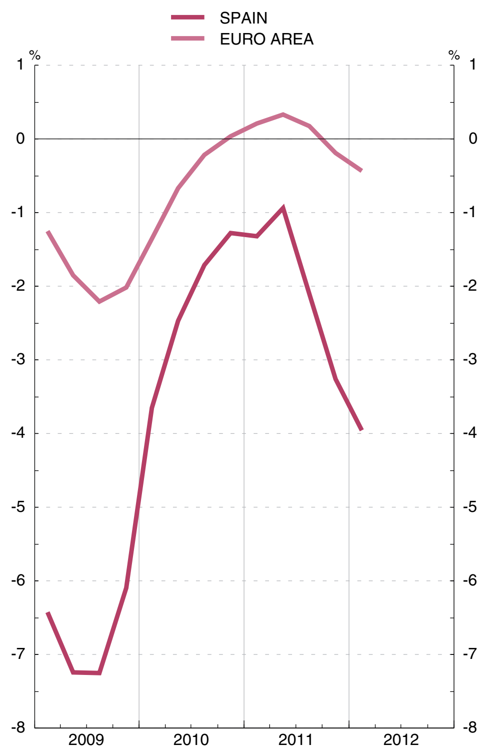
4.2. EMPLOYMENT AND WAGE-EARNERS. SPAIN AND EURO AREA

■ Series depicted in chart.

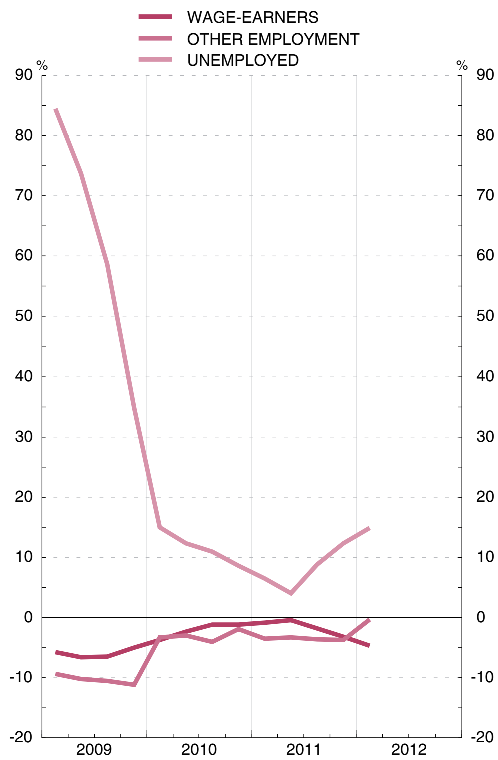
Thousands and annual percentage changes

	Employment									Unemployment			Unem-ployment rate (a)	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		Employ-ment 4-quarter % change	Unem-ployment rate
	1	2	3 ■	4	5	6 ■	7	8	9 ■	10	11	12 ■	13	14	15
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	9.60
10 M	18 457	-431	-2.3	15 347	-334	-2.1	3 110	-98	-3.0	4 632	483	11.6	20.07	-0.6	10.14
11 M	18 105	-352	-1.9	15 105	-241	-1.6	2 999	-110	-3.6	4 999	367	7.9	21.64	0.1	10.18
11 *Q1-Q1* M	18 152	-243	-1.3	15 121	-133	-0.9	3 031	-110	-3.5	4 910	298	6.4	21.29	0.2	9.94
12 *Q1-Q1* M	17 433	-719	-4.0	14 411	-710	-4.7	3 022	-9	-0.3	5 640	729	14.9	24.44	-0.4	10.85
09 *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	9.85
Q4	18 646	-1 211	-6.1	15 493	-816	-5.0	3 153	-395	-11.1	4 327	1 119	34.9	18.83	-2.0	10.02
10 *Q1*	18 394	-697	-3.6	15 253	-590	-3.7	3 141	-107	-3.3	4 613	602	15.0	20.05	-1.4	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	10.19
Q3	18 547	-323	-1.7	15 456	-194	-1.2	3 090	-130	-4.0	4 575	451	10.9	19.79	-0.2	10.14
Q4	18 408	-238	-1.3	15 314	-178	-1.2	3 094	-59	-1.9	4 697	370	8.6	20.33	0.0	10.08
11 *Q1*	18 152	-243	-1.3	15 121	-133	-0.9	3 031	-110	-3.5	4 910	298	6.4	21.29	0.2	9.94
Q2	18 303	-174	-0.9	15 292	-71	-0.5	3 011	-103	-3.3	4 834	188	4.1	20.89	0.3	9.97
Q3	18 156	-391	-2.1	15 179	-277	-1.8	2 977	-114	-3.7	4 978	404	8.8	21.52	0.2	10.23
Q4	17 808	-601	-3.3	14 829	-485	-3.2	2 978	-116	-3.7	5 274	577	12.3	22.85	-0.2	10.57
12 *Q1*	17 433	-719	-4.0	14 411	-710	-4.7	3 022	-9	-0.3	5 640	729	14.9	24.44	-0.4	10.85

EMPLOYMENT
Annual percentage changes



LABOUR FORCE: COMPONENTS
Annual percentage changes



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

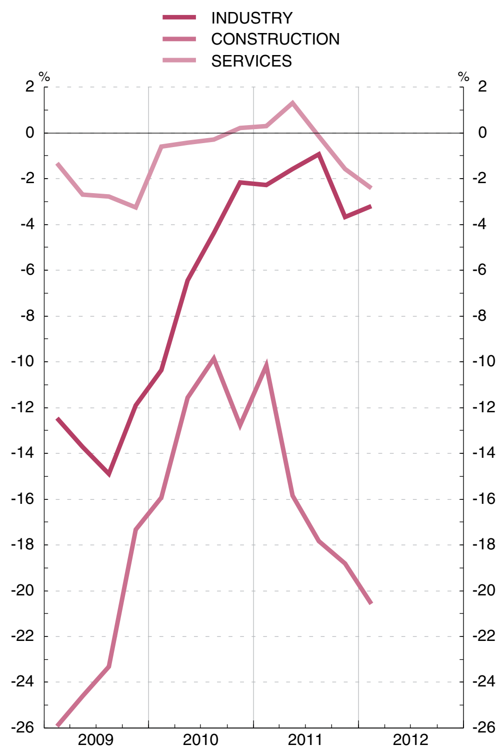
4.3. EMPLOYMENT BY BRANCH OF ACTIVITY. SPAIN (a)

■ Series depicted in chart.

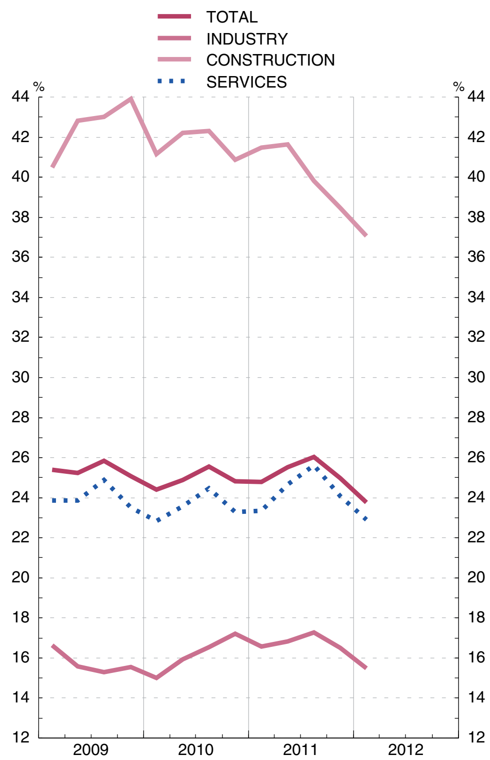
Annual percentage changes

	Total			Agriculture			Industry			Construction			Services			Memorandum item:
	Employment	Wage-earners	Proportion of temporary employment	Employment	Wage-earners	Proportion of temporary employment	Employment	Wage-earners	Proportion of temporary employment	Employment	Wage-earners	Proportion of temporary employment	Employment	Wage-earners	Proportion of temporary employment	Employment in branches other than agriculture
	1	2	3 ■	4	5	6	7 ■	8	9 ■	10 ■	11	12 ■	13 ■	14	15 ■	16
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
11 M	-1.9	-1.6	25.3	-4.1	-3.3	57.3	-2.1	-2.0	16.8	-15.6	-15.7	40.4	-0.0	0.1	24.4	-1.8
11 *Q1-Q1* M	-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
12 *Q1-Q1* M	-4.0	-4.7	23.8	-0.9	-3.2	60.4	-3.2	-4.6	15.5	-20.6	-26.0	37.0	-2.4	-2.6	22.9	-4.1
09 *Q3*	-7.3	-6.5	25.9	-6.4	-3.5	56.9	-14.9	-15.0	15.3	-23.3	-24.5	43.0	-2.8	-1.7	24.9	-7.3
Q4	-6.1	-5.0	25.1	-2.6	-1.5	59.2	-11.9	-11.4	15.5	-17.3	-17.6	43.9	-3.3	-1.8	23.5	-6.2
10 *Q1*	-3.6	-3.7	24.4	-0.3	2.4	62.7	-10.4	-10.9	15.0	-15.9	-17.2	41.1	-0.6	-0.5	22.8	-3.8
Q2	-2.5	-2.4	24.9	-1.1	1.1	57.1	-6.4	-5.6	15.9	-11.6	-14.8	42.2	-0.4	-0.2	23.6	-2.5
Q3	-1.7	-1.2	25.6	2.3	11.2	55.4	-4.4	-3.2	16.5	-9.8	-12.3	42.3	-0.3	0.2	24.5	-1.9
Q4	-1.3	-1.2	24.8	2.8	7.7	61.3	-2.2	-0.7	17.2	-12.8	-15.1	40.9	0.2	0.1	23.3	-1.5
11 *Q1*	-1.3	-0.9	24.8	-6.2	-4.6	59.1	-2.3	-1.1	16.6	-10.2	-9.0	41.5	0.3	0.2	23.4	-1.1
Q2	-0.9	-0.5	25.5	-4.8	-3.8	56.2	-1.6	-1.8	16.8	-15.9	-15.6	41.7	1.3	1.6	24.7	-0.8
Q3	-2.1	-1.8	26.0	-6.1	-8.4	54.2	-0.9	-0.5	17.3	-17.8	-18.5	39.8	-0.2	0.0	25.6	-1.9
Q4	-3.3	-3.2	25.0	0.5	3.2	59.8	-3.7	-4.5	16.5	-18.8	-20.0	38.5	-1.6	-1.4	24.1	-3.4
12 *Q1*	-4.0	-4.7	23.8	-0.9	-3.2	60.4	-3.2	-4.6	15.5	-20.6	-26.0	37.0	-2.4	-2.6	22.9	-4.1

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.

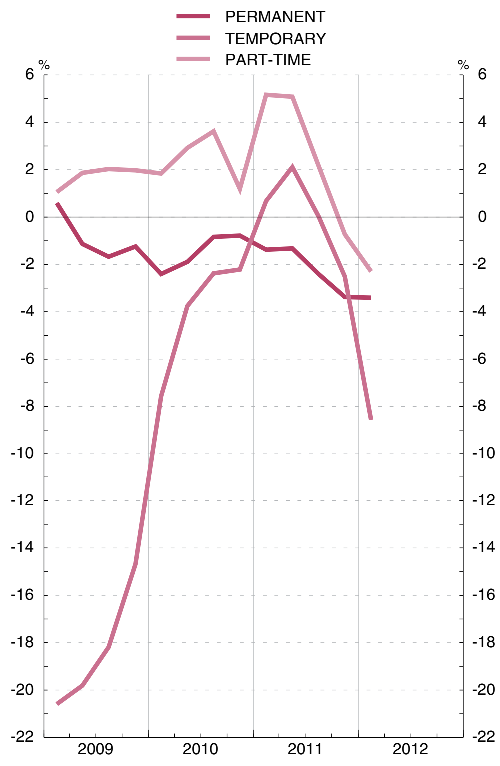
4.4. WAGE-EARNERS BY TYPE OF CONTRACT AND UNEMPLOYMENT BY DURATION. SPAIN. (a)

■ Series depicted in chart.

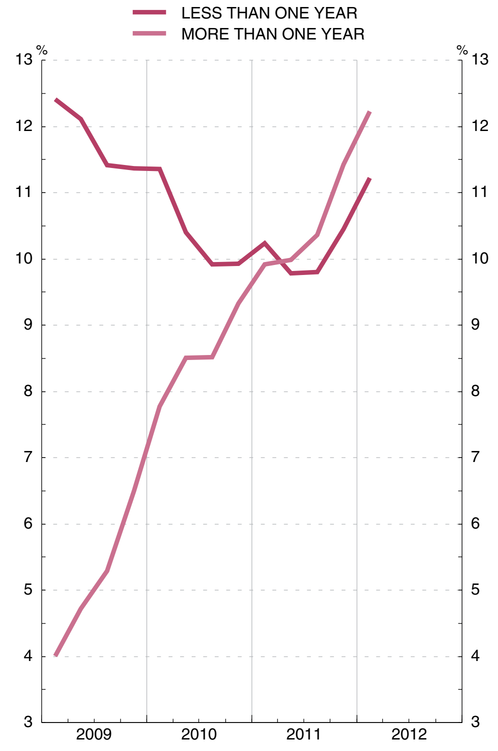
Thousands, annual percentage changes and %

	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
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
11 M	-244	-2.1	3	0.1	25.33	-304	-2.3	63	2.9	14.59	10.07	-3.1	10.42	22.2
11 *Q1-Q1* M	-158	-1.4	26	0.7	24.77	-243	-1.8	110	5.2	14.84	10.24	-9.6	9.92	27.9
12 *Q1-Q1* M	-388	-3.4	-321	-8.6	23.76	-658	-5.1	-52	-2.3	15.21	11.22	9.6	12.23	23.4
09 *Q3*	-197	-1.7	-899	-18.2	25.85	-1 136	-7.7	40	2.0	12.79	11.42	49.2	5.29	127.2
Q4	-148	-1.3	-668	-14.7	25.08	-857	-6.0	42	2.0	13.87	11.37	14.8	6.50	117.8
10 *Q1*	-285	-2.4	-305	-7.6	24.39	-628	-4.6	39	1.8	13.99	11.36	-8.9	7.77	93.0
Q2	-224	-1.9	-149	-3.8	24.88	-436	-3.2	62	2.9	14.21	10.40	-14.0	8.51	80.6
Q3	-98	-0.8	-96	-2.4	25.56	-266	-2.0	73	3.6	13.42	9.92	-12.7	8.52	61.9
Q4	-93	-0.8	-86	-2.2	24.82	-204	-1.5	26	1.2	14.20	9.93	-12.2	9.33	44.3
11 *Q1*	-158	-1.4	26	0.7	24.77	-243	-1.8	110	5.2	14.84	10.24	-9.6	9.92	27.9
Q2	-152	-1.3	81	2.1	25.52	-182	-1.4	111	5.1	15.01	9.79	-5.8	9.98	17.4
Q3	-278	-2.4	1	0.0	26.02	-322	-2.4	45	2.2	13.96	9.80	-1.1	10.37	21.7
Q4	-389	-3.4	-96	-2.5	24.98	-469	-3.6	-16	-0.7	14.56	10.45	5.2	11.43	22.4
12 *Q1*	-388	-3.4	-321	-8.6	23.76	-658	-5.1	-52	-2.3	15.21	11.22	9.6	12.23	23.4

WAGE-EARNERS
Annual percentage changes



UNEMPLOYMENT
Unemployment rate



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

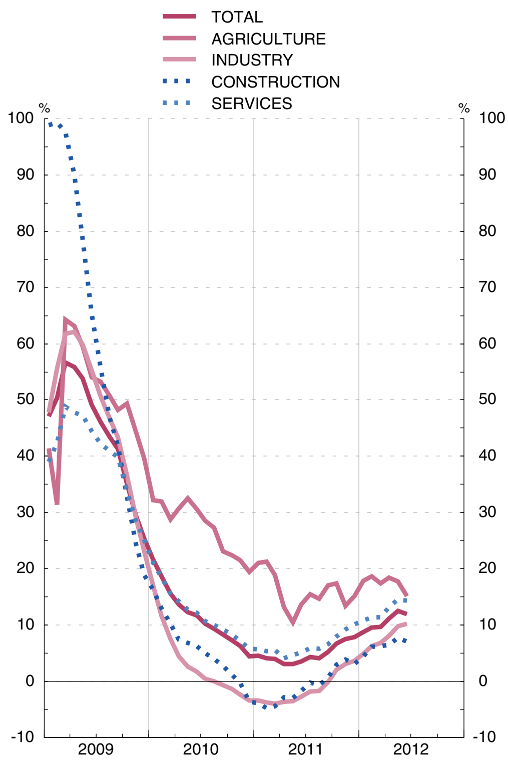
4.5. REGISTERED UNEMPLOYMENT BY BRANCH OF ACTIVITY. CONTRACTS AND PLACEMENTS. SPAIN

■ Series depicted in chart.

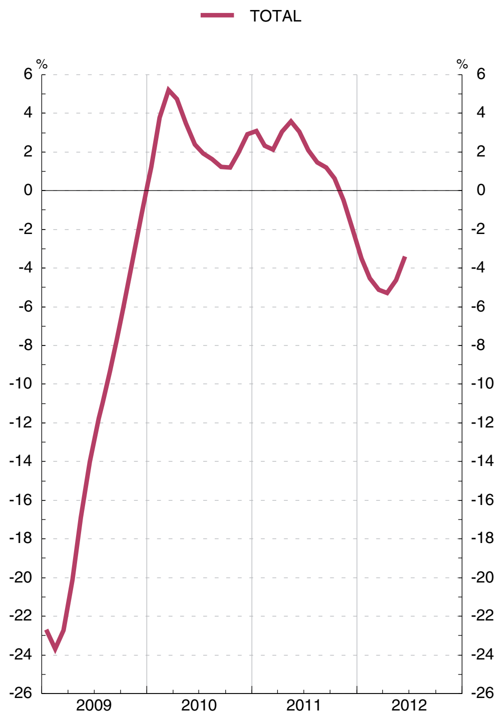
Thousands, annual percentage changes and %

		Registered unemployment										Contracts					Placements	
		Total			First time job-seekers(a)	Previously employed (a)						Total		Percentage of total			Total	
						12-month % change												
		Thou-sands	Annual change Thou-sands	12 month % change	12 month % change	Total	Agri-culture	Branches other than agriculture: Total	Industry	Construc-tion	Services	Thou-sands	12 month % change	Perma-nent	Part time	Tempo-rary	Thou-sands	12 month % change
		1	2	3 ■	4	5	6 ■	7	8 ■	9 ■	10 ■	11	12	13	14	15	16	17 ■
09	M	3 644	1 104	43.5	35.7	45.3	49.9	45.2	47.7	62.5	40.0	1 168	-15.5	9.41	27.97	90.59	1 165	-14.2
10	M	4 061	417	11.4	35.1	9.9	27.4	9.4	3.1	5.7	12.1	1 201	2.8	8.55	29.26	91.45	1 191	2.3
11	M	4 257	196	4.8	12.9	4.1	16.0	3.8	-1.3	-0.9	6.3	1 203	0.1	7.74	30.69	92.26	1 213	1.9
11 *J-J*	M	4 241	151	3.7	18.1	2.5	16.4	2.1	-3.5	-3.4	5.1	1 158	1.8	8.74	29.50	91.26	1 160	3.2
12 *J-J*	M	4 689	449	10.6	6.9	11.0	17.5	10.7	7.7	6.4	12.6	1 086	-6.3	8.12	32.28	91.88	1 098	-5.4
11 *May*		4 190	123	3.0	12.5	2.2	10.5	1.9	-3.5	-3.0	4.7	1 289	9.0	8.00	30.28	92.00	1 306	9.0
Jun		4 122	139	3.5	9.3	3.0	13.7	2.6	-2.7	-1.7	5.1	1 313	1.1	7.23	31.54	92.77	1 304	4.8
Jul		4 080	171	4.4	8.8	4.0	15.5	3.6	-1.8	-0.2	5.9	1 349	-3.4	6.66	33.44	93.34	1 346	-2.9
Aug		4 131	161	4.1	7.2	3.8	14.7	3.4	-1.7	-0.6	5.8	1 061	5.1	6.23	30.37	93.77	1 075	5.3
Sep		4 227	209	5.2	8.9	4.8	17.0	4.4	-0.1	0.7	6.6	1 394	0.2	7.51	33.30	92.49	1 473	2.2
Oct		4 361	275	6.7	8.7	6.5	17.5	6.1	2.0	3.0	8.0	1 295	-3.8	7.51	35.30	92.49	1 333	2.9
Nov		4 420	310	7.5	7.3	7.6	13.4	7.4	3.1	3.9	9.3	1 218	-3.2	6.89	31.05	93.11	1 206	-2.9
Dec		4 422	322	7.9	6.1	8.0	15.1	7.8	3.6	3.0	10.1	1 165	-2.0	5.64	27.79	94.36	1 165	0.0
12 *Jan*		4 600	369	8.7	5.2	9.1	17.9	8.7	4.9	4.5	10.8	1 039	-6.9	7.31	29.38	92.69	1 054	-5.6
Feb		4 712	413	9.6	5.5	10.0	18.7	9.7	6.2	6.2	11.4	959	-5.2	7.77	30.87	92.23	970	-3.4
Mar		4 751	417	9.6	5.6	10.0	17.4	9.8	6.9	6.3	11.4	1 027	-11.1	9.59	32.41	90.41	1 036	-9.7
Apr		4 744	475	11.1	8.0	11.4	18.4	11.2	8.1	6.5	13.2	1 003	-6.0	8.98	33.46	91.02	1 023	-5.6
May		4 714	524	12.5	10.0	12.8	17.7	12.6	9.8	7.8	14.6	1 204	-6.6	7.97	32.79	92.03	1 221	-6.5
Jun		4 615	493	12.0	7.3	12.4	15.1	12.3	10.2	7.1	14.3	1 284	-2.2	7.13	34.78	92.87	1 282	-1.7

REGISTERED UNEMPLOYMENT
Annual percentage changes



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



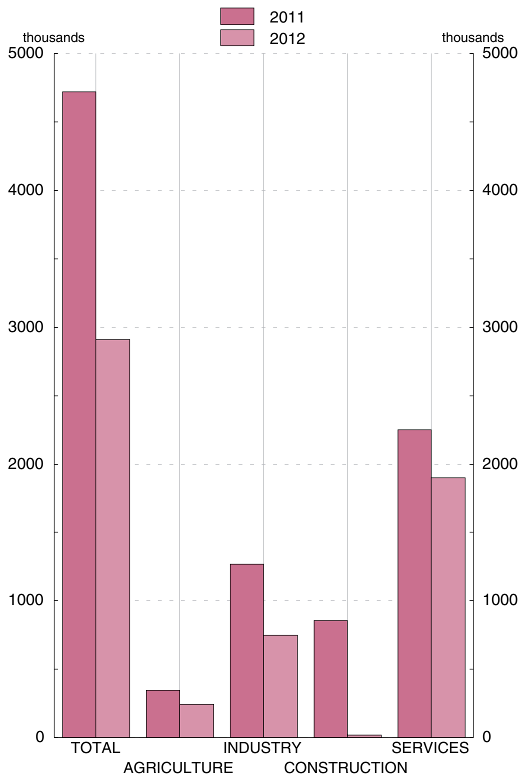
Source: Instituto de Empleo Servicio Público de Empleo Estatal (INEM).
Note: The underlying series for this indicator are in Tables 24.16 and 24.17 of the BE Boletín estadístico.
a. To December 2008, NACE 1993; from January 2009, NACE 2009.

4.6. COLLECTIVE BARGAINING AGREEMENTS

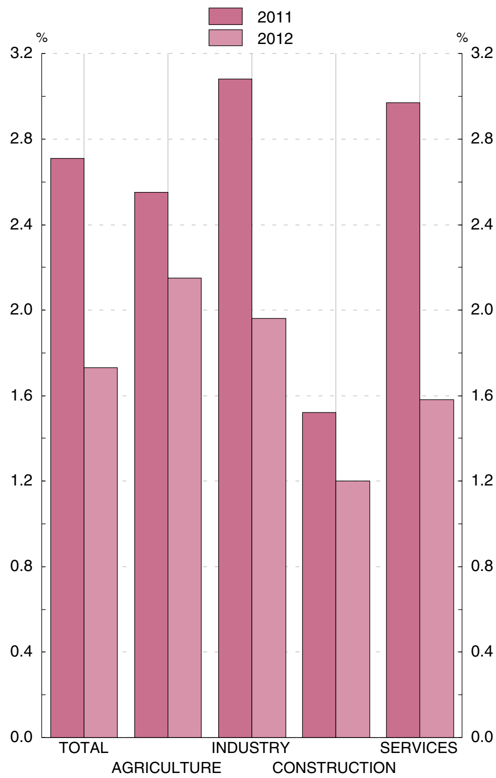
■ Series depicted in chart. *Thousands and %*

	As per month economic effects come into force(a)		As per month recorded														
			Employees affected (a)								Average wage settlement (%)						
	Em-ployees affec-ted	Average wage settle-ment (b)	Automa-tic adjust-ment	Newly-signed agree-ments	Total	Annual change	Agricul-ture (c)	Indus-try (c)	Construc-tion (c)	Services (c)	Auto-matic adjust-ment	Newly signed agree-ments	Total	Agricul-ture (c)	Indus-try (c)	Construc-tion (c)	Services (c)
	1	2	3	4	5 ■	6	7 ■	8 ■	9 ■	10 ■	11	12	13 ■	14 ■	15 ■	16 ■	17 ■
09	11 558	2.24	7 611	1 064	8 676	-126	483	2 063	1 158	4 971	2.62	2.35	2.59	2.39	2.48	3.57	2.43
10	10 794	2.16	6 071	1 023	7 093	-1 583	557	1 699	1 084	3 753	1.32	1.20	1.30	1.35	1.08	1.49	1.34
11	7 733	2.62	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
11 *Jan*	7 214	2.61	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	7 231	2.61	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	7 362	2.63	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	7 483	2.65	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	7 490	2.65	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	7 523	2.64	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	7 642	2.62	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	7 643	2.62	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	7 684	2.62	4 513	609	5 122	-7	352	1 374	919	2 476	2.77	1.64	2.63	2.54	2.99	1.52	2.87
Oct	7 728	2.62	4 777	731	5 508	-694	372	1 404	932	2 800	2.73	1.73	2.60	2.51	2.99	1.52	2.78
Nov	7 729	2.62	4 972	1 092	6 064	-900	412	1 693	964	2 994	2.71	1.61	2.51	2.49	2.76	1.52	2.69
Dec	7 733	2.62	5 110	1 157	6 267	-826	415	1 752	1 026	3 075	2.68	1.58	2.48	2.49	2.71	1.52	2.67
12 *Jan*	2 768	1.75	1 225	15	1 240	-133	162	587	2	490	2.45	1.71	2.44	2.45	2.54	2.50	2.32
Feb	2 797	1.76	1 641	29	1 671	-559	164	648	2	856	2.33	1.13	2.31	2.47	2.49	2.50	2.14
Mar	2 798	1.76	2 063	41	2 105	-676	164	678	2	1 260	2.18	1.05	2.16	2.47	2.46	2.59	1.95
Apr	2 904	1.72	2 182	48	2 231	-794	164	699	2	1 365	2.16	1.15	2.14	2.47	2.44	2.59	1.94
May	2 906	1.72	2 356	349	2 705	-1 301	242	724	2	1 737	1.92	0.83	1.78	2.15	1.99	2.54	1.63
Jun	2 906	1.72	2 525	386	2 911	-1 808	243	747	21	1 900	1.86	0.85	1.73	2.15	1.96	1.20	1.58

EMPLOYEES AFFECTED
January-Juny



AVERAGE WAGE SETTLEMENT
January-Juny



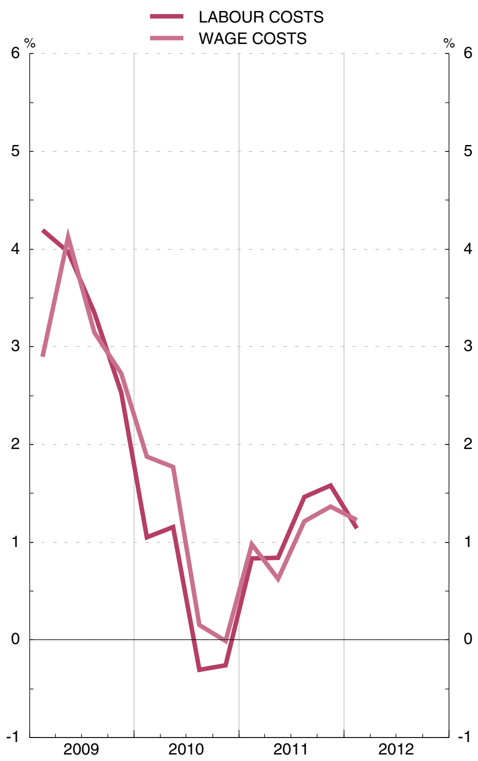
Source: Ministerio de Empleo y Seguridad Social, Estadística de Convenios Colectivos de Trabajo. Avance mensual.
a. Cumulative data.
b. Includes revisions arising from indexation clauses, except in 2012.
c. To December 2008, NACE 1993; from January 2009, NACE 2009.

