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TESTIMONY BY THE GOVERNOR OF THE BANCO DE ESPAÑA, LUIS M. LINDE,  
BEFORE THE PARLIAMENTARY BUDGET COMMITTEE IN CONNECTION WITH THE DRAFT  
STATE BUDGET FOR 2013

Ladies and gentlemen,

The appearance by the Governor of the Banco de España before this Committee at the start of the annual debate on the State Budget is a tradition I am most pleased to embrace. I shall try to be as clear and direct as possible on those issues I consider most important.

The Draft State Budget Law for 2013 is being presented against a background of singular difficulty for the Spanish economy.

I intend, first, to discuss the international economic context, in particular in the euro area; second, to look at recent developments in the Spanish economy, with particular reference to competitiveness and fiscal consolidation; and finally, to analyse the key features of the draft Law.

Without overstaying my welcome, I shall, before ending my address, briefly discuss the clean-up and restructuring programme for our banking system which, as you know, took a significant step forward on 28 September with the publication of the evaluations of the whole of the Spanish banking system. If you wish, we can go into greater detail on this matter in the round of questions, given its importance for restoring confidence in our economy, in activity and in employment, and, in short, for the implementation of the Budget for 2013.

**The international context**

The international context is a primary factor of difficulty. The latest analyses and projections show signs of weakness, which can be explained to some extent by the difficulties the European economies are facing in overcoming a sovereign debt crisis that has now lasted for more than two years. While the growth forecast for the world economy as a whole in 2012 stood at around 4% a year back, this has now dipped to around 3%. The forecast for the United States has improved, but that for the euro area as a whole has fallen from growth of 1.1% a year ago to a decline of 0.4%. And the growth forecast for the emerging economies has edged down from above 6% to around 5%.

The forecasts for 2013 have also been lowered, especially for the euro area as a whole. The sluggishness of the international economy and, in particular, of the euro area is bearing down on our ability to recover.

**Euro area governance**

I would therefore find it useful to start with a comment on euro area governance and its problems.

In my appearance before the Economic Affairs Committee last July, I addressed the source of the sovereign debt crisis in Europe and the main reasons for its depth and development. I believe I should reiterate that, to overcome the crisis, a new version of Monetary Union governance will be needed.

There have so far been two different stages in the reform of European governance. In the first, efforts focused on remedying the shortcomings detected in macroeconomic and financial policy oversight and coordination, and on the creation of financial assistance mechanisms. In the second stage, following the June 2012 Summit of euro area Heads of

State or Government, a banking union, greater fiscal integration and a common economic policy framework were proposed.

Here you may recall that the European Commission communicated its plans for the banking union to the Parliament and the Council on 12 September, with a legislative proposal to give form to the first of the three pillars which would underpin such a union: a common supervisory mechanism for which ultimate responsibility would be centralised at the European Central Bank, while there would be scope for some degree of decentralisation, enabling the knowledge and experience of national supervisors to be harnessed.

The move is just a preliminary one and should be viewed with caution, since in order to complete the banking union an integrated bank crisis management mechanism and a common deposit guarantee scheme will be needed. This will not be possible without progress towards a fiscal union, an area that obviously poses most significant political difficulties.

Along these same lines, I believe we should welcome the European Central Bank Governing Council's decision on 2 August to set in train the so-called Outright Monetary Transactions. This comprises a programme to purchase public debt on secondary markets, subject to compliance with specific conditions, as part of the financial support programmes of the European Financial Stability Facility and its successor, the European Stability Mechanism.

Since the start of this crisis the ECB has adopted a series of conventional (short- and medium-term liquidity provision, changes in the deposit rate) and non-conventional measures (long-term liquidity provision, debt purchases) aimed at preserving the sound functioning of monetary policy, which is tantamount to saying the transmission of the policy rates the ECB wishes to maintain at all maturities. These measures have also been useful in buying time for governments to correct the macroeconomic imbalances and the shortcomings in the institutional design of the euro which are, in part, at the source of the current fragility. The Outright Monetary Transactions are a further example of this type of non-conventional measure.

The new initiative is aimed at making sovereign debt markets work normally again, as their yields bear indirectly, but significantly, on households' and firms' financing costs. The aim is fully compatible with the ECB's mandate, as the President of this institution has stressed on various occasions.

Evidently, the announcement of this programme has had a stabilising effect. But given the nature of the problems at the source and in the development of this sovereign debt crisis the role that any ECB decision may play in resolving it can hardly go beyond mitigating the risks of serious accidents and of providing more time so that the decisions that must be taken in areas other than the ECB may come to fruition.

## The Spanish economy

Let me now turn to the key features of our current economic situation.

The Spanish economy has been greatly affected by the financial tensions in the euro area, which emerged with the outbreak of the international financial crisis in 2007-2008, and the public finances problems of several euro area members, beginning with Greece. In our case, the crisis reached us and, in turn, we contributed to its unfolding as a result of the doubts over the sustainability of our public finances, our poor growth expectations and the scale of our foreign debt, which essentially built up during the real estate boom.



Economic policy has striven to overcome various factors of vulnerability in a very adverse macroeconomic setting. The results of the reforms undertaken are still incipient, and we must persevere with this strategy, which is the only realistic way of resuming sustained growth.

As recent events in Europe show, there are feedback loops from public finances and their problems to the banking system and its problems, and from the latter to activity and employment. In turn, job creation and growth are essential ingredients for progress on fiscal consolidation. Accordingly, economic policy-making should continue to be structured around two main goals: promoting competitiveness and growth, and restoring the sustainability of public finances. I shall briefly refer to these two major issues before analysing the Budget for 2013.

## Competitiveness and employment

First, let us look at developments in employment and competitiveness, two closely interconnected problems.

In terms of economy-wide unit labour costs, the cumulative loss to 2008 in respect of the 1998 level stood at 18%. In industry, and measuring competitiveness always in terms of unit labour costs, it was almost 30%. Naturally, labour costs are not the only explanation for the increase in unemployment, but they have undoubtedly been a major factor. That there were serious failings in the regulation of our labour market is something that practically all international economic organisations have been pointing out for years. The reform of our labour legislation was unavoidable.

The changes made are essentially geared to increasing the flexibility of our labour market: the priority of firm-level agreements, limits on the so-called “ultra-activity” of agreements, new regulations governing dismissal for objective reasons and greater facilities for maintaining wage restraint at companies in difficulty are all elements of change aimed at preventing dismissals and higher unemployment from being the only option for many companies to stay in business.

The macroeconomic projections accompanying the Budget for 2013 include the stabilising of our unemployment rate at around 25% of the labour force, a rate double the average for the European Union countries. This rate of unemployment is, quite simply, dramatic. Hence the enormous importance of economic recovery and of greater labour market flexibility: these two variables complement one another, and without both operating simultaneously, net job creation will not be possible.

## Fiscal consolidation

I shall now move on to public finances and to the nature of the fiscal drive needed.

In 2007 Spain posted a budget surplus of close to 2% of GDP and a public debt/GDP ratio of 37%, then one of the lowest among the euro area members. However, this apparently healthy state of affairs concealed a precarious situation owing to the presence of high tax revenue that had a significant temporary component tied to the major expansion of the construction and real estate sector, and to unsustainable spending dynamics.

Indeed, the end of this expansion uncovered the risks latent in that situation. Almost half of the deterioration of more than 13 pp of GDP over only two years from 2007 to 2009 – a turnaround in public finances unprecedented in Spanish economic history – was due to the fall in revenue, largely associated with the disappearance of the aforementioned extraordinary revenue. Meantime, public spending climbed significantly, largely as a result of the increase in unemployment benefits and in the interest burden, but also as a result

of spending on pensions and on government consumption. A further expression of the rapid deterioration in the deficit was the most substantial rise in public debt as a proportion of GDP.

The first conclusion that may be drawn from this analysis, and one which is very relevant for understanding our present difficulties, is that the budget deficit arising with the crisis was eminently structural. That is to say, it was not only due to the downward cycle, or to the temporary discretionary measures with no lasting effect on public finances. In any event, the outcome has been that the public debt/GDP ratio has not stopped growing since 2007, and we will end the current year 2012 with a level close to 85%: i.e. an increase of almost 50 pp of GDP over a period of only five years, which in itself is an indicator of the seriousness of our crisis.

Reducing the budget deficit from its 2009 peak is proving anything but easy. Indeed, the correction made in 2010 and 2011 was very scant, and was of course less than that initially planned and desired. The budgetary adjustment is being made in highly adverse economic and financial circumstances, compounded by the impact in the short run of the austerity measures on economic activity. Moreover, stabilising the proportion of debt to GDP, which is a key figure for restoring market confidence, is all the more difficult against a backdrop of meagre growth or recession and of high interest rates on public debt.

Yet these contractionary forces can be mitigated if credibility in the process of fiscal consolidation can be attained. From this standpoint, following the heavy slippage in the deficit in 2011, the target of 6.3% of GDP for this year and the fiscal adjustment path to which we have committed to 2014 should be the means by which the doubts of the European authorities and the markets are dispelled.

The information currently available (on central government figures to August) indicates that there are risks of slippage from the target set for 2012. Given the importance of achieving the target, additional measures under the Budgetary Stability Law should be considered that provide for the target to be met. I have some points to make in this connection.

First, most of the slippage seen has originated from adverse developments in public revenue, partly deriving from the very nature of the adjustment under way in the Spanish economy. The fact that, at present, the only source of improvement in economic activity is the external sector (neither higher exports nor lower imports generate, per se, increases in tax revenue) means that the prospect of buoyant public revenue is scant, and is compounded by the intensity of the real estate adjustment. Against this background, *maintaining a prudent projection of public revenue is essential.*

Second, *instruments are needed that enable early detection of potential slippage in revenue and expenditure* during the fiscal year. The new Stability Law demands significant improvements in the transparency of general government conduct, particularly in relation to the budget outturn figures for regional and local government, which should be released with the same periodicity, degree of detail, lag and ready accessibility as central government data.

Third, *the mechanisms enabling the prompt correction of any potential slippage must be reinforced.* Once again, the Stability Law includes new instruments, such as the automatic adjustment of regional government spending in specific cases of non-compliance, the possibility of establishing sanctions and also of central government imposing adjust-

ment measures. These new provisions may be effective in ensuring discipline, a matter that is all the more important following the extraordinary measures adopted by the State to offer liquidity support to regional and local government, such funds being conditional upon compliance with adjustment plans.

And, fourth, *the reinforcement of the credibility of the fiscal consolidation process* takes on great importance in the current situation of the sovereign debt crisis. It may be of help here to establish a medium-term budgetary horizon providing sufficient details of the expected trend of public revenue and spending and the assumptions on which they are based, and on the contents of the planned measures and the expected effect they will have. That would all contribute to reducing economic agents' uncertainty and would help identify the problems ahead in the medium term.

In the fiscal consolidation process, the long-term perspective is fundamental. Over this horizon, it is well known that the biggest challenge to public finances stems from the pressure that population ageing will exert on specific expenditure items, particularly pensions spending. Following the Social Security reform approved in July 2011, a specific definition is now needed of the so-called "sustainability factor", which should result in an automatic adjustment of the system's parameters if imbalances are detected in the long run.

## The 2013 Budget

Before moving on to the Budget for 2013, I would like to specify the framework for debate of the draft legislation.

Spain is a very decentralised country in terms of public spending, more so than certain countries with a federal political structure. Currently, almost half the consolidated public spending in Spain, i.e. net of transfers between general government sectors, is by regional and local government.

Based on figures for 2011, central government was responsible for only 22% of total public spending; regional government for 34%; local government for 12%; and the Social Security system for 32%. That is to say, overall central government and social security spending in 2011 accounted for only 54% of the total, while that of regional and local government amounted to 46%. The picture given by the State and Social Security Budget is thus necessarily incomplete in respect of overall general government spending.

Admittedly, prior to the presentation of the State Budget, Parliament and the Senate have approved the budget targets, both for overall general government and for each of its sub-sectors, on the proposal of the Government and following a report by the Fiscal and Financial Policy Council and the Local Government National Board. Yet clearly the budgets of each regional government and each municipality are approved separately, there being no document containing information on all of them, together with that on the State and Social Security Budget. Hence, although we do have ex-post information that enables the public spending outcomes and outturn for the four major spending groups – central, regional and local government, and the Social Security system – to be analysed, we do not have an ex-ante or prior document that provides a detailed analysis of budgetary projections for overall general government and its compatibility with the objectives set.

It should be recalled, however, that the new Budgetary Stability Law introduced substantial improvements in this respect. Specifically, it stipulates that, before 1 October each year, regional and local government shall submit information on the essential items contained in their forthcoming budgets to the Ministry of Finance and General Government.

Then, before 15 October, the Ministry of Finance and General Government will release a report on the alignment of this budgetary information with the stability objectives, in such a way that the Ministry may make recommendations should it perceive slippage. And, finally, before 1 April the following year, the Minister of Finance and General Government has to submit a report to the Government on the degree of fulfilment by all tiers of government of the objectives in the initial budget. I consider that these reports should in fact offer this complete picture of the budgetary projection that we are today lacking.

I would further remind you that the Government has announced the creation in 2013 of an Independent Fiscal Authority to ensure compliance with budgetary regulations. This type of institution has proven useful in other developed countries in enhancing budgetary policy credibility. It is, however, crucial that such an institution should enjoy a degree of independence, effective responsibilities and resources in line with best international practices.

I will now discuss the essential features of the State and Social Security budget for 2013.

#### **Macroeconomic setting and fiscal deficit**

The draft State Budget for 2013 is part of a macroeconomic setting in which real GDP is estimated to decrease by 0.5% as a result of a negative rate of change in national demand of 2.8%, which would be partially offset by a 2.3 pp contribution from the external sector.

This projection of a 0.5% decline in GDP in 2013 is clearly optimistic compared with the fall of around 1.5% currently projected by most international organisations and analysts.

That said, I would like to make two observations. Firstly, if indeed the fall in activity in 2013 is closer to 1.5% than 0.5%, the foreseeable impact on the deficit can be estimated at 0.3 pp of GDP. This deviation is substantial, but it would be possible to correct it during the year. Secondly, all projections of changes in activity should be viewed with caution and with some distance. The history of forecasting errors and corrections to all manner of projections – including those of international institutions, large investment banks, government and, of course, the Banco de España – would fill many pages. In short, while considering that the rate of change in GDP for 2013 contained in the Budget is certainly optimistic, I would like to add that I do not think it is a serious difference or that it should detract credibility from the fiscal consolidation exercise undertaken in 2013.

The Budget proposes an overall general government budget deficit target, in National Accounts terms of 4.5% of GDP, down from 6.3% projected for 2012, excluding from this year the impact of the support measures for financial institutions. The target for 2013 is in line with our European commitments and will require a reduction in the primary deficit of almost 2.5 pp of GDP.

In terms of the different agents, a deficit target, in National Accounts terms, of 3.8% of GDP is proposed for central government and the Social Security system, compared with a deficit of 4.5% of GDP projected in 2012, which would represent an improvement of 0.7 pp of GDP, similar to that projected for the regional governments, which should reduce their deficit from 1.5% in 2012 to 0.7% in 2013. The adjustment would be completed with the projected reduction of 0.3 pp in local government to reach a balanced budget in 2013.

#### **Revenue**

On the revenue side, this budget tightens the fiscal pressure both in terms of direct and indirect taxation, with a range of new measures. Furthermore, it should be recalled that, in 2013, the measures approved in 2012 in relation to higher personal income tax rates, the



increase in the rate on income from fee-earning activities, changes to corporate income tax and the rise in VAT rates will still have a significant impact.

Despite the background of recession, the tax take is projected to increase overall by 3.7%. The net effect of all the tax regulation measures with an impact in 2013 is estimated to be approximately €7.2 billion. Net of this impact, revenue would fall by 0.5%.

As for the Social Security Budget, the 1 pp reduction planned last July is postponed or ruled out, and a 1.1% fall is projected in 2013 in total social security contributions compared with the initial budget for 2012.

The projected tax revenue for 2013 is subject to downside risks because it is based on the assumption that the revenue targets for 2012 will be achieved. However, on the information currently available, it cannot be ruled out that revenue performs worse than expected in 2012. If this risk materialises and is not countered by appropriate action in the remainder of the year, that would make it difficult to achieve the targets set for 2013, compounding the possible effects of a bigger decline in GDP than that assumed in the budgetary programming.

## Expenditure

On the expenditure side, the weight of three items should first be underlined: Social Security system contributory pensions, unemployment benefits and the interest on government debt. In 2012, these three items are equivalent to 20% of GDP and will account for approximately 36% of total public spending. In 2013, these percentages will foreseeably increase significantly.

Noteworthy among the measures considered on the expenditure side are: the freezing of civil servants' and public-sector employees' salaries (albeit with the recovery of their December extra payroll) which, together with not filling vacancies, will result in a very low increase in personnel costs in relation to serving employees of around 0.1%. Real investments are reduced by 46%, whereas the interest burden increases by more than €12 billion.

In the Social Security system, spending on contributory pensions, sickness and other benefits will grow by slightly more than 5%, factoring in the raising of pensions by 1%. Foreseeably, however, spending on unemployment benefits will fall by slightly more than 6% due to the projected stability in unemployment figures and to regulatory amendments to the benefits system. Note, however, that changes in expenditure on social security pensions in 2013 will be affected by the revision that should be made, taking into account the inflation rate recorded to November 2012. Since an increase of 3.5% is projected and the corresponding adjustment payment could be around 2.5%, that would represent an increase in spending of approximately €3 billion in 2012, which would be consolidated in 2013 and in future years.

I should mention that, in the next budget, one of the most important agreements of the so-called Toledo Pact will finally be concluded, in connection with the separation of the system's sources of financing: on one hand, contributory pensions will be financed exclusively by contributions; and, on the other, the non-contributory top-ups and non-contributory pensions will be financed by taxes. This separation, which began to be applied in 2002, will be completed in 2013: and this is good news for the proper functioning of the system as a whole and for its future.

## Public debt

As I indicated above, from the beginning of the crisis in 2007 until the end of 2012, the ratio of our public debt – as defined in the Excessive Deficit Protocol – to GDP has increased by

50 pp. Undoubtedly, this is the highest increase over the shortest period in this ratio in Spain's economic history. The increase from 2011 to 2012 will amount to 16 pp of GDP, of which: 7 pp are explained by the deficit (4 pp by the primary balance and 3 pp by interest); nearly 1 pp is due to the fall in nominal GDP nominal, and 8 pp are attributable, essentially, to the financing of the Plan to Pay Suppliers and €30 billion of the amount estimated by the FROB to be drawn down from the European Financial Facility before year-end.