4.7. QUARTERLY LABOUR COSTS SURVEY

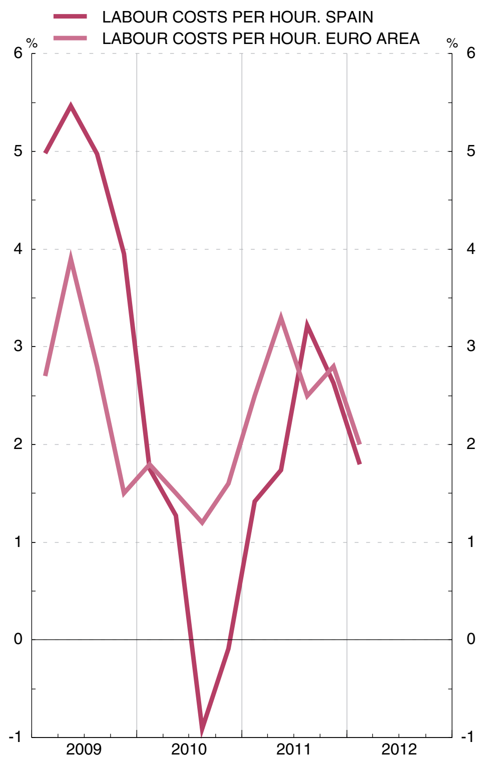
■ Series depicted in chart. *Annual percentage change*

	Labour costs: Per worker and per month: Total	Labour costs: Per worker and per month: Industry	Labour costs: Per worker and per month: Construction	Labour costs: Per worker and per month: Services	Labour costs: Per hour worked	Wage costs: Per worker and per month: Total	Wage costs: Per worker and per month: Industry	Wage costs: Per worker and per month: Construction	Wage costs: Per worker and per month: Services	Wage costs: Per hour worked	Other costs per worker and month	memoramdum item: total hourly costs (a): Spain (b)	memoramdum item: total hourly costs (a): Euro area (c)
	1 ■	2	3	4	5	6 ■	7	8	9	10	11	12 ■	13 ■
09 M	3.5	3.1	5.4	3.5	5.6	3.2	2.1	5.2	3.2	5.3	4.3	4.8	2.7
10 M	0.4	2.3	0.1	0.2	0.6	0.9	2.9	0.8	0.5	1.1	-1.1	0.5	1.5
11 M	1.2	1.7	2.8	1.0	2.2	1.0	2.8	2.5	0.5	2.1	1.6	2.3	2.8
11 *Q1-Q1* M	0.8	1.3	2.8	0.6	-	1.0	3.0	2.3	0.3	0.2	0.4	1.4	2.5
12 *Q1-Q1* M	1.1	2.6	2.3	0.8	1.4	1.2	1.9	1.3	1.0	1.5	0.9	1.8	2.0
09 *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	4.0	1.5
10 *Q1*	1.0	2.1	0.7	1.0	2.1	1.9	2.8	1.9	1.6	2.9	-1.1	1.8	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	1.3	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	-0.9	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	1.6
11 *Q1*	0.8	1.3	2.8	0.6	-	1.0	3.0	2.3	0.3	0.2	0.4	1.4	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	3.2	2.5
Q4	1.6	1.8	3.3	1.5	2.5	1.4	2.3	2.4	1.1	2.2	2.2	2.6	2.8
12 *Q1*	1.1	2.6	2.3	0.8	1.4	1.2	1.9	1.3	1.0	1.5	0.9	1.8	2.0

PER WORKER AND MONTH
Annual percentage change



PER HOUR WORKED
Annual percentage change



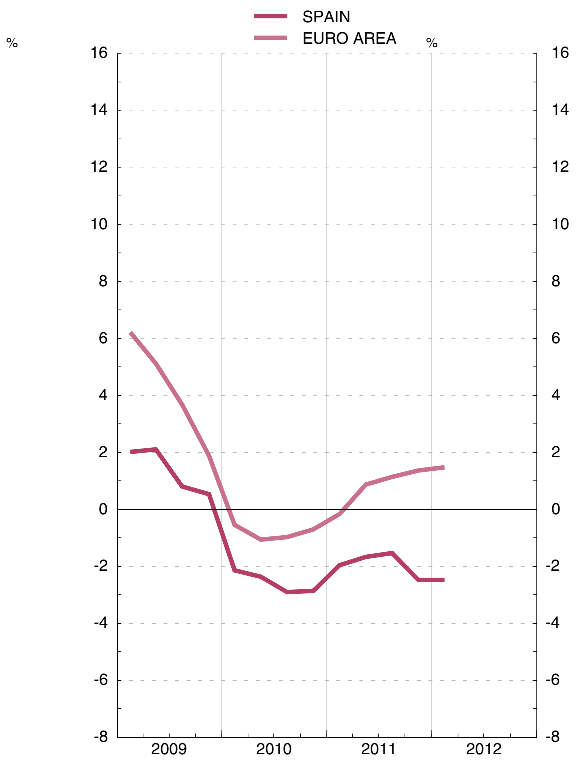
Sources: INE (Quarterly Labour Costs Survey and Harmonised Labour Costs Index) and Eurostat.
Note: The underlying series for this indicator are in Tables 24.25, 24.26 and 24.27 of de BE Boletín estadístico.
a. Working day adjusted.
b. Harmonised Labour Costs Index.
c. Whole economy, excluding agriculture, public administration, education, health and services not classified elsewhere.

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

■ Series depicted in chart. *Annual percentage changes*

	Unit labour costs				Whole-economy				Memorandum items			
	Whole-economy		Industry		Compensation per employee		Productivity		GDP (volume measures)		Employment Whole-economy	
	Spain	Euro area	Spain	Euro area	Spain (b)	Euro area	Spain	Euro area	Spain	Euro area	Spain (b)	Euro area
	1 ■	2 ■	3 ■	4 ■	5	6	7	8	9	10	11	12
09	1.4	4.2	0.6	8.9	4.3	1.5	2.9	-2.6	-3.7	-4.4	-6.5	-1.8
10	-2.6	-0.8	-4.6	-5.9	0.0	1.6	2.6	2.5	-0.1	1.9	-2.6	-0.6
11	-1.9	0.8	-2.4	-0.2	0.8	2.2	2.8	1.4	0.7	1.5	-2.0	0.1
09 *Q2*	2.1	5.1	2.8	12.7	4.7	1.4	2.6	-3.5	-4.4	-5.3	-6.8	-1.9
Q3	0.8	3.7	0.7	6.6	4.1	1.4	3.3	-2.2	-4.0	-4.4	-7.0	-2.2
Q4	0.5	1.9	-0.9	1.4	3.4	1.6	2.8	-0.3	-3.1	-2.3	-5.7	-2.0
10 *Q1*	-2.1	-0.6	-6.5	-7.0	0.8	1.8	3.0	2.4	-1.3	1.0	-4.2	-1.4
Q2	-2.4	-1.1	-6.3	-7.1	0.5	1.8	3.0	2.9	-0.0	2.2	-2.9	-0.7
Q3	-2.9	-1.0	-3.3	-4.7	-0.6	1.4	2.4	2.4	0.4	2.2	-2.0	-0.2
Q4	-2.9	-0.7	-2.0	-4.7	-0.7	1.4	2.2	2.1	0.7	2.2	-1.4	0.0
11 *Q1*	-2.0	-0.2	-3.8	-2.2	0.6	2.1	2.6	2.2	0.9	2.4	-1.6	0.2
Q2	-1.7	0.9	-2.5	-0.5	0.5	2.2	2.2	1.3	0.8	1.7	-1.3	0.3
Q3	-1.5	1.1	-1.8	-0.1	1.2	2.3	2.8	1.2	0.8	1.3	-2.0	0.2
Q4	-2.5	1.4	-1.5	2.1	1.1	2.2	3.7	0.9	0.3	0.7	-3.3	-0.2
12 *Q1*	-2.5	1.5	0.9	2.9	0.9	1.9	3.5	0.4	-0.4	-0.0	-3.8	-0.4

UNIT LABOUR COSTS: TOTAL
Annual percentage changes



UNIT LABOUR COSTS: INDUSTRY
Annual percentage changes

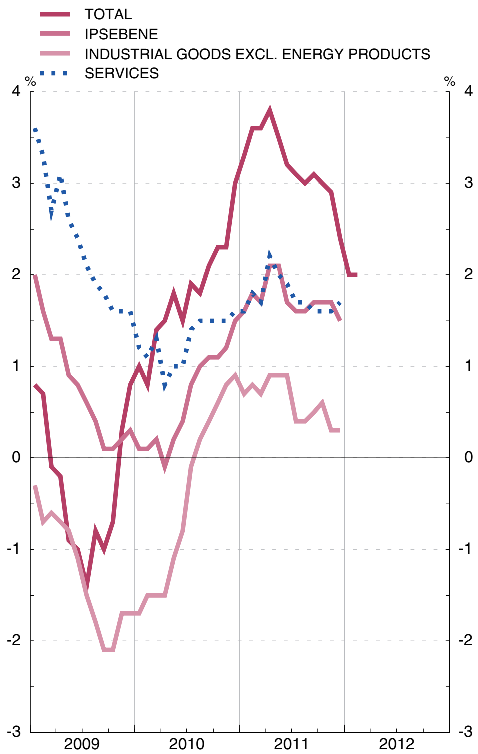
Sources: INE (Quarterly National Accounts of Spain. Base year 2008) and ECB.
a. Spain: prepared in accordance with ESA95. SEASONALLY- AND WORKING-DAY-ADJUSTED SERIES (see economic bulletin April 2002).
b. Full-time equivalent employment.

5.1. CONSUMER PRICE INDEX. SPAIN (2011=100)

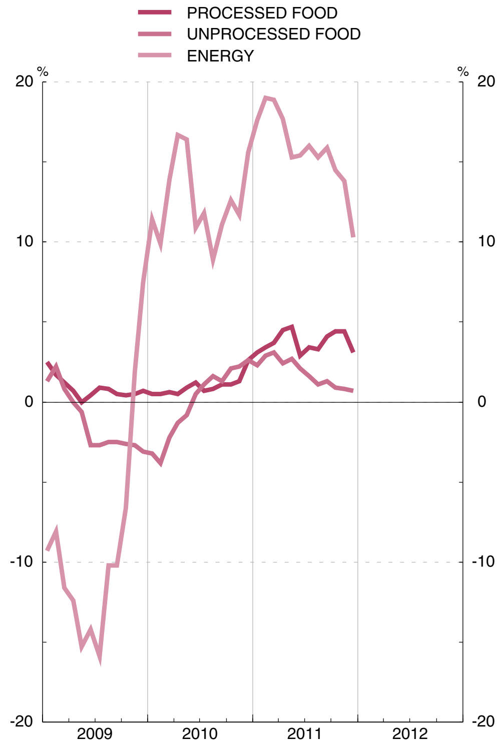
■ Series depicted in chart. *Indices and annual percentage changes*

		Total (100%)				Annual percentage change (12-month % change)						Memorandum item:prices for agricultural products (2005=100)	
		Original series	Month-on-month % change	12-month % change (a)	Cumulative % change during year (b)	Unprocessed food	Processed food	Industrial goods excl. energy products	Energy	Services	IPSEBENE (c)	Original series	12-month % change
		1	2	3 ■	4	5 ■	6 ■	7 ■	8 ■	9 ■	10 ■	11	12
09	M	95.2	_	-0.3	0.8	-1.3	0.9	-1.3	-8.7	2.4	0.8	94.9	-11.3
10	M	96.9	_	1.8	3.0	0.0	1.0	-0.4	12.6	1.3	0.6	100.8	6.2
11	M	100.0	_	3.2	2.4	1.8	3.8	0.6	15.8	1.8	1.7	101.5	0.7
11 *J-J*	M	99.5	0.2	3.5	0.5	2.6	3.7	0.8	17.3	1.9	1.8	105.1	-1.1
12 *J-J*	M	101.4	0.1	2.0	0.1	1.6	3.0	0.2	7.8	1.2	1.2	...	...
11 *Mar*		99.2	0.7	3.6	0.1	3.1	3.7	0.7	18.9	1.7	1.7	105.5	-5.2
Apr		100.4	1.2	3.8	1.4	2.4	4.5	0.9	17.7	2.2	2.1	105.7	-4.7
May		100.4	-	3.5	1.3	2.7	4.7	0.9	15.3	2.0	2.1	106.5	-8.1
Jun		100.2	-0.1	3.2	1.2	2.1	2.9	0.9	15.4	1.9	1.7	108.6	6.7
Jul		99.7	-0.5	3.1	0.7	1.6	3.4	0.4	16.0	1.7	1.6	91.5	5.1
Aug		99.8	0.1	3.0	0.8	1.1	3.3	0.4	15.3	1.7	1.6	92.2	4.2
Sep		100.1	0.2	3.1	1.0	1.3	4.1	0.5	15.9	1.6	1.7	102.7	5.2
Oct		100.9	0.8	3.0	1.8	0.9	4.4	0.6	14.5	1.6	1.7	103.5	2.6
Nov		101.3	0.4	2.9	2.2	0.8	4.4	0.3	13.8	1.6	1.7	101.6	-0.2
Dec		101.4	0.1	2.4	2.4	0.7	3.1	0.3	10.3	1.7	1.5	100.3	-2.7
12 *Jan*		100.3	-1.1	2.0	-1.1	1.0	2.8	0.2	8.0	1.4	1.3	99.0	0.0
Feb		100.4	0.1	2.0	-1.0	1.8	2.8	0.1	7.9	1.3	1.2	106.7	1.4
Mar		101.1	0.7	1.9	-0.3	1.4	2.7	0.3	7.5	1.2	1.2	110.9	5.1
Apr		102.5	1.4	2.1	1.1	2.1	2.9	0.1	8.9	1.1	1.1	...	...
May		102.3	-0.1	1.9	0.9	1.1	3.0	0.2	8.3	1.1	1.1	...	...
Jun		102.1	-0.2	1.9	0.7	2.5	3.8	0.1	6.2	1.2	1.3	...	...

CONSUMER PRICE INDEX. TOTAL AND COMPONENTS
Annual percentage changes



CONSUMER PRICE INDEX. COMPONENTS
Annual percentage changes



Sources: INE, Ministerio de Agricultura,Alimentación y Medio Ambiente.
Note: The underlying series for this indicator are in Tables 25.2 and 25.8 of the BE Boletín estadístico.
a. For annual periods: average growth for each year on the previous year.
b. For annual periods: December-on-December growth rate.
c. Index of non-energy processed goods and service prices.

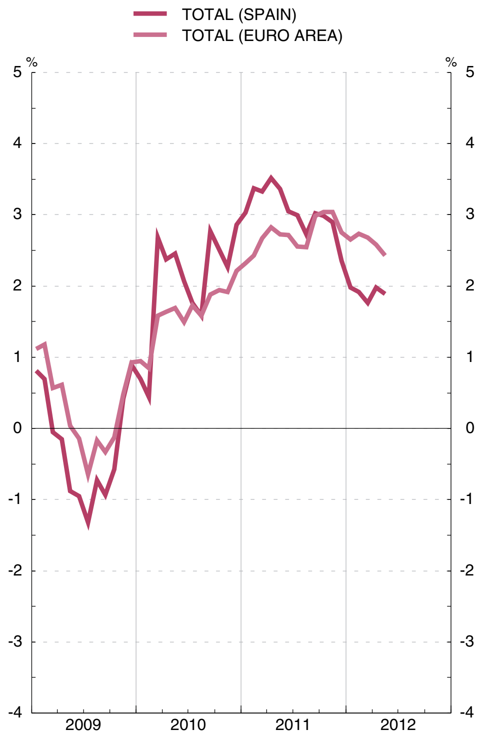
5.2. HARMONISED INDEX OF CONSUMER PRICES. SPAIN AND EURO AREA (2005=100) (a)

■ Series depicted in chart.

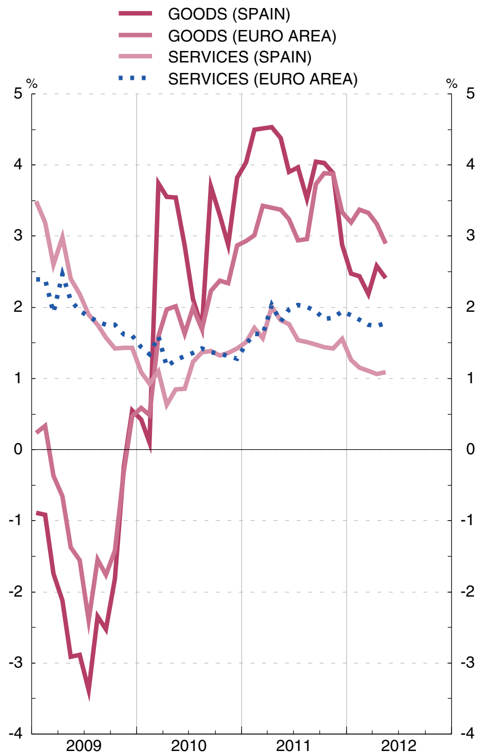
Annual percentage changes

		Total		Goods														Services	
						Food						Industrial							
						Total		Processed		Unprocessed				Non-energy		Energy			
		Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area
		1 ■	2 ■	3 ■	4 ■	5	6	7	8	9	10	11	12	13	14	15	16	17 ■	18 ■
09	M	-0.2	0.3	-1.8	-0.9	0.2	0.7	1.0	1.1	-0.7	0.2	-2.9	-1.7	-0.9	0.6	-9.0	-8.1	2.2	2.0
10	M	2.0	1.6	2.7	1.8	1.1	1.1	1.4	0.9	0.7	1.3	3.5	2.2	0.3	0.5	12.5	7.4	1.1	1.4
11	M	3.1	2.7	4.0	3.3	2.8	2.7	4.2	3.3	1.3	1.8	4.7	3.7	0.5	0.8	15.7	11.9	1.6	1.8
11 *J-M*	M	3.3	2.6	4.4	3.2	2.9	2.3	4.5	2.5	1.2	2.2	5.2	3.7	0.6	0.7	17.7	12.3	1.7	1.7
12 *J-M*	MP	1.9	2.6	2.4	3.2	2.0	3.1	3.1	3.8	0.9	2.0	2.6	3.2	0.3	1.2	8.1	8.5	1.1	1.8
11 *Feb*		3.4	2.4	4.5	3.0	2.8	2.3	4.0	2.0	1.6	2.7	5.4	3.4	0.3	0.1	19.0	13.1	1.7	1.6
Mar		3.3	2.7	4.5	3.4	2.7	2.4	4.3	2.5	1.1	2.2	5.5	4.0	0.6	0.9	18.9	13.0	1.6	1.6
Apr		3.5	2.8	4.5	3.4	3.0	2.2	5.3	2.8	0.6	1.4	5.4	4.0	0.8	1.0	17.6	12.5	2.0	2.0
May		3.4	2.7	4.4	3.4	3.7	2.8	5.5	3.2	1.8	2.4	4.8	3.6	0.8	1.0	15.3	11.1	1.8	1.8
Jun		3.0	2.7	3.9	3.2	2.4	2.7	3.0	3.1	1.7	2.0	4.8	3.5	0.8	0.9	15.3	10.9	1.8	2.0
Jul		3.0	2.6	4.0	2.9	2.9	2.6	3.6	3.4	2.0	1.3	4.5	3.1	0.2	-	15.9	11.8	1.5	2.0
Aug		2.7	2.5	3.5	3.0	2.1	2.7	3.6	3.6	0.5	1.1	4.3	3.1	0.1	-	15.3	11.8	1.5	2.0
Sep		3.0	3.0	4.0	3.7	3.3	3.0	4.6	4.0	1.8	1.4	4.5	4.1	0.2	1.2	15.9	12.4	1.5	1.9
Oct		3.0	3.0	4.0	3.9	3.3	3.3	5.0	4.3	1.5	1.8	4.4	4.2	0.6	1.3	14.5	12.4	1.4	1.8
Nov		2.9	3.0	3.9	3.9	3.3	3.4	5.1	4.3	1.5	1.9	4.2	4.1	0.5	1.3	13.7	12.3	1.4	1.9
Dec		2.4	2.7	2.9	3.3	2.3	3.1	3.4	4.1	1.0	1.6	3.2	3.4	0.5	1.2	10.3	9.7	1.6	1.9
12 *Jan*		2.0	2.7	2.5	3.2	2.2	3.1	2.9	4.1	1.4	1.6	2.6	3.2	0.3	0.9	7.9	9.2	1.3	1.9
Feb		1.9	2.7	2.4	3.4	2.1	3.3	2.9	4.1	1.3	2.2	2.6	3.4	0.2	1.0	7.8	9.5	1.1	1.8
Mar		1.8	2.7	2.2	3.3	1.8	3.3	2.9	3.9	0.6	2.2	2.4	3.4	0.3	1.4	7.5	8.5	1.1	1.8
Apr		2.0	2.6	2.6	3.2	2.2	3.1	3.3	3.7	0.9	2.1	2.8	3.2	0.2	1.3	8.9	8.1	1.1	1.7
May	P	1.9	2.4	2.4	2.9	1.9	2.8	3.5	3.4	0.2	1.8	2.7	3.0	0.4	1.3	8.2	7.3	1.1	1.8

HARMONISED INDEX OF CONSUMER PRICES. TOTAL
Annual percentage changes



HARMONISED INDEX OF CONSUMER PRICES. COMPONENTS
Annual percentage changes



Source: Eurostat.

a. Since January 2011 the rules of Commission Regulation (EC) No 330/2009 on the treatment of seasonal products have been incorporated. This has prompted a break in the series. The series constructed with the new methodology are only available from January 2010. The year-on-year rates of change presented here for 2010 are those disseminated by Eurostat, wich were constructed using the series prepared with the new methodology for 2010 and using the series prepared with the old methodology for 2009. Thus, these rates give a distorted view since they compare price indices prepared using two different methodologies. The year-on-year rates of change in the HICP in 2010, calculated on a uniform basis using solely the previous methodology and wich are consequently consistent, are as follows: Jan:1,1; Feb:0,9; Mar:1,5; Apr:1,6; May:1,8; Jun:1,5; Jul:1,9; Aug:1,8; Sep:2,1; Oct:2,3; Nov:2,2; Dec:2,9. More detailed methodological notes can be consulted on the Eurostat Internet site (www.europa.eu.int).

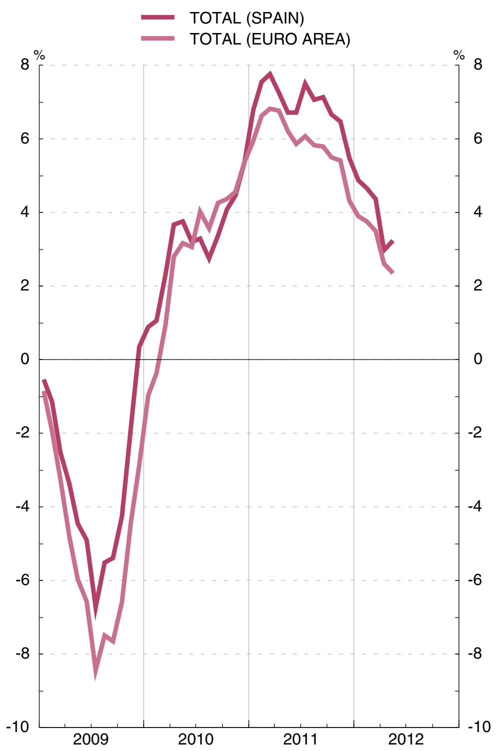
5.3. PRODUCER PRICE INDEX. SPAIN AND EURO AREA (2005 = 100)

■ Series depicted in chart.

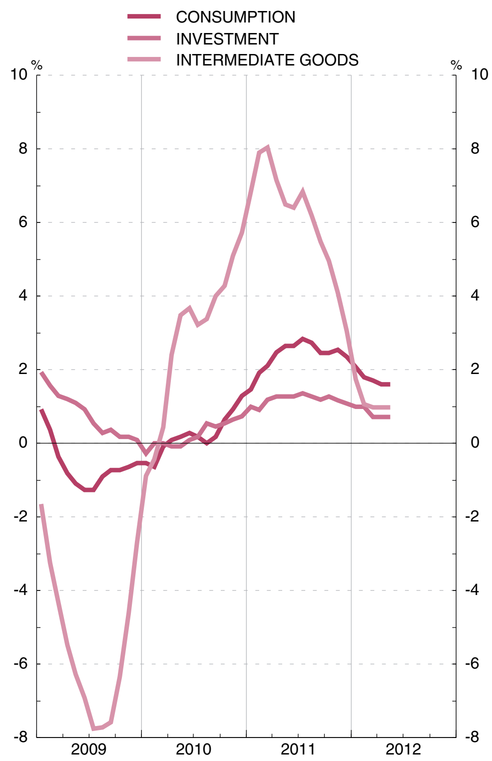
Annual percentage changes

		Total			Consumer goods		Capital goods		Intermediate goods		Energy		Memorandum item: euro area				
													Total	Consumer goods	Capital goods	Intermediate goods	Energy
		Original series	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	12-month % change	12-month % change	12-month % change	12-month % change	12-month % change
		1	2	3 ■	4	5 ■	6	7 ■	8	9 ■	10	11	12 ■	13	14	15	16
09	MP	112.4	_	-3.4	_	-0.6	_	0.8	_	-5.4	_	-6.8	-5.1	-2.1	0.5	-5.2	-11.5
10	MP	115.9	_	3.2	_	0.2	_	0.2	_	2.9	_	9.8	2.9	0.4	0.3	3.5	6.5
11	MP	124.0	_	6.9	_	2.4	_	1.2	_	6.1	_	17.2	5.9	3.1	1.4	5.9	11.9
11 *J-M*	MP	123.0	_	7.2	_	2.1	_	1.1	_	7.3	_	17.4	6.5	2.8	1.3	7.5	12.5
12 *J-M*	MP	128.0	_	4.0	_	1.8	_	0.8	_	1.1	_	12.0	3.2	2.6	1.2	0.9	8.3
11 *Feb*	P	122.4	0.9	7.6	0.5	1.9	0.1	0.9	1.2	7.9	1.4	18.5	6.6	2.5	1.4	8.2	12.6
Mar	P	123.5	0.9	7.8	0.3	2.1	0.2	1.2	0.6	8.0	2.3	18.6	6.8	2.8	1.4	8.1	13.0
Apr	P	124.2	0.6	7.3	0.4	2.5	0.1	1.3	0.5	7.1	1.1	17.1	6.8	3.4	1.4	7.3	13.2
May	P	123.8	-0.3	6.7	0.1	2.6	-	1.3	0.2	6.5	-1.3	15.4	6.2	3.5	1.2	6.6	11.8
Jun	P	123.9	0.1	6.7	0.1	2.6	0.1	1.3	-0.1	6.4	0.1	15.4	5.9	3.4	1.3	6.3	10.7
Jul	P	124.7	0.6	7.5	0.2	2.8	0.1	1.4	0.2	6.8	2.1	17.9	6.1	3.3	1.5	6.1	11.9
Aug	P	124.3	-0.3	7.1	0.2	2.7	0.1	1.3	-	6.2	-1.5	17.2	5.8	3.3	1.5	5.7	11.4
Sep	P	124.6	0.2	7.1	-	2.5	-	1.2	-0.2	5.5	1.1	18.8	5.8	3.4	1.5	5.0	12.2
Oct	P	124.8	0.2	6.7	0.1	2.4	0.1	1.3	-0.3	5.0	1.0	17.9	5.5	3.4	1.6	4.1	12.4
Nov	P	125.0	0.2	6.5	0.1	2.5	-	1.2	-0.4	4.1	0.8	17.7	5.4	3.4	1.4	3.5	12.4
Dec	P	125.0	-	5.5	0.1	2.4	-0.1	1.1	-0.3	3.0	0.5	15.2	4.3	3.1	1.4	2.7	9.5
12 *Jan*	P	127.2	1.8	4.9	0.2	2.1	0.4	1.0	0.4	1.7	5.9	14.3	3.9	3.0	1.3	1.6	9.7
Feb	P	128.1	0.7	4.7	0.2	1.8	0.1	1.0	0.6	1.1	1.6	14.5	3.8	2.9	1.2	1.1	9.9
Mar	P	128.9	0.6	4.4	0.2	1.7	-0.1	0.7	0.5	1.0	1.5	13.7	3.5	2.8	1.2	0.9	9.0
Apr	P	127.9	-0.8	3.0	0.3	1.6	0.1	0.7	0.5	1.0	-3.6	8.4	2.6	2.3	1.2	0.6	6.7
May	P	127.8	-0.1	3.2	0.1	1.6	-	0.7	0.2	1.0	-0.5	9.3	2.3	1.9	1.2	0.5	6.4

PRODUCER PRICE INDEX. TOTAL
Annual percentage changes



PRODUCER PRICE INDEX. COMPONENTS
Annual percentage changes



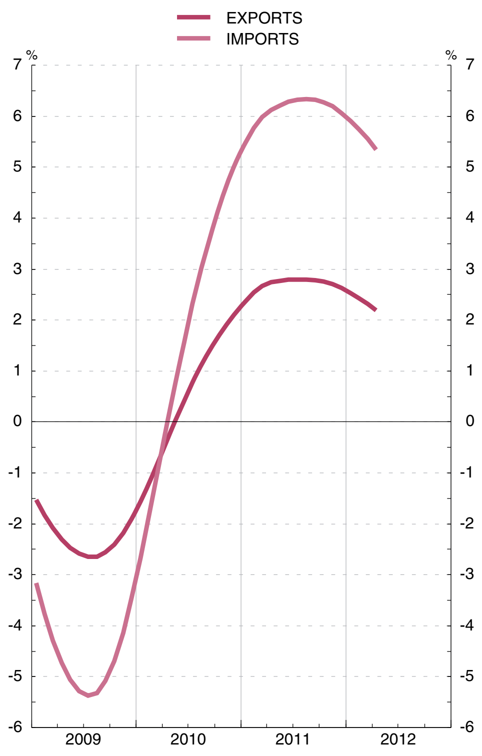
Sources: INE and ECB.
Note: The underlying series for this indicator, for Spain, are in Table 25.3 of the BE Boletín estadístico.
a. For annual periods: average growth for each year on the previous year.

5.4. UNIT VALUE INDICES FOR SPANISH FOREIGN TRADE

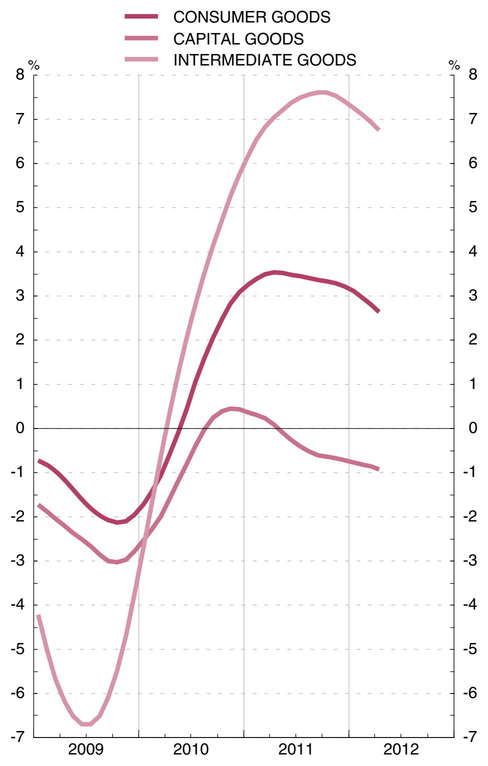
■ Series depicted in chart. *Annual percentage changes*

	Exports/dispatches						Imports/arrivals					
	Total	Consumer goods	Capital goods	Intermediate goods			Total	Consumer goods	Capital goods	Intermediate goods		
				Total	Energy	Non-energy				Total	Energy	Non-energy
	1 ■	2	3	4	5	6	7 ■	8 ■	9 ■	10 ■	11	12
10	1,6	3,1	-5,2	1,8	16,8	0,9	4,7	1,7	2,4	6,2	25,8	0,5
11	4,9	3,9	1,5	6,0	30,2	3,5	8,5	5,5	-0,8	10,6	25,6	5,2
12 A	2,6	4,9	9,5	0,3	2,9	-0,6	6,4	4,0	-0,1	7,9	14,7	3,2
11 *J-A*	7,1	6,2	1,3	8,9	36,2	6,9	11,0	8,1	2,1	12,9	30,1	7,3
12 *J-A*	2,6	4,9	9,5	0,3	2,9	-0,6	6,4	4,0	-0,1	7,9	14,7	3,2
10 *Nov*	3,6	5,7	-6,8	3,8	24,6	2,4	8,6	12,0	6,1	7,1	19,4	3,4
Dec	2,8	5,7	-4,5	2,2	13,4	1,3	9,5	11,4	9,4	8,3	26,8	1,7
11 *Jan*	5,8	5,3	-3,9	7,9	48,3	5,5	11,5	6,5	-7,8	15,4	30,5	9,0
Feb	6,7	5,1	3,6	8,3	24,1	6,8	10,1	6,0	0,6	12,5	30,4	6,9
Mar	6,6	2,6	4,0	10,0	41,4	8,1	11,4	10,1	12,9	11,6	33,7	5,9
Apr	9,5	11,8	1,6	9,4	29,6	7,2	11,0	9,7	2,7	12,1	25,9	7,2
May	0,7	4,6	4,0	-2,8	27,6	-5,0	3,9	4,7	-5,1	4,3	19,0	0,6
Jun	4,2	0,8	2,9	6,3	27,5	4,3	7,3	2,4	-1,7	9,8	20,4	5,3
Jul	4,6	2,9	4,7	5,6	29,1	3,6	9,3	4,2	-1,2	12,3	26,7	7,2
Aug	2,1	2,1	-6,3	3,3	21,5	2,0	5,3	3,8	-3,3	6,8	21,3	1,2
Sep	3,7	5,3	-3,8	4,0	24,4	2,2	7,1	1,7	-8,3	10,8	25,9	3,7
Oct	6,1	3,3	4,0	7,9	28,1	2,9	8,6	5,1	2,3	10,9	24,4	6,4
Nov	4,2	0,4	4,0	6,6	36,4	0,7	10,7	5,1	1,8	13,8	29,4	7,3
Dec	4,4	2,3	3,5	5,7	23,4	4,5	6,4	6,6	-1,9	7,3	20,0	1,5
12 *Jan*	2,0	3,2	14,0	-0,1	0,5	-0,7	5,5	6,9	-2,4	5,9	17,9	1,4
Feb	5,1	4,9	14,3	3,9	10,2	2,4	7,8	4,8	-0,9	9,6	16,7	4,1
Mar	3,7	8,5	7,9	0,1	1,2	-1,2	8,5	4,4	3,0	10,5	13,2	5,7
Apr	-0,4	3,1	1,9	-2,6	-0,1	-2,5	4,0	-0,2	0,0	5,6	10,9	1,6

EXPORT AND IMPORT UNIT VALUE INDICES (a)



IMPORT UNIT VALUE INDICES BY PRODUCT GROUP (a)



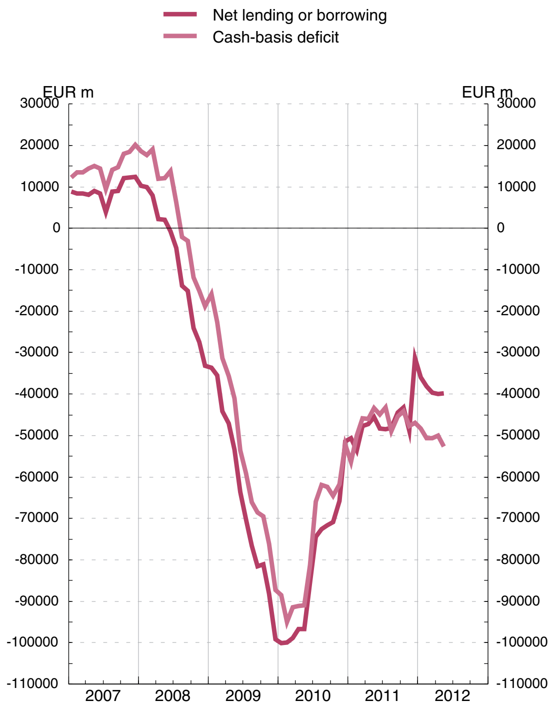
Sources: ME and BE.
Note: The underlying series for this indicator are in the Tables 18.6 and 18.7 of the Boletín Estadístico.
a. Annual percentage changes (trend obtained with TRAMO-SEATS).

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

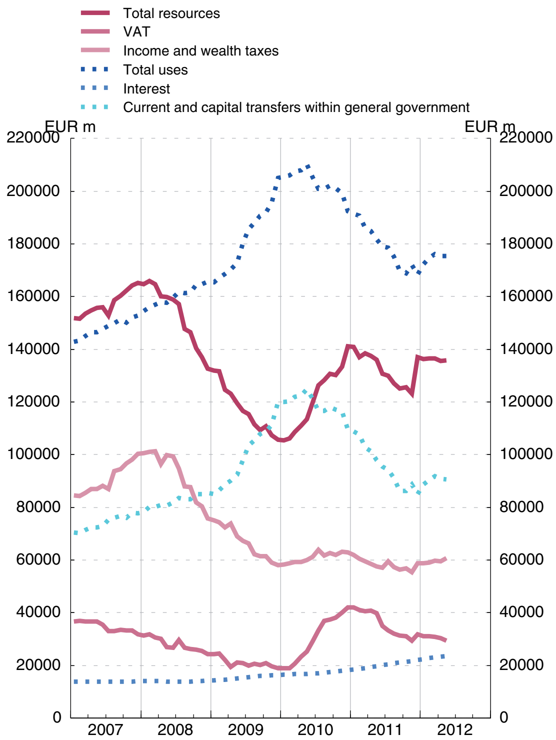
■ Series depicted in chart. *EUR millions*

		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
07	12 365	165 285	31 885	12 938	6 636	100 446	13 380	152 920	18 006	14 032	77 833	6 092	36 957	20 135	159 840	139 704
08	-33 125	132 614	24 277	12 715	6 989	75 803	12 830	165 739	19 179	14 224	85 576	5 724	41 036	-18 747	129 336	148 082
09	-99 130	105 783	18 919	11 586	8 125	58 156	8 997	204 913	20 176	16 392	120 013	5 617	42 715	-87 281	102 038	189 319
10	P -51 448	141 061	41 995	11 798	7 722	62 838	16 708	192 509	20 125	18 103	109 650	4 243	40 388	-52 235	127 337	179 572
11	A -31 348	137 056	31 712	8 021	7 338	58 816	31 169	168 404	20 147	22 110	84 923	4 369	36 855	-46 950	104 145	151 095
11 *J-M*	A -27 907	33 081	9 464	3 015	2 461	12 974	5 167	60 988	7 264	8 740	30 707	757	13 520	-14 082	44 606	58 688
12 *J-M*	A -36 387	31 708	7 200	2 963	2 409	14 854	4 282	68 095	7 360	10 271	36 476	134	13 854	-19 793	45 923	65 716
11 *May*	A -11 043	1 602	-111	631	100	-786	1 768	12 645	1 500	1 842	6 649	164	2 490	-7 939	958	8 897
Jun	A -178	13 703	4 321	773	298	6 126	2 185	13 881	2 623	1 830	6 200	112	3 116	-9 414	1 081	10 495
Jul	A -10 922	6 117	-142	810	17	5 094	338	17 039	1 460	1 920	10 421	249	2 989	2 886	15 698	12 812
Aug	A -1 854	8 102	171	524	375	5 465	1 567	9 956	1 411	1 873	4 348	41	2 283	-13 073	2 277	15 350
Sep	A 3 170	13 837	5 173	934	528	5 939	1 263	10 667	1 521	1 849	5 109	222	1 966	2 602	10 419	7 818
Oct	A -2 460	11 379	1 376	564	265	7 391	1 783	13 839	1 501	1 849	8 302	197	1 990	4 347	19 165	14 818
Nov	A -12 323	5 975	166	550	757	2 662	1 840	18 298	1 488	1 845	11 589	229	3 147	-11 815	4 068	15 882
Dec	A 21 126	44 862	11 183	851	2 637	13 165	17 026	23 736	2 879	2 204	8 247	2 562	7 844	-8 401	6 830	15 231
12 *Jan*	A -9 316	4 309	1 339	681	547	1 525	217	13 625	1 396	2 057	7 864	-	2 308	-9 040	9 194	18 235
Feb	A -11 360	4 830	2 165	514	101	1 825	225	16 190	1 436	1 957	8 784	11	4 002	-155	13 868	14 024
Mar	A 968	14 327	4 488	463	1 161	6 796	1 419	13 359	1 455	2 096	7 348	17	2 443	-3 624	5 516	9 140
Apr	A -5 772	6 498	188	727	390	4 381	812	12 270	1 608	2 026	6 060	53	2 523	3 625	17 158	13 532
May	A -10 907	1 744	-980	578	210	327	1 609	12 651	1 465	2 135	6 420	53	2 578	-10 599	186	10 785

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 Hacienda y Administraciones Públicas (IGAE).

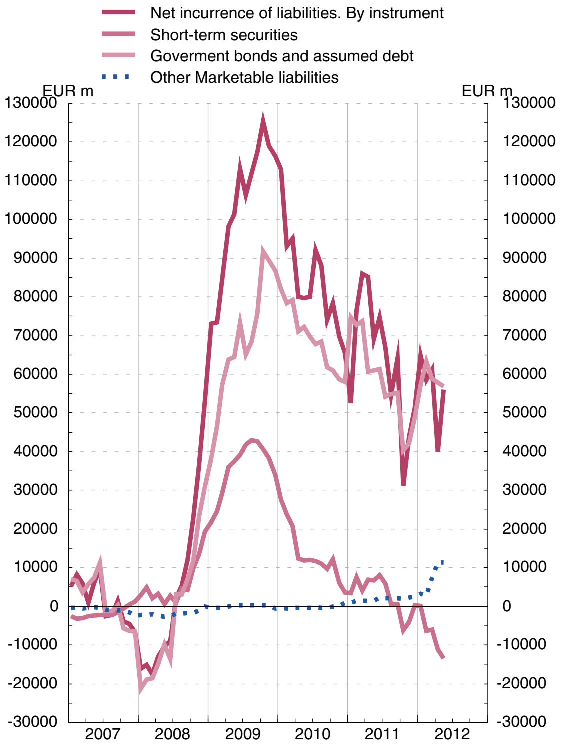
6.2. STATE FINANCIAL TRANSACTIONS. SPAIN

■ Series depicted in chart.

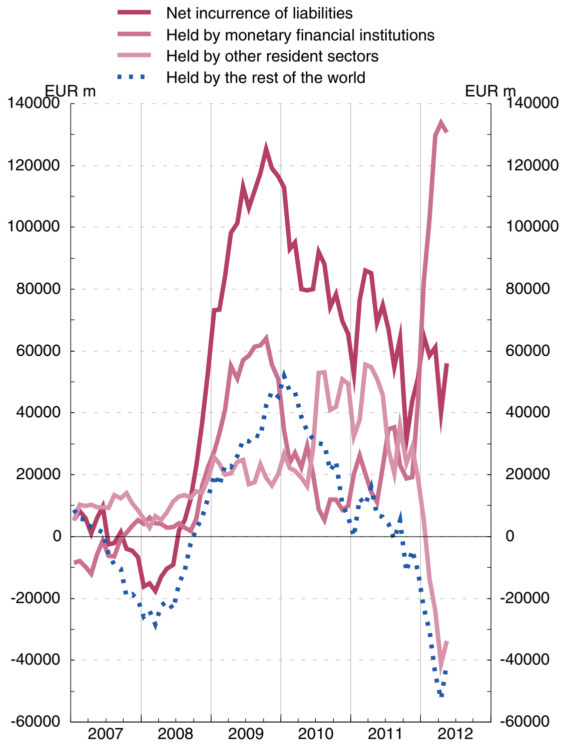
EUR millions

		Net lending (+) or net borrowing(-)	Net acquisition of financial assets: Total	Net acquisition of financial assets: Of which: Deposits at the Banco de España	Net incurrence of liabilities: Total ■	Of which: In currencies other than the peseta/ euro	By instrument: Short-term securities ■	By instrument: Goverment bonds and assumed debt ■	By instrument: Banco de España loans	By instrument: Other marketable liabilities (a) ■	By instrument: Other accounts payable	By counterpart sector: Held by resident sectors: Total	Held by resident sectors: Monetary financial institutions ■	Held by resident sectors: Other resident sectors ■	Rest of the world ■	Net incurrence of liabilities (excluding other accounts payable)
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
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	14 014	-5	65 462	-726	3 616	57 958	-544	907	3 524	59 165	9 809	49 357	6 297	61 938
11	A	-31 348	20 010	-75	51 358	-1 442	312	48 941	-537	2 637	5	62 503	43 784	18 719	-11 145	51 353
11 *J-M*	A	-27 907	-1 017	-200	26 890	36	-1 073	24 609	-537	510	3 382	25 959	6 712	19 247	931	23 509
12 *J-M*	A	-36 387	-4 864	-125	31 523	-729	-14 914	32 483	-542	9 193	5 303	60 465	93 669	-33 204	-28 942	26 220
11 *May*	A	-11 043	-19 172	-18 220	-8 129	15	436	8 307	-	0	-16 872	2 464	4 537	-2 073	-10 593	8 743
Jun	A	-178	11 067	80	11 245	-37	2 444	9 324	-	918	-1 441	10 163	11 141	-978	1 082	12 686
Jul	A	-10 922	-298	-82	10 624	-1 454	336	-15 631	-	5	25 914	14 410	-1 770	16 180	-3 786	-15 290
Aug	A	-1 854	-19 020	1	-17 166	11	-2 795	5 710	-	14	-20 095	-13 973	-1 953	-12 020	-3 193	2 929
Sep	A	3 170	11 497	1	8 327	-25	707	9 217	-	-38	-1 559	1 449	-209	1 659	6 877	9 886
Oct	A	-2 460	-14 364	0	-11 904	5	-1 682	-7 751	-	-15	-2 456	-5 587	-585	-5 002	-6 317	-9 448
Nov	A	-12 323	2 687	0	15 010	11	203	10 119	-	388	4 300	12 866	1 981	10 886	2 144	10 710
Dec	A	21 126	29 458	125	8 332	12	2 173	13 344	-	854	-8 039	17 215	28 467	-11 252	-8 883	16 371
12 *Jan*	A	-9 316	3 556	-210	12 872	12	-937	12 945	-	581	283	22 297	37 888	-15 591	-9 425	12 589
Feb	A	-11 360	1 600	19 483	12 960	11	-4 508	14 172	-	1	3 296	14 855	22 714	-7 858	-1 895	9 664
Mar	A	968	10 625	-1 998	9 657	-753	-2 067	8 964	-	4 668	-1 907	21 529	29 685	-8 155	-11 872	11 565
Apr	A	-5 772	-17 578	-3 999	-11 806	-9	-5 515	-10 926	-542	3 949	1 228	-5 192	1 873	-7 065	-6 614	-13 034
May	A	-10 907	-3 068	-13 401	7 839	11	-1 887	7 329	-	-5	2 403	6 975	1 510	5 465	864	5 437

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).

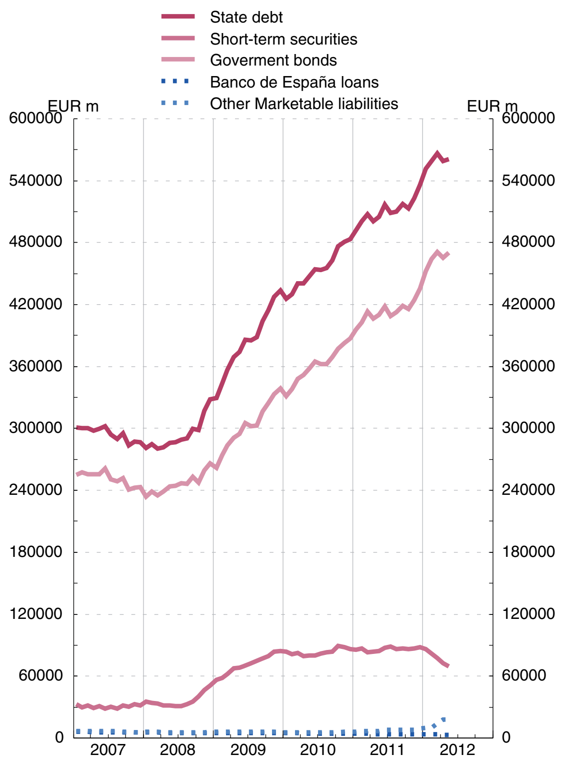
6.3. STATE: LIABILITIES OUTSTANDING. SPAIN

■ Series depicted in chart.

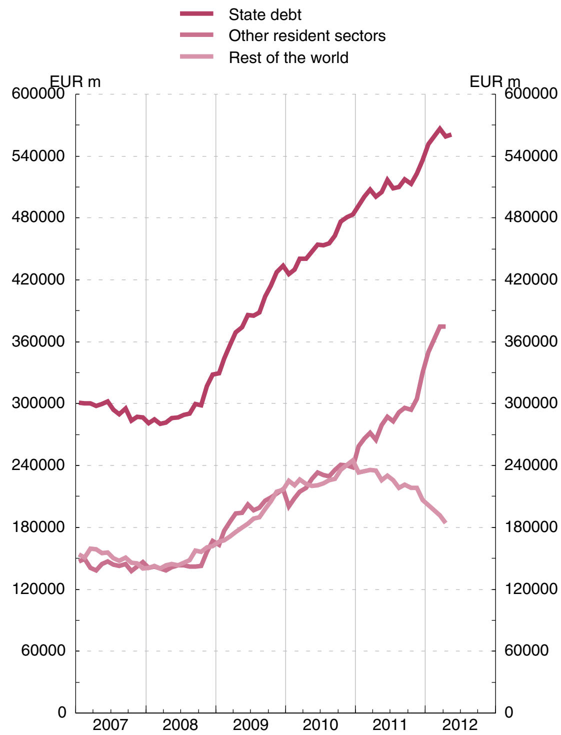
EUR millions

	Liabilities outstanding (excluding other accounts payable): State debt according to the methodology of the excessive deficit procedure	of which: In currencies other than the peseta/euro	By instrument: Short-term securities	By instrument: Government bonds and assumed debt	By instrument: Banco de España loans	By instrument: Other marketable liabilities (a)	By counterpart sector: Held by resident sectors: Total	By counterpart sector: Held by resident sectors: General government	By counterpart sector: Held by resident sectors: Other resident sectors	By counterpart sector: Rest of the world	Memorandum item: Deposits at the Banco de España	Memorandum item: Other deposits: Treasury liquidity tenders (b)	Memorandum item: Guarantees given (contingent liabilities). Outstanding level
	1 ■	2	3 ■	4 ■	5 ■	6 ■	7	8	9 ■	10 ■	11	12	13
07	286 531	355	31 644	243 246	5 832	5 808	171 839	25 551	146 288	140 243	165	15 018	6 162
08	328 379	63	50 788	266 334	5 249	6 008	201 112	34 511	166 601	161 779	4 502	21 403	8 152
09	433 436	68	84 303	338 969	4 665	5 498	263 300	46 105	217 195	216 241	305	24 486	58 854
10	P 483 382	0	85 980	386 915	4 082	6 406	299 410	61 170	238 240	245 142	300	28 598	73 560
11 *May*	A 505 020	0	84 462	410 145	3 499	6 915	345 159	65 894	279 264	225 756	100	39 911	85 531
Jun	A 516 898	0	87 532	418 034	3 499	7 833	352 297	65 312	286 985	229 913	180	40 164	87 329
Jul	A 508 706	0	88 799	408 570	3 499	7 838	345 975	63 203	282 772	225 934	98	48 068	88 994
Aug	A 509 954	0	86 095	412 508	3 499	7 853	354 936	63 361	291 574	218 380	99	19 953	88 644
Sep	A 517 180	0	87 096	418 771	3 499	7 815	360 287	64 546	295 740	221 440	100	31 403	88 606
Oct	A 512 796	0	85 927	415 570	3 499	7 800	355 899	61 553	294 345	218 450	100	27 091	91 381
Nov	A 522 769	0	86 551	424 531	3 499	8 188	365 709	61 032	304 677	218 092	100	24 381	92 063
Dec	A 536 198	0	88 363	435 294	3 499	9 043	392 391	62 613	329 778	206 420	225	30 391	98 348
12 *Jan*	A 551 692	0	86 371	452 199	3 499	9 623	413 330	63 478	349 852	201 840	15	36 152	100 274
Feb	A 559 185	0	81 892	464 171	3 499	9 624	426 056	63 617	362 439	196 747	19 499	35 267	98 287
Mar	A 566 263	0	77 819	470 654	3 499	14 292	440 574	65 755	374 819	191 445	17 500	36 709	131 683
Apr	A 558 682	0	72 451	465 076	2 915	18 241	438 227	63 704	374 523	184 159	13 501	30 536	126 683
May	A 560 837	0	69 222	470 465	2 915	18 235	...	65 056	...	...	100	40 266	133 538

STATE. LIABILITIES OUTSTANDING
By instrument



STATE. LIABILITIES OUTSTANDING
By counterpart sector



Source: BE.

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

b. Including the daily liquidity tenders of the Treasury recorded in its accounts at the Banco de España and the repurchase agreements carried out by the Treasury with a one-month maturity.

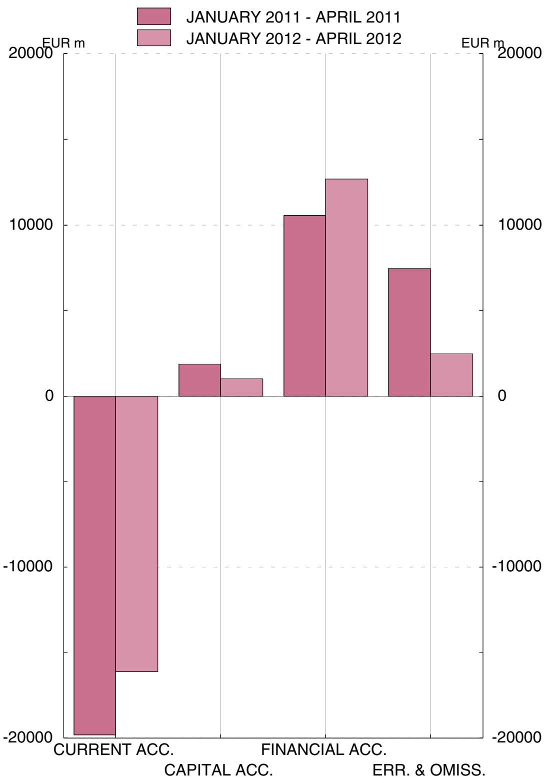
7.1. SPANISH BALANCE OF PAYMENTS VIS-à-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD. CURRENT ACCOUNT

■ Series depicted in chart.

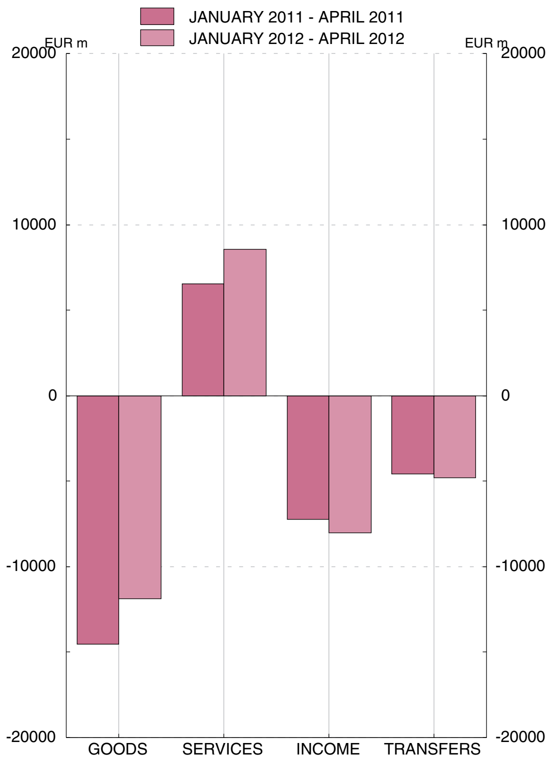
EUR millions

		Current account (a)													Capital account	Current account plus capital account	Financial account	Errors and omission
			Goods			Services					Income			Current transfers (balance)				
		Total (balance)	Balance	Receipts	Payments	Balance	Receipts		Payments		Balance	Receipts	Payments		(balance)		(balance) (b)	
							Total	Of which Travel	Total	Of which Travel								
		1=2+5+10+13 ■	2=3-4 ■	3	4	5=6-8 ■	6	7	8	9	10=11-12 ■	11	12	13 ■	14 ■	15=1+14	16 ■	17=-(15+16) ■
09		-50 539	-41 611	164 083	205 693	25 032	88 754	38 125	63 722	12 086	-25 931	45 338	71 269	-8 030	4 224	-46 315	51 982	-5 667
10	P	-47 427	-47 779	193 666	241 445	27 514	93 870	39 621	66 356	12 663	-19 849	46 051	65 901	-7 313	6 289	-41 138	43 174	-2 036
11	P	-37 497	-39 727	222 641	262 367	34 240	102 220	43 026	67 980	12 422	-26 106	42 355	68 461	-5 904	5 488	-32 009	35 760	-3 751
11 *J-A*	P	-19 831	-14 549	72 715	87 265	6 534	28 303	10 418	21 768	3 527	-7 227	11 324	18 551	-4 589	1 847	-17 984	10 530	7 454
12 *J-A*	P	-16 123	-11 860	74 897	86 757	8 547	30 047	10 340	21 500	3 389	-8 010	11 158	19 168	-4 800	1 000	-15 123	12 671	2 452
11 *Jan*	P	-6 171	-4 406	16 476	20 881	1 635	7 072	2 591	5 436	893	-2 293	2 631	4 924	-1 107	181	-5 989	5 295	694
Feb	P	-5 297	-2 714	17 713	20 426	981	6 403	2 243	5 422	924	-1 285	3 047	4 332	-2 279	1 250	-4 047	1 651	2 396
Mar	P	-5 388	-4 020	20 537	24 557	1 593	7 464	2 733	5 872	872	-2 290	2 602	4 892	-671	132	-5 256	2 901	2 354
Apr	P	-2 975	-3 410	17 990	21 400	2 326	7 364	2 850	5 038	838	-1 358	3 044	4 403	-532	284	-2 692	683	2 009
May	P	-3 418	-2 987	18 961	21 948	3 229	8 384	3 526	5 155	651	-3 130	4 648	7 778	-530	619	-2 800	5 918	-3 119
Jun	P	-1 322	-3 406	19 051	22 457	3 986	9 776	4 298	5 790	1 119	-1 462	4 561	6 022	-441	440	-882	841	41
Jul	P	-880	-1 105	19 332	20 437	4 376	10 577	5 481	6 201	1 272	-3 501	3 920	7 421	-650	351	-528	6 236	-5 708
Aug	P	-1 119	-4 400	16 044	20 445	5 064	10 471	5 734	5 407	1 368	-1 661	2 409	4 070	-121	935	-184	-334	518
Sep	P	-3 726	-4 550	18 721	23 271	3 658	9 589	4 653	5 931	1 237	-2 325	3 369	5 694	-509	-19	-3 745	2 356	1 389
Oct	P	-1 363	-3 023	19 860	22 883	3 646	9 474	4 154	5 829	1 172	-1 465	3 521	4 986	-521	280	-1 083	3 448	-2 366
Nov	P	-1 926	-1 791	20 531	22 323	2 054	7 667	2 606	5 613	1 103	-2 568	3 223	5 791	379	869	-1 058	5 234	-4 177
Dec	P	-3 911	-3 915	17 425	21 340	1 693	7 979	2 156	6 286	974	-2 768	5 379	8 147	1 078	165	-3 746	1 530	2 216
12 *Jan*	P	-5 574	-3 253	17 173	20 426	1 847	7 200	2 677	5 353	832	-3 033	2 845	5 878	-1 135	84	-5 490	2 994	2 497
Feb	P	-5 860	-3 107	18 751	21 858	1 680	7 093	2 243	5 413	881	-1 855	2 437	4 292	-2 578	116	-5 744	6 666	-922
Mar	P	-3 010	-2 606	21 205	23 811	2 192	7 751	2 687	5 559	832	-1 816	3 009	4 826	-780	486	-2 524	608	1 916
Apr	P	-1 679	-2 894	17 769	20 663	2 828	8 002	2 733	5 174	844	-1 305	2 867	4 172	-307	314	-1 364	2 403	-1 039

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).

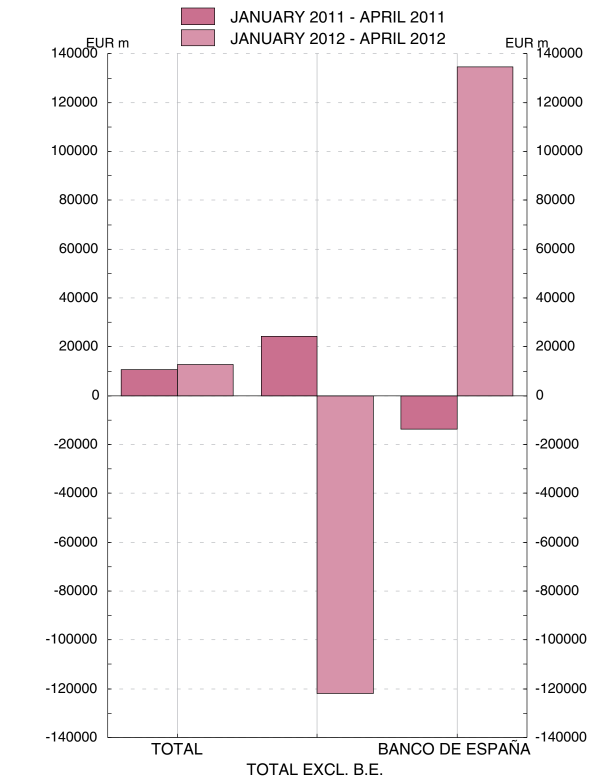
7.2. SPANISH BALANCE OF PAYMENTS VIS-à-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD. FINANCIAL ACCOUNT (a)

■ Series depicted in chart.