This ratio is projected to grow more moderately in 2013, from 85% to 91% of GDP, i.e. an increase of 6 pp compared with the 16 pp we will record in 2012, and will be almost exclusively due to the increase in the interest burden on public debt because, if the projections are fulfilled, the primary deficit will be 0.7% of GDP in 2013.

#### **Clean-up and restructuring of the banking system**

I would not like to conclude without commenting, albeit very briefly, on the programme for the clean-up and restructuring of our banking system.

As you know, a further step has been taken with the publication of the estimates of capital needs, based on the stress tests performed by an independent appraiser, supported by audit firms and real estate appraisal companies under the supervision of the European Commission, the European Central Bank, the International Monetary Fund and with the participation of the Ministry for Economic Affairs and the Banco de España.

I will not repeat here the figures already published and explained and which were yesterday commented on by the Minister for Economic Affairs and Competitiveness before the Economic Affairs Committee.

However, I do want to say that the exercise performed is unprecedented in terms of its depth and detail, the severity of the macroeconomic assumptions accepted and the scrutiny to which it was subject throughout by experts from the institutions I have mentioned above.

But there is still some way to go in the clean-up and restructuring of our banking system. The Memorandum of Understanding signed last July sets out the steps now to be taken, which the Spanish authorities – and, rest assured, the Banco de España – will comply with as precisely as possible.

The restructuring or resolution plans for banks owned by the FROB must be approved before December 2012. Also, before November, we shall have at our disposal the recapitalisation plans of banks which cannot meet their capital shortfall without State aid, on the understanding that banks which are not considered viable will be resolved orderly in accordance with the terms of the corresponding resolution plan. Banks that can meet their capital shortfall without resorting to State aid will be required to implement their recapitalisation plans before June 2013.

The other key component of the clean-up programme is the Asset Management Company which should be operational at the beginning of 2013. It is key because it will permit the clean-up of the banks requiring State aid to be completed and will provide a suitable horizon for the management and sale of the mass of assets to be transferred.

#### **Conclusions**

The Budget for 2013 involves a considerable drive in respect of fiscal adjustment. It attempts to bring about a correction in the primary deficit, net of interest on public debt of almost 2.5 pp of GDP. In the depth of a recession, that is very difficult, but necessary in

order to meet the targets to which Spain is committed within the framework of the European Union and the euro area.

We have some data which, although not warranting excessive optimism, do indicate that an adjustment is being achieved. We are going to end 2012 with a current account almost in balance, and in 2013 it will probably run a surplus. The recession has a contributing factor, but not the only one. We also have a clear improvement in competitiveness based on changes in our labour costs and in productivity.

The most pressing problem facing the Spanish economy is to restore market confidence. There is no other way to achieve this than meeting the fiscal consolidation targets, completing the clean-up and restructuring of our banking system, continuing with the process of private and public deleveraging and moving ahead with the reforms undertaken to improve our competitiveness.

If we manage to make progress on those fronts in 2013, I am confident it will be possible to resume economic growth and to create net employment in 2014.

4.10.2012



## QUARTERLY REPORT ON THE SPANISH ECONOMY

### 1 OVERVIEW

The contractionary course on which the Spanish economy had embarked a year earlier continued in the central months of the year, in a setting marked by financial conditions that were adverse though somewhat slacker than in the previous quarter. The as-yet incomplete conjunctural information available suggests that GDP declined at a quarter-on-quarter rate of 0.4%, similar to that in Q2. The profile of demand during the quarter was affected by spending decisions being brought forward in light of the VAT rise announced for 1 September. The Q3 data also reflect the relief provided by the Government's payment-to-suppliers plan for companies' accounts. National demand fell at a somewhat lower rate than in the previous quarter (-1.2% against -1.4%), as a result of more moderate declines in all the private components of expenditure, in particular in household consumption, where the above-mentioned VAT effect was concentrated. The contractionary trajectory of government consumption, on the other hand, is expected to have intensified. Lastly, the contribution of net external demand was once again positive (0.8 pp), somewhat down on the previous quarter despite the firmness of exports, this being partly countered by the rebound in imports. In year-on-year terms GDP declined 1.7%, against -1.3% in Q2.

Turning to the supply side, employment is estimated to have contracted at a similar rate to the previous quarter (at around a year-on-year rate of -4.5%). Labour costs continued to ease. And combined with the further rises in apparent productivity, this is expected to have prompted a decline in unit labour costs. In turn, inflation rose significantly in Q3 as a result of the impact of the rise in energy prices and the effect of the tax and administered-price rises on final prices. In September, the year-on-year rate of consumer prices quickened to 3.4%, while the CPI excluding energy and unprocessed food prices accelerated to 2.1%. The positive differential of Spanish HICP inflation relative to the euro area widened to 0.9 pp. Based on an evaluation of the impact of the rise in VAT and other administered prices on inflation, the pass-through of the tax rises to consumer prices will foreseeably only be partial, and the impact on the inflation rate temporary. The reforms made to the labour market and product markets should contribute to this outcome.

On the international economic front, there was a further slowdown in the pace of recovery of the world economy in Q3 in light of the loss of momentum of the emerging countries, the ongoing weakening of activity in the euro area and the persistent low growth in the other developed countries. Inflation rose as a result of the increases in commodities prices, in particular oil and food, although price expectations generally remain moderate. Against this background, the central banks pursued expansionary monetary policies and, in some cases, extended their non-conventional policies. On the financial markets, the high tensions experienced in the summer as a result of the intensification of the euro area sovereign debt crisis, particularly affecting Spain and Italy, began to abate in late July. This followed the ECB's announcement of its readiness to intervene on sovereign debt secondary markets, a measure that would take specific form in the subsequent months.

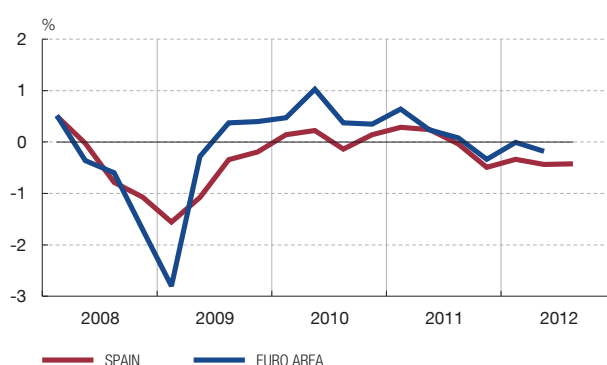
In the euro area, the latest economic information points to a further contraction in activity in Q3 which, if confirmed, would place the euro area in a technical recession. Despite the sluggishness of activity, inflation increased as a result of energy and indirect tax rises. Given the temporary nature of these effects, the rise should be temporary and not jeopardise price stability over the relevant monetary policy horizon. In keeping with this analysis, the ECB Governing Council held official interest rates unchanged at 0.75% for its main



YEAR-ON-YEAR RATE OF CHANGE



QUARTER-ON-QUARTER RATE OF CHANGE



SOURCES: ECB, INE and Banco de España.

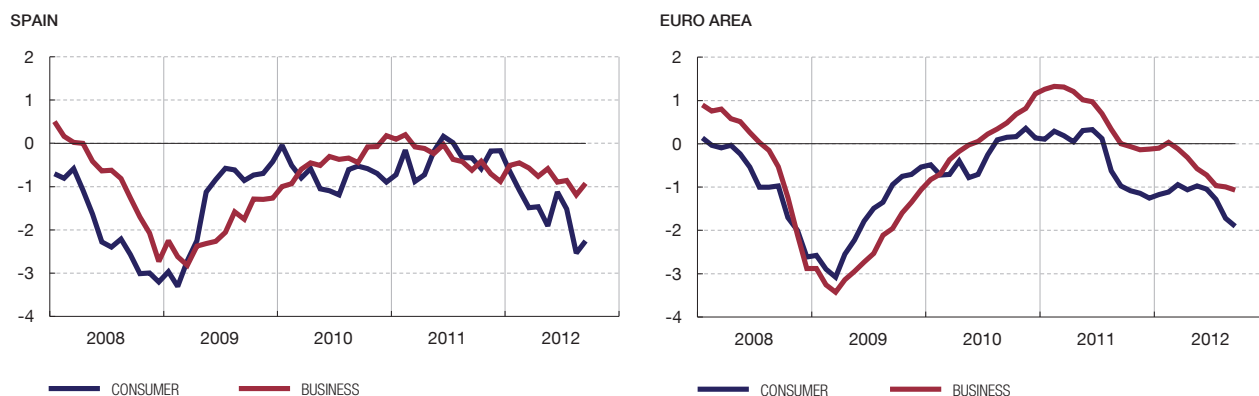
a Seasonally adjusted series.

refinancing operations, and at 0% and 1.5% for its deposit and marginal lending facilities, respectively, at its August, September and October meetings.

As indicated, following the severe bouts of financial instability affecting the euro area, the ECB stepped up its non-conventional monetary policy measures. In early August it announced a programme to intervene on the secondary markets for sovereign debt, aimed at restoring the functioning of the single monetary policy transmission mechanism, which had been impaired by the tensions generated in the face of the unwarranted fears about the reversibility of the euro. In September and October the Council explained the main elements of this so-called OMTs (Outright Monetary Transactions) programme. It will involve the unlimited purchase of sovereign bonds maturing at between one and three years, for those countries that formally request it, and will require strict and effective conditionality, established under the framework of some of the programmes of the European Financial Stability Facility or the European Stability Mechanism.

The action by the ECB provided clear relief for the financial instability in the euro area. Such relief made itself felt both on the sovereign debt markets, where yield spreads narrowed, and on the equity markets, where issues were reactivated. However, this improvement began to stutter as from mid-September owing to the perceived loss of impetus in the process of reform agreed on at the Summit Meeting of the EU Heads of State or Government in late June. However, the Summit of 18-19 October has dispelled some doubts, laying down a clear commitment for progress towards banking union, which is a cornerstone in the construction of a more cohesive and integrated monetary union, and agreeing to finalise by year-end the legislation needed to set the banking union in train.

Over the course of the past quarter, fresh steps have been taken in Spain to overcome the problems beleaguering the economy. In the financial domain, progress has continued in the clean-up, recapitalisation and restructuring of the financial system in accordance with the parameters set in the Memorandum of Understanding on financial-sector policy conditionality agreed with our European partners. In this respect, Royal Decree-Law 24/2012 on the restructuring and resolution of credit institutions was approved on 31 August, and on 28 September the results of the bank-by-bank stress tests were published, estimating aggregate capital needs of €54 billion under the most adverse scenario, which are concentrated in a relatively limited number of banks. In the budgetary arena, the Government



SOURCE: European Commission.

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

approved in early August the two-year 2013-2014 budgetary plan. Lastly, in late September, coinciding with the approval of the draft State budget for 2013, the Government also published a detailed schedule for the implementation of a series of structural reforms (which will affect various aspects of the labour market, the liberalisation of fee-earning professional services and the house rental market, among others) and measures relating to the budget and to the sustainability of public finances (the creation of an independent fiscal agency and the definition of the sustainability factor for the pension system), in line with the recommendations of the European Semester.

The Spanish financial markets have experienced the lessening of the tensions in the euro area. The diminished financial pressure was mirrored in a decline in public debt yields, following the peaks reached at certain points in June and July, in the re-opening of the primary markets for private issues, following many months in which they had virtually dried up, and in stock market gains. As this report went to press, ten-year government bond yields stood at 5.4%, with the spread over German debt at 380 bp. The IBEX 35 posted gains as from end-June of around 14%. Interbank market yields continued to narrow, but this has not yet been fully reflected in the costs of new borrowing for the private sector. The reduction in the Euribor, moreover, will offer some relief to indebted households. As regards the real estate market, the ongoing fall in house prices has continued. On official (Ministry of Development) data, prices fell at a year-on-year rate of 9.5% in Q3, compared with -8.3% in Q2. Accordingly, the cumulative decline in prices from their 2008 peak is 25.5%.

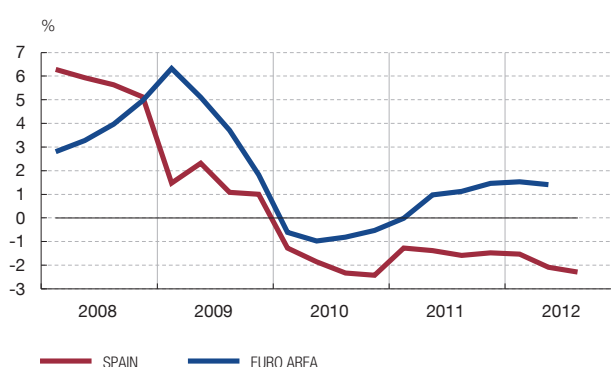
In short, the context in which the Spanish economy has been moving in the past quarter has been characterised by the generalised weakening in external activity (which is affecting our main export markets, located in the euro area, with particular intensity), still-tight financing conditions and a persisting climate of high uncertainty linked, among other factors, to doubts over the scope of the reforms being set in train, both in Europe and in Spain. These developments are hampering any pick-up in domestic demand, which has fallen back in recent months and shows a cumulative decline of somewhat over 13 pp since 2008 Q1.

In the case of households, the high unemployment rate, the decline in real disposable income and in wealth, the strict financial conditions in place and the ongoing process of deleveraging continue to check consumption. That said, the bringing forward of purchases

HARMONISED INDICES OF CONSUMER PRICES (a)



UNIT LABOUR COSTS (b)



SOURCES: Eurostat, ECB and INE.

a Year-on-year rate of change.

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

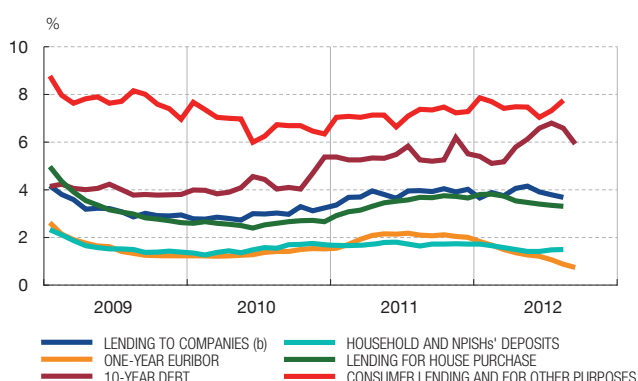
– especially of durable goods – to July and August, ahead of the VAT rise, has softened this trend, and a slight recovery in consumption has been seen in the quarter-on-quarter rate in Q3 (0.1%). Foreseeably, in the final stretch of the year, the elimination of this effect combined with the impact on disposable income of the cuts to public-sector wages should place consumption on a declining course again, in step with its determinants. The leeway available to households to circumvent the income restrictions they face and to smooth the pattern of expenditure has been substantially reduced in recent quarters. This can be seen in the downward course and level of the saving ratio, which accounted for 9.6% of gross disposable income in cumulated four-quarter terms at the end of Q2, a level below the previous low for the series, in 2006 Q3.

Residential investment continued to decline in Q3, albeit at a slacker rate than in the previous quarters (a quarter-on-quarter decline of 1.6% is estimated). However, this development cannot yet be attributed to the bringing forward of spending decisions potentially triggered by the tax changes that will come about from 1 January 2013 in the tax treatment of this asset (the rise in VAT from 4% to 10% and the elimination of the tax credit for first-time homebuyers). Stripping out the uncertain impact of this effect, residential investment remains contractionary, despite lower house prices, in a setting in which uncertainty is still very high and in which the stock of unsold houses is still very sizeable.

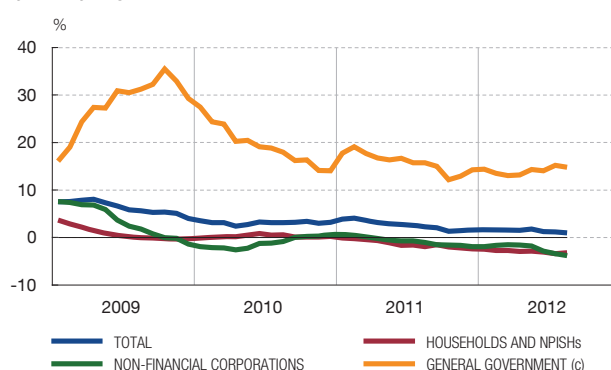
Financing granted to households continued to fall in Q3. On the data available to August, loans to households declined at a year-on-year rate of 3.2%, similar to that of the previous quarter. The breakdown by end-purpose suggests a somewhat more marked contraction in loans for the purchase of consumer goods, as opposed to those for house-purchase. This reduction in lending is expected to provide for moderate further headway in the process of household deleveraging, despite the weakness of household income.

Worsening external demand, the unfavourable economic outlook for the domestic market and high indebtedness continued to weigh on firms' investment decisions. Investment in equipment is expected to be flat while it is estimated that investment in other constructions will fall off more sharply. The data for Q3 show, in any event, less marked declines than those in the previous quarters for both these investment components. This might be reflecting some impact by the payment-to-suppliers plan, which entailed the settlement of debts incurred by regional and local governments for an amount of almost €30 billion.

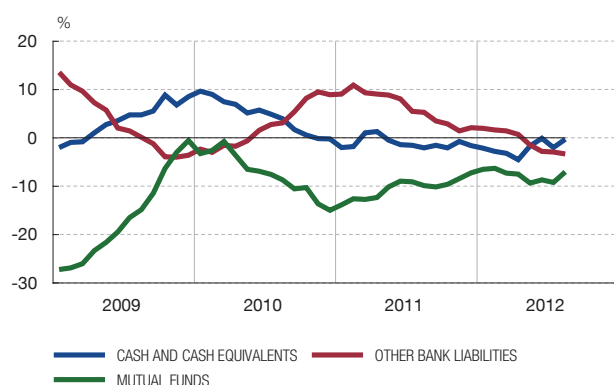
INTEREST RATES (a)



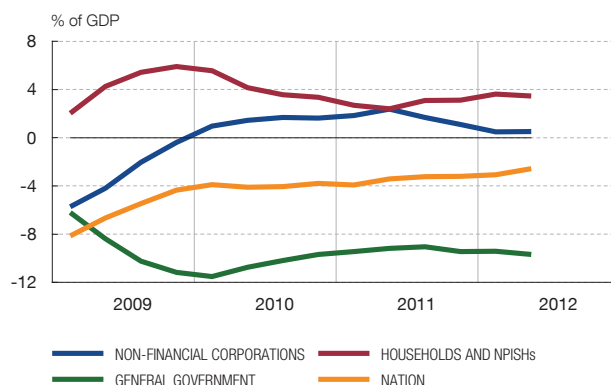
FINANCING TO NON-FINANCIAL RESIDENT SECTORS (year-on-year growth)



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



NET FINANCIAL TRANSACTIONS (d)



SOURCE: Banco de España.

- a In June 2010 the statistical requirements relating to interest rates applied by credit institutions to their customers were amended, potentially causing breaks in the attendant series. Of particular significance was the change in the interest rates on consumer credit and other loans, as a result of which, from that month, operations transacted using credit cards have not been included. APR for loans (includes commissions and other expenses) and NDER for deposits.
- b Weighted average of interest rates on various transactions grouped according to their volume. For loans exceeding €1 million, the interest rate is obtained by adding to the NDER (Narrowly Defined Effective Rate), which does not include commission and other expenses, a moving average of such expenses.
- c Consolidated financing: net of securities and loans that are general government assets.
- d Four-quarter cumulated data.

The financing obtained by non-financial corporations fell in August at a year-on-year rate of 3.7%, accentuating the contractionary profile of the previous quarters. According to National Accounts figures, that prompted a further reduction in the sector's debt ratio.

The improvement in competitiveness is being felt in goods and services trade, since exports remain expansionary and are the only component that is cushioning the strong adverse effect of the contraction in national spending on activity. As a result, the Spanish economy's current- and capital-account balance, which was strongly in deficit at the onset of the crisis, continues to adjust, despite the difficulties of redressing the deficits on energy and investment income. The favourable results achieved in recent months, with a surplus in July, point to an acceleration in the ongoing reduction in the nation's net borrowing in the second half of the year from its Q2 level of 2.6% of GDP, in cumulated four-quarter terms.

The public sector consolidation drive has exerted a clearly contractionary effect in the central months of the year. Higher declines than in previous quarters are estimated for general government consumption and investment, with falls in purchases of goods and

services, in public-sector employment and in civil engineering works, in line with the budgetary targets. On the revenue side, significant slippage continues to be discernible in tax revenue, which is being greatly affected by the downturn in domestic demand. Nonetheless, the budgetary outturn to September does not yet reflect the exceptional consolidation measures taken in July, either on the revenue side (the increase in indirect taxation, with rises in the standard and reduced rates of VAT to 21% and 10%, respectively, and changes in corporate income tax, in the main) or on the expenditure side (cuts to public-sector wages, with the elimination of the December “extra” salary payment, equivalent to one-fourteenth of annual wages), the estimated impact of which, of 2% of GDP, will be felt almost in its entirety in the last quarter of the year. Notwithstanding, it cannot be ruled out that the budget deficit exceeds the target set for this year; accordingly, if the budget outturn data for the coming months do not dispel this uncertainty, the adoption of additional measures enabling target fulfilment would have to be considered.

For 2013, the draft State budget sets an overall general government deficit target of 4.5% of GDP, in line with the fiscal consolidation path agreed in the European arena. The fiscal effort this target entails is very ambitious (around 2 pp of GDP in terms of the cyclically adjusted primary deficit, according to official estimates), in a macroeconomic setting that will continue to be difficult. To meet the target, the budget details a series of measures that will affect both revenue and expenditure. In any event, the adjustment effort by central government and the Social Security system (for which the budget sets a deficit of 3.8% of GDP in 2012) should be supplemented by the corresponding regional government drive, the specific budgetary details for which must be set out in the coming weeks, as envisaged in the Budgetary Stability Law.

On the supply side, the sluggishness of spending impacted activity in the various productive sectors, the declining course of which was prolonged in year-on-year terms. However, the fall-off in value-added in industry eased in the central months of the year as a result of the temporary rise in the manufacturing output of specific goods ahead of the planned change in indirect taxation. Employment shrank at a similar pace to the previous quarter, as a result of the differing performances in market branches (where the process of job destruction initiated in the second half of 2011 can be seen to be stabilising somewhat) and in non-market activities (where a sharper decline was observed due to the effect on public-sector employment of the financial re-balancing plans being implemented by the regional governments). Registered unemployment remained on an upward trend, although its annual rate of change stabilised at its June level. Should the behaviour of the labour force be similar to that of the previous quarters, the unemployment rate may be expected to increase slightly in Q3.

Finally, labour costs are forecast to continue on the gradually slowing trajectory they have followed in recent years. Wage settlements in collective bargaining agreements registered to September show a wage rise of 1.3%, the result of increases of 1.5% stemming from multi-year agreements (signed in previous years), which were higher than those shown in newly signed agreements (0.7%). While there is some delay in the latter agreements being signed compared with previous years, they are following a declining course that is bringing them closer to the benchmark set in the Second Wage Agreement for 2012 (an increase of 0.5%). If this trend continues, the rate of increase of compensation per employee in the market economy might carry on declining over the rest of the year.

The recent labour market reform offers firms the possibility of tailoring wage bargaining more closely to the specific factors conditioning their sphere of activity and to the cyclical



junction of the economy. Harnessing these new possibilities is a major opportunity that firms must seize in order to preserve and improve their competitiveness. It is important to prevent the temporary impact on inflation of some of the measures adopted to further fiscal consolidation, such as the rise in VAT, from leading to across-the-board price and wage revisions, since that would entail untimely backtracking from the gains in competitiveness attained. From a medium-term perspective, the improvement in competitiveness plays a key role in underpinning the prospects of recovery in a situation such as the present, in which the domestic factors driving demand will take some time to gain momentum. This is because the processes of budgetary consolidation of financial deleveraging must be completed, global markets are currently slowing and it will be some time before the full impact of the structural reforms takes effect.



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## Introduction

The growing internationalisation of the world economy in recent decades has placed firms under strong competitive pressures, but has also handed them new opportunities to improve their productivity by exploiting, for example, the cost advantages and technological progress available to those which import intermediate goods and services for use in their production. Despite the strong development of this type of imports in world trade and the differences in import dependency across countries with a similar level of development, few studies have analysed the factors that determine whether a firm will import. In this respect, the EFIGE database<sup>1</sup> (which contains European firm data obtained through a survey conducted in 2008), enables not only the factors that make it more likely that a firm will import intermediate inputs for its production to be analysed, but also, since it has been implemented homogeneously across the four large euro area countries (Germany, France, Italy and Spain), the source of the differences between them to be investigated.

First of all, this article briefly reviews the evidence available on the different reasons that lead a firm to import intermediate goods and services for its production, and the expected impact of importing on its productivity according to the type of good imported. It then goes on to describe the database used in this article and to identify the variables which, according to the preceding analysis, affect firms' import decisions in the four main euro area countries. Although EFIGE does not allow researchers to take into account the impact that the crisis dating from 2008 has had on the imports and characteristics of firms, it can be expected that changes in strategic decisions and in business structure will take place gradually. Next, a probit model is estimated to assess the extent to which the decision to import is determined by the specific characteristics of the firm, of its sector and of the country in which it is situated. Then the article analyses whether there are differences between the variables which determine a firm's decision to import different types of goods and, finally, the main conclusions are summarised.

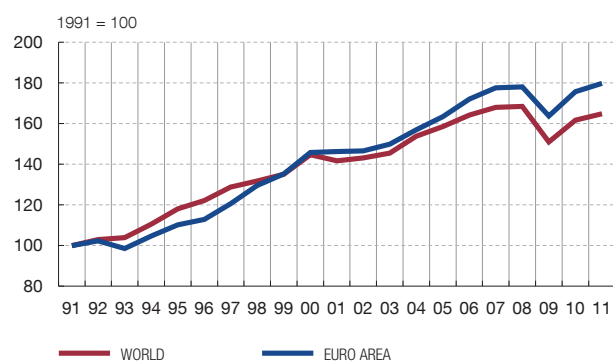
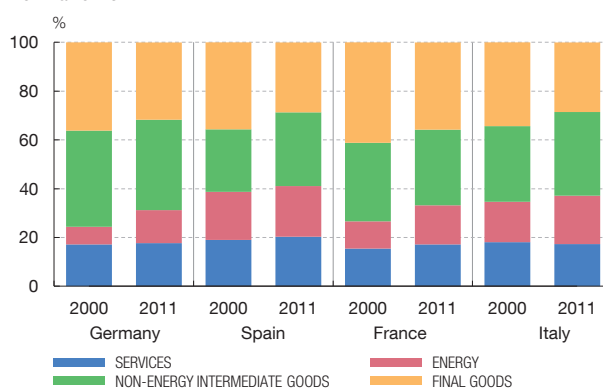
## Why do firms import?: a review of the evidence available

In recent decades, imports of goods and services have grown at a much higher rate than world GDP (see Chart 1). Undoubtedly contributing to this increase has been the international fragmentation of production, which allows firms to harness the cost advantages offered by the new emerging countries, outsourcing the most labour intensive parts of the productive process and maintaining under their control those in which they are more productive or in which they have a comparative advantage (e.g. R+D, design, etc).<sup>2</sup> Hence the intensity with which the firms of a country participate in this process affects the aggregate behaviour of its imports. That said, other factors, which have to do with the specific characteristics of a country, also determine its propensity to import. They include size, geographical location and availability of natural resources, which affect, for example, its dependence on raw materials. Moreover, institutional factors (such as the level of competition in certain sectors) or economic policy decisions (such as the promotion of innovation or

<sup>1</sup> EFIGE is a project designed to identify the policies necessary to improve Europe's external competitiveness. This project is funded by the EU (FP7/2007-2013).

<sup>2</sup> According to Amador and Cabral (2009) the import content of exports may have increased by around 30% since the 1980s.

IMPORTS/GDP RATIO

STRUCTURE OF IMPORTS  
Nominal terms

SOURCES: IMF and Eurostat.

the energy policy) affect the behaviour of imports. All these factors contribute to explaining the different positions of firms in the production value chain and the types of goods or services imported by them.

Input-output tables (which provide information on imported inputs) confirm that there are notable differences in the import content of manufacturing output in the four large euro area countries. Chart 2 shows that in 2007 (the last year for which input-output information is available) the import content of Spanish production was significantly higher than in other countries and that the difference was concentrated in the higher technological intensity sectors. These data suggest that Spain's greater import dependency is explained not only by its well-known energy dependence, but also by the need to import goods with a high technological content which are not produced domestically.<sup>3</sup> Although the euro area countries are not being affected equally by the current financial and economic crisis, a country's productive structure changes slowly, so significant changes cannot be expected to have occurred in the last few years in the import dependency of the countries analysed in this article. Therefore a high volume of imports may indicate structural problems in an economy (e.g. lack of technological capital or skilled human capital or an inefficient energy system), but also the ability of firms to exploit the cost advantages offered by new markets (which would reduce their production costs) and the access to more varied and higher quality inputs and the acquisition of leading-edge technology.<sup>4</sup> In the latter cases, imports seem to have a positive effect on firms' productivity and, therefore, on their competitiveness.<sup>5</sup>

As in the case of exporters, the percentage of firms which purchase goods abroad is small. This may be explained by the costs which importers have to bear (including the cost of obtaining information on foreign suppliers, establishing distribution channels or adapting the product to the firm's needs) and which only the more productive firms are able to

<sup>3</sup> See Cabrero and Tiana (2012).

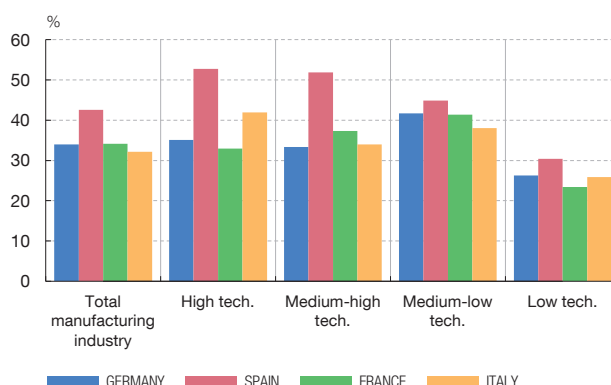
<sup>4</sup> Augier et al. (2009), using data drawn from Spain's Encuesta de Estrategias Empresariales (Business Strategy Survey), concluded that intermediate goods imports in Spain have a positive effect on productivity through the dissemination of technology. Along these same lines, Keller (2002) showed that trade in differentiated intermediate goods acts as a channel of technology transmission.

<sup>5</sup> Amiti and Konings (2007) and Kasahara and Rodríguez (2008) found that importing increases firms' productivity. See also Altomonte and Békés (2009) and Halpern et al. (2005). This latter study reports evidence that importing affects firms' productivity by raising the variety and quality of imported inputs. According to Broda et al (2006), the increase in a country's imports with respect to GDP is explained mainly by the import of new varieties of a good.

ECONOMIC SECTORS



MANUFACTURING SECTOR BREAKDOWN BY TECHNOLOGICAL INTENSITY



SOURCE: Cabrero and Tiana (2012).

a Information based on 2007 input-output tables (IOT) for Germany, Spain and France, and on the 2005 IOT for Italy.

defray.<sup>6</sup> Also, to be able to internalise the benefits of importing, a firm has to have the technical and human resources which allow it to assimilate the inputs purchased abroad into its productive process. It may thus be expected that the probability that a firm will import depends on its ability to bear those costs and, in addition, on its ability to internalise its benefits.

With respect to costs, all the characteristics of firms which make them better able to access the funds needed for imports (e.g. firm size, firm age or availability of different sources of financing) or which reduce the information problems associated with the search for suitable suppliers (e.g. belonging to a multinational group) will increase the probability that a firm will import. Further, the fact that a portion of these costs are sunk explains why there is a certain hysteresis in the behaviour of imports, such that a firm which imports in a given year is more likely to import in the following year (according to EFIGE, around 64% of the firms that imported in 2008 also imported regularly in previous years). An additional aspect which is addressed in this article is how the probability that a firm will import is affected by whether other firms in the same region and/or sector also purchase intermediate goods and services abroad, thereby facilitating access to information on foreign suppliers, the quality of the purchased good or the level of performance of contracts.

The variables affecting the probability that a firm will import also have a bearing on the type of goods they purchase abroad. This is important because the impact of imports on a firm's productivity is closely related to the characteristics of the imported product. Empirical studies using firm-level data generally find a positive relationship between productivity and the level of development of the country of origin of the imports.<sup>7</sup> Further, imports of differentiated or of higher quality goods have a positive effect on a firm's productivity. In view of this evidence, it is of interest to investigate not only whether there are differences in the propensity to import between the large euro area countries, but also whether there are differences in the type of goods imported (raw materials, standard

6 Muuls and Pisu (2007), for Belgian firms, Altomonte and Békés (2009), for Hungarian firms, Vogel and Wagner (2008), for French firms, and Aristei et al. (2011), for eastern European and central Asian firms, find that importing firms have a higher level of productivity than those which do not trade internationally.

7 Lööf and Andersson (2010) find that imports from developed countries, specifically the G7, have a more positive impact on the productivity of Swedish firms than on that of firms from other countries.



## Description of the database and stylised facts

goods, i.e. components routinely available in the market, or customised goods, i.e. components manufactured and adapted specifically for each firm) and which variables determine the type of imports.

The database used in this article is that of the EU-EFIGE/Bruegel-UniCredit survey conducted within the framework of the project “EFIGE: European firms in a global economy: internal policies for external competitiveness”. This database contains homogeneous information on a large number of variables (around 150) used to characterise the manufacturing firms of seven EU countries.<sup>8</sup> EFIGE has resolved some of the problems constraining the cross-country comparative studies of the recent process of firm internationalisation: different survey execution periods, different definition and/or selection of variables, and different sample selection methodologies, among others. Nevertheless, this survey has some limitations. First, it is limited in scope to firms in the manufacturing sector, and thus does not cover the services sector, an area which has a growing weight in international trade. Also, the sample only includes firms with more than ten employees, so the larger firms are overrepresented in the corporate sector. This bias is larger in the countries in which smaller firms are more frequent, such as Italy and Spain. Moreover, so far only the first wave of the survey has been completed, which limits the richness of the exercises that can be carried out (the variables are only available for 2008 and in some cases, with the aim of measuring the effects of the crisis, for 2009). Despite these limitations, the EFIGE survey contains information which enables a deeper analysis of the factors explaining the differing import behaviour of euro area countries.

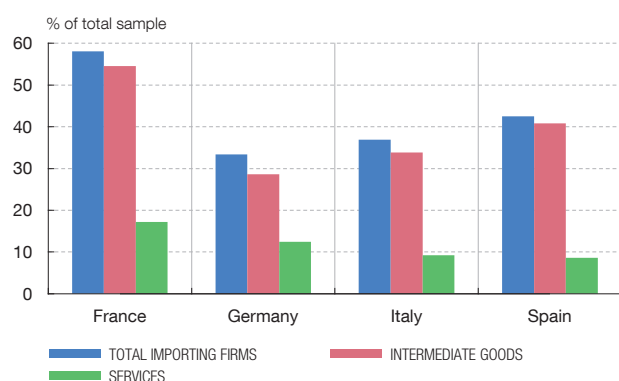
This article considers importing firms to be those which state in the survey that they purchased abroad intermediate goods and/or services in 2008 or regularly in previous years.<sup>9</sup> Chart 3 shows the percentage of importing firms in the four large euro area countries, distinguishing between intermediate goods and services, and giving the related import intensity. The data show that in Germany both the relative weight of importing firms and their import intensity are lower than in the other countries considered, while French firms not only have a higher propensity to import, but are also more numerous. Italian and Spanish firms have similar percentages in number and import intensity, and in both cases they are slightly higher than those of German firms and significantly lower than those of French firms. Depending on the country, there are also differences both in the geographical origin of imports and in the type of product purchased. Notable regarding the country of origin of purchases is the high percentage of firms which import from the EU and, to a lesser extent, from areas which are culturally and geographically close (the rest of the EU) or offer cost advantages (India and China). French and German firms generally exhibit greater geographical diversification in their purchases abroad than Spanish and Italian ones. There are notable differences between countries in the type of product imported. Thus Italy and Spain stand out for the high percentage of firms which import raw materials, whereas in Germany and France the proportion of firms which also import intermediate goods, whether they be standard or customised, is much higher.

Tables 1 and 2 summarise the main variables available in the EFIGE survey which, according to the theoretical and empirical evidence reviewed in the preceding section, influence

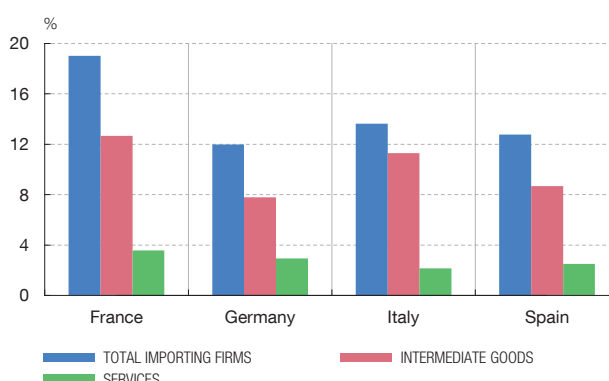
<sup>8</sup> The sample comprises 15,000 firms: 3,000 in each of France, Germany, Italy and Spain, 2,200 in the United Kingdom, and around 500 in each of Austria and Hungary. The survey variables have been supplemented with accounting information provided by AMADEUS. For more information, see [www.efige.org](http://www.efige.org).