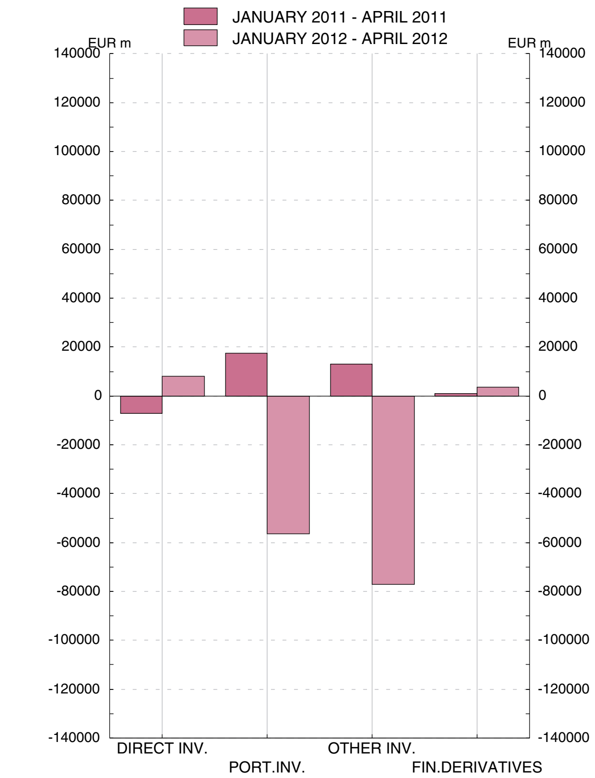
EUR millions

		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
09		51 982	41 517	-1 917	9 409	7 491	44 824	3 491	48 315	4 665	4 009	8 674	-6 054	10 464	-1 563	6 146	5 882
10	P	43 174	27 478	1 827	28 949	30 776	27 671	-63 711	-36 040	-10 610	17 439	6 829	8 589	15 696	-814	9 788	6 722
11	P	35 760	-73 393	-5 596	26 800	21 204	-23 076	-42 904	-65 979	-44 880	35 500	-9 380	159	109 153	-10 010	124 056	-4 893
11 *J-A*	P	10 530	24 156	-7 279	17 334	10 055	17 540	-7 675	9 865	13 020	10 747	23 767	875	-13 626	-542	-13 389	305
12 *J-A*	P	12 671	-121 892	7 948	1 251	9 199	-56 347	-1 594	-57 941	-77 002	36 225	-40 776	3 509	134 562	-364	127 862	7 064
11 *Jan*	P	5 295	8 852	-1 645	5 171	3 526	10 631	-6 560	4 071	-1 174	13 779	12 605	1 040	-3 557	-216	-2 836	-506
Feb	P	1 651	6 651	1 235	937	2 171	15 762	-3 425	12 337	-10 876	-3 266	-14 142	530	-5 000	-58	-5 121	180
Mar	P	2 901	5 384	-3 110	5 047	1 937	-3 575	1 573	-2 003	10 891	-430	10 461	1 178	-2 483	-218	-2 938	673
Apr	P	683	3 269	-3 758	6 179	2 420	-5 278	737	-4 540	14 179	663	14 842	-1 874	-2 586	-50	-2 495	-41
May	P	5 918	-9 557	-2 011	1 478	-534	-8 773	-4 018	-12 791	1 066	15 632	16 698	161	15 476	-59	15 530	5
Jun	P	841	7 859	-1 741	-5 212	-6 953	-5 819	-5 247	-11 066	15 755	-2 586	13 169	-336	-7 018	-27	-7 702	711
Jul	P	6 236	-4 768	763	2 150	2 913	-3 099	-4 804	-7 903	-2 216	-4 041	-6 258	-216	11 004	-1 462	11 311	1 156
Aug	P	-334	-18 087	-1 117	-1 099	-2 216	-8 352	-1 554	-9 907	-7 454	4 919	-2 535	-1 165	17 753	-43	21 553	-3 756
Sep	P	2 356	-7 908	2 516	1 439	3 955	-3 152	-1 900	-5 052	-7 682	-878	-8 560	410	10 264	-92	10 396	-40
Oct	P	3 448	-15 397	1 532	3 728	5 260	-5 634	-3 667	-9 301	-11 363	5 128	-6 235	68	18 845	-948	19 867	-73
Nov	P	5 234	-17 235	1 082	1 992	3 073	6 673	-8 479	-1 806	-26 348	7 802	-18 546	1 358	22 469	-3 694	28 690	-2 527
Dec	P	1 530	-32 454	659	4 990	5 649	-12 460	-5 559	-18 019	-19 657	-1 222	-20 880	-996	33 984	-3 142	37 801	-675
12 *Jan*	P	2 994	-6 540	2 665	-896	1 769	-6 522	-49	-6 570	-2 605	-827	-3 432	-78	9 533	-71	8 808	797
Feb	P	6 666	-22 640	2 305	-142	2 162	-5 431	2 157	-3 274	-22 098	8 112	-13 985	2 584	29 305	-111	27 639	1 777
Mar	P	608	-66 125	2 212	127	2 339	-24 194	689	-23 505	-45 128	24 317	-20 811	984	66 734	-30	64 608	2 156
Apr	P	2 403	-26 587	767	2 161	2 928	-20 201	-4 392	-24 593	-7 171	4 623	-2 547	18	28 990	-152	26 807	2 334

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.

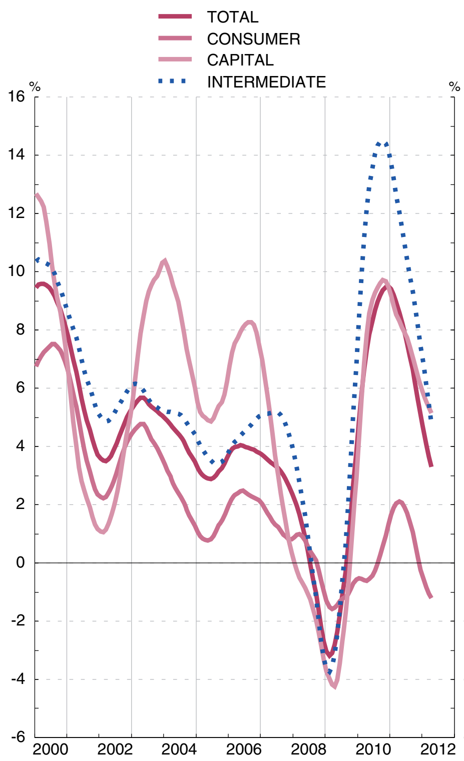
7.3. SPANISH FOREIGN TRADE WITH OTHER EURO AREA COUNTRIES AND WITH THE REST OF THE WORLD EXPORTS AND DISPATCHES

■ Series depicted in chart.

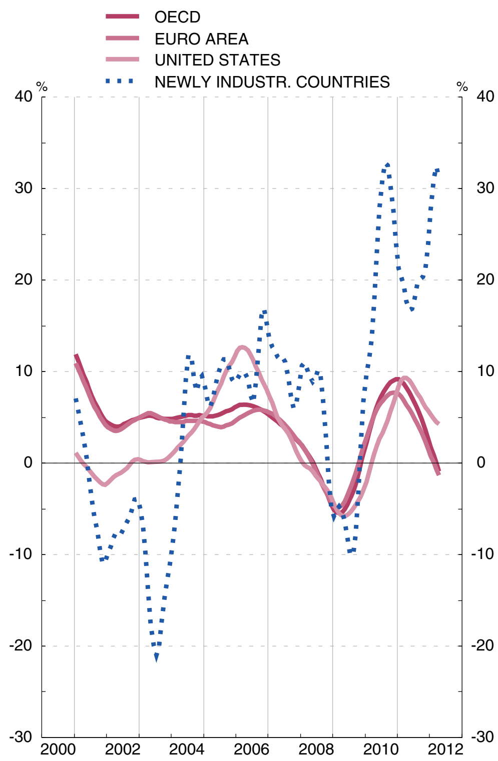
Eur millions and annual percentage changes

		Total			By product (deflated data) (a)					By geographical area (nominal data)							
							Intermediate			EU 27		OECD					
		EUR millions	Nom-inal	De-flated (a)	Con-sumer	Capital	Total	Energy	Non-energy	Total	Euro Area	Total	of which: United States	OPEC	Other Amer-ican coun-tries	China	Newly industri-alised coun-tries
		1	2	3 ■	4 ■	5 ■	6 ■	7	8	9	10 ■	11 ■	12 ■	13	14	15	16 ■
04		146 925	6.4	5.3	2.2	13.1	6.6	10.2	6.3	5.0	5.0	5.8	2.0	12.5	3.3	5.6	4.7
05		155 005	5.5	0.8	-0.8	5.5	1.4	-8.7	2.2	2.6	2.3	4.3	10.2	9.1	11.8	31.4	14.5
06		170 439	10.0	5.2	2.9	12.7	5.6	-3.7	6.2	8.1	7.8	8.4	17.7	6.0	34.5	12.8	16.5
07		185 023	8.6	5.8	3.0	4.4	8.1	6.6	8.1	8.0	8.4	7.1	-1.1	22.3	-12.5	23.5	-0.8
08		189 228	2.3	0.7	2.4	-5.6	0.6	19.0	-0.6	-0.1	-0.5	-0.4	1.4	30.1	1.0	1.2	4.2
09		159 890	-15.5	-9.4	-3.4	-14.1	-12.8	-19.9	-12.2	-15.5	-13.2	-15.1	-24.4	-11.4	-17.9	-7.7	8.5
10		186 780	16.8	15.0	-3.4	22.4	28.6	15.4	29.6	14.3	13.6	15.2	15.5	9.6	35.7	34.1	27.0
11 *Mar*	P	19 645	18.0	10.7	10.5	39.4	6.6	12.8	6.3	13.4	9.8	17.2	33.4	2.1	29.1	12.6	31.0
Apr	P	17 344	18.6	8.4	7.2	23.1	6.9	35.3	5.5	15.2	10.8	15.8	50.4	34.7	23.7	17.0	-3.5
May	P	18 328	13.0	12.3	10.0	-13.2	19.4	17.4	19.5	10.8	7.0	13.4	19.0	25.7	25.4	44.0	10.3
Jun	P	17 954	10.8	6.3	8.2	9.1	4.9	29.4	3.7	7.9	5.1	8.6	35.3	5.0	13.9	38.6	12.1
Jul	P	18 635	13.8	8.8	1.6	34.5	9.4	15.8	8.9	14.3	8.1	10.0	-10.1	21.3	8.0	6.5	5.6
Aug	P	15 444	20.0	17.4	17.0	15.0	18.0	-1.4	19.8	19.3	16.3	20.2	16.4	25.6	21.3	25.1	34.6
Sep	P	17 780	11.8	7.8	4.1	22.8	7.9	18.4	7.2	4.8	1.0	7.3	20.6	27.0	14.2	22.4	17.0
Oct	P	19 394	11.5	5.1	0.9	-9.2	9.9	124.6	2.6	12.1	10.0	11.1	-7.6	9.3	7.3	38.1	16.3
Nov	P	19 866	13.4	8.7	0.2	15.4	13.2	102.0	7.3	14.3	14.5	12.7	-1.8	14.1	3.8	27.0	14.8
Dec	P	17 004	6.6	2.1	-11.4	10.0	10.1	-0.8	10.8	-0.7	-4.6	1.0	14.6	75.4	13.6	15.8	10.3
12 *Jan*	P	16 579	3.9	1.9	-5.2	-4.5	7.2	29.8	5.9	0.8	-1.3	-0.5	6.4	42.5	16.2	14.6	37.3
Feb	P	17 978	4.9	-0.2	0.1	-26.4	4.4	41.6	2.2	1.9	-1.3	3.2	-3.7	16.3	-18.8	-1.0	36.6
Mar	P	19 889	1.2	-2.3	-10.7	-15.1	5.5	49.5	3.2	-0.2	-0.6	-1.4	-3.9	24.4	7.4	17.9	56.6
Apr	P	17 198	-0.8	-0.5	-5.9	-9.0	4.0	-3.4	4.5	-4.6	-2.8	-3.1	-8.1	7.6	25.9	22.5	29.7

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



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



Sources: ME y BE.
Note: The underlying series for this indicator are in Tables 18.4 and 18.5 of the Boletín estadístico.
The monthly series are provisional data, while the annual series are the final foreign trade data.
a. Series deflated by unit value indices.

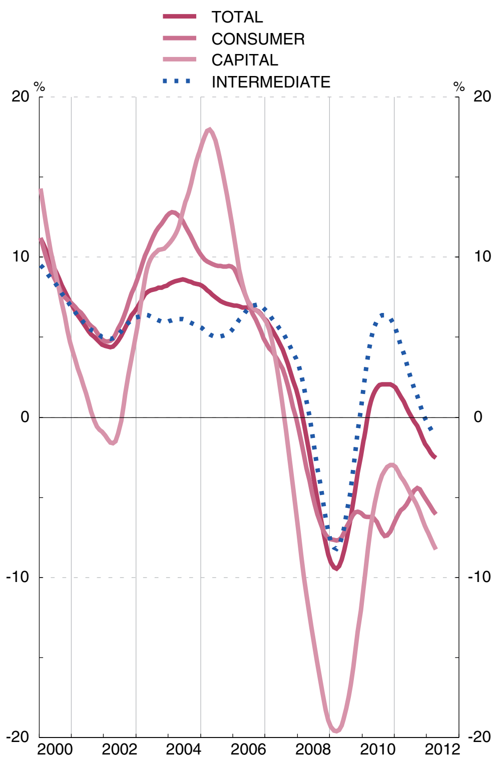
7.4. SPANISH FOREIGN TRADE WITH OTHER EURO AREA COUNTRIES AND WITH THE REST OF THE WORLD IMPORTS AND ARRIVALS

■ Series depicted in chart.

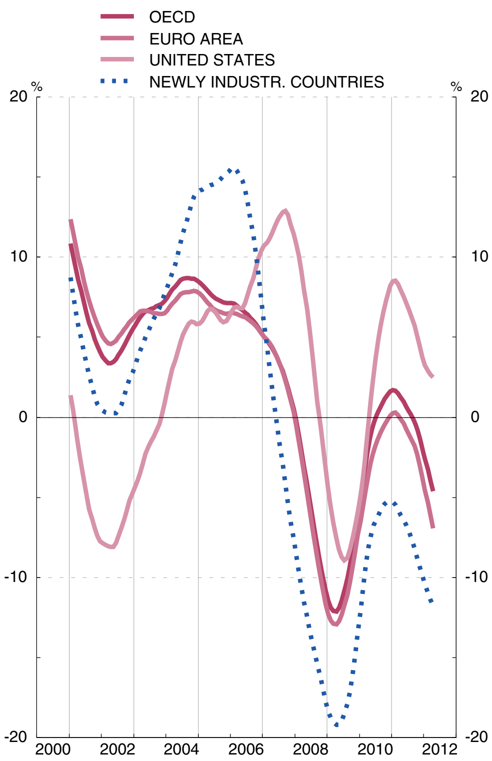
Eur millions and annual percentage changes

	Total: EUR millions	Total: Nominal	Total: Deflated (a)	By product (deflated data) (a): Consumer	By product: Capital	By product: Intermediate: Total	By product: Intermediate: Energy	By product: Intermediate: Non-energy	By geographical area (nominal data): EU 27: Total	EU 27: Euro Area	OECD: Total	OECD: of which: United States	OPEC	Other American countries	China	Newly industrialised countries
	1	2	3 ■	4 ■	5 ■	6 ■	7	8	9	10 ■	11 ■	12 ■	13	14	15	16 ■
04	208 411	12.6	9.9	13.5	14.4	7.3	10.6	6.4	9.9	10.0	11.4	9.3	17.9	7.9	26.8	14.6
05	232 954	11.8	6.4	8.4	17.6	3.3	11.1	1.1	5.6	5.3	6.2	-0.1	40.8	29.3	37.3	11.2
06	262 687	12.8	8.5	7.3	2.5	10.2	6.1	11.5	8.4	8.0	8.8	14.7	25.3	24.1	22.7	28.6
07	285 038	8.5	7.6	5.8	10.8	7.8	4.0	8.9	10.5	11.0	9.7	16.4	-6.3	-6.8	28.7	-3.7
08	283 388	-0.6	-4.5	-6.4	-14.3	-1.9	5.8	-3.9	-8.2	-8.8	-7.3	12.9	37.4	16.6	10.8	-16.1
09	206 116	-27.3	-17.5	-12.1	-31.4	-17.5	-9.9	-20.0	-23.8	-25.6	-24.6	-25.1	-38.6	-31.1	-29.5	-31.6
10	240 056	16.5	11.3	-4.1	9.0	19.0	3.3	24.5	9.8	7.5	10.5	14.2	36.0	44.8	30.8	7.1
11 *Mar* P	24 239	15.7	3.9	-1.2	-8.0	7.3	-6.0	11.0	13.6	15.5	13.4	19.9	3.4	4.2	-4.4	7.8
Apr P	21 306	8.5	-2.2	-8.0	-11.7	1.0	-1.3	1.7	2.2	2.2	3.3	21.4	12.1	68.5	0.7	-20.1
May P	21 738	6.7	2.6	-10.4	2.5	7.8	-3.5	10.9	2.0	5.6	3.1	-3.0	16.4	3.4	5.7	7.0
Jun P	21 878	4.6	-2.5	-7.7	-5.8	-0.3	2.5	-1.1	-4.0	-4.3	-2.6	11.9	-1.0	20.7	2.1	-8.4
Jul P	20 277	-1.9	-10.3	-10.1	-14.7	-10.0	-12.3	-9.3	-6.7	-6.2	-5.8	1.1	9.8	26.1	-16.4	-3.8
Aug P	20 366	17.5	11.5	12.1	8.4	11.8	6.2	13.7	15.3	15.2	15.3	28.7	13.5	18.9	8.8	23.8
Sep P	22 633	11.8	4.4	2.9	3.1	5.1	18.6	1.6	5.0	3.5	7.7	14.8	44.0	15.6	-9.2	-16.6
Oct P	23 026	9.2	0.5	24.6	-8.7	-7.0	-10.0	-6.2	17.4	19.5	11.6	-3.7	-4.2	41.0	-3.6	-9.2
Nov P	22 540	5.3	-4.9	-10.0	-4.2	-3.1	1.5	-4.4	3.1	3.3	3.8	25.4	31.9	4.2	-7.2	-17.2
Dec P	21 552	1.1	-5.0	-13.4	-9.0	-1.4	-1.5	-1.4	0.5	1.5	4.6	-13.4	3.2	29.3	-13.8	-4.3
12 *Jan* P	20 234	-3.1	-8.2	-2.2	-11.3	-9.7	-14.9	-8.0	-4.9	-4.4	-5.9	-18.9	21.3	30.4	-0.2	-3.5
Feb P	21 737	6.6	-1.1	-3.8	-6.4	0.1	12.4	-3.2	1.5	-0.7	5.0	3.4	15.3	66.6	0.5	-22.2
Mar P	23 134	-4.6	-12.0	-10.9	-15.7	-12.1	6.1	-16.4	-13.4	-13.9	-12.5	-11.5	23.5	68.0	-17.6	-29.2
Apr P	20 554	-3.5	-7.2	-12.9	-10.5	-5.2	3.3	-7.5	-9.4	-10.5	-5.8	-1.2	12.8	-20.0	-0.7	-5.6

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



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



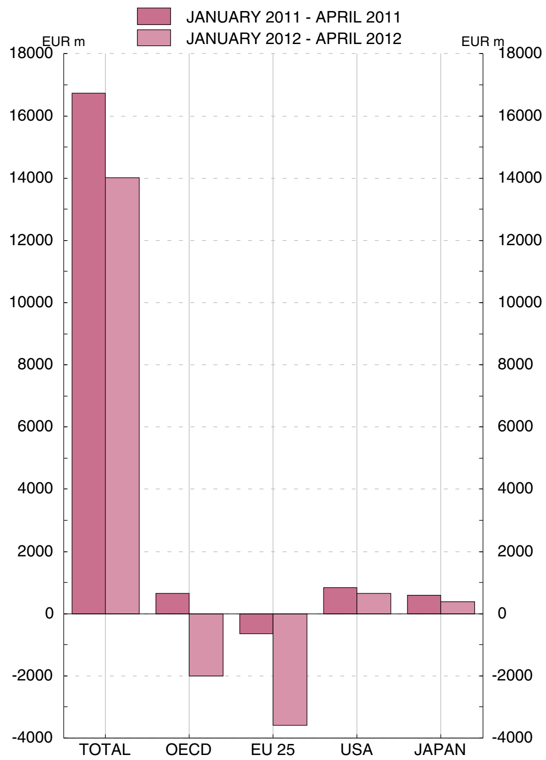
Sources: ME y BE.
Note: The underlying series for this indicator are in Tables 18.2 and 18.3 of the Boletín estadístico.
The monthly series are provisional data, while the annual series are the final foreign trade data.
a. Series deflated by unit value indices .

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

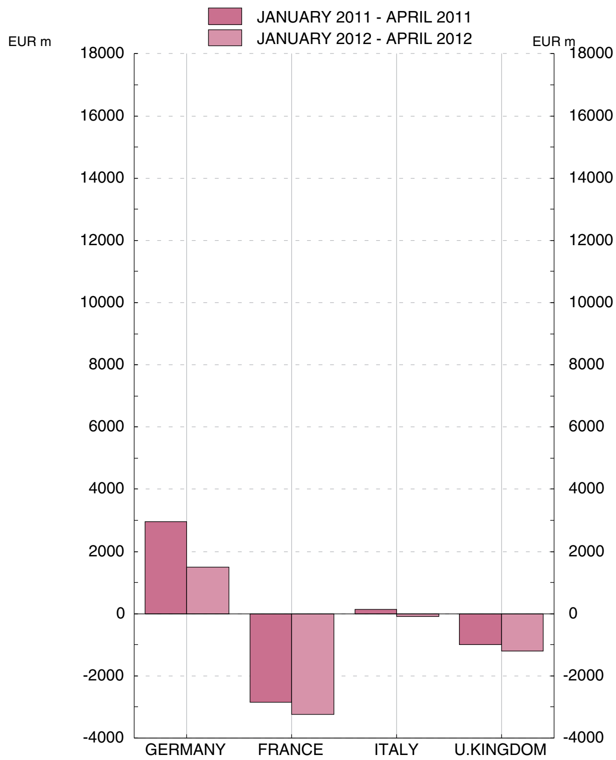
EUR millions

		World total	European Union (EU 27)							OECD			OPEC	Other American countries	China	Newly industrialised countries
			Total	Euro area				Other EU 27		Total	Of which:					
				Total	Of which:			Total	Of which:		United States	Japan				
					Germany	France	Italy		United Kingdom							
		1	2=3+7	3	4	5	6	7	8	9	10	11	12	13	14	15
05		-77 950	-30 703	-29 422	-16 749	-3 112	-6 938	-1 281	-210	-41 860	-1 092	-4 769	-12 938	-3 089	-10 182	-3 411
06		-92 249	-33 547	-32 172	-18 689	-1 625	-7 184	-1 375	294	-45 995	-1 062	-4 652	-17 031	-3 316	-12 647	-4 564
07		-100 015	-40 176	-38 176	-23 752	-214	-8 375	-2 000	133	-54 211	-2 555	-4 779	-14 682	-3 477	-16 366	-4 347
08		-94 160	-26 262	-26 264	-19 612	3 019	-6 608	1	356	-39 729	-3 739	-3 663	-20 561	-4 971	-18 340	-3 296
09		-46 227	-9 068	-6 762	-9 980	6 787	-1 847	-2 306	187	-15 709	-2 742	-1 958	-10 701	-2 641	-12 471	-1 532
10		-53 276	-4 960	-2 248	-8 598	7 904	-477	-2 712	597	-11 261	-3 058	-2 054	-16 216	-4 267	-16 253	-1 252
11	P	-46 338	4 060	1 661	-8 917	10 180	-90	2 399	3 189	-453	-2 675	-1 338	-18 991	-5 340	-15 252	-1 068
11 *Mar*	P	-4 594	-300	-451	-1 091	741	-38	151	376	-521	-237	-181	-1 491	-419	-1 181	-216
Apr	P	-3 962	240	-173	-866	743	-75	413	274	-251	-141	-118	-1 428	-822	-1 069	-107
May	P	-3 410	338	174	-754	759	69	164	290	231	-100	-66	-1 410	-336	-1 250	-116
Jun	P	-3 925	597	492	-699	1 003	40	105	207	383	-116	-114	-1 542	-391	-1 277	-78
Jul	P	-1 642	2 013	1 159	-528	989	181	854	532	1 500	-237	-103	-1 695	-371	-1 235	-52
Aug	P	-4 922	-264	-461	-859	463	-53	198	326	-374	-197	-109	-1 583	-394	-1 599	-74
Sep	P	-4 853	-163	-166	-840	738	-3	3	178	-483	-266	-86	-1 808	-480	-1 467	-21
Oct	P	-3 632	-131	-440	-1 171	1 495	-58	309	190	-461	-290	-52	-1 338	-546	-1 278	-27
Nov	P	-2 674	1 653	1 589	-559	1 570	70	64	149	936	-492	-122	-1 678	-546	-1 172	-50
Dec	P	-4 549	-636	-747	-552	322	-195	111	328	-1 527	-141	-85	-1 499	-706	-1 081	-87
12 *Jan*	P	-3 655	900	586	-340	706	-15	315	276	620	-85	-134	-2 209	-589	-1 398	-61
Feb	P	-3 759	468	302	-403	702	-26	165	327	-39	-229	-67	-1 860	-555	-1 218	25
Mar	P	-3 245	1 451	996	-423	1 003	94	455	330	1 277	-151	-105	-1 836	-1 139	-875	53
Apr	P	-3 356	777	544	-324	830	39	233	257	142	-190	-75	-1 651	-401	-1 008	-43

CUMULATIVE TRADE DEFICIT



CUMULATIVE TRADE DEFICIT



Source: ME.
Note: The underlying series for this indicator are in Tables 18.3 and 18.5 of the Boletín Estadístico.
The monthly series are provisional data, while the annual series are the final foreign trade data.

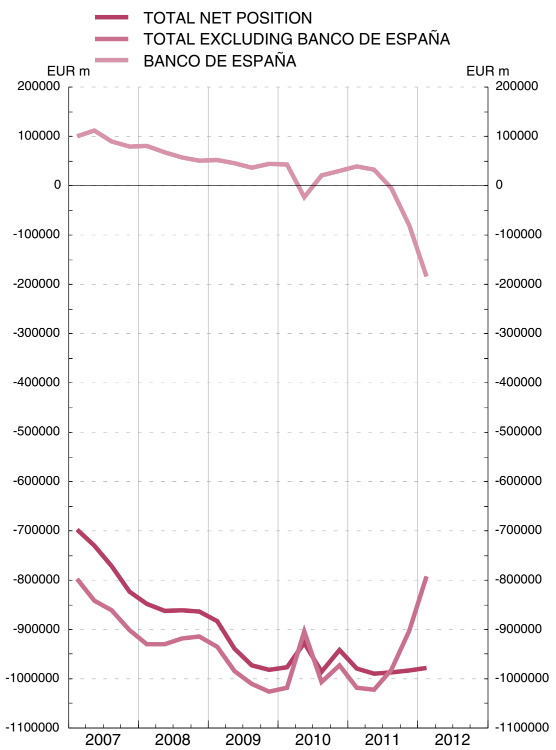
7.6. SPANISH INTERNATIONAL INVESTMENT POSITION VIS-à-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD SUMMARY

■ Series depicted in chart.

End-of-period stocks in EUR billions

	Net international investment position (assets-liabil.)	Total excluding Banco de España: Net position excluding Banco de España (assets - liabil.)	Direct investment: Net position (assets-liabil.)	Direct investment: Spanish investment abroad (assets)	Direct investment: Foreign investment in Spain (liabil.)	Portfolio investment: Net position (assets-liabil.)	Portfolio investment: Spanish investment abroad (assets)	Portfolio investment: Foreign investment in Spain (liabil.)	Other investment: Net position (assets-liabil.)	Other investment: Spanish investment abroad (assets)	Other investment: Foreign investment in Spain (liabil.)	Financial derivatives Net position (assets-liabil.)	Banco de España: Banco de España Net position (assets-liabil.)	Banco de España: Reserves	Banco de España: Net assets vis-à-vis the Euro-system	Banco de España: Other net assets (assets-liabil.) (a)
	1=2+13 ■	2=3+6+ 9+12 ■	3=4-5 ■	4	5	6=7-8 ■	7	8	9=10-11 ■	10	11	12	13= 14 to 16 ■	14	15	16
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	-863.1	-914.0	1.3	424.4	423.2	-603.7	354.2	958.0	-305.1	386.6	691.8	-6.4	50.9	14.5	-30.6	67.0
09 *Q1*	-883.2	-935.4	3.3	415.8	412.5	-601.9	337.0	938.8	-336.9	374.6	711.6	0.0	52.3	15.7	-27.4	64.0
Q2	-939.2	-984.6	-16.5	425.4	441.9	-619.5	357.9	977.4	-341.4	370.4	711.8	-7.3	45.4	15.1	-30.5	60.7
Q3	-973.2	-1 010.1	-14.7	430.7	445.4	-663.2	371.4	1 034.6	-327.3	364.4	691.7	-4.9	36.9	18.3	-42.6	61.2
Q4	-982.2	-1 026.3	-4.5	434.4	438.9	-693.7	374.3	1 068.1	-327.1	369.6	696.8	-1.0	44.1	19.6	-36.4	60.9
10 *Q1*	-976.0	-1 018.4	-10.4	440.3	450.7	-667.9	380.6	1 048.4	-345.8	362.1	707.9	5.7	42.4	20.9	-38.5	60.0
Q2	-927.1	-903.7	5.6	460.0	454.4	-604.0	352.9	956.9	-317.3	370.8	688.1	12.0	-23.4	24.4	-100.8	53.1
Q3	-986.0	-1 006.2	5.8	468.0	462.2	-661.9	334.3	996.1	-354.4	354.1	708.5	4.3	20.2	22.6	-54.3	51.9
Q4	-942.1	-972.4	7.9	487.4	479.6	-637.0	312.2	949.2	-346.0	372.6	718.5	2.7	30.3	23.9	-46.1	52.5
11 *Q1*	-978.7	-1 018.2	-2.2	485.4	487.6	-672.4	302.2	974.6	-342.0	378.8	720.8	-1.5	39.5	23.2	-35.2	51.5
Q2	-990.0	-1 022.1	6.0	487.1	481.0	-648.2	293.8	942.0	-379.6	382.1	761.7	-0.3	32.2	23.5	-40.6	49.3
Q3	-987.6	-982.4	-1.6	477.6	479.2	-620.8	274.0	894.8	-367.7	387.5	755.1	7.6	-5.2	27.6	-83.8	51.1
Q4	-983.1	-902.2	4.5	494.9	490.4	-600.2	257.3	857.6	-312.3	399.0	711.4	5.9	-81.0	36.4	-170.2	52.8
12 *Q1*	-977.6	-792.8	5.3	494.2	488.9	-545.2	268.7	813.9	-255.9	417.3	673.3	2.9	-184.8	36.0	-271.2	50.5

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.