<sup>9</sup> This broad definition of an importing firm is intended to mitigate the extent to which the population of importing firms is impacted by the 2008 collapse in world trade, in that it does not exclude for this reason firms which regularly imported.

RELATIVE WEIGHT OF IMPORTING FIRMS (a)



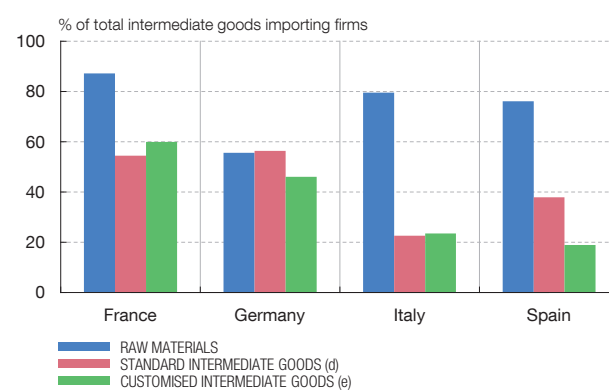
IMPORT INTENSITY (b)



GEOGRAPHICAL BREAKDOWN OF IMPORTED INTERMEDIATE GOODS (c)



BREAKDOWN OF IMPORTED INTERMEDIATE GOODS BY COMPONENT (c)



SOURCE: EU-EFIGE/Bruegel-UniCredit dataset.

- a It should be taken into account that a single firm may import both intermediate goods and services. An importing firm is defined as a firm which imported intermediate goods and/or services in 2008 and/or regularly in previous years.
- b Calculated as the ratio of purchases abroad of intermediate goods and/or services to net turnover. Average figures relative to 2008.
- c Information relating solely to 2008.
- d Defined as those components available routinely in the market (e.g. standard steel screws).
- e Defined as those components manufactured exclusively for each firm (e.g. steel screws adapted to a specific design).

a firm's propensity to import.<sup>10</sup> The data reveal that importing firms are larger, older, more productive and have more human and technological capital (the former proxied by the percentage of university graduates and the latter by process or product innovation). These results are common to all the countries analysed, although some distinguishing features may be mentioned, such as the greater relative size of importing firms in France and Spain or the greater productivity of Italian importers. Examination of the variables used to proxy firms' participation in the internationalisation process shows that importers have a greater tendency to belong to foreign corporate groups and a higher propensity to delocalise a part of their production to other countries, whether in the form of foreign direct investment (FDI) or international outsourcing.<sup>11</sup> Firms which import are more likely to also be exporters. These results suggest that internationalised firms, with a greater knowledge of the markets and, therefore, lower entry costs, are potentially more likely to import intermediate

<sup>10</sup> Table A1 of the annex sets out mean equality tests calculated for the sample total and the variables analysed in Table 2. The differences between importing firms and non-importing firms were significant in all cases.

<sup>11</sup> In FDI, production is outsourced to a group company at least 10% owned by the outsourcer, while in international outsourcing production is sub-contracted to a third-party company.

	Description	Expected impact
Workforce	Number of employees	+
Productivity	Sales per employee in 2008 (sales from AMADEUS)	+
Fixed capital ratio	Percentage of tangible fixed assets to total assets (AMADEUS, 2008)	+
Firm age	Age of the firm (2009-year of creation)	+
University graduate ratio	Percentage of employees with university qualifications	+
Product innovation	Dummy which takes a value of 1 if the firm carried out product innovation in the period 2007-2009	+
Process innovation	Dummy which takes a value of 1 if the firm carried out process innovation in the period 2007-2009	+
Group membership	Dummy which takes a value of 1 if the firm forms part of a corporate group	+
Foreign group membership	Dummy which takes a value of 1 if the firm forms part of a foreign corporate group	+
FDI	Dummy which takes a value of 1 if the firm carries out part of its production through FDI	+
International outsourcing	Dummy which takes a value of 1 if the firm carries out part of its production through contracts or agreements ("arm's length agreements")	+
Exporter	Dummy which takes a value of 1 if the firm exported intermediate goods and/or services in 2008 and/or regularly in previous years	+
Listed on stock exchange	Dummy which takes a value of 1 if the firm is listed on a stock exchange	+
Sector-region spillovers	Same industry-region spillover ((Number of importers in the same industry and region – 1)/(Number of firms in the same industry and region – 1))	+
Sector spillovers	Spillover in the same industry but different region ((Number of importers in the same industry but different region – 1)/(Number of firms in the same industry but different region – 1))	+
Region spillovers	Spillover in a different industry but the same region ((Number of importers in the same region but different industry – 1)/(Number of firms in the same region but different industry – 1))	+
Import hysteresis	Dummy which takes a value of 1 if the firm imported intermediate goods before 2008	+

SOURCES: In-house calculation from the EU-EFIGE/Bruegel-UniCredit dataset and AMADEUS.

goods and services than other firms. Similarly, access to different sources of financing, proxied by whether a firm is listed or not on the stock exchange, is more common among importing firms, especially in France and Germany. Finally, firms which import intermediate goods and services seem to be located in geographical areas where there are firms of the same sector which also purchase a portion of their inputs abroad.

Firm-level analysis of the EFIGE survey data generally confirms the evidence obtained from the aggregate macroeconomic figures and presented in the preceding section, i.e. that the import intensity of firms differs depending on whether they are located in one country or another. However, the messages obtained from analysis of the information sources available at different levels of aggregation are not always easy to reconcile and there are some discrepancies. For example, as noted in the preceding section, the import content of manufacturing production is, according to the input-output tables, higher in Spain than in the other large countries of the euro area, while in the sample analysed the highest import ratios are those of French firms. There are many factors which could explain this discrepancy, such as the sample design, which, since it excludes firms with fewer than ten employees, would bias downwards the import content of those countries where the

	Total sample		Spain		Italy		France		Germany	
	Importer (b)	Non-importer	Importer (b)	Non-importer	Importer (b)	Non-importer	Importer (b)	Non-importer	Importer (b)	Non-importer
Workforce	89.4	40.3	67.3	30.2	63.3	30.4	107.4	35.0	112.6	60.4
Productivity	209.6	164.8	173.4	131.1	281.9	183.4	176.4	145.0	222.9	192.6
Fixed capital ratio	29.5	32.5	36.9	37.4	31.1	32.2	23.6	27.4	29.9	32.8
Firm age	36.9	33.4	28.9	24.5	30.2	28.0	40.3	36.2	47.1	43.3
University graduate ratio	10.4	7.7	12.0	9.0	7.8	5.2	9.8	6.2	12.6	10.2
Product innovation (c)	57.8	39.1	56.7	37.3	59.5	40.6	55.0	35.2	61.9	41.3
Process innovation (c)	47.5	37.9	58.3	46.1	49.0	40.3	40.6	29.6	45.9	34.9
Group membership (c)	25.7	12.1	20.9	10.1	20.0	10.5	36.3	22.5	19.4	8.7
Foreign group membership (c)	9.8	2.4	8.1	1.4	5.4	1.4	14.4	3.5	8.7	3.4
FDI (c)	6.9	1.3	5.4	0.8	4.5	1.2	6.2	0.3	12.2	2.4
International outsourcing (c)	6.8	1.6	2.8	1.1	7.7	2.1	8.5	1.0	7.4	1.7
Exporter (c) (d)	76.8	43.8	77.3	41.1	85.9	57.4	68.4	33.0	80.0	39.1
Listed on stock exchange (c)	1.9	0.7	1.7	0.5	0.6	0.4	2.7	0.8	2.4	1.0
Sector-region spillovers (c)	45.1	29.3	43.4	30.9	39.6	27.1	57.8	41.9	31.7	22.6
Sector spillovers (c)	44.7	40.3	41.8	41.3	38.1	37.2	58.7	57.2	31.7	32.1
Region spillovers (c)	42.5	39.7	43.1	39.0	37.8	35.4	59.0	53.5	32.3	29.5
MEMORANDUM ITEM										
Number of firms	4,904	6,048	1,061	1,329	1,167	1,804	1,622	1,078	1,054	1,837

SOURCES: EFIGE/Bruegel-UniCredit dataset and AMADEUS.

- a The definition of the variables and their expected impact on the probability that a firm will import can be found in Table 1. Data coverage is, in general, good (above 80% of the sample), being lower in the case of Germany's productivity (around 55%).
- b An importing firm is defined as a firm which imported intermediate goods and/or services in 2008 and/or regularly in previous years.
- c The value of this variable indicates the percentage of firms having the characteristic in question.
- d An exporting firm is defined as a firm which sold abroad intermediate goods and/or services in 2008 and/or regularly in previous years.

average size of the companies is smaller, such as Spain and Italy. Moreover, in Spain, given its marked energy dependence, the non-inclusion in the sample of the large energy firms reduces its import dependency. Further, other factors relating to differences in firms' internationalisation models may also be skewing the results of the survey. In this respect, it should be noted that the process of production delocalisation in German and Spanish firms in the sample takes place mainly through FDI, while French and Italian firms basically utilise international outsourcing. The latter practice generally entails re-importing most of the outsourced production to the home country, and therefore the survey would be expected to yield higher import dependency ratios in France and Italy. All these factors, along with the differing distribution of firms' characteristics in the industrial base, explain the differences between firm-level data and aggregate data.<sup>12</sup>

#### Determinants of the decision to import

Once the variables that may affect the probability of whether a firm will import intermediate goods and/or services for production purposes have been identified, the next step is to assess whether the differences between countries at aggregate level are due to different

<sup>12</sup> See Navaretti et al. (2011).

firm characteristics or to idiosyncratic factors of the country concerned (such as natural resource wealth or institutional factors). For this purpose, a probit is estimated:

$$\Pr(M_{isc} = 1) = \phi(\alpha + \beta X_{isc} + \gamma_s + \delta_1 fra_{is} + \delta_2 ita_{is} + \delta_3 esp_{is} + \varepsilon_{isc})$$

where  $M_{isc}$  takes a value of one if the firm imports intermediate goods and/or services and takes a value of zero if it does not;  $X_{isc}$  denotes the characteristics of firm  $i$  operating in sector  $s$  and located in country  $c$ <sup>13</sup>;  $\gamma_s$  denotes the dummies which identify the 14 manufacturing sectors considered; and  $fra_{is}$ ,  $ita_{is}$  and  $esp_{is}$  are the dummies which take a value of one if the firm is French, Italian or Spanish, respectively. Thus, the country of reference for the purpose of interpreting the coefficients associated with the variables of each economy is Germany.<sup>14</sup>

The results of the estimation are set out in Table 3. In column 1 the explanatory variables include only the country dummies. These results suggest that French, Italian and Spanish firms are more likely to import intermediate goods and/or services for production than German firms. That greater import dependency can be clearly appreciated for the case of Spanish manufacturing firms in Chart 2. Variables characterising firms are successively included in the following columns (2 to 6) in order to identify whether any of them is determinant in explaining the differences observed between countries.<sup>15</sup> The purpose of the last column is to identify whether there is a hysteresis effect, for which purpose a dependent variable was constructed which identifies as importing firms only those firms that imported intermediate goods and services in 2008.

The effects which the various control variables have on the probability of importing are in line with the evidence in the empirical literature. Thus, the firms that are larger, that have greater market knowledge (because they are older), that engage in activities abroad, that possess more human capital or that invest in technological development are more likely to decide to import intermediate goods and services to carry out their production.

However, after taking into account those firm characteristics,<sup>16</sup> differences between countries persist. Thus, firms located in France and Spain are around 24% and 11%, respectively, more likely to import intermediate goods and services than those located in Germany (see column 5 of Table 3). In the case of Italy, this percentage is much lower, at

13 The items included in the firm characteristics vector are: size, measured by the logarithm of the number of employees; age, also expressed as a logarithm; the percentage of employees with university qualifications; two dummies which reflect whether the firm engages in process and product innovation; two dummies which indicate, respectively, whether the firm belongs to a corporate group, and whether that group is Spanish or foreign; two dummies which have a value of one if the firm engages in foreign direct investment or has engaged in international outsourcing; a variable which takes a value of one if the firm is an exporter; and a dummy indicating whether the firm is listed on the stock exchange. In addition, as in López and Yadav (2010), three sectoral dummies have been constructed to measure any positive externalities derived from operating in a region and sector in which other firms also import intermediate goods and services.

14 A significant positive (negative) coefficient, for example in the dummy  $esp_{is}$  means that Spanish firms have a higher (lower) probability of importing intermediate goods and/or services than German firms.

15 The analysis presented here should be interpreted with some caution, since, as there is only a single data wave, econometric tools cannot be used to adjust possible endogeneities or characteristics unobservable at firm level. Nevertheless, if the probit is estimated for a set of Spanish firms in the Central Balance Sheet Data Office survey, for which information is available in the period 2001-2011, the estimated coefficients are similar regardless of whether the variables are contemporaneous or lagged by one period.

16 Among the estimate made, we have also controlled for firm productivity and for physical capital per employee. Neither variable comes directly from the EFIGE database, but rather from the database formed by merging it with AMADEUS. The effects of these two variables are in line with those expected by the literature and do not alter the results of the other variables. However, it was decided not to include them in the final estimate because of measurement problems in some countries and because the checks performed on common variables showed that the AMADEUS information does not always agree with that gathered through EFIGE.

Dependent variable	Importing firm											
	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12] (b)
France (c)	0.238*** (0.015)	0.239*** (0.014)	0.254*** (0.014)	0.256*** (0.014)	0.263*** (0.014)	0.262*** (0.014)	0.248*** (0.014)	0.248*** (0.014)	0.243*** (0.014)	0.243*** (0.014)	0.092*** (0.017)	0.042*** (0.012)
Italy (c)	0.039*** (0.013)	0.022 (0.013)	0.056*** (0.013)	0.060*** (0.013)	0.074*** (0.013)	0.065*** (0.013)	0.061*** (0.013)	0.066*** (0.013)	0.022* (0.013)	0.022* (0.013)	-0.011 (0.013)	-0.001 (0.009)
Spain (c)	0.104*** (0.014)	0.104*** (0.014)	0.134*** (0.014)	0.141*** (0.014)	0.139*** (0.014)	0.131*** (0.014)	0.127*** (0.014)	0.135*** (0.014)	0.114*** (0.013)	0.114*** (0.013)	0.043*** (0.014)	0.019* (0.011)
Workforce (d)			0.124*** (0.005)	0.120*** (0.005)	0.119*** (0.005)	0.107*** (0.005)	0.094*** (0.006)	0.084*** (0.006)	0.063*** (0.006)	0.063*** (0.006)	0.060*** (0.006)	0.018*** (0.004)
Firm age (d)				0.023*** (0.007)	0.026*** (0.006)	0.024*** (0.006)	0.026*** (0.006)	0.024*** (0.006)	0.011* (0.006)	0.011* (0.006)	0.006 (0.006)	-0.014*** (0.005)
University graduate ratio					0.360*** (0.042)	0.283*** (0.042)	0.244*** (0.042)	0.210*** (0.041)	0.107*** (0.040)	0.108*** (0.040)	0.100** (0.039)	-0.055* (0.028)
Process innovation						0.050*** (0.010)	0.052*** (0.010)	0.054*** (0.010)	0.046*** (0.010)	0.045*** (0.010)	0.040*** (0.009)	0.017** (0.007)
Product innovation						0.120*** (0.010)	0.120*** (0.010)	0.113*** (0.010)	0.074*** (0.010)	0.074*** (0.010)	0.074*** (0.010)	0.036*** (0.007)
Group membership							0.036** (0.015)	0.032** (0.015)	0.024 (0.014)	0.024* (0.014)	0.027* (0.014)	-0.005 (0.010)
Foreign group membership							0.137*** (0.024)	0.130*** (0.024)	0.099*** (0.023)	0.101*** (0.023)	0.079*** (0.023)	0.039*** (0.015)
FDI								0.190*** (0.027)	0.146*** (0.025)	0.146*** (0.025)	0.136*** (0.024)	0.020 (0.016)
International outsourcing								0.240*** (0.028)	0.199*** (0.026)	0.199*** (0.026)	0.195*** (0.025)	0.050*** (0.016)
Exporter									0.236*** (0.009)	0.236*** (0.009)	0.216*** (0.010)	0.039*** (0.008)
Listed on stock exchange										-0.029 (0.040)	-0.021 (0.039)	-0.008 (0.026)
Sector-region spillovers											0.582*** (0.033)	0.346*** (0.024)
Import hysteresis												0.409*** (0.004)
Sector dummies	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Likelihood function	-7,349.1	-7,143.0	-6,873.3	-6,864.0	-6,817.7	-6,697.3	-6,663.2	-6,581.8	-6,253.5	-6,253.3	-5,969.6	-3,728.2
Number of observations	10,934	10,934	10,934	10,934	10,934	10,934	10,934	10,934	10,934	10,934	10,934	10,934

SOURCE: EU-EFIGE/Bruegel-UniCredit dataset.

a The definition of the variables and their expected impact on the probability that a firm will import can be found in Table 1. The dependent variable "importing firm" is defined as firms which imported intermediate goods and/or services in 2008 and/or regularly in previous years. Average marginal effects are reported. Standard deviations are in brackets. \*, \*\*, \*\*\* denote statistical significance at 10%, 5% and 1%, respectively.

b In this case the dependent variable is defined as those firms which imported intermediate goods and/or services in 2008.

c For interpreting coefficients, the reference taken is Germany.

d As natural logarithm.



around 2%. Moreover, these differences remain fairly steady as the various firm characteristics are added. Only when it is taken into account that a firm is surrounded in its sector and region by firms which also import intermediate goods and/or services, it is found that the probability gap separating French and Spanish firms from German ones shrinks to half and, in the case of Italian firms, it becomes negative, suggesting that these regional effects are country specific.

## Determinants of the type of imports

It can also be analysed whether there are differences in the type of goods imported by the firms of each country, i.e. whether there are countries whose firms' import activity centres solely on the raw materials needed for their production or whether they import other intermediate goods, be they standard or customised. To this end, an estimate was made of the probability of importing only raw materials,<sup>17,18</sup> and of the probability of importing only standard or customised intermediate goods (see Table 4).

These results show that the variables characterising firms have different effects on the import of the various types of goods. Thus the characteristics which, according to the foregoing analysis, tend to increase the probability that a firm will import have, in aggregate terms, a negative effect on raw material imports. Specifically, firms that are older, have more human capital or engage in other internationalisation activities have a lower probability of importing only raw materials. By contrast, these variables tend to have a positive impact on the import of both standard and customised intermediate goods.

In this respect, the import of raw materials seems to be dictated more by limitations in a country's productive geography or by a firm's less favourable position in the production value chain.<sup>19</sup> After taking into account their characteristics, Spanish and Italian firms still show a 20% and 30%, respectively, higher probability than German firms that their imports will be solely raw materials. In the case of other intermediate goods, this difference is negative, albeit only slightly so. This result suggests that Spanish and Italian firms are probably at a lower level in the value chain than German ones and that their degree of technological development prevents them from fully exploiting the advantages of international trade.

Meanwhile, French firms, although Table 3 shows them to be more likely than German ones to import intermediate goods and services for production, are at the same time more likely to focus solely on the import of a single type of intermediate good. That greater combination of imports of different types of goods by French firms may relate to their production delocalisation model being different from that of Germany. Chart 4 shows that firms opting for international outsourcing (main option used by French firms) seem to have a greater propensity to incorporate their delocalised production into their productive process.

## Conclusions

Over the last few decades, international trade in intermediate goods and services has grown steadily at a faster rate than GDP. This growing specialisation of production has been associated with efficiency gains and many studies have sought to identify the characteris-

17 The dependent variable takes a value of 1 if the firm imports only raw materials and a value of 0 if it does not import raw materials or, in addition to importing them, it also imports standard or customised intermediate goods.

18 To adjust for possible selection bias, (the type of intermediate goods imported by the firm is only observed in those firms that do actually import), an estimate is made in two stages following Heckman (1976).

19 In principle, this latter factor should be covered by the variables which control for the sector in which the firm operates. However, given the wide range of sectors considered, it is likely that a large part of this effect is reflected in the country dummies.

IMPORT PROBABILITY OF EACH TYPE OF PRODUCT (a)

TABLE 4

Dependent variable	Only raw materials	Only standard intermediate goods	Only customised intermediate goods
	[1]	[2]	[3]
France (b)	-0.054** (0.027)	-0.107*** (0.025)	-0.046*** (0.016)
Italy (b)	0.301*** (0.04)	-0.051*** (0.014)	-0.015* (0.008)
Spain (b)	0.187*** (0.038)	-0.014 (0.010)	-0.038*** (0.014)
Firm age (c)	-0.009 (0.009)	-0.003 (0.004)	-0.002 (0.003)
University graduate ratio	-0.010 (0.065)	0.061** (0.030)	0.037* (0.022)
Process innovation	-0.041*** (0.014)	-0.004 (0.007)	0.002 (0.005)
Product innovation	-0.085*** (0.015)	0.002 (0.008)	0.009 (0.005)
Group membership	-0.029 (0.019)	-0.021* (0.012)	-0.002 (0.008)
Foreign group membership	-0.026 (0.028)	0.013 (0.014)	0.017* (0.010)
FDI	-0.097*** (0.029)	-0.019 (0.015)	0.000 (0.011)
International outsourcing	-0.194*** (0.033)	-0.011 (0.017)	0.028*** (0.010)
Exporter	-0.096*** (0.026)	-0.010 (0.013)	0.011 (0.008)
Listed on stock exchange	0.014 (0.048)	-0.010 (0.026)	-0.011 (0.016)
Sector-region spillovers	-0.156** (0.074)	0.065*** (0.021)	0.025 (0.018)
Sector dummies	Yes	Yes	Yes
Likelihood function	-8,479.0	-7,384.5	-7,192.2
Number of observations	11,419	11,419	11,419

SOURCE: EU-EFIGE/Bruegel-UniCredit dataset.

a The definition of the variables and their expected impact on the probability that a firm will import can be found in Table 1. Average marginal effects are reported  
\*, \*\*, \*\*\* denote statistical significance at 10%, 5% and 1%, respectively.

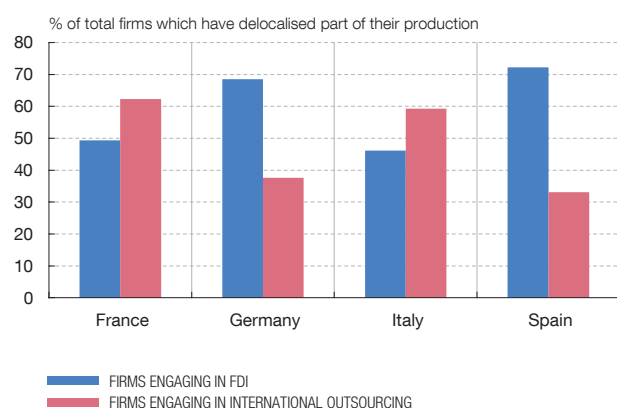
b For interpreting coefficients, the reference taken is Germany.

c As natural logarithm.

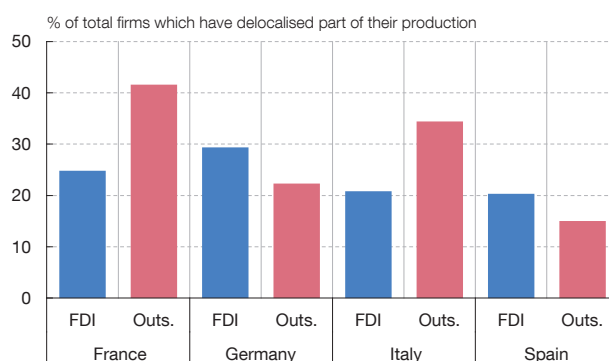
tics which lead firms to decide to internationalise their production. This article uses the EFIGE dataset to compare the propensity to import of manufacturing firms from the four largest euro area economies. As a first approximation, French firms are more likely than Italian, Spanish and, particularly, German firms to import intermediate goods and services for production purposes. Moreover, once firm characteristics have been taken into account, the probability that a French firm will import is still higher than in the case of German ones.

However, when the reason for importing is analysed, the results give a different picture. Thus, Spanish and Italian import dependence seems to stem more from the need to purchase

DELOCALISATION MODEL: FDI VERSUS INTERNATIONAL OUTSOURCING



% OF FIRMS WHICH USE DELOCALISED PRODUCTION FOR INTERMEDIATE CONSUMPTION IN DOMESTIC PRODUCTION



FUENTE: Base de datos EU-EFIGE/Bruegel-UniCredit.

raw materials for production or from the fact that, comparatively speaking, their firms are a step lower in the value chain. For their part, German firms seem to have a greater propensity to import solely intermediate goods, be they standard or customised, whereas the French import dependence is relatively more diversified.

The cost advantages offered by the international markets and the access they provide to higher greater quality and more varied intermediate goods represent an opportunity for firms insofar as they allow them not only to reduce costs, but also to improve production quality and add greater value during the production process. Accordingly, importation can be considered an additional channel for improving the competitiveness of an economy. The microeconomic analysis reported in this article shows that the Spanish economy still has to make additional efforts so that its firms internationalise themselves in this respect. Thus, a higher endowment of human and technological capital at firms would allow them to enhance their capacity to internalise the benefits of importing goods and so increase their productivity and improve their position in the value chain.

10.10.2012

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MEAN DIFFERENCE TESTS ON IMPORTING FIRM CHARACTERISTICS (a)

TABLE A.1

		Workforce	Productivity	Fixed capital ratio	Firm age	University graduate ratio	Product innovation	Process innovation	Group membership
Importers versus non-importers	Coefficient	-9.9	-7.0	4.6	-7.2	-12.0	-17.7	-9.7	-18.9
	<i>p-value</i>	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
		Foreign group membership	FDI	International outsourcing	Exporter	Listed on stock exchange	Sector-region spillovers	Sector spillovers	Region spillovers
Importers versus non-importers	Coefficient	-17.2	-15.1	-12.6	-32.2	-7.1	-34.0	-16.2	-15.7
	<i>p-value</i>	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

SOURCES: EFIGE/Bruegel-UniCredit dataset and AMADEUS.

a In all cases the t-test of equality of means (the test statistic is a student t) was calculated.

CORRELATION MATRIX OF THE DETERMINANTS OF THE DECISION TO IMPORT

TABLE A.2

	Importer	Workforce	Productivity	Fixed capital ratio	Firm age	University graduate ratio	Product innovation	Process innovation	Group membership	Foreign group membership	FDI	International outsourcing	Exporter	Listed on stock exchange	Sector-region spillovers	Sector spillovers	Region spillovers
Importer	1.000																
Workforce	0.105	1.000															
Productivity	0.074	0.038	1.000														
Fixed capital ratio	-0.050	0.045	-0.023	1.000													
Firm age	0.076	0.122	0.014	-0.022	1.000												
University graduate ratio	0.125	0.076	0.104	-0.015	0.013	1.000											
Product innovation	0.183	0.063	-0.003	0.022	0.046	0.165	1.000										
Process innovation	0.102	0.046	0.006	0.097	0.001	0.075	0.225	1.000									
Group membership	0.196	0.185	0.126	-0.002	0.046	0.159	0.065	0.043	1.000								
Foreign group membership	0.179	0.147	0.119	-0.002	0.050	0.144	0.071	0.029	0.535	1.000							
FDI	0.158	0.242	0.043	0.000	0.112	0.104	0.106	0.025	0.155	0.107	1.000						
International outsourcing	0.132	0.068	0.017	-0.070	0.032	0.065	0.065	-0.013	0.043	0.044	0.114	1.000					
Exporter	0.321	0.081	0.074	-0.032	0.103	0.141	0.242	0.102	0.143	0.146	0.142	0.099	1.000				
Listed on stock exchange	0.075	0.249	0.065	0.019	0.068	0.082	0.029	0.012	0.184	0.194	0.116	0.030	0.066	1.000			
Sector-region spillovers	0.338	0.038	0.011	-0.140	0.074	0.066	0.081	0.014	0.145	0.148	0.073	0.070	0.154	0.045	1.000		
Sector spillovers	0.169	0.012	-0.039	-0.167	0.071	-0.027	-0.057	-0.043	0.159	0.099	-0.019	0.018	0.001	0.039	0.454	1.000	
Region spillovers	0.163	0.051	0.028	-0.099	-0.018	0.124	0.159	-0.002	0.087	0.114	0.107	0.098	0.194	0.047	0.319	-0.112	1.000

SOURCES: EFIGE/Bruegel-UniCredit dataset and AMADEUS.





## Introduction

Against an international backdrop of persistent strains in the euro area, growth in the Latin American economy continued to move on the gradually slowing path on which it had embarked in 2011, following a brief hiatus in Q1. Thus, GDP growth for the seven major economies in the region<sup>1</sup> averaged 2.6% in 2012 Q2 in year-on-year terms, almost 1 pp lower than at the close of 2011, representing the lowest growth since the exit from the crisis in 2009. In quarterly terms, the slowdown was seen mainly in Q2 (0.5%), since growth in Q1 (0.9%) was slightly better than that for the second half of 2011. These developments point to a regional “soft landing” scenario, with growth easing more than was expected at the beginning of the year, although moving similarly to that in other emerging economies, and centred especially on two countries, Argentina and Brazil (see Chart 1).

In these two economies, growth eased due mainly to the weakness of domestic demand, in particular of gross capital formation. In Brazil, weak investment in capital goods, in step with the prolonged sluggishness of the industrial sector, was attributable to structural factors and the delayed effects of the appreciation of the exchange rate. Meanwhile, in Argentina, investment in capital goods and construction has been affected in recent months by foreign exchange controls and restrictions on imports. Conversely, in the other countries the growth rates of GDP and domestic demand were notably sounder, but external demand weakened across the board, marking a significant difference on the previous year. These weak exports are a sign that the slowdown in the region’s major trading partners, which brought about a marked deceleration in international trade (see Chart 1), the drop in the price of some of the main export commodities of countries in the region (oil and metals) and, to a lesser degree, the increase in volatility on financial markets, have had a considerable impact on economic developments in Latin America in recent months.

Conversely, consumer prices have scarcely changed in the past six months. Average inflation for the region stood in September at 6.2% year-on-year, unchanged on March, and displaying some downward stickiness despite the economic slowdown. Inflation expectations remained stable or even slightly on the upside in some countries, and in most countries with inflation targets they were in the upper limit of the tolerance band. In Brazil, inflation stabilised at above 5% year-on-year, 0.5 pp up on the official target, but that did not interrupt the pronounced cycle of cuts in benchmark interest rates, to a historical low of 7.25%, in a setting in which fiscal policy and other financial measures added fresh stimulus. Among the other countries, only Colombia joined the downward cycle in interest rates in July and August.

In short, although the economic fundamentals of most of the economies in the region remain relatively sound and domestic demand continues to be buoyant (with the odd notable exception such as Brazil and Argentina), the worsening external environment has significantly affected the region, especially via the trade channel. External risks have thus been a constant, although the most serious ones, relating to a possible spread of the euro area sovereign crisis to growth in the world economy (and indirectly to Latin America through the trade, financial and confidence channels), appeared to have slackened following the initiatives announced by the European authorities since the start of the summer. Meanwhile,

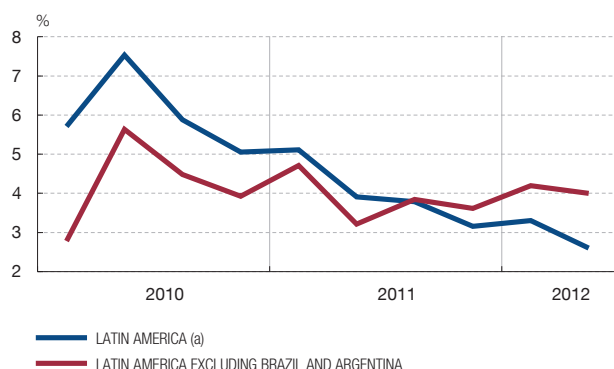
<sup>1</sup> Argentina, Brazil, Colombia, Chile, Mexico, Peru and Venezuela.

## LATIN AMERICA: GDP AND EXPORTS

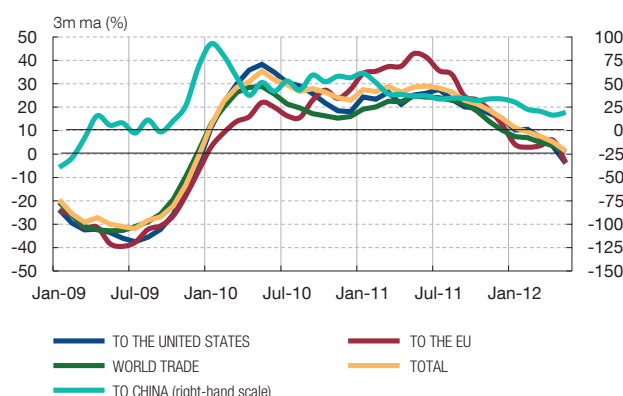
CHART 1

Year-on-year rate

GROSS DOMESTIC PRODUCT  
Year-on-year rate



LATIN AMERICAN EXPORTS (a) (b)  
Three-month moving average of the year-on-year rate



SOURCES: Datastream, IMF and national statistics.

- a Aggregate of the seven main economies.  
b Latest data, May 2012.

the main central banks of the developed economies broadened their range of non-conventional measures to support growth, which should prove positive for the emerging economies – the Latin American countries among them – as a whole. That said, the measures might ultimately accentuate the monetary policy dilemmas in some of them. Accordingly, although the latest indicators point to some recovery, especially among the Latin American countries whose performance has recently been poor, economic policies are generally being pursued in a setting of high uncertainty over the global recovery; further, the fact a number of countries in the region are running current-account deficits means a note of caution is warranted (see Table 1).

### External environment

In recent months, worldwide economic and financial developments have continued to be influenced by the unfolding of the sovereign debt crisis in the euro area. The worsening of the crisis in the spring, which was accompanied by a fairly geographically widespread slowdown in activity (see Chart 2), prompted a rise in risk aversion, which translated into further episodes of flight to quality and into stock market declines. Since the start of the summer, measures taken by the main developed economies' central banks have contributed to shaping a somewhat paradoxical international economic picture. While financial markets recovered substantially, on the back of the reduction in the risks of extreme events in the euro area and the increase in the appetite for risk against a background of ample liquidity, economic activity remained markedly weak, and the growth outlook for the global economy, including the emerging economies, was revised downwards.