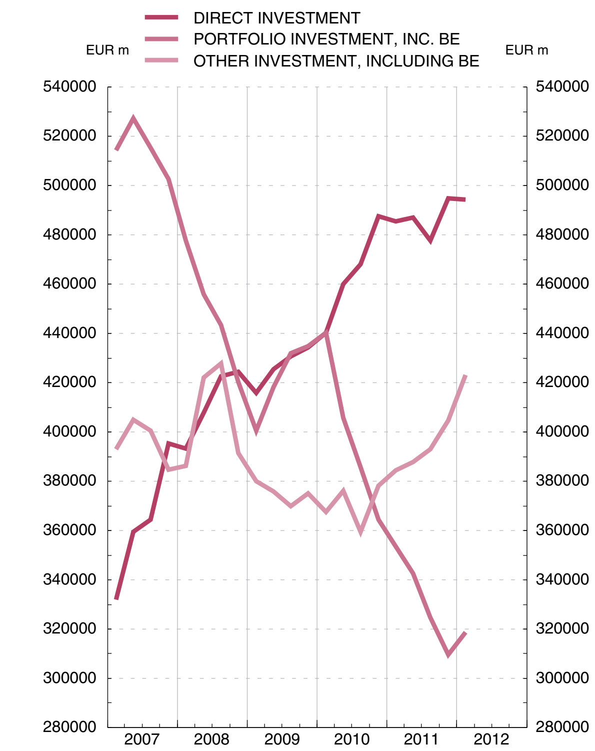
7.7. SPANISH INTERNATIONAL INVESTMENT POSITION VIS-à-VIS OTHER EURO AREA RESIDENTES AND THE REST OF THE WORLD BREAKDOWN BY INVESTMENT

■ Series depicted in chart.

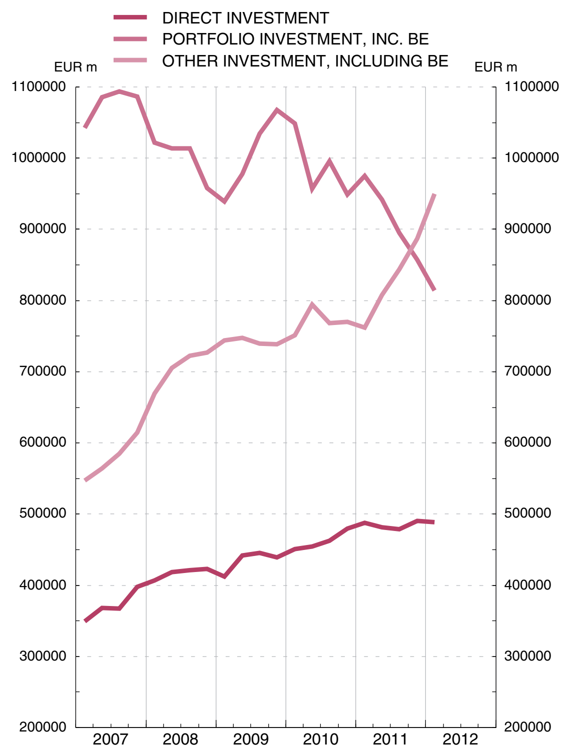
End-of-period stocks in EUR millions

	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
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	393 430	31 011	320 664	102 489	63 146	357 229	170 143	787 812	391 414	726 987	108 278	114 027
09 *Q1*	383 808	32 027	309 053	103 443	52 268	348 226	142 042	796 767	380 059	744 043	111 670	111 538
Q2	389 679	35 700	321 139	120 735	59 963	358 187	177 536	799 835	375 889	747 409	92 879	100 032
Q3	397 659	33 053	327 809	117 569	71 192	360 879	218 231	816 410	369 856	739 197	85 194	90 098
Q4	404 194	30 207	327 215	111 662	78 591	356 340	222 620	845 431	375 092	738 182	77 449	78 498
10 *Q1*	410 023	30 231	331 947	118 742	89 281	351 097	198 588	849 822	367 564	751 592	93 867	88 286
Q2	427 686	32 290	335 622	118 766	87 320	318 420	169 657	787 204	376 232	793 952	118 304	106 522
Q3	431 563	36 435	341 714	120 500	88 694	297 029	194 290	801 837	359 522	767 959	121 434	117 049
Q4	449 531	37 913	356 110	123 464	92 373	271 994	181 491	767 728	378 153	769 870	95 116	92 459
11 *Q1*	447 913	37 470	366 423	121 162	92 824	260 696	204 976	769 639	384 398	761 515	80 724	82 170
Q2	448 933	38 121	364 644	116 367	91 874	250 742	194 526	747 507	387 678	807 467	83 747	84 040
Q3	434 244	43 306	365 517	113 639	78 262	246 455	159 326	735 458	393 052	844 144	134 796	127 191
Q4	447 728	47 142	373 509	116 893	77 820	231 911	164 215	693 375	404 774	886 726	140 225	134 415
12 *Q1*	447 521	46 711	373 125	115 765	83 273	235 304	160 017	653 873	423 068	949 747	133 237	130 209

SPANISH INVESTMENT ABROAD



FOREIGN INVESTMENT IN SPAIN



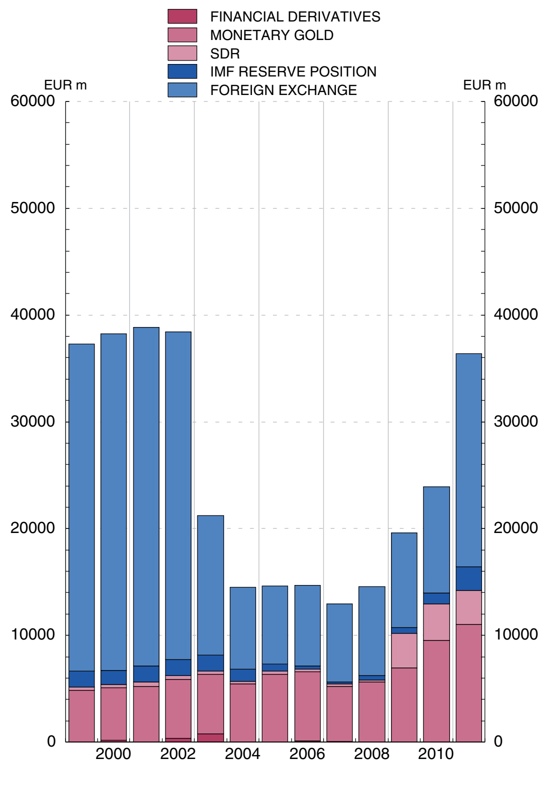
Source: BE.
Note: See footnote to Indicator 7.6
a. See note b to table 17.21 of the Boletín Estadístico.

7.8. SPANISH RESERVE ASSETS

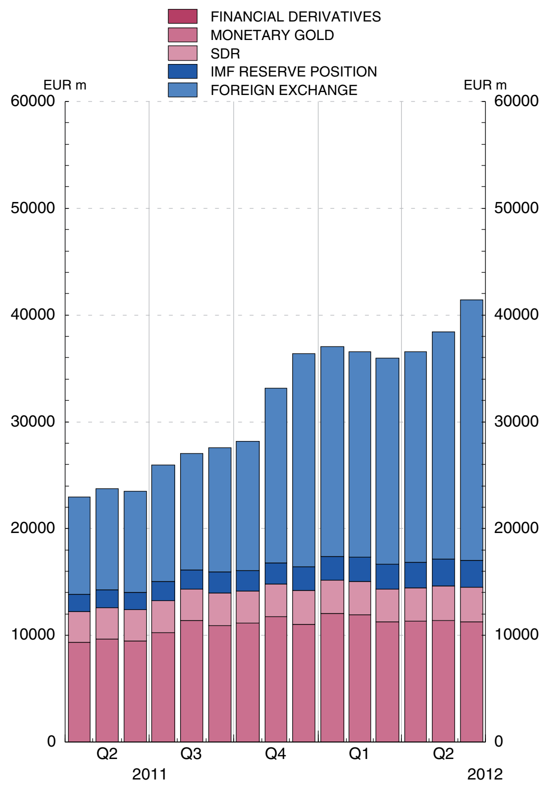
■ Series depicted in chart. *End-of-period stocks in EUR millions*

	Reserve assets						Memorandum item: gold
	Total	Foreign exchange	Reserve position in the IMF	SDRs	Monetary gold	Financial derivatives	Millions of troy ounces
	1	2 ■	3 ■	4 ■	5 ■	6 ■	7
06	14 685	7 533	303	254	6 467	127	13.4
07	12 946	7 285	218	252	5 145	46	9.1
08	14 546	8 292	467	160	5 627	-	9.1
09	19 578	8 876	541	3 222	6 938	-	9.1
10	23 905	9 958	995	3 396	9 555	-	9.1
11 *Jan*	23 034	9 769	1 158	3 345	8 762	-	9.1
Feb	23 410	9 812	1 040	3 322	9 235	-	9.1
Mar	23 159	9 439	1 643	2 957	9 119	-	9.1
Apr	22 965	9 102	1 606	2 891	9 365	-	9.1
May	23 734	9 452	1 676	2 943	9 664	-	9.1
Jun	23 471	9 420	1 667	2 938	9 447	-	9.1
Jul	25 955	10 908	1 809	2 979	10 259	-	9.1
Aug	27 004	10 878	1 796	2 958	11 373	-	9.1
Sep	27 566	11 619	1 953	3 072	10 922	-	9.1
Oct	28 197	12 124	1 913	3 010	11 150	-	9.1
Nov	33 157	16 393	1 952	3 072	11 740	-	9.1
Dec	36 402	19 972	2 251	3 163	11 017	-	9.1
12 *Jan*	37 017	19 620	2 233	3 139	12 025	-	9.1
Feb	36 582	19 242	2 305	3 087	11 949	-	9.1
Mar	35 977	19 312	2 312	3 095	11 258	-	9.1
Apr	36 540	19 708	2 402	3 130	11 300	-	9.1
May	38 440	21 308	2 492	3 248	11 392	-	9.1
Jun	41 430	24 409	2 508	3 226	11 287	-	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
08 *Q1*	1 596 725	200 163	6 329	558	173 668	19 607	-	768 529	20 424	380 522	256 302	111 281
Q2	1 651 445	202 260	5 594	162	177 009	19 495	-	794 086	22 729	399 932	258 374	113 051
Q3	1 690 245	217 747	9 722	494	187 624	19 907	-	792 491	21 269	400 051	258 393	112 778
Q4	1 672 021	233 755	12 480	2 099	198 366	20 810	-	766 311	12 224	400 691	249 210	104 187
09 *Q1*	1 699 703	243 632	15 801	480	204 677	22 675	-	784 094	15 149	411 446	248 803	108 696
Q2	1 722 777	257 152	21 125	979	211 224	23 825	-	786 229	14 200	409 692	251 975	110 363
Q3	1 732 303	276 333	31 005	709	219 260	25 359	-	770 038	14 217	391 123	257 026	107 671
Q4	1 757 372	299 770	44 479	532	229 085	25 674	-	782 874	14 903	384 509	260 304	123 157
10 *Q1*	1 781 378	317 503	51 896	117	238 846	26 643	-	789 869	16 641	399 817	256 338	117 073
Q2	1 762 139	292 977	39 698	195	224 769	28 315	-	741 796	12 157	378 888	239 162	111 589
Q3	1 747 317	303 843	39 437	935	234 437	29 034	-	758 152	10 926	396 110	242 943	108 173
Q4	1 717 265	288 589	36 629	980	220 521	30 459	-	759 633	9 910	413 379	238 061	98 283
11 *Q1*	1 709 569	291 283	37 875	488	221 838	31 081	-	764 176	10 640	395 695	239 222	118 619
Q2	1 732 618	285 497	37 245	11	215 762	32 479	-	795 343	7 554	425 267	234 487	128 035
Q3	1 757 882	292 171	36 605	510	222 015	33 040	-	771 984	6 211	402 061	227 294	136 418
Q4	1 757 341	274 908	28 545	431	211 918	34 014	-	715 334	3 494	362 532	218 553	130 755
12 *Q1*	1 779 973	255 184	23 731	8	191 335	40 110	-	655 360	3 341	311 560	205 199	135 259

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
08 *Q1*	1 855	1 855	484 555	927	22 022	473	328 226	130 418	358	2 132	141 624	56 104	85 520
Q2	12 326	12 326	493 741	6 217	22 786	1 465	327 505	133 364	355	2 047	149 032	61 350	87 683
Q3	24 276	24 276	501 587	18 093	25 024	1 342	318 792	136 110	362	1 865	154 144	62 559	91 585
Q4	35 233	35 233	479 500	13 329	22 307	2 668	302 204	136 854	361	1 777	157 223	65 142	92 080
09 *Q1*	32 491	32 491	480 593	20 122	19 430	3 275	292 216	143 518	393	1 639	158 893	69 975	88 918
Q2	35 596	35 596	468 268	18 969	17 448	2 416	282 343	145 040	385	1 667	175 532	90 696	84 836
Q3	47 538	47 538	461 698	13 249	16 429	2 552	281 652	145 875	419	1 522	176 696	89 842	86 854
Q4	41 400	41 400	459 569	18 059	14 269	2 375	278 601	144 393	419	1 454	173 759	73 851	99 908
10 *Q1*	43 673	43 673	450 370	14 758	15 097	3 179	271 344	144 295	424	1 273	179 965	69 703	110 262
Q2	105 881	105 881	440 502	12 714	17 908	4 462	258 705	145 110	432	1 172	180 983	67 228	113 755
Q3	59 477	59 477	448 324	14 032	17 462	4 762	260 062	150 451	421	1 134	177 521	67 371	110 150
Q4	51 323	51 323	438 053	11 929	18 285	3 974	250 678	151 534	422	1 231	179 668	67 328	112 340
11 *Q1*	40 665	40 665	435 030	11 724	19 493	3 508	248 339	150 159	415	1 391	178 416	67 606	110 810
Q2	45 732	45 732	428 403	11 840	19 890	3 882	240 618	150 761	414	997	177 644	68 268	109 375
Q3	89 019	89 019	426 427	7 466	20 498	6 076	235 866	155 104	420	997	178 281	67 715	110 566
Q4	175 360	175 360	414 499	5 350	20 957	6 234	225 515	155 114	423	907	177 240	69 072	108 168
12 *Q1*	276 496	276 496	416 581	8 561	20 729	6 365	221 705	157 893	420	907	176 352	68 371	107 982

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
11 *Jan*	423 017	184 834	303 292	-4 467	-	65	60 707	239 928	827 363	94 746	548 751	133 430	183 089
Feb	448 819	159 033	323 186	-7 933	-	6 539	32 007	223 843	820 280	89 194	549 375	136 256	224 976
Mar	416 301	106 478	336 508	-4 166	-	1 478	23 997	205 766	822 946	81 378	552 327	146 232	210 536
Apr	396 372	96 912	322 853	-3 756	-	378	20 016	194 759	831 108	64 758	526 450	174 657	201 613
May	406 998	121 578	315 687	-6 504	-	252	24 016	190 096	833 005	53 806	526 287	170 428	216 902
Jun	431 648	134 617	315 438	-1 346	-	158	17 219	217 454	842 535	75 422	528 083	172 420	214 194
Jul	428 135	155 735	314 193	-3 563	-	123	38 354	218 792	851 836	74 499	541 021	166 522	209 343
Aug	415 158	152 276	371 089	-6 310	-	467	102 365	198 249	854 163	56 888	540 662	172 140	216 908
Sep	385 451	159 698	379 582	-7 589	-	613	146 852	184 329	852 472	47 300	543 854	171 590	201 122
Oct	381 055	201 431	381 245	-13 039	-	2 860	191 442	166 392	858 960	57 290	611 521	138 337	214 663
Nov	373 525	214 687	393 440	-12 911	-	2 392	224 082	157 921	865 195	62 105	614 105	155 275	215 605
Dec	394 459	229 993	481 184	-5 277	-	7 807	319 248	175 162	882 268	60 738	657 215	110 629	219 297
12 *Jan*	356 284	126 500	698 255	-	-	3 707	472 178	211 324	875 501	94 231	695 754	62 654	144 961
Feb	322 045	128 613	663 720	6 376	-	1 683	478 347	215 315	868 647	106 706	700 664	59 374	106 730
Mar	361 695	40 792	1 096 956	-	-	3 718	779 771	249 711	868 490	142 720	672 633	88 867	111 984
Apr	382 712	55 069	1 090 965	-	-	1 066	764 388	272 458	873 353	148 188	660 168	88 915	110 253
May	347 195	40 063	1 076 812	0	-	1 644	771 324	229 927	876 907	116 280	656 995	106 265	117 268
Jun	437 789	132 691	1 069 309	0	-	2 003	766 215	328 135	888 832	131 374	659 454	32 617	109 653

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	17 t	18	19	20	21	22	23=24+25-26-27	24	25	26	27	28
11 *Jan*	53 646	17 882	39 237	-347	-	4	3 131	51 551	-5 585	-13 806	74 555	8 039	20 445	75 955	21 486
Feb	49 268	14 803	36 141	-402	-	-	1 273	43 382	-5 585	-13 975	73 006	10 280	20 545	76 716	25 447
Mar	42 244	9 090	34 734	-240	-	-	1 340	40 606	-5 585	-17 499	72 689	7 193	20 785	76 596	24 721
Apr	42 227	10 830	32 991	-544	-	-	1 050	43 621	-5 585	-18 560	73 096	6 828	19 781	78 702	22 751
May	53 134	18 422	39 430	-487	-	0	4 231	50 085	-5 585	-16 970	71 609	8 699	19 822	77 456	25 604
Jun	47 777	11 506	37 949	-127	-	40	1 591	47 536	-5 585	-17 618	71 283	9 185	19 886	78 200	23 444
Jul	52 053	21 686	35 678	-206	-	74	5 179	53 344	-5 585	-20 478	71 836	6 329	21 185	77 459	24 772
Aug	69 918	36 767	44 840	-435	-	51	11 304	69 880	-5 585	-18 545	70 845	11 743	21 543	79 590	24 169
Sep	69 299	32 965	46 394	-225	-	0	9 835	82 810	-5 585	-30 491	68 987	8 879	21 636	86 721	22 565
Oct	76 048	43 185	42 994	-461	-	0	9 670	93 640	-5 585	-36 331	68 456	5 754	24 147	86 395	24 324
Nov	97 970	54 449	51 831	-465	-	110	7 956	119 540	-5 585	-38 879	67 709	8 302	26 705	88 185	22 894
Dec	118 861	47 109	85 302	1 976	-	395	15 921	150 831	-5 604	-50 033	69 568	5 016	33 204	91 414	23 668
12 *Jan*	133 177	6 445	154 976	-0	-	-	28 244	175 940	-5 724	-53 051	68 708	5 847	37 116	90 489	16 012
Feb	152 432	17 505	152 297	2 293	-	1	19 665	196 896	-5 724	-49 527	67 114	10 035	37 120	89 556	10 787
Mar	227 600	1 037	315 306	-	-	-	88 742	252 097	-5 724	-30 159	66 912	24 829	35 054	86 847	11 386
Apr	263 535	1 781	315 153	-	-	5	53 404	284 549	-5 724	-26 953	67 161	24 159	32 986	85 287	11 662
May	287 813	9 204	315 438	-	-	-	36 829	318 594	-5 724	-36 857	67 030	11 226	32 912	82 200	11 800
Jun	337 206	44 961	320 036	-	-	0	27 792	371 808	-5 724	-40 468	70 049	7 284	35 954	81 846	11 589

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

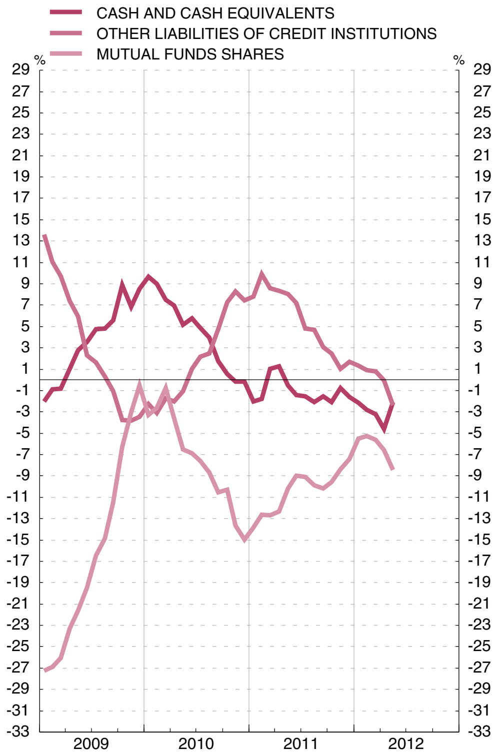
8.2 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES OF NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

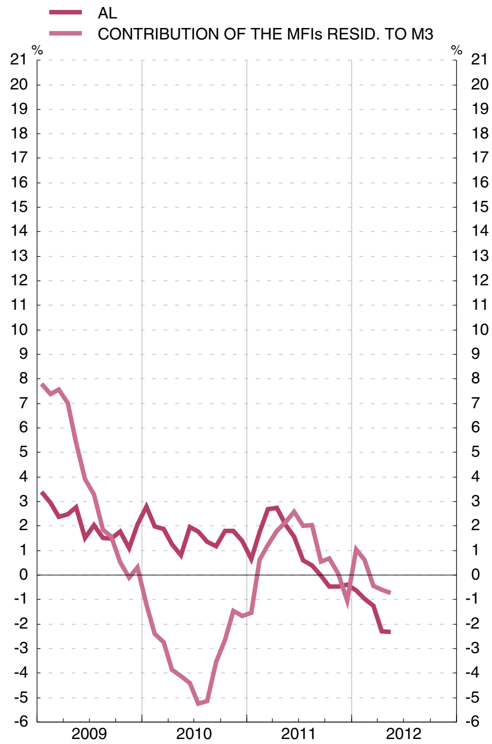
EUR millions and %

		Cash and cash equivalents				Other liabilities of credit institutions					Mutual funds shares				Memorandum items	
		Stocks	12-month % change	12-m. % change		Stocks	12 month % change	12-month % change			Stocks	12-month % change	12-month % change		12-month % change	
				Cash	Deposits (b)			Other deposits (c)	Repos + credit institutions' securities	Deposits in branches abroad			Fixed income in EUR (d)	Other	AL (e)	Contribution of the MFIs resid. to M3
		1	2 ■	3	4	5	6 ■	7	8	9	10	11 ■	12	13	14 ■	15 ■
09		519 299	8.5	0.6	10.6	527 975	-3.5	-1.3	-18.0	-39.8	146 214	-0.6	1.1	-2.4	2.1	0.3
10		518 340	-0.2	-0.3	-0.1	567 412	7.5	6.4	26.6	-22.2	124 357	-14.9	-29.5	1.6	1.4	-1.7
11		509 981	-1.6	-1.9	-1.5	577 016	1.7	-2.3	48.4	-28.9	115 157	-7.4	-10.3	-5.1	-0.4	-1.1
11 *Feb*		506 132	-1.8	-0.4	-2.1	573 565	9.9	8.8	26.8	-11.5	125 719	-12.6	-30.6	7.1	1.7	0.6
Mar		514 331	1.0	-1.3	1.6	574 673	8.6	7.5	23.4	1.8	125 307	-12.7	-28.5	3.7	2.7	1.2
Apr		512 111	1.3	-0.7	1.8	572 069	8.3	7.9	17.2	-16.1	124 660	-12.3	-28.0	3.8	2.7	1.8
May		509 733	-0.5	-1.9	-0.2	575 516	8.1	7.4	17.0	0.5	123 436	-10.2	-25.8	5.6	2.0	2.2
Jun		523 525	-1.4	-2.3	-1.2	577 888	7.2	7.0	12.5	-13.4	121 717	-9.0	-21.1	2.4	1.6	2.6
Jul		515 634	-1.5	-2.6	-1.3	573 445	4.8	4.4	11.6	-17.0	121 283	-9.1	-18.6	-0.8	0.6	2.0
Aug		506 611	-2.1	-2.7	-1.9	575 190	4.7	4.5	10.9	-24.0	119 785	-9.9	-17.4	-3.4	0.4	2.0
Sep		502 786	-1.5	-2.1	-1.4	573 769	3.1	2.9	7.2	-14.3	117 938	-10.2	-15.8	-5.4	-0.0	0.5
Oct		495 731	-2.1	-2.0	-2.1	573 882	2.5	0.8	23.6	-13.8	118 090	-9.6	-14.3	-5.8	-0.5	0.7
Nov		500 118	-0.8	-1.6	-0.6	571 092	1.0	-1.6	31.8	-20.1	115 330	-8.4	-12.8	-4.7	-0.5	0.1
Dec		509 981	-1.6	-1.9	-1.5	577 016	1.7	-2.3	48.4	-28.9	115 157	-7.4	-10.3	-5.1	-0.4	-1.1
12 *Jan*	P	493 716	-2.2	-2.3	-2.1	574 999	1.4	-3.1	56.3	-31.7	118 041	-5.5	-7.4	-4.1	-0.6	1.0
Feb	P	492 086	-2.8	-2.4	-2.9	578 851	0.9	-3.5	53.3	-33.9	119 071	-5.3	-4.3	-6.0	-1.0	0.6
Mar	P	497 887	-3.2	-1.8	-3.5	579 242	0.8	-3.8	54.1	-39.0	118 259	-5.6	-4.4	-6.5	-1.2	-0.4
Apr	P	488 542	-4.6	-2.3	-5.1	571 649	-0.1	-4.7	53.4	-37.6	116 423	-6.6	-4.1	-8.4	-2.3	-0.6
May	P	499 145	-2.1	-0.7	-2.4	561 966	-2.4	-6.9	50.6	-41.5	113 056	-8.4	-4.2	-11.4	-2.3	-0.7

NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHs
Annual percentage change



NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHs
Annual percentage change



Source: BE.

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

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

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

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

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

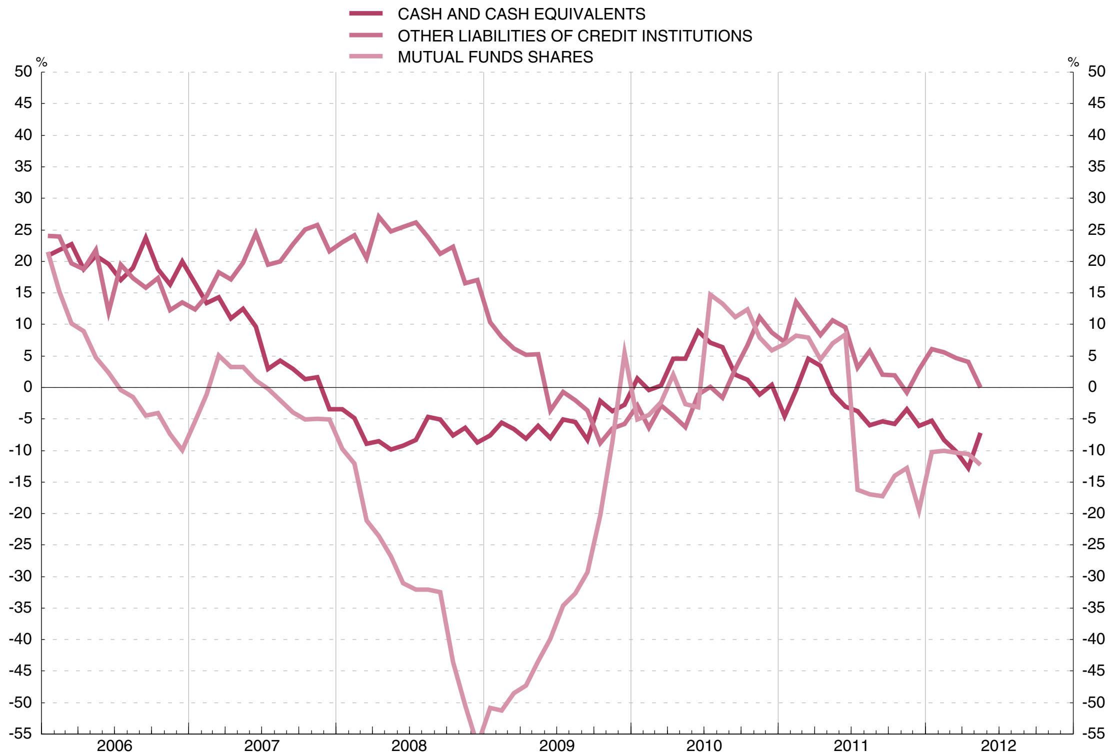
8.3 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES OF NON-FINANCIAL CORPORATIONS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

EUR millions and %

	Cash and cash equivalents (b)		Other liabilities of credit institutions				Mutual funds shares			
	Stocks	Annual growth rate	Stocks	Annual growth rate	Annual growth rate		Stocks	Annual growth rate	Annual growth rate	
					Other depo-sits (c)	Repos + credit instit.' securit.+ dep. in branches abroad			Fixed income in EUR (d)	Other
	1	2 ■	3	4 ■	5	6	7	8 ■	9	10
09	117 418	-2.8	113 401	-5.8	9.2	-39.5	11 475	5.5	1.0	10.8
10	117 930	0.4	123 240	8.7	6.1	19.3	12 153	5.9	-9.4	22.1
11	110 737	-6.1	126 737	2.8	-10.9	52.3	9 780	-19.5	-16.5	-21.9
11 *Feb*	115 172	-0.5	120 435	13.6	10.1	29.5	12 307	8.2	-11.5	28.5
Mar	119 598	4.5	122 049	11.0	7.3	27.3	12 267	7.9	-9.1	24.5
Apr	116 715	3.4	119 464	8.3	5.2	21.1	12 103	4.5	-13.3	22.7
May	116 688	-0.9	121 746	10.7	5.9	32.7	11 983	7.0	-10.7	24.8
Jun	120 261	-3.1	123 442	9.5	5.0	29.5	11 817	8.4	-5.1	21.1
Jul	114 312	-3.8	118 830	3.2	-2.1	27.6	11 282	-16.3	-25.1	-8.6
Aug	113 012	-5.9	120 951	5.8	1.3	24.5	11 142	-17.0	-24.1	-10.9
Sep	110 571	-5.4	120 763	2.0	-1.9	17.9	10 970	-17.3	-22.6	-12.8
Oct	107 271	-5.8	120 846	1.9	-6.4	36.1	10 984	-14.0	-18.1	-10.6
Nov	110 027	-3.5	121 892	-0.8	-11.0	36.4	10 727	-12.8	-16.7	-9.6
Dec	110 737	-6.1	126 737	2.8	-10.9	52.3	9 780	-19.5	-16.5	-21.9
12 *Jan* P	105 039	-5.3	125 115	6.0	-10.8	71.4	10 976	-10.2	-12.0	-8.9
Feb P	105 605	-8.3	127 200	5.6	-11.0	68.7	11 072	-10.0	-9.1	-10.7
Mar P	107 481	-10.1	127 744	4.7	-13.3	71.0	10 997	-10.3	-9.2	-11.1
Apr P	101 818	-12.8	124 358	4.1	-14.0	70.2	10 826	-10.5	-9.0	-11.6
May P	108 310	-7.2	121 734	-0.0	-17.8	64.9	10 513	-12.3	-9.1	-14.5

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.