In the developed countries, after economic activity picked up somewhat in 2012 Q1, an across-the-board slowdown was discernible, more sharply so in certain economies such as Japan, the euro area and the United Kingdom, but also in the United States, where the labour market began to show signs of weakness again. Against this backdrop, and with inflation rates tending to ease owing to the lesser pressure of commodities prices, the central banks decided mid-year to implement new measures. Of note was the action by the ECB, which cut its official interest rate to 0.75% in July and announced its commitment to act to eliminate redenomination risk in the euro area. In September it approved the introduction of Outright Monetary Transactions (OMTs), which envisage sovereign bond purchases in the short-term – with a residual maturity up to three years – on the secondary

	2009	2010	2011	2010		2011				2012		2012
				Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	September
GDP (year-on-year rate)												
Latin America (a)	-1.9	6.3	4.4	6.1	5.4	5.5	4.3	4.4	3.6	3.3	2.6	
Argentina (b)	0.9	9.2	8.9	8.6	9.2	9.9	9.1	9.3	7.3	5.2	0.0	
Brazil	-0.3	7.5	2.7	6.9	5.3	4.2	3.3	2.1	1.4	0.8	0.5	
Mexico	-6.2	5.5	3.9	5.4	4.4	4.4	3.1	4.3	3.9	4.5	4.1	
Chile	-1.0	6.1	6.0	7.7	6.7	9.9	6.3	3.7	4.5	5.3	5.5	
Colombia (c)	1.7	4.0	5.9	3.0	4.7	5.0	5.1	7.5	6.1	4.7	4.9	
Venezuela	-3.2	-1.5	4.2	-0.2	0.5	4.8	2.6	4.4	4.9	5.8	5.4	
Peru	0.9	8.8	6.9	9.6	9.2	8.8	6.9	6.7	5.5	6.0	6.1	
CPI (year-on-year rate)												
Latin America (a)	6.4	6.4	6.8	6.2	6.6	6.7	6.6	6.9	7.0	6.6	6.0	6.2
Argentina (b)	6.3	10.5	9.8	11.1	11.0	10.1	9.7	9.8	9.6	9.7	9.9	10.0
Brazil	4.9	5.0	6.6	4.6	5.6	6.1	6.6	7.1	6.7	5.8	5.0	5.3
Mexico	5.3	4.2	3.4	3.7	4.2	3.5	3.3	3.4	3.5	3.9	3.9	4.8
Chile	0.4	1.4	3.3	2.2	2.5	2.9	3.3	3.1	4.0	4.1	3.1	2.8
Colombia	4.2	2.3	3.4	2.3	2.7	3.3	3.0	3.5	3.9	3.5	3.3	3.1
Venezuela	28.6	29.0	27.2	29.8	27.3	29.1	24.6	26.5	28.5	25.1	22.3	19.1
Peru	2.9	1.5	3.4	2.2	2.1	2.4	3.1	3.5	4.5	4.2	4.1	3.7
Budget balance (% of GDP) (d)												
Latin America (a) (e)	-2.8	-2.2	-2.0	-2.0	-2.2	-1.8	-1.6	-1.7	-2.0	-2.1	-1.9	
Argentina	-0.6	0.2	-1.6	0.2	0.2	0.2	0.0	-0.4	-1.6	-1.9	-1.7	
Brazil	-3.3	-2.5	-2.6	-2.3	-2.5	-2.3	-2.1	-2.5	-2.6	-2.4	-2.6	
Mexico	-2.3	-2.9	-2.5	-2.4	-2.7	-2.8	-2.8	-2.6	-2.4	-2.7	-2.5	
Chile	-4.3	-0.3	1.5	0.0	-0.3	1.0	1.4	2.0	1.5	1.6	1.2	
Colombia	-3.8	-3.6	-2.1	-3.6	-3.5	-2.9	-1.5	-1.4	-2.1	-2.5	-1.0	
Venezuela	-5.1	-3.8	—	-3.5	-3.8	—	—	—	—	—	—	
Peru	-1.7	0.1	0.9	-0.3	0.1	0.4	0.3	0.9	0.9	1.3	2.4	
Public debt (% of GDP)												
Latin America (a)	34.5	33.4	32.1	33.5	33.1	33.0	32.9	32.3	32.1	31.3	—	
Argentina	47.9	44.6	40.1	46.1	44.6	44.8	42.9	40.8	40.2	—	—	
Brazil	42.1	39.2	36.5	39.4	39.2	38.9	38.6	36.3	36.4	36.5	35.1	
Mexico	28.0	27.5	26.5	27.3	26.1	27.1	26.9	27.6	26.5	28.2	28.1	
Chile	5.8	8.6	11.2	8.7	9.2	9.0	9.4	10.6	11.2	11.2	11.7	
Colombia	35.0	35.0	33.7	34.7	34.7	35.0	33.2	34.1	33.8	33.3	32.8	
Venezuela	22.6	28.1	25.1	25.9	28.1	25.1	31.5	34.7	36.6	33.5	—	
Peru	27.3	23.4	21.7	23.2	23.4	22.4	21.7	20.9	21.7	20.7	20.0	
Current account balance (% of GDP) (d)												
Latin America (a)	-0.3	-0.7	-0.8	-0.6	-0.8	-0.9	-0.8	-0.8	-0.9	-0.7	-0.9	
Argentina	3.6	0.8	0.0	1.3	0.7	0.6	0.2	0.0	0.0	0.1	0.1	
Brazil	-1.5	-2.2	-2.1	-2.3	-2.2	-2.2	-2.1	-2.0	-2.1	-2.0	-2.1	
Mexico	-0.6	-0.3	-0.8	0.0	-0.3	-0.5	-0.5	-0.9	-0.8	-0.6	-0.5	
Chile	2.0	1.5	-1.3	1.6	1.9	0.8	0.6	-0.4	-1.3	-1.6	-2.7	
Colombia	-2.1	-3.1	-3.0	-2.7	-3.1	-3.1	-3.2	-2.9	-3.0	-2.8	-3.1	
Venezuela	1.8	5.0	9.2	5.4	5.0	5.8	7.3	8.7	8.6	7.6	5.9	
Peru	0.2	-1.7	-1.3	-1.1	-1.7	-2.6	-2.9	-2.0	-1.9	-1.7	-2.0	
External debt (% of GDP)												
Latin America (a)	20.6	20.9	19.9	20.4	20.7	20.6	19.9	19.9	19.9	20.0	—	
Argentina	37.6	35.0	31.6	34.4	32.4	34.1	28.4	31.1	30.6	32.8	—	
Brazil	12.2	12.0	12.0	12.0	12.0	12.3	12.2	12.0	12.0	12.1	16.5	
Mexico	18.9	19.0	18.2	18.4	19.0	17.8	18.6	18.0	18.2	18.4	19.1	
Chile	42.1	40.1	40.3	40.8	39.9	39.8	38.6	38.6	39.5	39.3	39.8	
Colombia	22.7	22.4	22.8	21.5	22.5	20.6	20.9	21.7	22.8	20.6	20.5	
Venezuela	22.6	35.5	36.4	33.8	38.8	36.5	36.0	35.2	33.9	31.1	—	
Peru	28.1	26.1	24.4	26.6	26.4	28.1	27.9	27.6	26.9	28.5	28.6	

SOURCE: National statistics.

a Aggregate of the seven countries represented.

b Official figures.

c Seasonally adjusted.

d Four-quarter moving average.

e As from 2010 Q4, the budget balance aggregate does not include Venezuela.

market, in a discretionary manner, without quantitative limits and subject to strict conditionality, which will require the country whose bonds are purchased to have previously requested assistance from the European mechanisms. The European Council in June also contributed to alleviating tensions by committing itself to deepening integration, in particular by pushing forward the European banking union.

Likewise, the US Federal Reserve announced a major set of measures in September: the start of a new quantitative easing programme (QE3) based on purchases of MBSs from agencies for an unlimited amount and over an unlimited period of time, and the extension of its commitment to keep official rates at their current levels until mid-2015, explicitly signalling that this will be the case even if the recovery has started. The Bank of England approved a new six-month liquidity facility, it extended its asset purchase programme and, along with the British government, launched a scheme aimed at boosting lending to the non-financial private sector. Finally, the Bank of Japan expanded the volume of its asset purchase programme at its April and September meetings. In the fiscal domain, fiscal consolidation continued to be intense in the European economies most closely scrutinised by the markets, while doubts grew over the medium- and long-term sustainability of public finances in Japan and the United States. Nonetheless, in the United States the main risk in the short run is of the opposite sign: the automatic activation of substantial fiscal cuts at the end of this year (the so-called fiscal cliff) which, if no political agreement is reached to avoid it, will have an effect on growth equivalent to several percentage points of GDP.

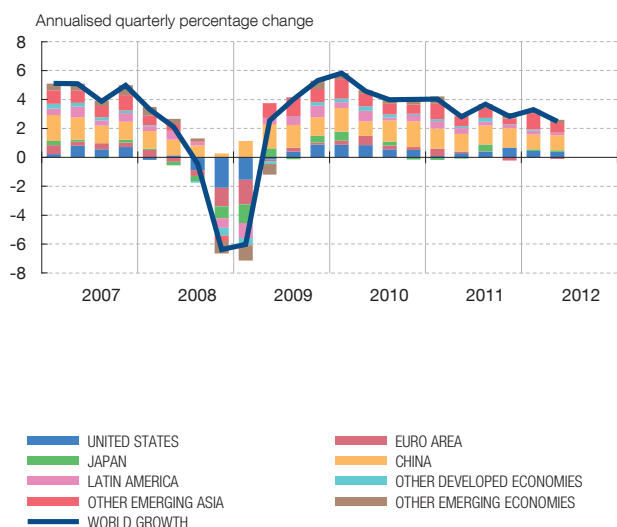
During this period, activity continued to slow progressively in the emerging economies. This was notably the case in China and India, where the slowdown was sharper than expected. These developments arose, with some cross-regional differences, due to the lower contribution from external demand and, in some cases, to the gradual weakening of domestic demand. The deepening of the euro area crisis had a notable impact on emerging economies through the commercial channel; the impact was sharper in European emerging countries with closer commercial and financial ties to the euro area and in economies such as China with a higher degree of trade openness (see Chart 2). Inflation generally tended to ease in the period analysed, although in Q3 increases in energy and some food prices – in the latter case due to poor harvests in various regions – prompted a slight rise in inflation rates. In this setting, some banks continued with the cycle of interest rates cuts, although this trend was far from widespread and, rather, a cautious attitude prevailed which was reflected in leaving the monetary policy stance unchanged. In the same vein, the sharper-than-anticipated slowdown favoured the approval of fiscal stimulus packages in some cases – mainly China.

In this context, international financial markets were influenced by the worsening outlook for economic growth and the ongoing strains of the European sovereign debt crisis. However, the measures introduced during the summer by the main advanced economies' central banks contributed to stabilising financial markets. They triggered gains in most stock market indices, a decrease in volatility, a reduction in corporate bond risk premia, some improvement in the government debt markets of ailing European countries and a slight appreciation of the euro against the dollar. Commodities prices fluctuated somewhat and a pattern of declines predominated in Q2 which was corrected from end-June, especially in the case of oil and certain metals.

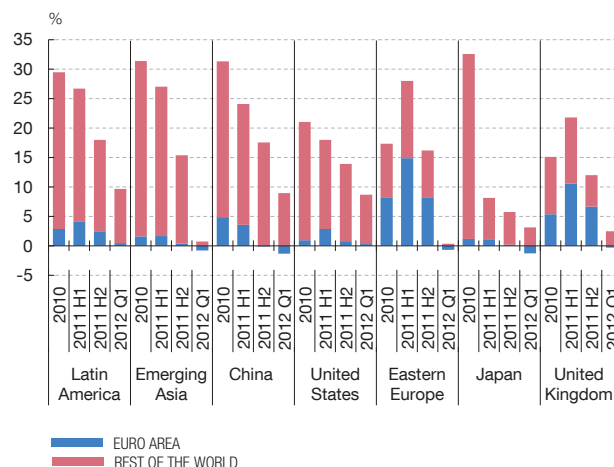
## Financial markets and external financing

The recovery in financial markets in the early months of 2012, following the bout of instability in 2011 Q4 linked to uncertainty about the unfolding of the Greek crisis, did not firm. In 2012 Q2, emerging markets were once again affected by uncertainty concerning the

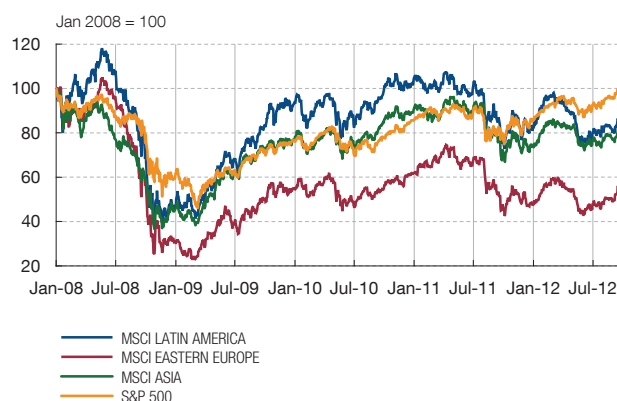
CONTRIBUTION TO WORLD GDP GROWTH



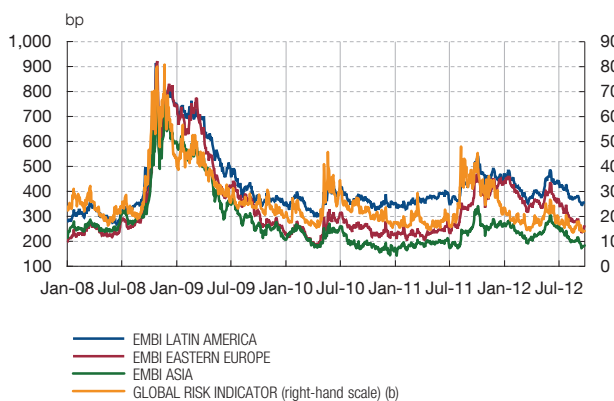
CONTRIBUTION TO THE YEAR-ON-YEAR GROWTH OF NOMINAL EXPORTS



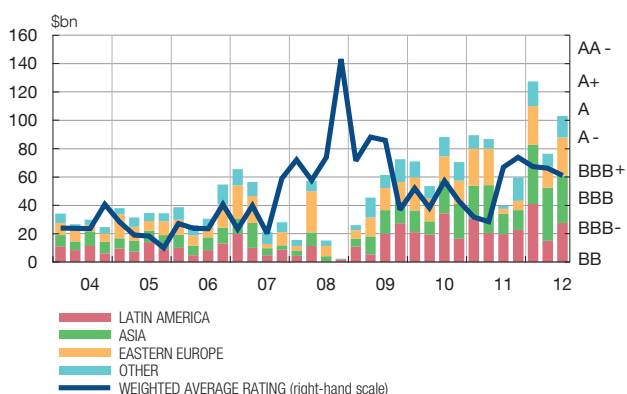
WORLD STOCK MARKETS (a)



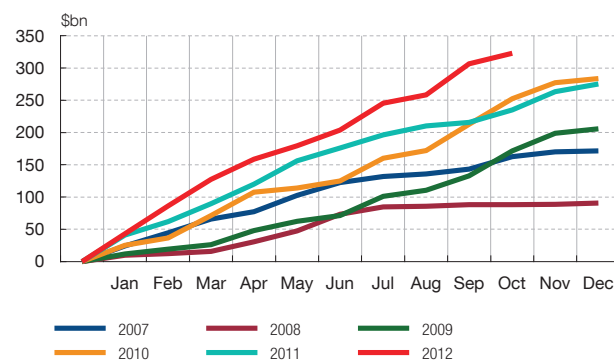
INTEREST RATE SPREADS AND GLOBAL RISK INDICATOR



BONDS ISSUED ON INTERNATIONAL MARKETS



ISSUES ON INTERNATIONAL MARKETS OF EMERGING ECONOMIES (cumulated figures)



SOURCES: National statistics, Dealogic, EPFR and Datastream.

a Indices in dollars  
b VIX Index.

sustainability of Spain and Italy's public debt and the future of the euro project. This was reflected both in terms of financial asset prices – with stock market declines, widening sovereign spreads and exchange rate depreciations – and in terms of volumes – capital outflows from stock markets and the lower pace of fixed-income issuance on international markets together with slightly tighter issuance conditions (see Chart 2). However, this episode of tension was relatively short-lived with the result that from end-May emerging markets began to pick up again and in some cases reached their pre-summer 2011 levels. Subsequently, as mentioned above, the monetary policy measures adopted in developed countries lent further support to these markets. Investors returned to the stock markets, especially to debt, and issuance on primary markets recovered, resulting in a higher volume being placed in emerging markets between January and October than in the same period in 2010, marking an all-time record (see Chart 2).

Developments in Latin American financial markets in the last six months paralleled those in other emerging markets and were determined to a greater degree by global factors than by country-specific events. Between April and May sovereign spreads as measured by the EMBI climbed by almost 100 bp and at the height of the tension stood at around 480 bp (Chart 2). The sovereign spreads of Argentina and Venezuela deteriorated most (widening by 275 bp and 260 bp, respectively). In the case of the former, they were affected by certain government measures to control supply and demand for dollars and, in the case of the latter, they were impacted by the uncertainty surrounding the presidential elections in October. In Chile, conversely, the widening of the spread was limited to 45 bp whereas in Brazil, Mexico, Colombia and Peru it was close to 65 bp.

Since Latin America's exposure to financial flows (direct investment and foreign banks' capital) from the countries impacted most by the euro crisis, particularly, Spain, is higher than that of other emerging regions, Latin American markets were expected to have been affected more directly and sharply than other markets (see Box 1). However, the reaction of sovereign spreads and stock markets was not more intense than that in other emerging economies and was more moderate than that in previous bouts of global tension (see Chart 3). This greater resilience has arisen, furthermore, against a backdrop of a poorer outlook for Latin America's main trading partners, notably China, and of continued low growth expectations in the United States, suggesting that it is the improvement in the region's own economic and financial fundamentals that is supporting this increased autonomy. In this setting the rating agencies' ratings have improved by one notch since the end of last year for the aggregate of Latin America, even taking into account Argentina and Venezuela. Five-year sovereign CDS appear to have an implied rating, obtained through a panel with all the available countries<sup>2</sup> in the A- category (see Chart 3), approximately three notches above that given by the agencies and, at certain points in 2012 Q2, even above the aggregate for the euro area.

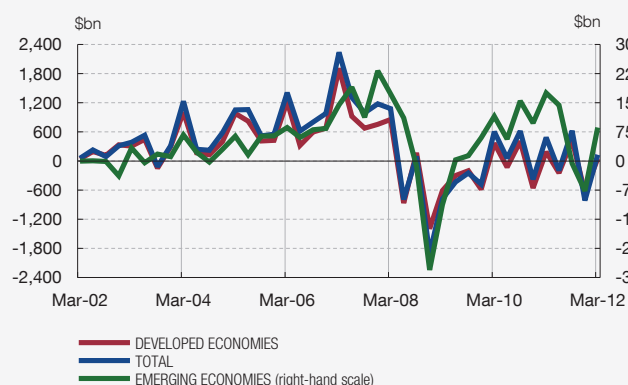
Between April and March, the Latin American stock market posted a decline of more than 21%, measured in dollars, higher than that in Asia but slightly lower than that in Eastern Europe. Accordingly, the region's exchange rates depreciated sharply, especially those of the economies with higher interest rates and more liquid markets which enhance the appeal of carry trade operations, such as Mexico (-8.8%) and Brazil (-5.5%) (see Chart 3). The tensions in global financial markets were reflected in a sharp drop in total capital inflows into Latin America in 2012 Q2 (see Chart 4) to levels similar to those

2 Implied ratings calculated by exponential regression in respect of Standard and Poor's sovereign ratings transformed using the linear scale (21=AAA to 0=D/SD) and the listed premia for five-year sovereign CDS.