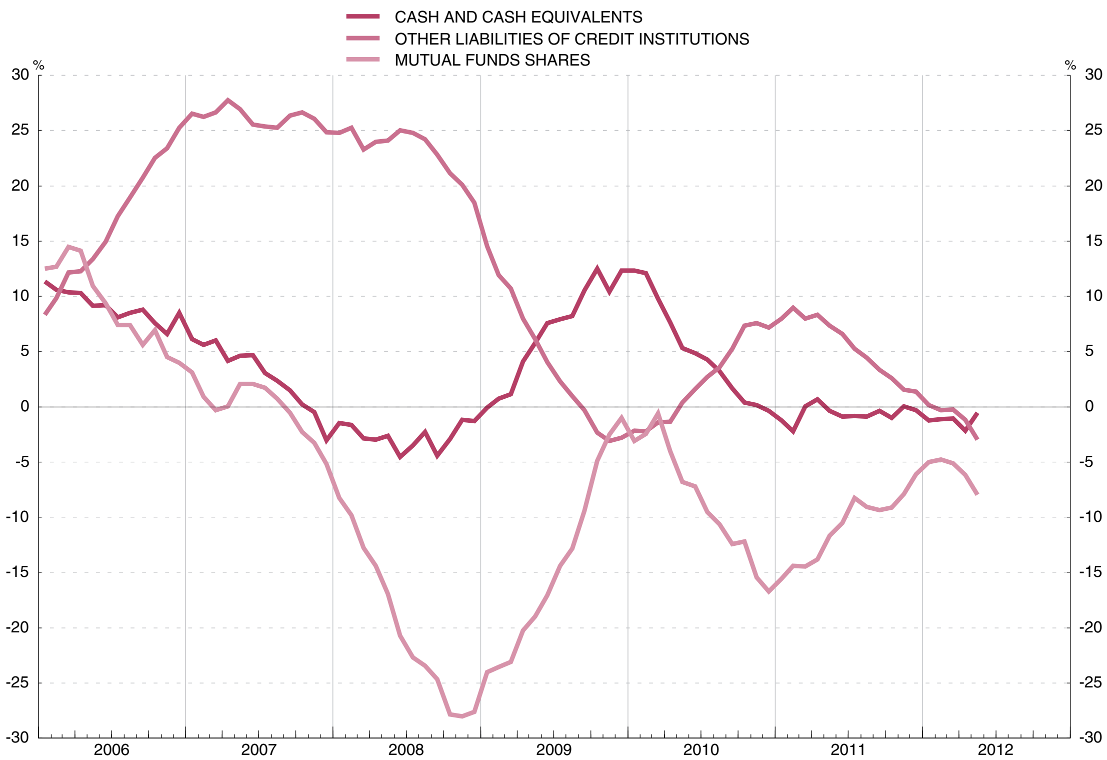
8.4 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES OF HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN (a)

■ 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		Stocks	Annual growth rate	Annual growth rate		Stocks	Annual growth rate	Annual growth rate	
			Cash	Deposits (b)			Other deposits (c)	Repos + credit instit.' securit.+ dep. in branches abroad			Fixed income in EUR (d)	Other
	1	2 ■	3	4	5	6 ■	7	8	9	10 ■	11	12
09	401 881	12.3	3.5	15.3	414 575	-2.8	-3.5	11.1	134 738	-1.0	1.1	-3.4
10	400 409	-0.4	0.2	-0.5	444 172	7.1	6.5	19.4	112 204	-16.7	-31.1	-0.2
11	399 243	-0.3	-1.6	0.1	450 279	1.4	-0.3	28.8	105 377	-6.1	-9.6	-3.3
11 *Feb*	390 960	-2.2	0.1	-2.9	453 130	9.0	8.6	15.5	113 412	-14.4	-32.1	5.2
Mar	394 733	0.0	-0.7	0.3	452 625	8.0	7.5	15.3	113 040	-14.5	-30.1	1.9
Apr	395 397	0.7	-0.2	1.0	452 605	8.3	8.5	6.4	112 557	-13.8	-29.3	2.1
May	393 045	-0.4	-1.5	-0.1	453 770	7.4	7.7	2.2	111 452	-11.7	-27.1	3.9
Jun	403 265	-0.9	-1.8	-0.6	454 447	6.6	7.4	-5.2	109 900	-10.5	-22.5	0.8
Jul	401 322	-0.8	-2.2	-0.5	454 614	5.2	6.0	-5.6	110 002	-8.3	-17.8	0.1
Aug	393 599	-0.9	-2.2	-0.5	454 239	4.4	5.2	-7.0	108 644	-9.1	-16.7	-2.5
Sep	392 215	-0.4	-1.7	0.0	453 006	3.3	4.0	-6.4	106 968	-9.4	-15.1	-4.6
Oct	388 460	-1.0	-1.6	-0.8	453 036	2.6	2.4	5.5	107 106	-9.1	-13.9	-5.2
Nov	390 091	0.0	-1.3	0.4	449 200	1.5	0.6	16.6	104 603	-7.9	-12.4	-4.2
Dec	399 243	-0.3	-1.6	0.1	450 279	1.4	-0.3	28.8	105 377	-6.1	-9.6	-3.3
12 *Jan* P	388 677	-1.3	-2.0	-1.0	449 885	0.1	-1.4	25.4	107 065	-5.0	-6.8	-3.6
Feb P	386 481	-1.1	-2.1	-0.9	451 652	-0.3	-1.8	23.1	107 999	-4.8	-3.8	-5.5
Mar P	390 406	-1.1	-1.5	-1.0	451 497	-0.2	-1.6	20.6	107 262	-5.1	-3.9	-6.0
Apr P	386 724	-2.2	-2.0	-2.2	447 290	-1.2	-2.6	21.3	105 597	-6.2	-3.6	-8.0
May P	390 835	-0.6	-0.5	-0.6	440 232	-3.0	-4.4	20.0	102 543	-8.0	-3.7	-11.0

HOUSEHOLDS AND NPISH
Annual percentage change



Source: BE.

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

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

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

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

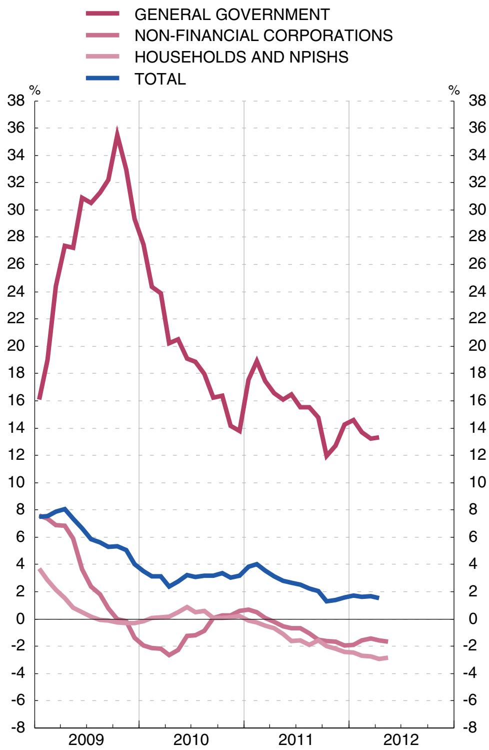
8.5. FINANCING OF NON-FINANCIAL SECTORS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

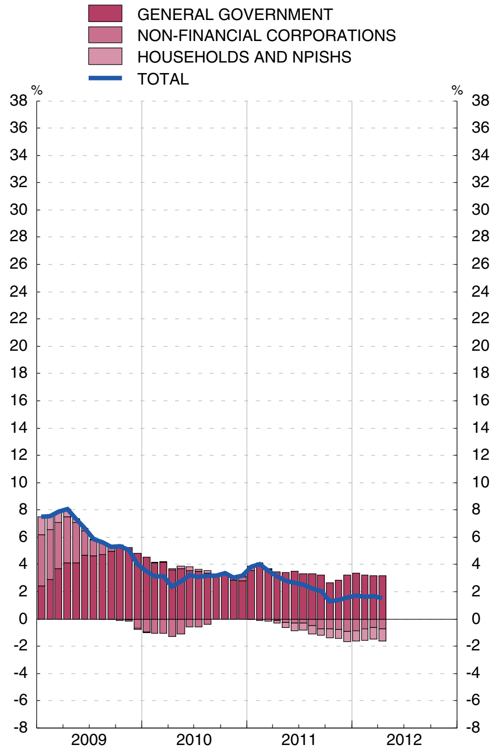
EUR millions and %

		Total: Stocks	Total: Effective flow	Total: Annual growth rate ■	Annual growth rate: General government (b) ■	Annual growth rate: Non-financial corp. and households and NPISHs	By sectors: Non-financial corporations ■	By sectors: Households and NPISHs ■	By instruments: Credit institutions' loans & securit. funds	By instruments: Securities other than shares	By instruments: External loans	Contribution to col. 3: General government (b) ■	Contribution to col. 3: Non-financial corp. and households and NPISHs	By sectors: Non-financial corporations ■	By sectors: Households and NPISHs ■	By instrumentss: Credit institutions' loans & securit. funds	By instrumentss: Securities other than shares	By instrumentss: External loans
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
09		2 767 031	107 128	4.0	29.3	-0.9	-1.4	-0.3	-2.0	36.3	0.4	4.8	-0.8	-0.7	-0.1	-1.4	0.5	0.1
10		2 842 913	87 651	3.2	13.8	0.4	0.6	0.2	-0.4	10.6	3.4	2.8	0.3	0.3	0.1	-0.3	0.2	0.4
11		2 861 327	45 048	1.6	14.3	-2.1	-1.9	-2.4	-3.3	7.8	2.4	3.2	-1.6	-0.9	-0.8	-2.1	0.2	0.3
11 *Feb*		2 855 452	11 320	4.0	18.9	0.2	0.5	-0.3	-0.9	10.9	4.5	3.9	0.2	0.2	-0.1	-0.6	0.2	0.5
Mar		2 858 765	5 804	3.5	17.5	-0.1	0.1	-0.5	-1.1	9.0	3.3	3.7	-0.1	0.0	-0.1	-0.7	0.2	0.4
Apr		2 849 207	-7 531	3.1	16.5	-0.4	-0.2	-0.7	-1.2	4.2	3.2	3.5	-0.3	-0.1	-0.2	-0.8	0.1	0.4
May		2 850 842	1 756	2.8	16.1	-0.8	-0.6	-1.1	-1.7	5.4	3.2	3.4	-0.6	-0.3	-0.4	-1.1	0.1	0.4
Jun		2 866 048	23 410	2.7	16.4	-1.1	-0.7	-1.6	-2.0	4.9	3.0	3.5	-0.8	-0.3	-0.5	-1.3	0.1	0.4
Jul		2 853 858	-11 670	2.5	15.5	-1.0	-0.7	-1.6	-2.1	7.5	2.9	3.3	-0.8	-0.3	-0.5	-1.3	0.2	0.4
Aug		2 838 865	-14 697	2.2	15.5	-1.4	-1.1	-1.9	-2.5	7.0	2.7	3.3	-1.1	-0.5	-0.6	-1.6	0.1	0.3
Sep		2 851 789	14 534	2.0	14.8	-1.5	-1.5	-1.5	-2.6	7.1	2.6	3.2	-1.2	-0.7	-0.5	-1.7	0.2	0.3
Oct		2 842 020	-4 710	1.3	12.0	-1.8	-1.6	-2.0	-2.8	5.6	2.6	2.7	-1.4	-0.7	-0.6	-1.8	0.1	0.3
Nov		2 859 378	17 309	1.4	12.7	-1.9	-1.7	-2.2	-3.0	4.9	2.6	2.8	-1.4	-0.8	-0.7	-1.9	0.1	0.3
Dec		2 861 327	5 540	1.6	14.3	-2.1	-1.9	-2.4	-3.3	7.8	2.4	3.2	-1.6	-0.9	-0.8	-2.1	0.2	0.3
12 *Jan*	P	2 867 374	8 166	1.7	14.6	-2.1	-1.9	-2.5	-3.4	8.8	2.4	3.4	-1.6	-0.9	-0.8	-2.1	0.2	0.3
Feb	P	2 875 741	9 229	1.7	13.7	-2.0	-1.6	-2.7	-3.3	9.0	2.4	3.2	-1.6	-0.7	-0.8	-2.1	0.2	0.3
Mar	P	2 882 490	6 371	1.7	13.2	-2.0	-1.4	-2.7	-3.4	11.3	3.0	3.2	-1.5	-0.6	-0.9	-2.1	0.2	0.4
Apr	P	2 867 806	-11 321	1.5	13.3	-2.1	-1.6	-2.9	-3.5	8.4	2.6	3.2	-1.6	-0.7	-0.9	-2.1	0.2	0.3
May	P	...	...	...	...	-2.1	-1.7	-2.8	-3.5	7.2	3.1	...	...	...	...	...	...	...

FINANCING OF NON-FINANCIAL SECTORS
Annual percentage change



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



Source: BE.

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

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

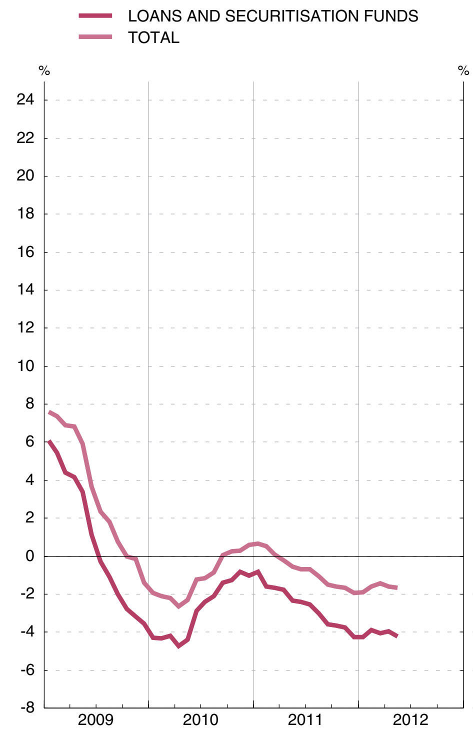
8.6. FINANCING OF NON-FINANCIAL CORPORATIONS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

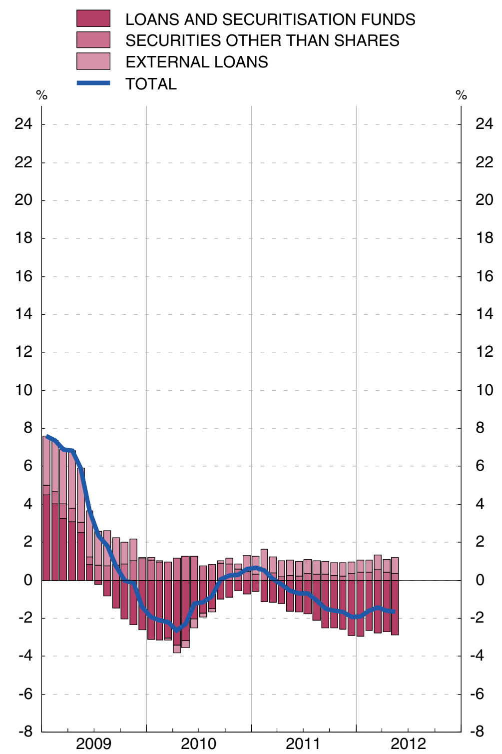
EUR millions and %

	Total			Resident credit institutions' loans and off-balance-sheet securitised loans			Securities other than shares (b)				External loans			Memorandum items: off-balance-sheet securitised loans
	Stocks	Effective flow	Annual growth rate	Stocks	Annual growth rate	Contribution to col.3	Stocks	of which: Issues by resident financ. subsid.	Annual growth rate	Contribution to col.3	Stocks	Annual growth rate	Contribution to col.3	
	1	2	3 ■	4	5 ■	6 ■	7	8	9	10 ■	11	12	13 ■	14
09	1 298 607	-18 104	-1.4	914 902	-3.6	-2.6	54 618	40 095	36.3	1.1	329 086	0.4	0.1	1 256
10	1 301 631	7 481	0.6	895 918	-1.0	-0.7	60 414	46 895	10.6	0.4	345 298	3.3	0.8	1 581
11	1 255 406	-25 296	-1.9	840 887	-4.2	-2.9	65 108	50 867	7.8	0.4	349 411	2.3	0.6	1 332
11 *Feb*	1 292 718	-2 652	0.5	882 196	-1.6	-1.1	62 316	48 905	10.9	0.5	348 206	4.5	1.1	1 342
Mar	1 286 747	-4 212	0.1	879 967	-1.6	-1.2	62 247	48 655	9.0	0.4	344 533	3.2	0.8	1 317
Apr	1 284 330	-797	-0.2	876 254	-1.8	-1.2	62 754	48 869	4.2	0.2	345 322	3.2	0.8	1 454
May	1 280 538	-4 006	-0.6	871 252	-2.3	-1.6	64 020	49 798	5.4	0.3	345 266	3.1	0.8	1 431
Jun	1 272 851	-49	-0.7	865 216	-2.4	-1.7	63 129	48 915	4.9	0.2	344 506	2.9	0.8	1 427
Jul	1 272 835	136	-0.7	863 879	-2.5	-1.8	63 435	49 181	7.5	0.3	345 520	2.9	0.7	1 386
Aug	1 262 822	-9 969	-1.1	852 995	-3.0	-2.1	63 218	49 002	7.0	0.3	346 610	2.7	0.7	1 328
Sep	1 267 097	5 163	-1.5	852 340	-3.6	-2.5	64 020	49 802	7.1	0.3	350 737	2.5	0.7	1 212
Oct	1 262 970	482	-1.6	850 978	-3.6	-2.5	64 154	49 985	5.6	0.3	347 838	2.5	0.7	1 294
Nov	1 264 998	1 477	-1.7	849 929	-3.7	-2.6	64 517	50 363	4.9	0.2	350 551	2.6	0.7	1 275
Dec	1 255 406	-7 083	-1.9	840 887	-4.2	-2.9	65 108	50 867	7.8	0.4	349 411	2.3	0.6	1 332
12 *Jan*	P 1 250 594	-2 950	-1.9	835 814	-4.3	-2.9	65 466	51 080	8.8	0.4	349 315	2.4	0.6	1 325
Feb	P 1 251 326	1 282	-1.6	831 018	-3.9	-2.7	67 946	53 296	9.0	0.4	352 362	2.3	0.6	1 172
Mar	P 1 248 923	-2 064	-1.4	828 641	-4.1	-2.8	69 268	54 320	11.3	0.5	351 014	3.0	0.8	1 154
Apr	P 1 243 919	-2 794	-1.6	825 500	-4.0	-2.7	68 024	53 166	8.4	0.4	350 396	2.6	0.7	1 198
May	P 1 238 888	-5 117	-1.7	819 564	-4.2	-2.9	68 658	53 979	7.2	0.4	350 666	3.1	0.8	1 182

FINANCING OF NON-FINANCIAL CORPORATIONS
Annual percentage change



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



Source: BE.

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

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

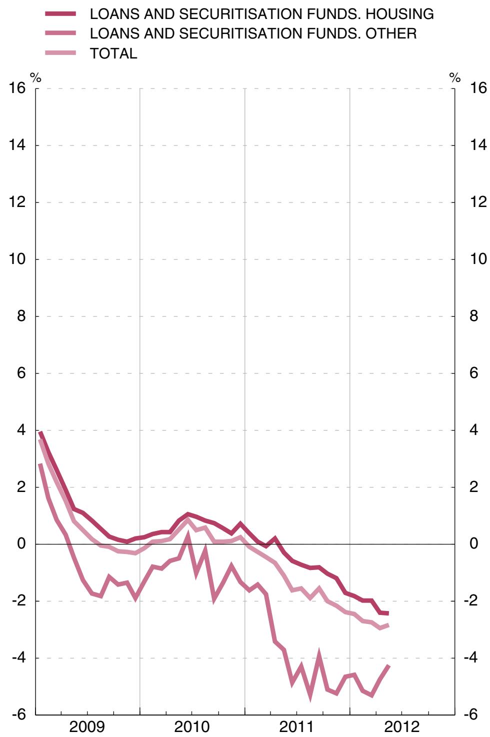
8.7. FINANCING OF HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

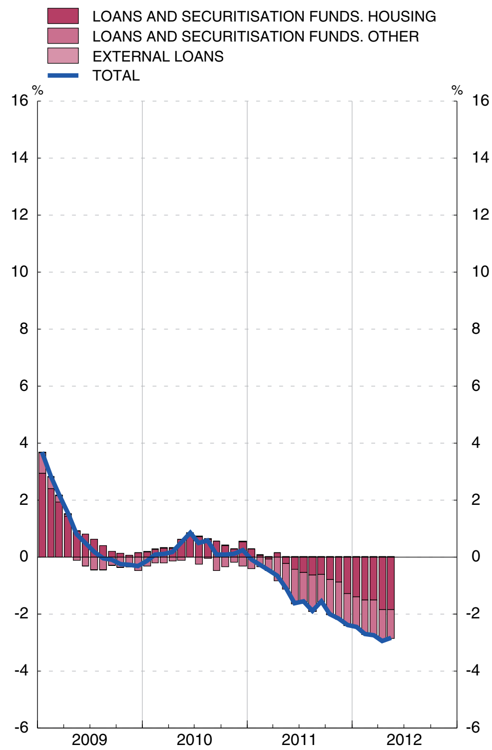
EUR millions and %

		Total			Resident credit institutions' loans and off-balance-sheet securitised loans. Housing			Resident credit institutions' loans and off-balance-sheet securitised loans. Other			External loans			Memorandum items: off-balance-sheet securitised loans	
		Stocks	Effective flow	Annual growth rate	Stocks	Annual growth rate	Contribution to col.3	Stocks	Annual growth rate	Contribution to col.3	Stocks	Annual growth rate	Contribution to col.3	Housing	Other
		1	2	3 ■	4	5 ■	6 ■	7	8 ■	9 ■	10	11	12 ■	13	14
09		903 342	-2 867	-0.3	678 552	0.2	0.1	221 824	-1.9	-0.5	2 966	3.8	0.0	23 986	2 986
10		898 146	2 116	0.2	679 958	0.7	0.5	215 285	-1.3	-0.3	2 902	5.8	0.0	17 161	1 637
11		870 960	-21 481	-2.4	666 866	-1.7	-1.3	201 065	-4.7	-1.1	3 029	4.9	0.0	10 336	547
11 *Feb*		891 494	-2 282	-0.3	675 957	0.1	0.1	212 617	-1.4	-0.3	2 919	5.2	0.0	16 738	1 543
Mar		887 901	-2 860	-0.5	674 687	-0.1	-0.1	210 271	-1.7	-0.4	2 943	6.4	0.0	16 553	1 383
Apr		887 178	-317	-0.7	676 532	0.2	0.1	207 699	-3.4	-0.8	2 947	6.1	0.0	16 211	1 300
May		884 889	-1 954	-1.1	674 603	-0.3	-0.2	207 319	-3.7	-0.9	2 967	6.4	0.0	16 028	929
Jun		889 194	4 872	-1.6	674 734	-0.6	-0.4	211 480	-4.9	-1.2	2 980	7.2	0.0	15 735	760
Jul		883 669	-5 158	-1.6	674 240	-0.7	-0.5	206 425	-4.3	-1.0	3 005	7.6	0.0	15 670	714
Aug		878 962	-4 454	-1.9	671 878	-0.8	-0.6	204 077	-5.3	-1.3	3 007	6.2	0.0	15 627	648
Sep		877 623	-618	-1.5	671 201	-0.8	-0.6	203 403	-3.9	-0.9	3 018	6.4	0.0	15 475	605
Oct		873 954	-3 220	-2.0	669 149	-1.0	-0.8	201 797	-5.1	-1.2	3 007	5.0	0.0	15 305	610
Nov		877 624	4 173	-2.2	667 909	-1.2	-0.9	206 696	-5.2	-1.3	3 020	4.7	0.0	15 250	570
Dec		870 960	-5 583	-2.4	666 866	-1.7	-1.3	201 065	-4.7	-1.1	3 029	4.9	0.0	10 336	547
12 *Jan*	P	866 089	-4 614	-2.5	663 730	-1.8	-1.4	199 318	-4.6	-1.1	3 041	4.9	0.0	10 245	497
Feb	P	861 358	-4 419	-2.7	660 918	-2.0	-1.5	197 389	-5.1	-1.2	3 051	5.3	0.0	10 194	450
Mar	P	859 018	-3 058	-2.7	659 691	-2.0	-1.5	196 268	-5.3	-1.3	3 059	4.7	0.0	10 089	428
Apr	P	855 852	-2 013	-2.9	658 676	-2.4	-1.8	194 113	-4.7	-1.1	3 063	4.9	0.0	10 117	357
May	P	854 616	-950	-2.8	656 818	-2.4	-1.9	194 723	-4.2	-1.0	3 075	4.7	0.0	10 004	287

FINANCING OF HOUSEHOLDS AND NPISHs
Annual percentage change



FINANCING OF HOUSEHOLDS AND NPISHs
Contributions to the annual percentage change



Source: BE.

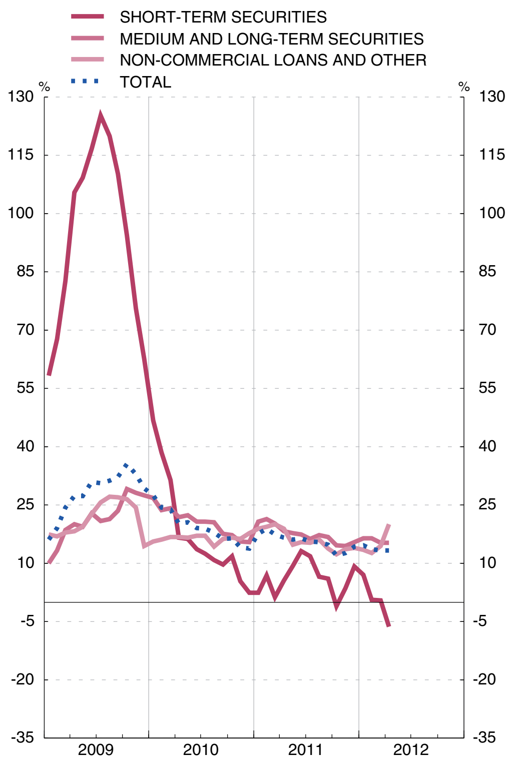
a. The annual percentage changes are calculated as the effective flow of the period / the stock at the beginning of the period.