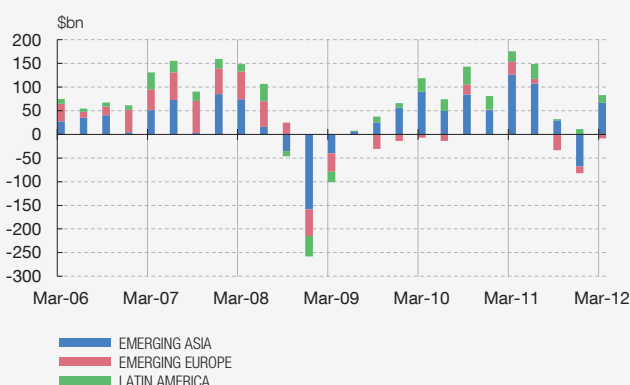
The world's main banking systems underwent strong international expansion in the years before the global economic and financial crisis of 2008. This process of internationalisation proceeded both

directly through cross-border investment (hereafter "cross-border bank flows") and indirectly through expansion of local banking activity in the countries of destination. The bankruptcy of Lehman

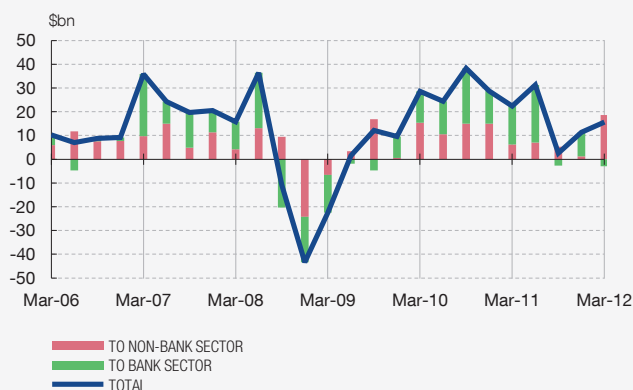
1 TOTAL CROSS-BORDER BANK FLOWS



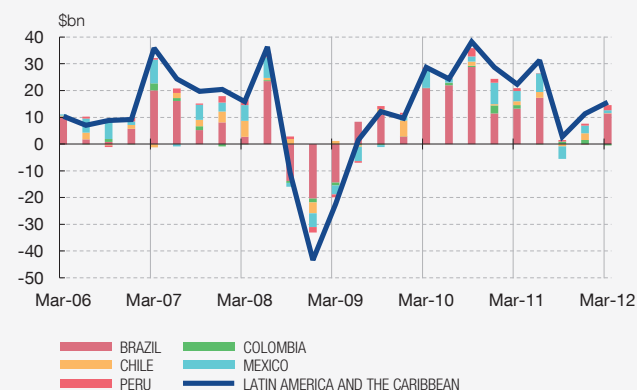
2 CROSS-BORDER BANK FLOWS TO EMERGING ECONOMIES, BY REGION



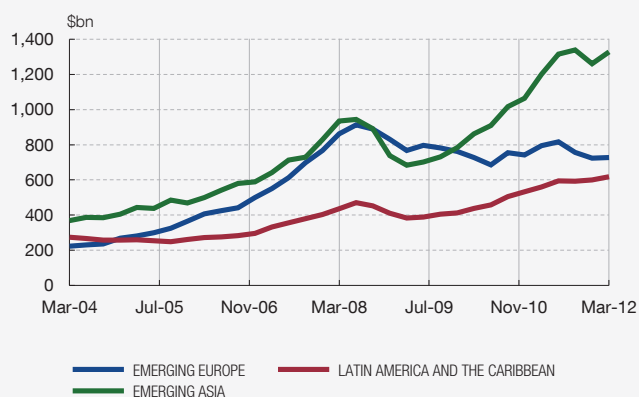
3 BANK FLOWS TO LATIN AMERICA, BY SECTOR OF DESTINATION



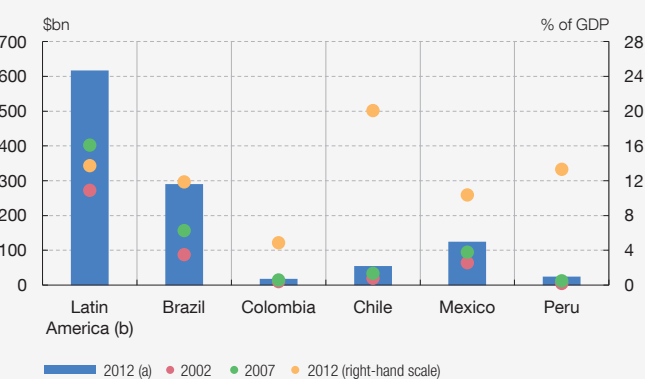
4 BANK FLOWS TO LATIN AMERICA, BY COUNTRY OF DESTINATION



5 CROSS-BORDER BANKING POSITIONS VIS-À-VIS EMERGING ECONOMIES



6 CROSS-BORDER BANKING POSITIONS VIS-À-VIS LATIN AMERICA



SOURCES: BIS Locational Statistics and IFM.

a Data up to 2012 Q1.

b Aggregate of Brazil, Colombia, Chile, Mexico and Peru.



Brothers suddenly interrupted this process, with a more notable impact on cross-border bank flows than on the local banking activity of foreign banks. Panel 1 shows that the successive bouts of financial instability since 2008 continue to have a significant negative impact on cross-border activity.

This Box describes cross-border bank flows to Latin America in recent years and compares them with those to other emerging regions, using the international banking statistics compiled by the Bank for International Settlements (BIS). The analysis is made with so-called Locational Banking Statistics (LBS), which are more appropriate for studying trends in international financial integration (because they focus on cross-border bank flows from the country of origin) than Consolidated Banking Statistics (CBS), also published by the BIS (which include both local exposure and the exposure through investments from the country of origin) and, accordingly, are more suitable for analysing the risks derived from such international expansion.<sup>1</sup>

In particular, LBS allow analysis of whether the deleveraging derived from the global financial crisis or, more recently, from the euro area sovereign debt crisis, is constraining cross-border funding. The analysis focuses in this case on emerging economies, particularly those in Latin America. This issue is important, among other reasons, because of its impact on the financial conditions in the countries receiving these flows.

The recovery of cross-border bank flows following the bankruptcy of Lehman Brothers has been irregular, with significant differences between the advanced and the emerging economies. On the one hand, as seen in Panel 1, bank flows to advanced economies have not recouped their levels prior to 2008. On the other, cross-border bank flows to the emerging economies as a whole rebounded strongly to levels above the previous highs, following the severe contraction between 2008 and 2009, although, as seen in Panel 2, regional composition changed significantly. Thus, flows to eastern

Europe recorded a persistent contraction followed by an additional reduction from 2011 Q3, while emerging Asia and Latin America and the Caribbean recorded an upward trend, recouping and even exceeding the levels prior to 2008.

Recently these developments have been subject to significant fluctuations due to euro area instability, which has had a marked impact on emerging Asia. Note that in 2011 Q4 cross-border bank flows to this region showed a negative stock of around \$70 billion, which contrasts with the strong inflows of previous quarters. Cross-border bank flows to Latin America and the Caribbean underwent smaller fluctuations than in other emerging areas, but exhibited qualitatively similar features. The breakdown by counterparty sector (see Panel 3) shows how cross-border bank flows to the banking sector showed the largest fluctuations in Latin America, a phenomenon similar to that seen in other regions.

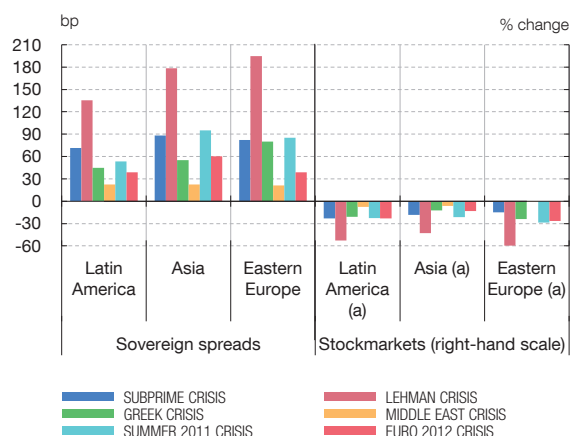
The breakdown by country highlights the notable reversal of cross-border bank flows to Mexico in 2011 Q3 (see Panel 4), and the fall, smaller in absolute terms but highly significant, in Chile. In Brazil, a country financially integrated in the international markets, cross-border bank flows decreased in 2011 to become practically zero, and even posted a negative stock in 2011 Q4. Cross-border bank funding to the non-banking sector proved more resilient than that to the banking sector, although in 2011 Q4 it decreased in Brazil and Mexico.

These developments explain why cross-border bank positions (i.e. the volume of cross-border assets measured by LBS statistics) vis-à-vis Latin America and the Caribbean and vis-à-vis emerging Asia have tended to increase since the crisis, unlike in emerging Europe, where they have gradually decreased (see Panel 5). In any event, cross-border banking positions vis-à-vis Latin America continue to be smaller, measured in absolute terms, than the positions vis-à-vis other emerging regions. The breakdown by country also shows how the increase in international bank positions in Latin America has been practically across-the-board, reflecting the higher international financial integration. Panel 6 shows that in absolute terms the positions are larger in Brazil and Mexico, but that the relative positions, measured as a percentage of GDP, are more significant in Chile.

Overall, cross-border bank flows to Latin America have been more stable than those to the advanced economies or to other emerging regions. In Latin America, more than in other regions, foreign banks have operated through local banks, and this type of banking activity has been less affected by the crisis. These two circumstances may explain why, in regions like Latin America, the impact of the recurring bouts of financial instability on local financial conditions has been relatively slight to date.

<sup>1</sup> There are two reasons why Locational Banking Statistics are of more interest for analysing trends in international financial integration: (i) LBS include assets and liabilities of the banks resident in a country vis-à-vis the rest of the world, including vis-à-vis non-resident banks in the same group, while CBS are designed for studying the risks derived from the international expansion of banking systems and thus aggregate the international positions of the banks whose parent is located in a certain country with the positions of affiliates or subsidiaries located abroad, excluding the positions between them and their parents; and (ii) LBS, unlike CBS, show changes in exchange-rate value-adjusted positions, thus allowing a more accurate estimate of changes in cross-border bank flows by adjusting for this effect. For a detailed explanation of the banking statistics of the BIS and their various uses, see BIS, "Guide to the international financial statistics" (2009).

CHANGE IN SOVEREIGN SPREADS AND STOCK MARKETS



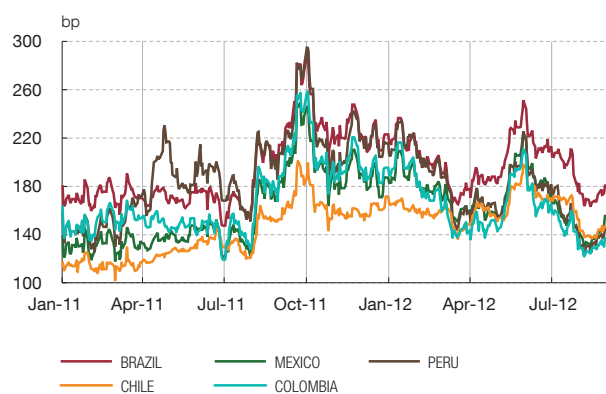
SOVEREIGN RATINGS AND IMPLIED RATINGS IN CDS (b)



STOCK EXCHANGE INDICES



SOVEREIGN SPREADS



EXCHANGE RATE AGAINST THE DOLLAR



SOVEREIGN CDS



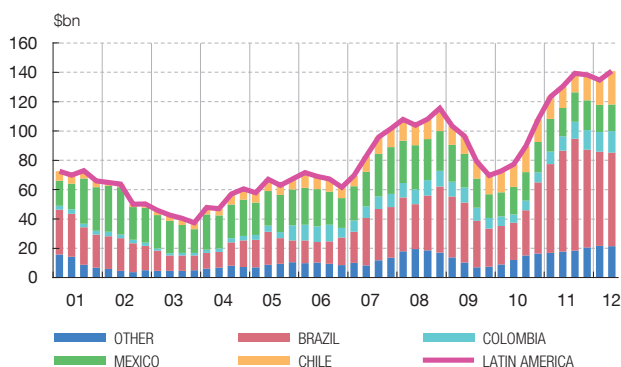
SOURCES: Datastream and JP Morgan.

a MSCI indices in local currency.

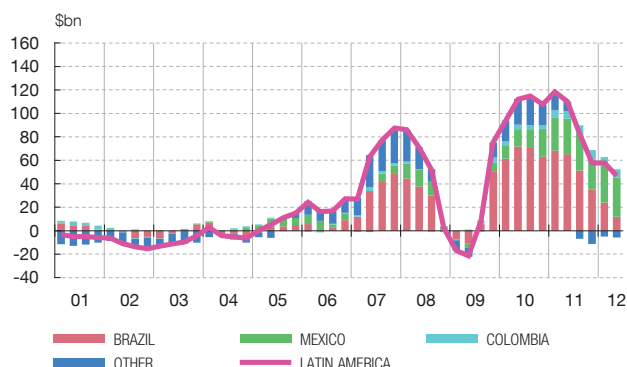
b Standard and Poor's scale. The implied ratings are derived from an exponential correlation between Standard and Poor's ratings and the five-year sovereign CDS.

c Latin American MSCI index in local currency.

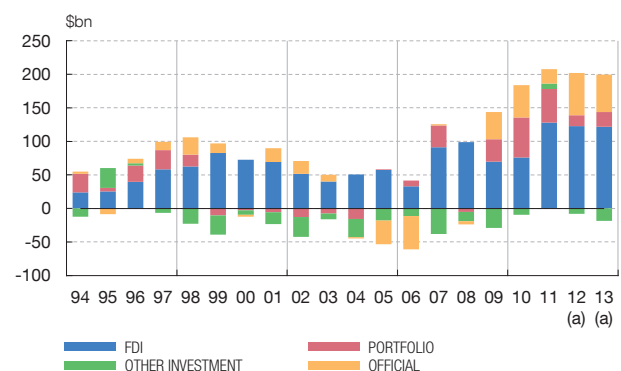
12-MONTH CUMULATED FDI FLOWS



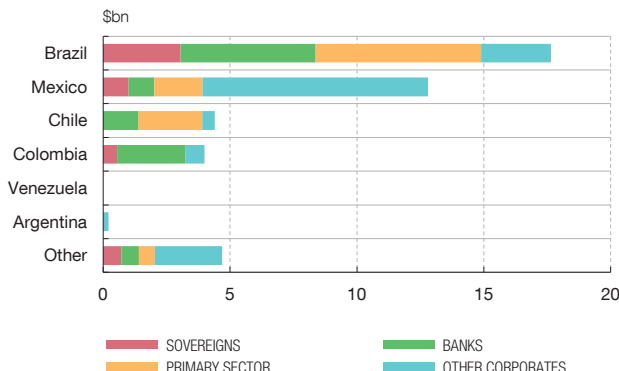
12-MONTH CUMULATED PORTFOLIO INVESTMENT FLOWS



CAPITAL FLOWS RECEIVED BY LATIN AMERICA



INTERNATIONAL ISSUES IN LATIN AMERICA: FROM APRIL TO OCTOBER 2012



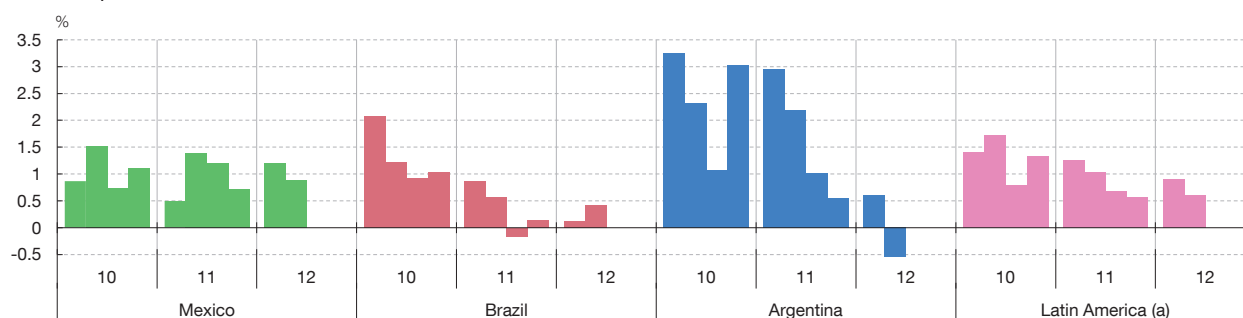
SOURCES: Dealogic, JP Morgan, IMF and national statistics.

a IMF estimate.

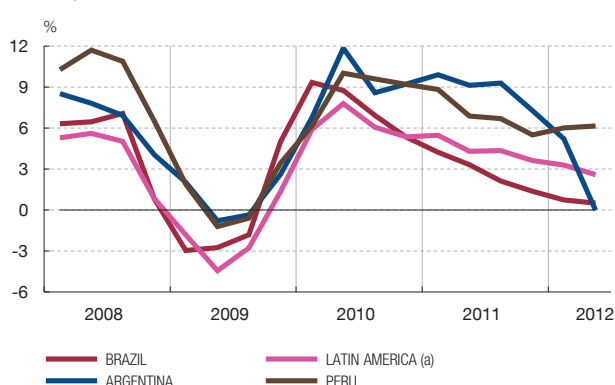
at the beginning of 2009 (slightly less than \$200 billion compared with more than \$250 billion at the beginning of 2011). However, the breakdown of these inflows also changed very significantly since, while direct investment inflows held close to historical peaks (around \$140 billion), portfolio investment flows fell back substantially to levels slightly below \$50 billion (compared with \$120 billion at the beginning of 2011). This moderation in portfolio inflows is accounted for by Brazil since portfolio investment inflows into Mexico remained very buoyant. Conversely, direct investment flows were very robust in most countries: Brazil (\$56 billion), as well as Chile (\$22 billion), Mexico and Colombia. Thus, direct investment inflows stood at 2.6% of regional GDP in Q2, higher than the aggregate current deficit.

From June the region's financial indicators improved significantly despite the backdrop of higher volatility. Sovereign spreads narrowed towards 350 bp, recovering their levels of prior to the turmoil in summer 2011, with sharper falls in the more stable countries, whereas the stock markets increased 14% in dollar terms, slightly more than Asia (10%). Also, fixed-income issuance improved on international markets, although Latin American issuers were less active than in 2012 Q1. Thus, in the six months analysed, issues amounting to more than \$37 billion were placed (see Chart 4), compared with \$41 billion in January-March, representing 23% of total emerging economies' issues compared with 32% in Q1. Brazil and Mexico continue to be the main issuers. In Mexico there is a high level of

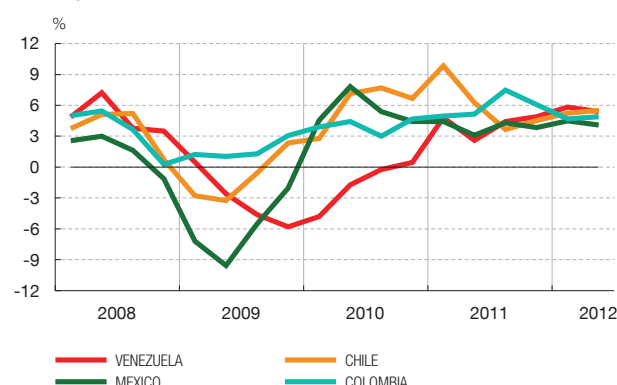
GROSS DOMESTIC PRODUCT  
Quarter-on-quarter rate



GROSS DOMESTIC PRODUCT  
Year-on-year rate



GROSS DOMESTIC PRODUCT  
Year-on-year rate



SOURCE: National statistics.

a Aggregate of the seven main economies.

concentration since only six firms have tapped the markets in this period —compared with ten in Brazil— and only one firm accounted for 54% of total issuance.