8.8. GROSS FINANCING OF SPAIN'S GENERAL GOVERMENT

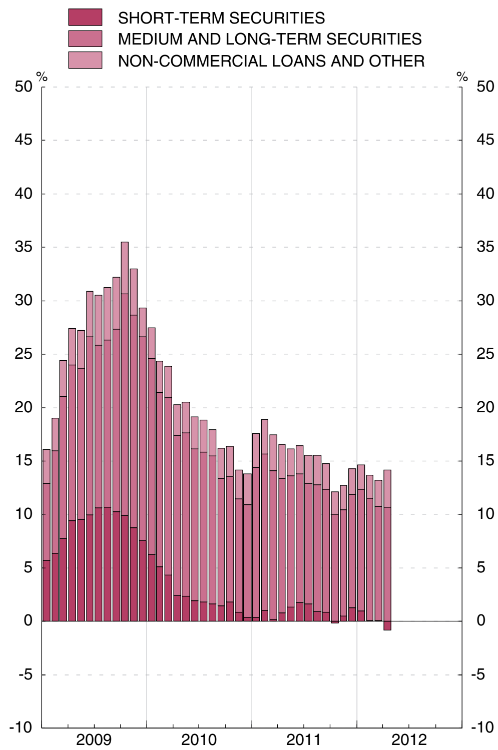
■ Series depicted in chart. *EUR millions and %*

		Gross financing			Short-term securities				Medium and long term securities				Non Comercial Loans and Others (b)			
		EDP Debt (a)	Monthly change	12 month % change	Total	Monthly change	12 month % change	Contribu-tion to 12-month % change	Total	Monthly change	12 month % change	Contribu-tion to 12-month % change	Total	Monthly change	12 month % chage	Contribu-tion to 12-month % change
		1=4+8+12	2=5+9+13	3 ■	4	5	6 ■	7 ■	8	9	10 ■	11 ■	12	13	14 ■	15 ■
08		436 984	54 677	14.3	52 876	19 479	58.3	5.1	302 656	22 784	8.1	6.0	81 453	12 414	18.0	3.2
09		565 082	128 098	29.3	86 003	33 127	62.7	7.6	385 825	83 170	27.5	19.0	93 255	11 802	14.5	2.7
10	P	643 136	78 054	13.8	88 124	2 121	2.5	0.4	445 252	59 427	15.4	10.5	109 760	16 505	17.7	2.9
11	P	734 961	91 825	14.3	96 153	8 029	9.1	1.2	513 696	68 444	15.4	10.6	125 112	15 352	14.0	2.4
10 *Nov*	P	635 875	6 144	14.2	90 112	-849	5.4	0.8	439 313	7 792	15.6	10.6	106 450	-799	16.3	2.7
Dec	P	643 136	7 261	13.8	88 124	-1 988	2.5	0.4	445 252	5 939	15.4	10.5	109 760	3 310	17.7	2.9
11 *Jan*	P	654 986	11 850	17.6	87 890	-234	2.5	0.4	455 992	10 740	20.7	14.0	111 104	1 343	18.9	3.2
Feb	P	671 240	16 255	18.9	89 203	1 312	6.8	1.0	468 380	12 388	21.4	14.6	113 658	2 555	19.4	3.3
Mar	P	684 117	12 877	17.5	85 654	-3 549	1.2	0.2	481 216	12 836	20.3	13.9	117 247	3 589	20.1	3.4
Apr	P	677 700	-6 417	16.5	85 864	210	5.5	0.8	476 416	-4 800	18.2	12.6	115 420	-1 827	19.0	3.2
May	P	685 415	7 716	16.1	89 427	3 564	9.4	1.3	482 293	5 877	17.8	12.3	113 695	-1 725	14.8	2.5
Jun	P	704 002	18 587	16.4	92 275	2 847	13.1	1.8	490 935	8 642	17.4	12.0	120 793	7 098	15.4	2.7
Jul	P	697 355	-6 648	15.5	93 311	1 037	11.9	1.6	483 170	-7 765	16.3	11.2	120 874	81	15.3	2.7
Aug	P	697 081	-273	15.5	90 266	-3 045	6.5	0.9	487 189	4 019	17.2	11.9	119 626	-1 247	16.1	2.7
Sep	P	707 069	9 988	14.8	91 271	1 005	6.0	0.8	493 559	6 370	16.8	11.5	122 239	2 613	13.8	2.4
Oct	P	705 097	-1 973	12.0	90 010	-1 262	-1.0	-0.2	494 561	1 002	14.6	10.0	120 527	-1 713	12.4	2.1
Nov	P	716 756	11 659	12.7	93 364	3 354	3.6	0.5	502 472	7 911	14.4	9.9	120 921	394	13.6	2.3
Dec	P	734 961	18 205	14.3	96 153	2 790	9.1	1.2	513 696	11 224	15.4	10.6	125 112	4 191	14.0	2.4
12 *Jan*	A	750 691	15 730	14.6	94 128	-2 026	7.1	1.0	530 561	16 865	16.4	11.4	126 002	891	13.4	2.3
Feb	A	763 058	12 367	13.7	89 675	-4 453	0.5	0.1	545 318	14 757	16.4	11.5	128 065	2 063	12.7	2.1
Mar	A	774 549	11 492	13.2	86 008	-3 666	0.4	0.1	554 384	9 066	15.2	10.7	134 157	6 092	14.4	2.5
Apr	A	768 035	-6 514	13.3	80 440	-5 568	-6.3	-0.8	548 956	-5 428	15.2	10.7	138 639	4 482	20.1	3.4

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

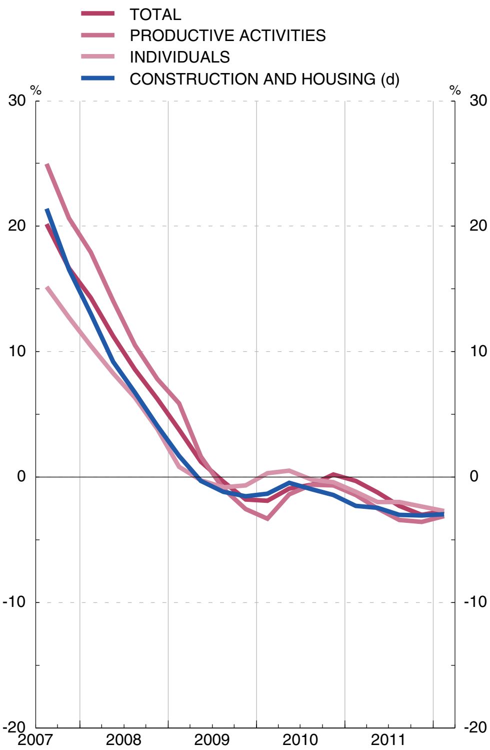
8.9 LENDING BY CREDIT INSTITUTIONS TO OTHER RESIDENT SECTORS. BREAKDOWN BY END-USE.

■ Series depicted in chart.

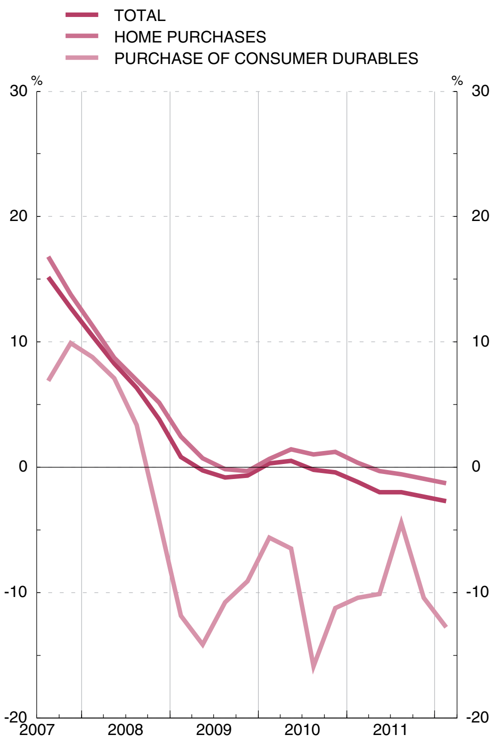
EUR millions and percentages

	Total (a)	Financing of productive activities: Total	Agriculture and fisheries	Industry excluding construction	Construction	Services: Total	Services: Of which Real estate activities	Financing of individuals: Total	Home purchases and improvements: Total	Home purchases and improvements: Of which Purchases	Purchases of consumer durables	Other (b)	Financing of private non-profit institutions	Unclassified	Memorandum item: construction and housing (d)
	1 ■	2 ■	3	4	5	6	7	8 ■	9	10 ■	11 ■	12	13	14	15 ■
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
11	1 782 555	943 784	21 763	143 235	98 510	680 277	298 294	793 636	656 452	626 550	37 686	99 498	7 000	38 134	1 053 256
07 *Q4*	1 760 213	943 086	25 245	141 571	153 453	622 818	303 514	789 250	623 540	595 929	56 576	109 133	6 089	21 788	1 080 507
08 *Q1*	1 793 356	962 331	25 003	143 816	154 237	639 275	311 272	802 258	635 010	606 807	57 357	109 891	5 804	22 962	1 100 519
Q2	1 838 174	991 307	25 727	148 218	155 600	661 762	313 176	817 074	645 286	616 487	57 726	114 062	5 952	23 840	1 114 062
Q3	1 852 563	1 005 670	26 593	155 481	156 363	667 233	315 444	816 755	651 958	623 101	55 859	108 938	6 063	24 075	1 123 765
Q4	1 869 882	1 016 948	26 244	156 141	151 848	682 716	318 032	819 412	655 145	626 620	54 176	110 092	6 091	27 431	1 125 024
09 *Q1*	1 861 734	1 018 902	24 472	158 905	143 515	692 011	324 222	808 715	651 495	621 811	50 560	106 660	5 125	28 991	1 119 231
Q2	1 861 005	1 007 492	23 732	158 800	134 690	690 271	324 664	815 068	651 564	620 920	49 583	113 922	5 382	33 063	1 110 917
Q3	1 846 010	996 650	23 576	153 070	134 045	685 959	324 439	810 149	652 434	622 122	49 840	107 875	5 457	33 754	1 110 918
Q4	1 837 038	991 363	23 123	152 199	130 438	685 602	322 984	813 939	654 566	624 755	49 273	110 101	5 523	26 213	1 107 988
10 *Q1*	1 827 087	985 197	22 791	149 368	126 464	686 574	322 820	811 242	655 474	625 856	47 716	108 053	5 372	25 276	1 104 758
Q2	1 847 066	994 441	23 366	152 413	124 054	694 607	321 946	821 460	660 436	630 104	44 712	116 312	5 840	25 326	1 106 436
Q3	1 837 278	991 374	23 456	152 031	121 514	694 374	320 090	810 717	659 232	628 696	40 259	111 225	5 743	29 444	1 100 836
Q4	1 843 952	985 157	23 128	152 376	114 519	695 134	315 782	812 781	662 798	632 449	42 068	107 916	6 096	39 918	1 093 099
11 *Q1*	1 824 256	971 962	22 618	145 796	109 582	693 966	312 152	804 029	658 133	628 138	41 073	104 823	5 710	42 554	1 079 867
Q2	1 817 801	963 039	22 435	146 481	105 489	688 634	308 425	805 058	658 999	628 377	40 201	105 858	5 898	43 806	1 072 912
Q3	1 788 847	951 096	22 203	145 503	102 258	681 132	303 506	794 554	655 726	625 101	38 478	100 350	6 557	36 639	1 061 491
Q4	1 782 555	943 784	21 763	143 235	98 510	680 277	298 294	793 636	656 452	626 550	37 686	99 498	7 000	38 134	1 053 256
12 *Q1*	1 768 454	935 176	21 416	139 850	96 193	677 716	295 696	782 441	649 602	620 182	35 835	97 004	6 643	44 193	1 041 492

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.

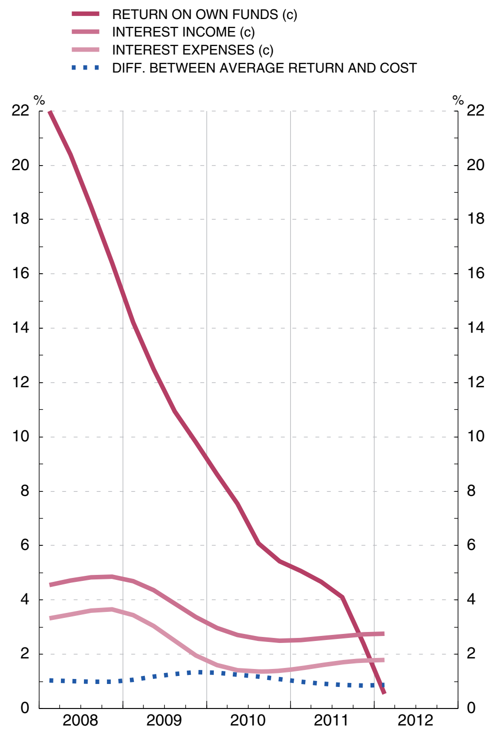
d. Including: construction, real estate activities and home purchases and improvements

8.10. PROFIT AND LOSS ACCOUNT OF DEPOSIT-TAKING INSTITUTIONS RESIDENT IN SPAIN

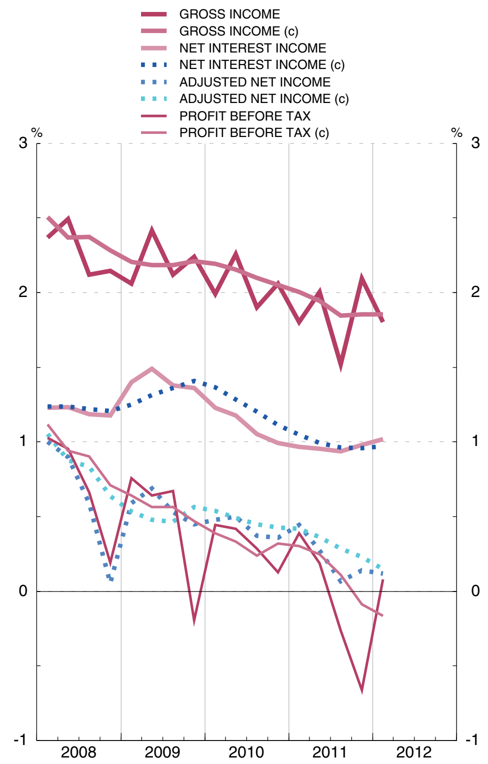
■ Series depicted in chart.

	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 ■
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
11	2.8	1.8	1.0	1.1	2.1	0.9	0.5	1.1	0.1	0.7	-0.7	-1.4	2.9	2.1	0.9
09 *Q2*	3.5	2.1	1.5	0.9	2.4	0.9	0.6	0.8	0.7	0.2	0.6	10.0	4.7	3.5	1.2
Q3	3.0	1.6	1.4	0.7	2.1	0.9	0.6	0.6	0.5	0.3	0.7	9.9	4.2	2.9	1.3
Q4	2.8	1.4	1.4	0.9	2.2	1.0	0.6	0.8	0.5	0.8	-0.2	8.0	3.6	2.3	1.3
10 *Q1*	2.5	1.3	1.2	0.8	2.0	0.9	0.6	0.6	0.5	0.1	0.4	6.6	3.2	1.9	1.3
Q2	2.5	1.3	1.2	1.1	2.3	0.9	0.6	0.8	0.5	0.2	0.4	5.7	2.9	1.6	1.3
Q3	2.5	1.4	1.1	0.9	1.9	0.9	0.6	0.6	0.4	0.2	0.3	4.0	2.7	1.6	1.2
Q4	2.5	1.6	1.0	1.1	2.1	1.0	0.6	0.7	0.4	0.5	0.1	5.4	2.7	1.6	1.1
11 *Q1*	2.6	1.6	1.0	0.8	1.8	0.9	0.6	0.4	0.4	0.1	0.4	5.2	2.7	1.7	1.0
Q2	2.7	1.8	1.0	1.1	2.0	1.0	0.6	0.8	0.3	0.1	0.2	4.1	2.8	1.8	0.9
Q3	2.8	1.8	0.9	0.6	1.5	0.9	0.5	0.5	0.1	0.3	-0.3	1.7	2.8	2.0	0.9
Q4	2.8	1.8	1.0	1.1	2.1	0.9	0.5	1.1	0.1	0.7	-0.7	-1.4	2.9	2.1	0.9
12 *Q1*	2.7	1.7	1.0	0.8	1.8	0.9	0.5	0.8	0.1	0.2	0.1	-2.3	3.0	2.1	0.9

PROFIT AND LOSS ACCOUNT
Percentages of the adjusted average balance sheet and returns



PROFIT AND LOSS ACCOUNT
Percentages of the adjusted average balance sheet



Source: BE.
Note: The underlying series for this indicator are in Table 4.36 of the BE Boletín estadístico.
a. Profit before tax divided by own funds.
b. Only those financial assets and liabilities which respectively give rise to financial income and costs have been considered to calculate the averge return and cost.
c. Average of the last four quarters.

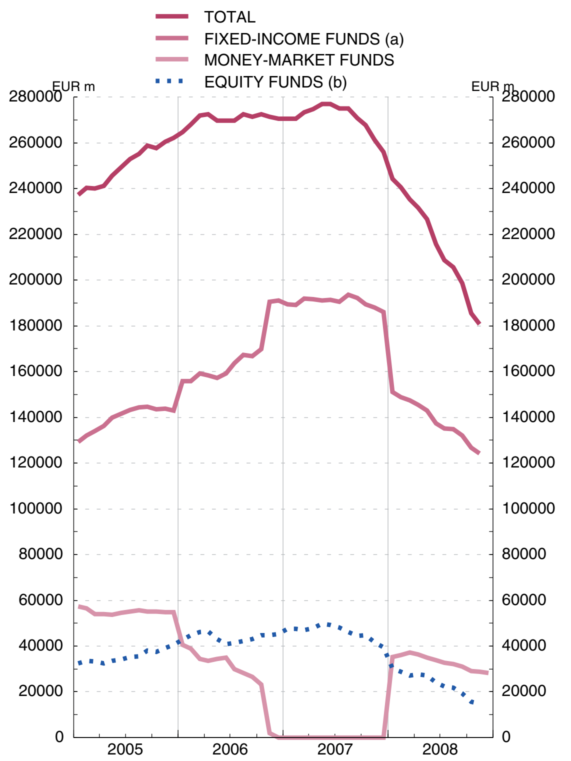
8.11. MUTUAL FUNDS RESIDENT IN SPAIN

■ Series depicted in chart.

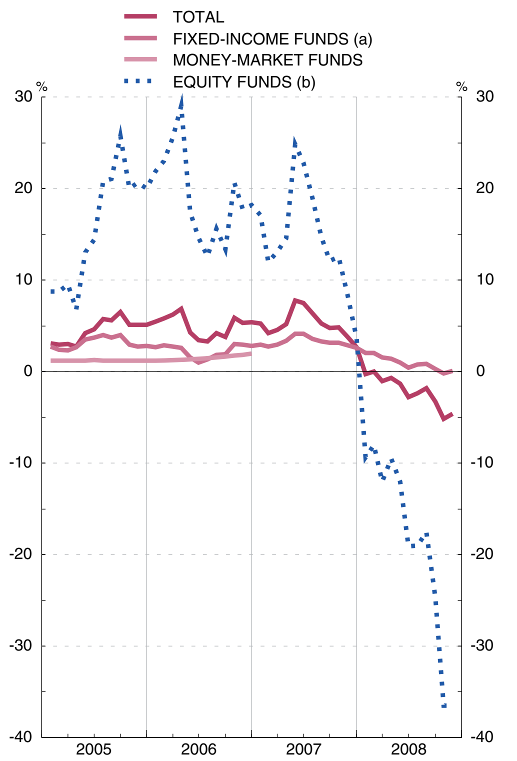
EUR millions

	Total				Money-market funds				Fixed-income funds (a)				Equity funds (b)				Others funds (c)
	Net asset value	Of which			Net asset value	Of which			Net asset value	Of which			Net asset value	Of which			Net asset value
		Monthly change	Net funds invested	Return over last 12 months		Monthly change	Net funds invested	Return over last 12 months		Monthly change	Net funds invested	Return over last 12 months		Monthly change	Net funds invested	Return over last 12 months	
	1 ■	2	3	4 ■	5 ■	6	7	8 ■	9 ■	10	11	12 ■	13 ■	14	15	16 ■	17
05	262 201	26 113	14 270	5.1	54 751	-3 237	-3 881	1.2	143 047	15 312	12 061	2.8	40 672	8 649	2 303	20.0	23 730
06	270 407	8 206	-10 861	5.4	106	-54 645	-55 113	2.0	191 002	47 954	39 212	2.8	45 365	4 693	-2 189	18.2	33 934
07	256 055	-14 352	-22 008	2.6	-	-106	-106	...	185 963	-5 039	-8 287	2.6	39 449	-5 916	-7 179	3.6	30 643
07 *Aug*	275 016	-19	-242	5.3	-	-	-	...	193 565	3 073	2 697	3.3	46 136	-2 060	-1 421	14.7	35 314
Sep	270 736	-4 279	-5 439	4.8	-	-	-	...	192 289	-1 277	-1 624	3.1	44 560	-1 576	-1 877	12.1	33 887
Oct	267 586	-3 151	-6 069	4.8	-	-	-	...	189 387	-2 902	-3 907	3.1	44 816	255	-1 196	12.5	33 383
Nov	261 331	-6 255	-4 310	3.8	-	-	-	...	188 057	-1 330	-1 536	2.9	41 620	-3 196	-1 640	8.3	31 654
Dec	256 055	-5 276	-4 537	2.6	-	-	-	...	185 963	-2 094	-1 919	2.6	39 449	-2 171	-1 417	3.6	30 643
08 *Jan*	244 286	-11 769	-6 863	-0.3	35 111	35 111	1 027	...	151 093	-34 870	531	2.0	30 184	-9 265	-5 341	-9.4	27 898
Feb	240 462	-3 824	-4 123	0.0	36 169	1 058	-10	...	148 946	-2 147	-1 376	2.0	28 813	-1 371	-1 319	-8.0	26 534
Mar	235 174	-5 288	-3 933	-1.1	37 340	1 171	-369	...	147 530	-1 415	-1 658	1.5	27 214	-1 599	-906	-12.0	23 090
Apr	231 723	-3 451	-5 458	-0.7	36 428	-912	-909	...	145 511	-2 019	-2 512	1.4	27 622	409	-839	-9.5	22 161
May	226 535	-5 187	-5 542	-1.3	35 029	-1 400	-1 590	...	142 921	-2 590	-2 562	1.0	27 159	-464	-627	-12.0	21 427
Jun	215 574	-10 961	-7 355	-2.8	33 849	-1 180	-1 569	...	137 444	-5 476	-3 950	0.4	24 008	-3 150	-753	-19.1	20 273
Jul	208 593	-6 982	-7 186	-2.4	32 589	-1 260	-1 628	...	135 012	-2 433	-2 798	0.7	22 309	-1 699	-1 354	-19.0	18 683
Aug	205 707	-2 886	-7 138	-1.8	32 125	-464	-549	...	134 723	-289	-711	0.8	21 922	-388	-5 444	-17.6	16 938
Sep	198 665	-7 042	-5 892	-3.3	30 927	-1 198	-1 176	...	131 932	-2 791	-2 863	0.3	19 242	-2 680	-972	-24.7	16 564
Oct	185 428	-13 237	-11 680	-5.2	29 165	-1 762	-1 796	...	126 590	-5 342	-7 323	-0.2	15 756	-3 486	-959	-36.5	13 917
Nov	180 835	-4 593	-4 363	-4.6	28 810	-355	-427	...	124 111	-2 479	-2 854	0.1	14 708	-1 048	-496	-36.5	13 207

NET ASSET VALUE



RETURN OVER LAST 12 MONTHS



SOURCES: CNMV and Inverco.

a. Includes short and long-term fixed-income funds in euros and international, mixed fixed-income funds in euros and international and guaranteed funds.

b. Includes equity funds and mixed equity funds in euros, national and international.

c. Global funds.

8.12. SHARE PRICE INDICES AND TURNOVER ON SECURITIES MARKETS. SPAIN AND EURO AREA

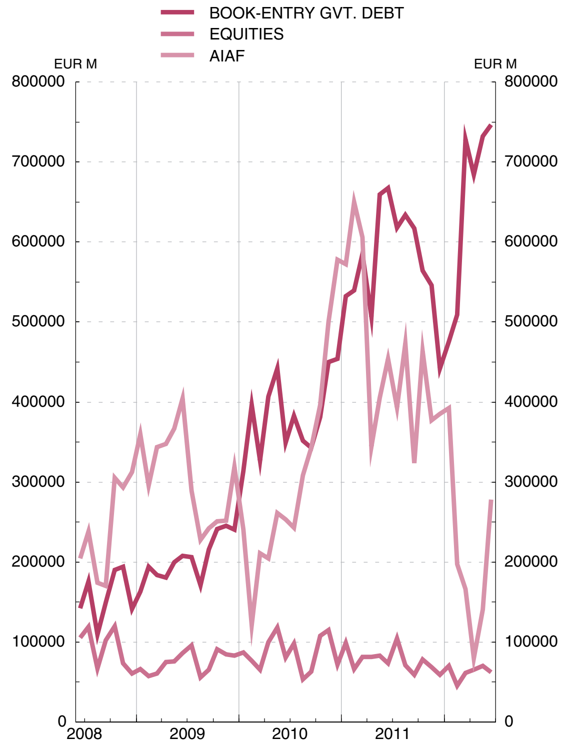
■ Series depicted in chart.

Indices, EUR millions and thousands of contracts

		Share price indices				Turnover on securities markets							
		General Madrid Stock Exchange	IBEX 35	Dow Jones EURO STOXX indices		Stock market		Book-entry government debt	AIAF fixed-income market	Financial options (thousands of contracts)		Financial futures (thousands of contracts)	
				Broad	50	Equities	Bonds			Fixed-income	Shares and other equities	Fixed-income	Shares and other equities
		1 ■	2 ■	3 ■	4 ■	5 ■	6	7 ■	8 ■	9	10	11	12
10		1 053.39	10 203.05	262.35	2 737.05	1 038 259	67 454	4 597 749	3 660 872	-	37 904	-	6 639
11		986.15	9 727.31	258.92	2 646.26	926 265	70 978	6 911 206	5 448 503	-	29 630	-	5 591
12	A	759.21	7 525.96	234.30	2 348.27	375 088	31 765	3 875 212	1 254 648	-	17 868	-	2 850
11 *Mar*		1 079.01	10 576.50	284.36	2 910.91	81 839	5 217	585 212	605 845	...	3 182	...	573
Apr		1 109.35	10 878.90	293.20	3 011.25	81 814	6 855	506 668	344 493	...	1 369	...	412
May		1 066.37	10 476.00	282.60	2 861.92	82 857	7 455	659 698	405 338	...	2 267	...	446
Jun		1 049.76	10 359.90	279.46	2 848.53	73 411	4 294	667 286	454 088	...	2 579	...	495
Jul		973.30	9 630.70	262.76	2 670.37	104 705	6 551	617 918	393 327	...	1 292	...	524
Aug		881.40	8 718.60	228.82	2 302.08	70 892	5 279	633 792	473 063	...	1 523	...	602
Sep		862.85	8 546.60	214.77	2 179.66	58 839	5 331	617 152	323 864	...	3 030	...	441
Oct		901.18	8 954.90	232.83	2 385.22	78 397	4 071	564 362	463 770	...	1 994	...	356
Nov		845.97	8 449.50	226.68	2 330.43	68 702	13 191	545 551	377 003	...	2 949	...	367
Dec		857.65	8 566.30	225.78	2 316.55	59 425	4 652	441 925	385 388	...	4 211	...	283
12 *Jan*		855.17	8 509.20	237.81	2 416.66	70 057	4 595	475 268	392 335	...	2 990	...	304
Feb		852.45	8 465.90	248.09	2 512.11	45 692	5 239	509 249	197 260	...	1 977	...	327
Mar		807.46	8 008.00	247.21	2 477.28	61 373	5 458	727 917	166 605	...	4 527	...	441
Apr		707.48	7 011.00	233.02	2 306.43	65 798	5 699	683 752	79 682	...	1 710	...	587
May		617.23	6 089.80	213.87	2 118.94	70 119	6 897	732 309	140 899	...	2 419	...	626
Jun	P	718.49	7 102.20	226.42	2 264.72	62 049	3 875	746 717	277 867	...	4 246	...	566

SHARE PRICE INDICES
JAN 1994 = 100

TURNOVER ON SECURITIES MARKETS



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

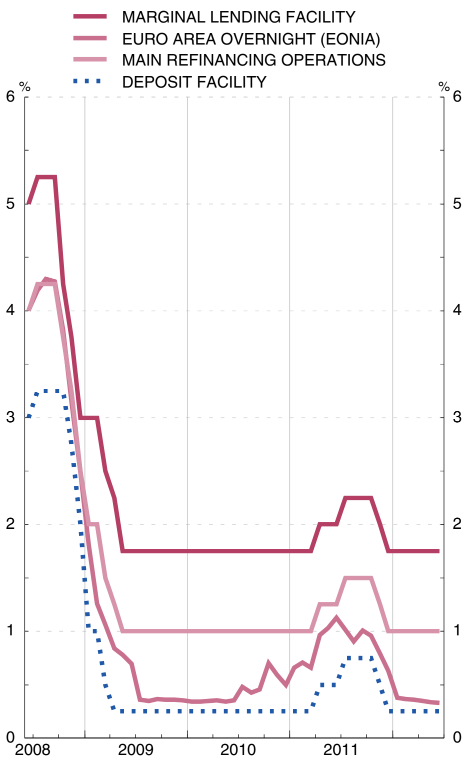
9.1. INTEREST RATES. EUROSYSTEM AND MONEY MARKET. EURO AREA AND SPAIN

■ Series depicted in chart.

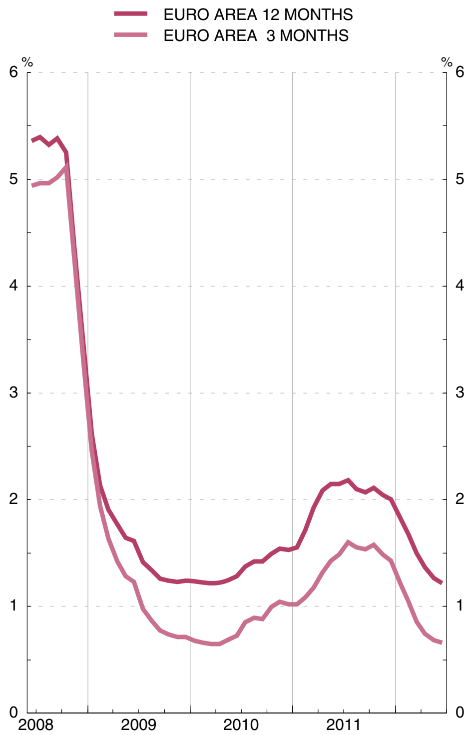
Averages of daily data. Percentages per annum

	Eurosystem monetary policy operations				Money market													
	Main refinancing operations: weekly tenders	Longer term refinancing operations: monthly tenders	Standing facilities		Euro area: deposits (Euribor) (a)					Spain								
										Non-transferable deposits					Government-securities repos			
			Marginal lending	Deposit	Overnight (EONIA)	1-month	3-month	6-month	1-year	Overnight	1-month	3-month	6-month	1-year	Overnight	1-month	3-month	1-year
	1 ■	2	3 ■	4 ■	5 ■	6	7 ■	8	9 ■	10	11	12	13	14	15	16	17	18
10	1.00	1.00	1.75	0.25	0.437	0.57	0.81	1.08	1.35	0.46	0.71	0.87	1.04	1.36	0.39	0.57	0.74	0.98
11	1.00	1.00	1.75	0.25	0.871	1.18	1.39	1.64	2.01	1.02	1.33	1.34	1.57	2.64	0.88	1.17	1.39	2.04
12 A	1.00	1.00	1.75	0.25	0.353	0.52	0.87	1.16	1.48	0.34	0.72	1.06	-	1.72	0.24	0.35	0.60	-
11 *Mar*	1.00	1.00	1.75	0.25	0.659	0.90	1.18	1.48	1.92	0.66	1.12	1.17	1.47	-	0.59	0.86	1.10	-
Apr	1.25	1.25	2.00	0.50	0.966	1.13	1.32	1.62	2.09	0.98	1.25	1.31	1.64	2.08	0.94	1.15	1.23	-
May	1.25	1.25	2.00	0.50	1.033	1.24	1.43	1.71	2.15	1.03	1.43	1.43	1.72	2.23	0.99	1.16	1.25	-
Jun	1.25	1.25	2.00	0.50	1.124	1.28	1.49	1.75	2.14	1.20	1.39	1.49	1.72	-	1.12	1.25	1.44	1.77
Jul	1.50	1.50	2.25	0.75	1.012	1.42	1.60	1.82	2.18	1.08	1.47	-	-	3.10	1.00	1.48	1.67	2.00
Aug	1.50	1.50	2.25	0.75	0.906	1.37	1.55	1.76	2.10	1.06	1.39	1.45	1.82	3.10	0.93	1.37	1.49	3.34
Sep	1.50	1.50	2.25	0.75	1.005	1.35	1.54	1.74	2.07	1.27	1.60	1.68	-	3.10	1.00	1.23	1.37	-
Oct	1.50	1.50	2.25	0.75	0.960	1.36	1.58	1.78	2.11	1.40	1.52	-	-	-	1.06	1.30	1.44	-
Nov	1.25	1.25	2.00	0.50	0.790	1.23	1.48	1.71	2.04	1.38	1.30	1.46	-	3.10	1.01	1.28	1.65	1.00
Dec	1.00	1.00	1.75	0.25	0.627	1.14	1.43	1.67	2.00	0.81	1.38	-	-	-	0.64	1.08	1.77	-
12 *Jan*	1.00	1.00	1.75	0.25	0.380	0.84	1.22	1.51	1.84	0.34	1.14	1.16	-	-	0.24	0.37	0.50	-
Feb	1.00	1.00	1.75	0.25	0.366	0.63	1.05	1.35	1.68	0.35	0.84	1.07	-	1.72	0.27	0.28	0.53	-
Mar	1.00	1.00	1.75	0.25	0.357	0.47	0.86	1.16	1.50	0.31	0.50	0.94	-	-	0.17	0.16	0.60	-
Apr	1.00	1.00	1.75	0.25	0.345	0.41	0.74	1.04	1.37	0.31	0.48	-	-	-	0.20	0.21	0.45	-
May	1.00	1.00	1.75	0.25	0.337	0.39	0.68	0.97	1.27	0.34	0.54	-	-	-	0.25	0.32	0.61	-
Jun	1.00	1.00	1.75	0.25	0.332	0.38	0.66	0.94	1.22	0.41	0.83	-	-	-	0.32	0.77	0.93	-

EUROSYSTEM: MONETARY POLICY OPERATIONS AND EURO AREA OVERNIGHT DEPOSITS



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



Source: ECB (columns 1 to 8).

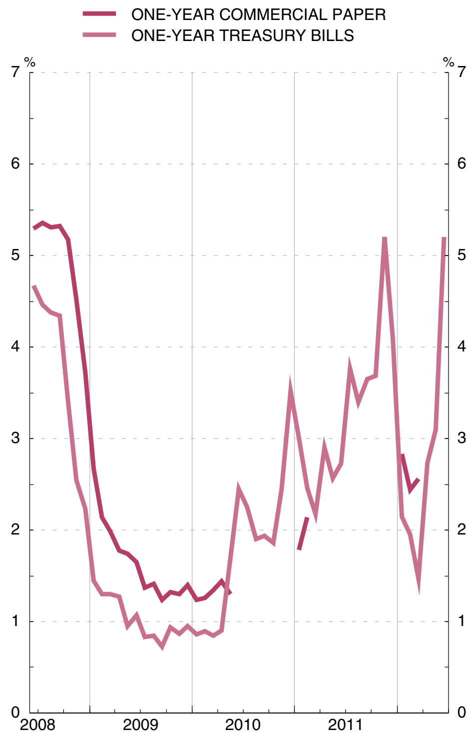
a. To December 1998, synthetic euro area rates have been calculated on the basis of national rates weighted by GDP

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

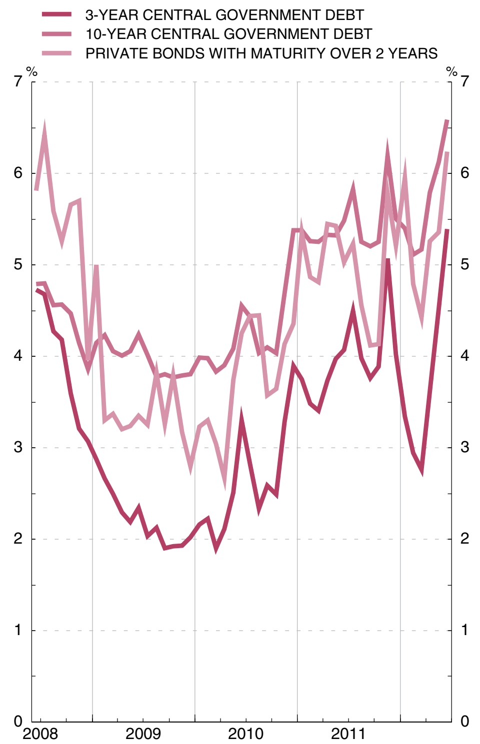
■ Series depicted in chart. *Percentages per annum*

	Short-term securities				Long-term securities							
	One-year Treasury bills		One-year commercial paper		Central Government debt							Private bonds with a maturity of over two years traded on the AIAF
	Marginal rate at issue	Secondary market: outright spot purchases between market members	Rate at issue	Secondary market: outright spot purchases	Marginal rate at issue					Secondary market. Book-entry debt. Outright spot purchases between market members		
					3-year bonds	5-year bonds	10-year bonds	15-year bonds	30-year bonds	At 3-years	At 10-years	
	1 ■	2	3 ■	4	5	6	7	8	9	10 ■	11 ■	12 ■
10	1.80	1.70	1.32	1.62	2.79	3.27	4.51	4.97	5.11	2.64	4.25	3.74
11	3.31	3.04	1.95	3.11	4.11	4.64	5.55	5.99	5.96	3.97	5.44	5.00
12 A	2.76	2.50	2.61	3.27	3.90	4.58	5.57	-	-	3.76	5.70	5.34
11 *Mar*	2.18	2.14	-	2.88	3.61	4.41	5.18	6.01	5.89	3.41	5.25	4.81
Apr	2.90	2.55	-	3.07	3.60	-	5.48	5.70	-	3.73	5.33	5.45
May	2.57	2.51	-	2.19	-	4.56	5.41	-	6.01	3.97	5.32	5.43
Jun	2.73	2.69	-	2.80	4.05	4.25	5.37	6.04	-	4.07	5.48	5.03
Jul	3.76	3.29	-	3.10	4.32	4.89	5.92	6.22	-	4.50	5.82	5.23
Aug	3.40	3.25	-	3.50	4.90	-	5.05	-	-	3.98	5.25	4.56
Sep	3.65	3.33	-	3.34	-	4.52	5.20	-	-	3.76	5.20	4.12
Oct	3.69	3.47	-	3.44	3.52	-	5.45	-	-	3.89	5.25	4.13
Nov	5.20	4.75	-	3.53	4.36	4.89	7.09	-	-	5.07	6.19	5.78
Dec	4.09	3.45	-	3.66	5.20	5.56	5.57	-	-	4.02	5.50	5.21
12 *Jan*	2.15	2.04	2.83	3.65	3.58	3.95	5.47	-	-	3.34	5.40	5.95
Feb	1.95	1.63	2.44	3.42	3.13	3.70	4.90	-	-	2.95	5.11	4.79
Mar	1.47	1.43	2.56	3.23	2.52	4.24	-	-	-	2.76	5.17	4.43
Apr	2.74	2.42	-	3.08	3.52	4.37	5.78	-	-	3.62	5.79	5.26
May	3.10	3.27	-	3.05	5.13	4.98	-	-	-	4.52	6.13	5.36
Jun	5.20	4.18	-	3.18	5.51	6.20	6.12	-	-	5.39	6.59	6.24

PRIMARY MARKET



SECONDARY MARKET



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

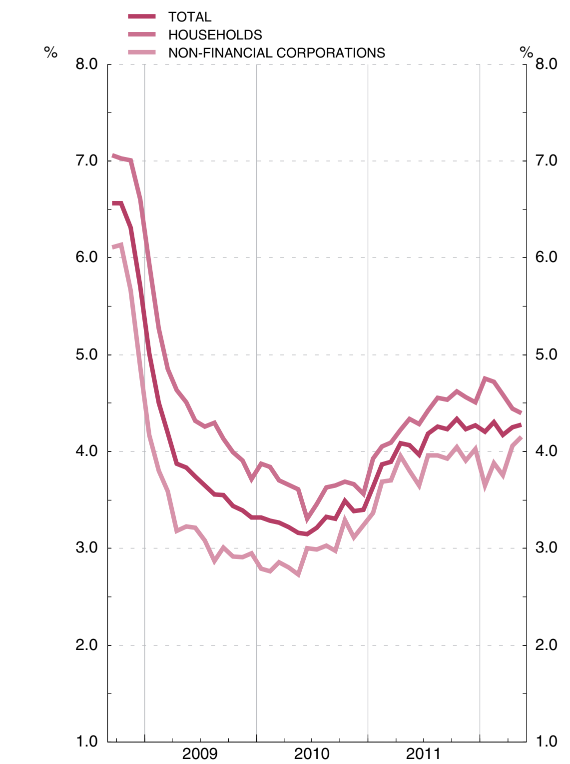
9.3. INTEREST RATES ON NEW BUSINESS. CREDIT INSTITUTIONS. (CBE 4/2002) SDDS (a)

■ Series depicted in chart.

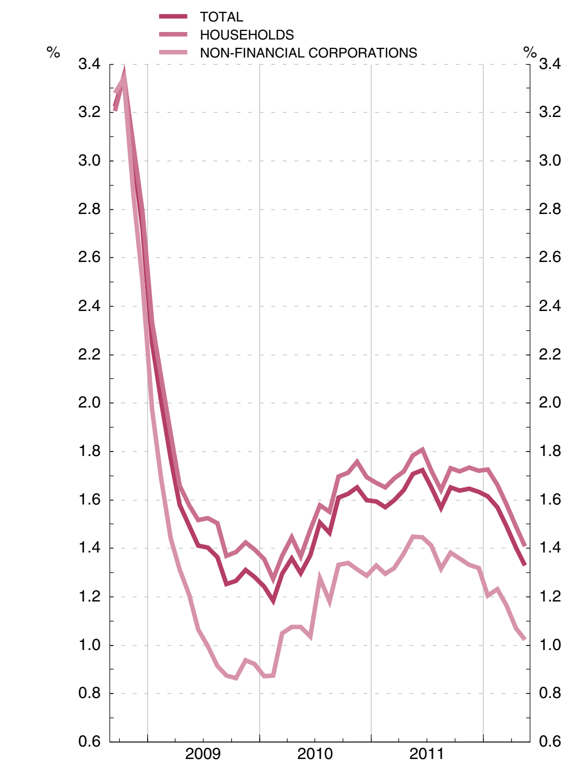
Percentages

	Loans (APRC) (b)							Deposits (NDER) (b)								
	Syn-thetic rate (d)	Households and NPISH			Non-financial corporations			Syn-thetic rate (d)	Households and NPISH				Non-financial corporations			
		Syn-thetic rate	House pur-chase	Con-sump-tion and other	Syn-thetic rate	Up to EUR 1 million	Over EUR 1 million (c)		Syn-thetic rate	Over-night and re-deema-ble at notice	Time	Repos	Syn-thetic rate	Over-night	Time	Repos
	1 ■	2 ■	3	4	5 ■	6	7	8 ■	9 ■	10	11	12	13 ■	14	15	16
10	3.40	3.56	2.66	6.35	3.24	4.40	2.73	1.60	1.70	0.27	2.74	1.21	1.29	0.68	1.98	0.79
11	4.27	4.51	3.66	7.29	4.02	5.39	3.51	1.63	1.72	0.28	2.79	0.86	1.32	0.61	2.13	1.00
12 A	4.27	4.40	3.47	7.46	4.15	5.56	3.60	1.33	1.41	0.26	2.26	0.64	1.02	0.51	1.69	0.48
10 *Oct*	3.49	3.69	2.70	6.70	3.29	4.37	2.66	1.63	1.71	0.29	2.75	0.68	1.34	0.56	2.19	0.69
Nov	3.38	3.66	2.72	6.47	3.11	4.41	2.47	1.65	1.76	0.29	2.82	0.65	1.31	0.58	2.14	0.62
Dec	3.40	3.56	2.66	6.35	3.24	4.40	2.73	1.60	1.70	0.27	2.74	1.21	1.29	0.68	1.98	0.79
11 *Jan*	3.64	3.92	2.92	7.04	3.36	4.58	2.79	1.59	1.67	0.29	2.66	1.18	1.33	0.58	2.14	0.77
Feb	3.87	4.05	3.07	7.09	3.69	4.81	3.10	1.57	1.65	0.29	2.61	1.29	1.30	0.57	2.10	0.71
Mar	3.89	4.09	3.15	7.04	3.70	4.90	3.06	1.60	1.69	0.30	2.68	0.81	1.32	0.59	2.12	0.74
Apr	4.09	4.22	3.31	7.13	3.95	5.01	3.37	1.64	1.72	0.30	2.73	1.24	1.38	0.63	2.23	1.03
May	4.07	4.34	3.46	7.13	3.80	5.08	3.12	1.71	1.79	0.31	2.83	1.16	1.45	0.65	2.32	1.01
Jun	3.96	4.28	3.53	6.64	3.65	5.09	3.08	1.72	1.81	0.30	2.91	1.23	1.45	0.64	2.34	1.18
Jul	4.19	4.42	3.58	7.10	3.96	5.23	3.29	1.65	1.72	0.30	2.75	1.23	1.41	0.64	2.27	1.13
Aug	4.26	4.55	3.68	7.38	3.96	5.18	3.36	1.57	1.64	0.33	2.57	1.12	1.32	0.65	2.04	0.98
Sep	4.23	4.54	3.67	7.34	3.93	5.19	3.27	1.65	1.73	0.30	2.74	1.14	1.38	0.63	2.20	1.10
Oct	4.33	4.62	3.75	7.47	4.05	5.34	3.31	1.64	1.72	0.30	2.72	1.22	1.36	0.66	2.10	1.20
Nov	4.23	4.56	3.72	7.22	3.91	5.36	3.16	1.65	1.73	0.29	2.77	1.16	1.33	0.63	2.13	1.19
Dec	4.27	4.51	3.66	7.29	4.02	5.39	3.51	1.63	1.72	0.28	2.79	0.86	1.32	0.61	2.13	1.00
12 *Jan*	4.20	4.75	3.80	7.86	3.65	5.52	2.96	1.61	1.73	0.27	2.78	0.51	1.20	0.60	1.91	0.49
Feb	4.30	4.72	3.82	7.70	3.88	5.42	3.14	1.57	1.66	0.26	2.66	0.49	1.23	0.60	1.94	0.50
Mar	4.17	4.59	3.74	7.41	3.75	5.49	2.96	1.49	1.58	0.28	2.53	0.39	1.16	0.56	1.88	0.51
Apr	4.25	4.44	3.53	7.48	4.06	5.82	3.21	1.40	1.49	0.27	2.37	0.58	1.07	0.54	1.68	0.60
May P	4.27	4.40	3.47	7.46	4.15	5.56	3.60	1.33	1.41	0.26	2.26	0.64	1.02	0.51	1.69	0.48

**LOANS
SYNTHETIC RATES**



**DEPOSITS
SYNTHETIC RATES**



Source: BE.

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

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

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

d. The synthetic rates of loans and deposits are obtained as the average of the interest rates on new business weighted by the euro-denominated stocks included in the balance sheet for all the instruments of each sector.

e. Up to the reference month May 2010, this column includes credit granted through credit cards (see the 'Changes' note in the July-August 2010 Boletín Estadístico).

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

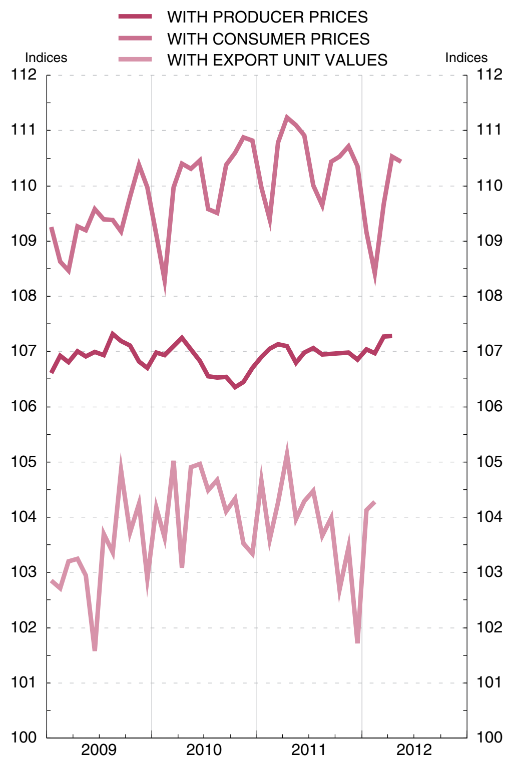
■ Series depicted in chart.

Base 1999 QI = 100

	Vis-à-vis the EU-27									Vis-à-vis the euro area				
	Total (a)				Nominal component (b)	Price component (c)				Based on producer prices	Based on consumer prices	Based on total unit labour costs (d)	Based on manufacturing unit labour costs (d)	Based on export unit values
	Based on producer prices	Based on consumer prices	Based on total unit labour costs (d)	Based on export unit values		Based on producer prices	Based on consumer prices	Based on total unit labour costs (d)	Based on export unit values					
	1 ■	2 ■	3	4 ■	5	6	7	8	9	10 ■	11 ■	12	13	14 ■
09	107.5	110.5	112.4	102.2	102.6	104.7	107.6	109.5	99.6	106.9	109.4	111.7	111.3	103.3
10	106.8	110.0	109.1	102.4	101.9	104.8	108.0	107.2	100.5	106.8	110.0	109.4	112.5	104.2
11	106.8	110.2	106.0	101.9	101.9	104.9	108.2	104.1	100.0	107.0	110.4	106.3	111.0	103.8
10 *Q2*	107.0	110.4	109.6	102.4	101.8	105.1	108.4	107.7	100.6	107.0	110.4	109.9	111.9	104.3
Q3	106.3	109.5	108.9	102.6	101.6	104.6	107.7	107.2	100.9	106.5	109.8	109.4	113.9	104.4
Q4	106.4	110.6	108.3	102.0	101.8	104.6	108.7	106.4	100.2	106.5	110.8	108.6	114.8	103.7
11 *Q1*	106.7	109.5	107.2	102.3	101.6	105.1	107.8	105.5	100.7	107.0	110.1	107.7	108.4	104.2
Q2	106.8	110.9	106.8	102.4	101.8	104.9	108.8	104.9	100.6	107.0	111.1	107.0	110.4	104.5
Q3	106.9	109.9	106.2	102.1	102.0	104.8	107.8	104.1	100.1	107.0	110.0	106.3	112.1	104.0
Q4	106.9	110.6	104.0	100.8	102.1	104.6	108.3	101.9	98.7	106.9	110.5	104.1	112.9	102.6
12 *Q1*	106.7	108.6	102.7	...	101.7	104.9	106.8	101.0	...	107.1	109.1	103.2	109.2	...
11 *Sep*	106.9	110.5	106.2	102.0	102.1	104.7	108.2	104.1	99.9	107.0	110.4	106.3	112.1	104.0
Oct	107.0	110.7	...	100.9	102.2	104.7	108.3	...	98.7	107.0	110.5	...	...	102.7
Nov	106.9	110.8	...	101.6	102.2	104.7	108.4	...	99.5	107.0	110.7	...	...	103.5
Dec	106.7	110.3	104.0	99.8	102.0	104.5	108.1	101.9	97.8	106.9	110.4	104.1	112.9	101.7
12 *Jan*	106.7	108.8	...	101.9	101.8	104.8	106.8	...	100.1	107.0	109.2	...	...	104.1
Feb	106.5	107.9	...	102.2	101.7	104.8	106.1	...	100.5	107.0	108.4	...	...	104.3
Mar	106.8	109.2	102.7	...	101.6	105.0	107.4	101.0	...	107.3	109.7	103.2	109.2	...
Apr	106.7	109.9	...	...	101.6	105.0	108.2	...	...	107.3	110.5	...	...	...
May	...	109.7	...	...	101.5	...	108.1	...	...	...	110.4	...	...	...
Jun	...	...	...	...	101.5	...	...	...	...	...	...	...	...	...

INDICES OF SPANISH COMPETITIVENESS VIS À VIS THE EU-27

INDICES OF SPANISH COMPETITIVENESS VIS À VIS THE EURO AREA



Source: BE.

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

b. Geometric mean calculated using a double weighting system based on (1995-1997), (1998-2000), (2001-2003), and (2004-2006) manufacturing foreign trade figures.

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

d. Quarterly series. Indices for Spain have been calculated using data for Unit Labour Costs (total and manufacturing) compiled from Quarterly Spanish National Accounts. Base 2008. Source INE.

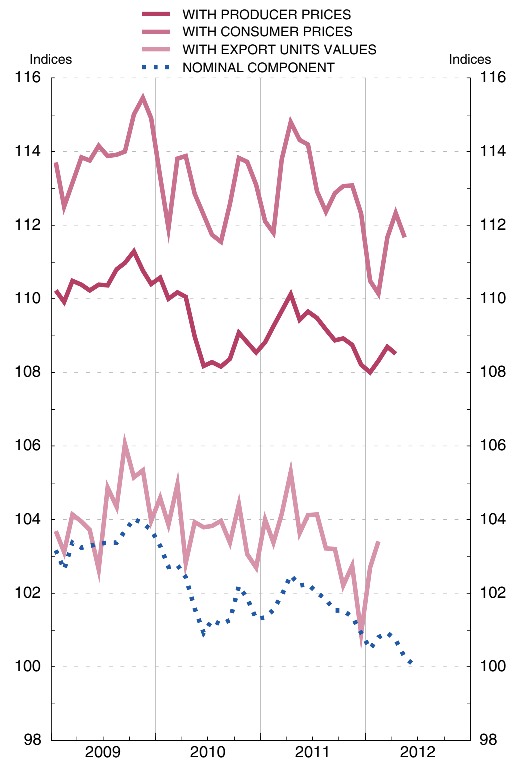
9.5 INDICES OF SPANISH COMPETITIVENESS VIS-à-VIS THE DEVELOPED COUNTRIES AND INDUSTRIALISED COUNTRIES

■ Series depicted in chart.

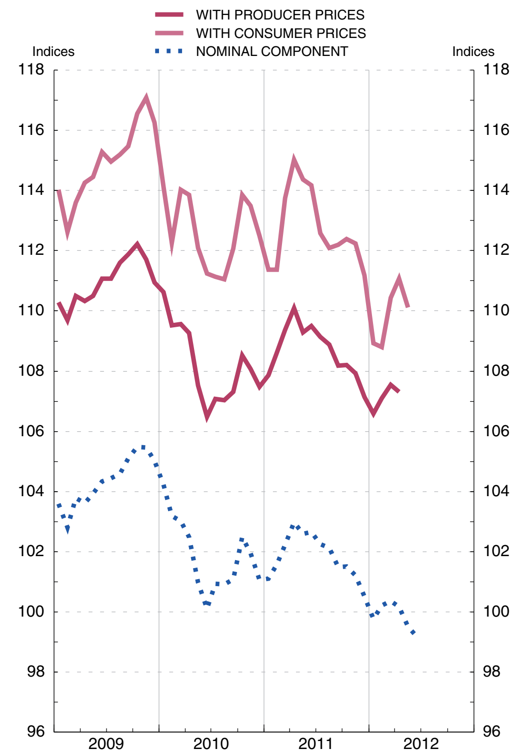
Base 1999 QI = 100

	Vis-à-vis developed countries									Vis-à-vis industrialised countries				
	Total (a)				Nominal compon-ent (b)	Prices component (c)				Total (a)		Nominal compon-ent (b)	Prices component(c)	
	Based on producer prices	Based on consumer prices	Based on manufac - turing unit labour costs (d)	Based on export unit values		Based on producer prices	Based on consumer prices	Based on manufac - turing unit labour costs (d)	Based on export unit values	Based on producer prices	Based on consumer prices		Based on producer prices	Based on consumer prices
	1 ■	2 ■	3	4 ■	5 ■	6	7	8	9	10 ■	11 ■	12 ■	13	14
09	110.5	114.0	118.5	104.3	103.4	106.9	110.2	114.6	100.8	111.0	115.0	104.4	106.4	110.2
10	109.1	112.9	117.2	103.8	101.9	107.1	110.8	115.1	101.9	108.2	112.6	101.9	106.2	110.6
11	109.2	113.1	114.8	103.4	101.7	107.3	111.2	112.8	101.6	108.7	112.7	101.8	106.7	110.7
10 *Q2*	109.1	113.0	116.4	103.5	101.6	107.3	111.2	114.6	101.8	107.8	112.4	101.2	106.5	111.1
Q3	108.3	112.0	117.9	103.7	101.2	107.0	110.6	116.5	102.5	107.1	111.4	101.0	106.1	110.3
Q4	108.8	113.6	119.2	103.4	101.8	106.9	111.6	117.1	101.6	108.0	113.3	101.8	106.1	111.2
11 *Q1*	109.3	112.6	112.0	103.9	101.6	107.5	110.8	110.3	102.2	108.6	112.2	101.6	106.9	110.4
Q2	109.7	114.4	114.9	104.3	102.3	107.3	111.9	112.3	102.0	109.6	114.5	102.7	106.7	111.5
Q3	109.2	112.7	115.9	103.5	101.8	107.3	110.7	113.9	101.7	108.7	112.3	102.0	106.7	110.1
Q4	108.6	112.8	116.3	101.9	101.3	107.3	111.4	114.8	100.7	107.8	111.9	101.1	106.6	110.8
12 *Q1*	108.3	110.8	112.0	...	100.7	107.5	110.0	111.2	...	107.1	109.4	100.1	107.0	109.3
11 *Sep*	108.9	112.9	115.9	103.2	101.5	107.2	111.2	113.9	101.6	108.2	112.2	101.5	106.6	110.6
Oct	108.9	113.1	...	102.2	101.5	107.3	111.4	...	100.7	108.2	112.4	101.5	106.6	110.7
Nov	108.8	113.1	...	102.7	101.4	107.3	111.6	...	101.4	107.9	112.2	101.2	106.7	110.9
Dec	108.2	112.3	116.3	100.9	100.9	107.2	111.3	114.8	100.0	107.1	111.2	100.5	106.6	110.6
12 *Jan*	108.0	110.5	...	102.7	100.5	107.5	110.0	...	102.2	106.6	108.9	99.8	106.8	109.2
Feb	108.3	110.1	...	103.4	100.8	107.5	109.3	...	102.6	107.1	108.8	100.2	106.9	108.6
Mar	108.7	111.7	112.0	...	100.9	107.7	110.7	111.2	...	107.5	110.4	100.4	107.2	110.0
Apr	108.5	112.3	...	...	100.7	107.7	111.5	...	...	107.3	111.1	100.2	107.1	110.9
May	...	111.7	...	...	100.3	...	111.4	...	...	...	110.1	99.5	...	110.7
Jun	...	...	...	...	100.0	...	...	...	...	...	...	99.2	...	...

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.

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ABBREVIATIONS

BCBS	Basel Committee on Banking Supervision
BE	Banco de España
BIS	Bank for International Settlements
BLS	Bank Lending Survey
BOE	Official State Gazette
BRICs	Brazil, Russia, India and China
CBFA	Collective Bargaining Framework Agreement
CBSO	Central Balance Sheet Data Office
CCR	Central Credit Register
CDSs	Credit default swaps
CEIPOS	Committee of European Insurance and Occupational Pensions Supervisors
CESR	Committee of European Securities Regulators
CNE	Spanish National Accounts
CNMV	National Securities Market Commission
CPI	Consumer Price Index
DGF	Deposit Guarantee Fund
EBA	European Banking Authority
ECB	European Central Bank
ECOFIN	Council of the European Communities (Economic and Financial Affairs)
EDP	Excessive Deficit Procedure
EFF	Spanish Survey of Household Finances
EFSF	European Financial Stability Facility
EMU	Economic and Monetary Union
EONIA	Euro overnight index average
EPA	Official Spanish Labour Force Survey
ESA 79	European System of Integrated Economic Accounts
ESA 95	European System of National and Regional Accounts
ESCB	European System of Central Banks
ESFS	European System of Financial Supervisors
ESM	European Stability Mechanism
ESRB	European Systemic Risk Board
EU	European Union
EURIBOR	Euro interbank offered rate
EUROSTAT	Statistical Office of the European Communities
FASE	Financial Accounts of the Spanish Economy
FDI	Foreign direct investment
FROB	Fund for the Orderly Restructuring of the Banking Sector
FSB	Financial Stability Board
FSF	Financial Stability Forum
GDI	Gross disposable income
GDP	Gross domestic product
GFCF	Gross fixed capital formation
GNP	Gross national product
GVA	Gross value added
HICP	Harmonised Index of Consumer Prices
IASB	International Accounting Standards Board
ICO	Official Credit Institute
IFRSs	International Financial Reporting Standards
IGAE	National Audit Office
IIP	International Investment Position
IMF	International Monetary Fund
INE	National Statistics Institute
SPEE	National Public Employment Service
LTROs	Longer-term refinancing operations
MFIs	Monetary financial institutions
MMFs	Money market funds
MROs	Main refinancing operations
MTBDE	Banco de España quarterly macroeconomic model
NAIRU	Non-accelerating-inflation rate of unemployment
NCBs	National central banks
NFCs	Non-financial corporations
NPISHs	Non-profit institutions serving households
OECD	Organisation for Economic Co-operation and Development
OPEC	Organisation of Petroleum Exporting Countries
PMI	Purchasing Managers' Index
PPP	Purchasing power parity
QNA	Quarterly National Accounts
RDL	Royal Decree-Law
SEPA	Single Euro Payments Area
SGP	Stability and Growth Pact
SMEs	Small and medium-sized enterprises
TARGET	Trans-European Automated Real-time Gross settlement Express Transfer system
TFP	Total factor productivity
ULCs	Unit labour costs
VAT	Value Added Tax
WTO	World Trade Organisation
XBRL	Extensible Business Reporting Language

COUNTRIES AND CURRENCIES

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

BE	Belgium	EUR (euro)
BG	Bulgaria	BGN (Bulgarian lev)
CZ	Czech Republic	CZK (Czech koruna)
DK	Denmark	DKK (Danish krone)
DE	Germany	EUR (euro)
EE	Estonia	EEK (Estonian kroon)
IE	Ireland	EUR (euro)
GR	Greece	EUR (euro)
ES	Spain	EUR (euro)
FR	France	EUR (euro)
IT	Italy	EUR (euro)
CY	Cyprus	EUR (euro)
LV	Latvia	LVL (Latvian lats)
LT	Lithuania	LTL (Lithuanian litas)
LU	Luxembourg	EUR (euro)
HU	Hungary	HUF (Hungarian forint)
MT	Malta	EUR (euro)
NL	Netherlands	EUR (euro)
AT	Austria	EUR (euro)
PL	Poland	PLN (Polish zloty)
PT	Portugal	EUR (euro)
RO	Romania	RON (New Romanian leu)
SI	Slovenia	EUR (euro)
SK	Slovakia	EUR (euro)
FI	Finland	EUR (euro)
SE	Sweden	SEK (Swedish krona)
UK	United Kingdom	GBP (Pound sterling)
JP	Japan	JPY (Japanese yen)
US	United States	USD (US dollar)

CONVENTIONS USED

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