Following the depreciation of most Latin American currencies since March, the rise in capital inflows from June led exchange rates to recover their previous levels. The notable exception was the Brazilian real which has corrected part of its previous overvaluation, in a setting of worsening terms of trade and supported by measures taken by the Bank of Brazil, mainly the reduction of official interest rates against a backdrop in which it was possible to withdraw some of the controls used in the past to moderate capital inflows.

## Activity and demand

Following Q1 when sound growth was confirmed in Latin America (averaging 0.9% quarter-on-quarter) the pace of expansion tended to moderate in Q2 to rates of 0.5%, while the year-on-year rate stood at 2.6%, down from 3.3% in Q1. This easing was influenced by activity in Brazil (0.5% year-on-year in Q2) and Argentina (0% year-on-year), since Mexico and Venezuela posted growth above 4% year-on-year in Q2, albeit slowing slightly with respect to Q1, whereas Chile, Colombia and Peru increased their pace of growth in Q2 with year-on-year rates of 5.5%, 4.9% and 6.1%, respectively (see Chart 5).

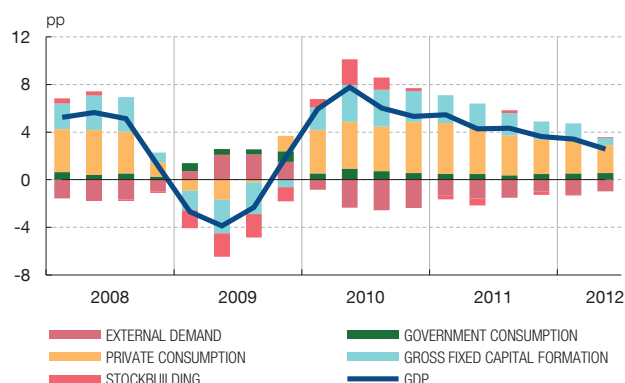
In terms of the regional average, domestic demand remained the main support for activity, contributing 3.2 pp to GDP growth in Q2 (see Chart 6). However, it was also the GDP component that slowed most (1 pp down on the previous quarter and 2 pp down on the average

## BREAKDOWN OF GDP AND INVESTMENT

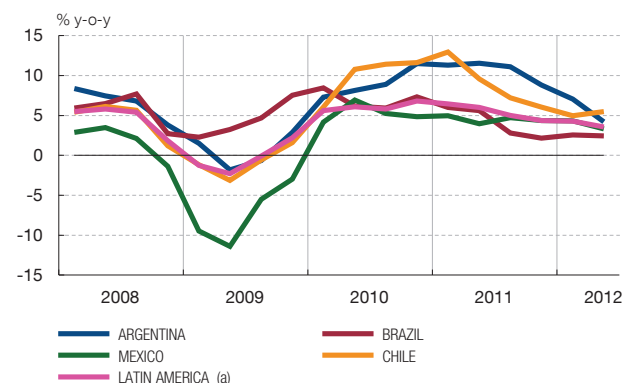
### Year-on-year rates and percentage points

CHART 6

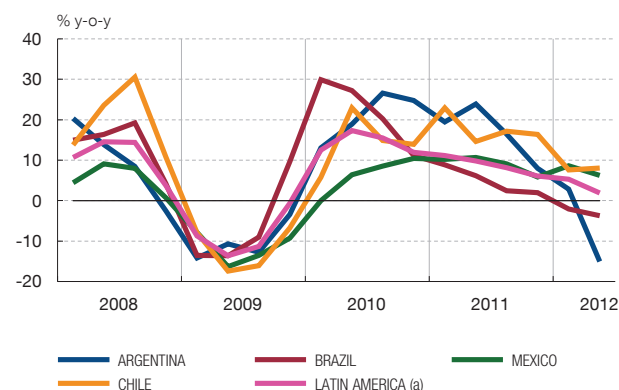
CONTRIBUTIONS TO YEAR-ON-YEAR  
GDP GROWTH (a)



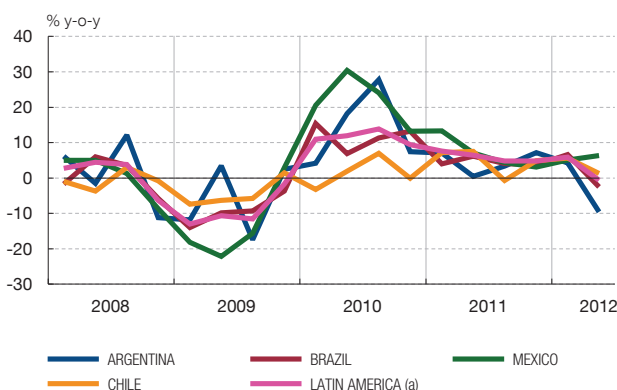
PRIVATE CONSUMPTION  
Year-on-year rate



GROSS FIXED CAPITAL FORMATION  
Year-on-year rate



EXPORTS  
Year-on-year rate



SOURCES: National statistics and IMF.

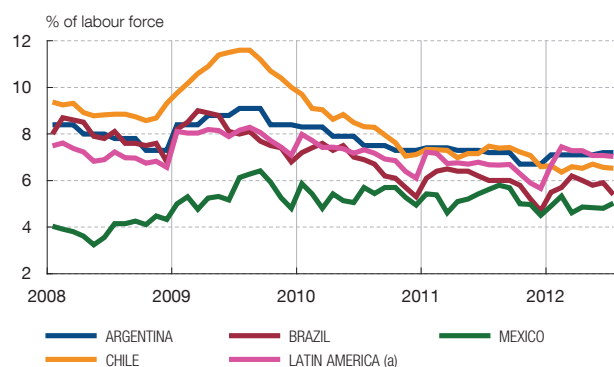
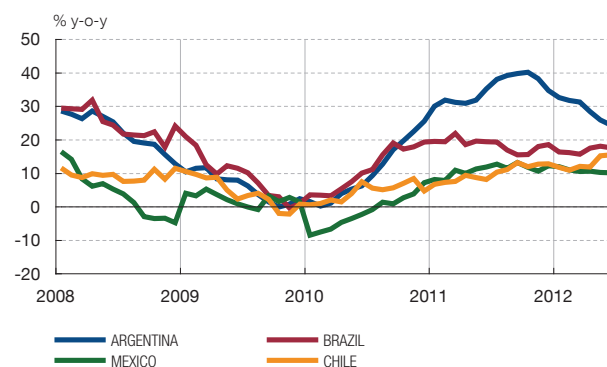
a Aggregate of the seven main economies.

for 2011), mainly due to the weak performance of gross capital formation in several of the largest countries. By contrast, private consumption was more resilient and inventories contributed somewhat to growth, following two quarters of negative contributions.

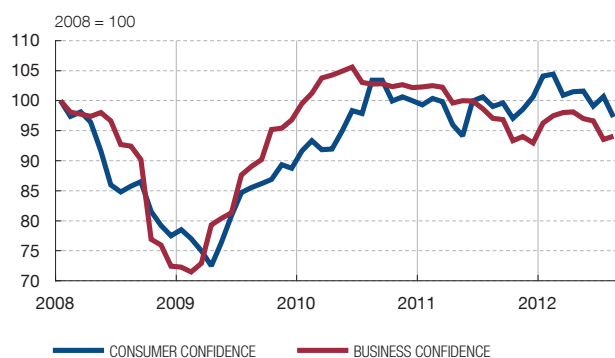
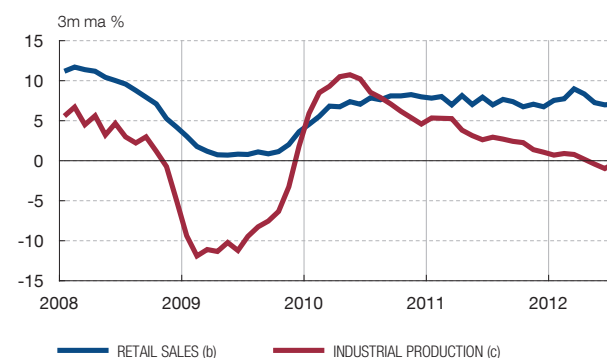
Gross capital formation eased significantly at regional level and increased 1.9% year-on-year in Q2 (compared with 5% in Q1), the lowest rate since 2009. However, there was extensive cross-country disparity since in Colombia, Peru and Venezuela investment grew at year-on-year rates of more than 15%, while in Argentina it fell 15% and in Brazil it declined 3.5%. These differences correspond to different positions in the cycle and specific factors. In Colombia and Peru investment rose notably in a setting of expanding activity and a sharp increase in foreign direct investment. Conversely, in Brazil investment weakened because of the cyclical slowdown and the industrial sector's difficulties, partly due to the currency overvaluation, but also due to structural problems. In Argentina the strong contraction seems to be largely explained by the recently applied foreign exchange controls and restrictions on imports, while in Venezuela investment increased as a result of higher public spending and investment (housing programmes), in view of the elections. From the standpoint of financing investment, note that credit growth remained high – despite international financial instability – and that firms continued to have ample access to funding markets in most countries.

Percentages, indices and three-month moving average of the year-on-year rate

## UNEMPLOYMENT RATE

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

## CONSUMER AND BUSINESS CONFIDENCE INDICES

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

SOURCE: National statistics.

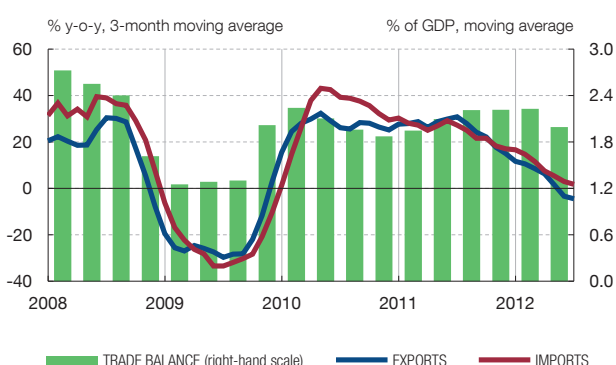
- a Aggregate of the seven main economies.  
b Aggregate of Argentina, Brazil, Mexico, Chile, Colombia and Venezuela.  
c Aggregate of the eight main economies (the former plus Uruguay).

Private consumption showed greater resilience, although its growth moderated slightly to an average rate for the region of 3.4% year-on-year in Q2, in contrast with 4.2% in Q1 and rates of more than 5% in 2011. The slowdown centred mainly on two countries (Mexico and Argentina) since in the other countries growth rates remained similar to those of the previous year. Major determinants of the attendant developments here were the labour market situation, agents' confidence and credit, which continued to perform well in general, without many changes with respect to previous quarters. The average unemployment rate for the region held at similar levels to those in 2011, of around 7.6% of the labour force, close to the record lows (see Chart 7). In Brazil and Chile the labour market remained robust recording unemployment rates of around 6% and 6.5%, respectively, several points below those recorded in 2008, with some wage pressures. In Colombia and Peru the unemployment rate continued to move along a decelerating path, which shows the buoyant activity in both economies. In Mexico employment growth averaged 4.1% in the first half of the year, although the highest rise was in poor quality jobs, as has been the case since the crisis in 2008. Notwithstanding this, and the decline in the numbers unemployed, the unemployment rate stabilised around 5% which is still about 1 pp higher than before the crisis. In Argentina job creation fell in the last two quarters for the first time since the expansionary cycle in 2002 and the unemployment rate rose slightly to 7.2% in Q2.

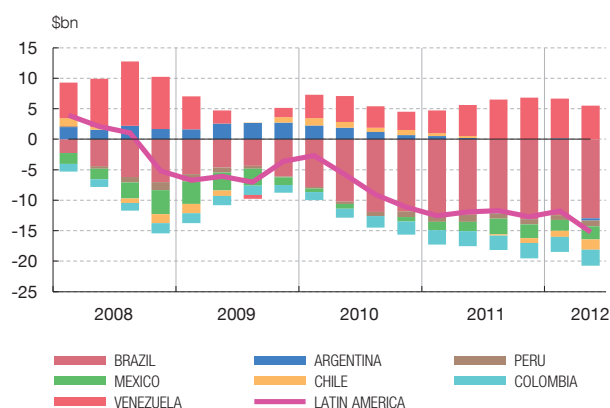
COMMODITIES PRICES  
Indices



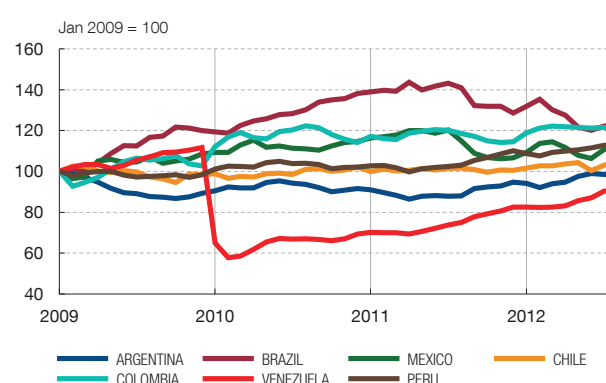
EXPORTS AND IMPORTS (a)  
Year-on-year rate. Quarterly moving average. Percentage of GDP



CURRENT ACCOUNT BALANCE (b)



REAL EFFECTIVE EXCHANGE RATE



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

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

The negative contribution of external demand stood at 0.9 pp, similar to previous quarters, however, on this occasion it is explained by the slowdown of exports which posted a year-on-year rate of change of -0.6% in Q2 (compared with 6.2% in Q1). In previous quarters, the negative contribution of external demand had largely been in response to a strong increase in imports, in a setting of strong domestic demand and buoyant exports. This trend towards a slowdown of exports was widespread, Mexico being the main exception —its cycle is closely tied to the US industrial cycle— with export growth of 6.3% year-on-year in Q2.

The average nominal decline in the region's exports was -4% in year-on-year terms in July (see Chart 8), which means that the downward trend that began in the second half of 2011 was prolonged, after a year of growth rates of roughly 30%. The fall was sharper in value than in volume due to the drop in commodity prices in some countries in the first half of the year (mainly metal and energy prices which decreased by around 15%-20%) and due to the exchange rate depreciation in other countries. By destination, South America's exports to the EU, its main trading partner, fell 8.3% year-on-year to June and, by contrast,



exports to the US grew 4.3% and those to China were up 7.8%, although they also slowed. In Mexico the slowdown arose from the contraction of fuel exports and, on the destination side, of exports to the US and Brazil due to the suspension of the Economic Complementarity Agreements with Mexico. Foreign trade between Brazil and Argentina also weakened considerably as a result of the latter's import restrictions.

Since imports are highly correlated with exports, they also eased in recent months, albeit slightly less than exports. This resulted in a moderate reduction of the region's trade surplus to under 2% of GDP which is mainly explained by developments in Brazil, and in the commodities exporters, Chile and Peru. In Argentina the trade surplus widened substantially. In this setting the current deficit, measured as a percentage of regional GDP, held steady at around 1% of GDP but widened to slightly more than \$55 billion and its distribution changed, with the result that all the region's largest economies (except Venezuela) are currently running a current account deficit (whereas at the beginning of the year only three countries did). The slowdown of economic growth has not changed this trend to date. The current deficit widened particularly quickly in Chile to 3% of GDP, despite continued high copper prices and positive terms of trade. This widening is associated with the robust investment process and the normalisation of the savings rate following the crisis.

The latest economic indicators show mixed signs. On one hand, the industrial sector seems to have bottomed out, judging by the recent recovery of industrial production, and is showing signs of picking up in Brazil and Argentina, two countries which had shown a weaker performance to date (see Chart 7). Contributory factors in the first case were the economic policy stimulus and the partial correction of the strong appreciation of the effective exchange rate of the Brazilian real in recent years, since it has depreciated by almost 20% over the last year (see Chart 8). On the other, indicators related to the external sector and to consumer and business confidence are on the downside in the other countries, partly reflecting uncertainty about the outlook for the global economy and weak external demand.

## Prices and macroeconomic policies

In Latin America as a whole, inflation experienced few changes in the last six months. The average inflation rate of the seven largest economies stood in September at 6.2% year-on-year, the same rate as in March (see Chart 9). Core inflation stood at 6.1%, only 0.3 pp lower than its levels of 2012 Q1, despite the significant slowdown in growth, which underlines some downward stickiness in prices, albeit with considerable cross-country differences. Thus, in Mexico inflation increased appreciably (to 4.8% in September, 0.9 pp up on March) which can be explained by an isolated supply shock arising from bird flu, that hardly affected core inflation or long-term inflation expectations. In the other countries, inflation stabilised (Brazil, 5.3% year-on-year) or posted a slight downward trend (Colombia and Peru, 3.1% and 3.7%, respectively, in September), underpinned by the moderation of food and energy prices, a trend which, nonetheless, has recently been interrupted. In Chile inflation slipped more notably to 2.8% year-on-year which is lower than the central bank's target, partly as a consequence of the appreciation of the exchange rate.

In Argentina and Venezuela inflation rates remained very high. Inflation in Argentina held at around 10% according to official figures (although private estimates indicate more than double this figure), a situation which has got worse on account of the monetary financing of the burgeoning government deficit. In Venezuela the growth rate of prices moderated somewhat, but still stands above 19%.

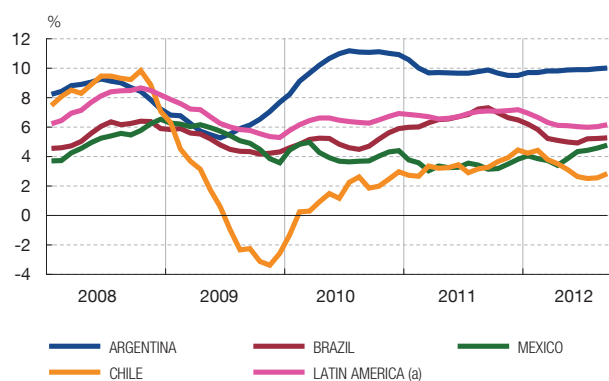
In this setting, the rise in food prices in Q3 (see Chart 9) caused some concern, given the high weight of this item in the consumption basket in several countries in the region.

## INFLATION AND OFFICIAL INTEREST RATES

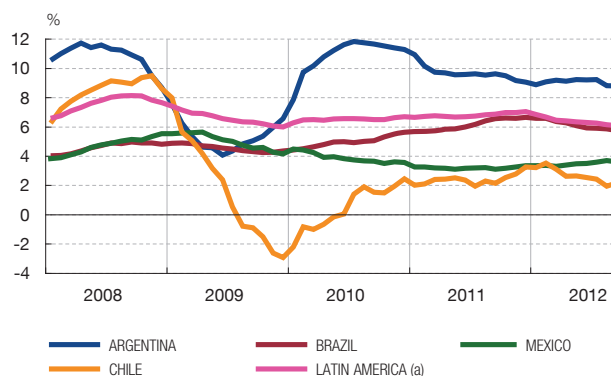
### Year-on-year rates and percentage

CHART 9

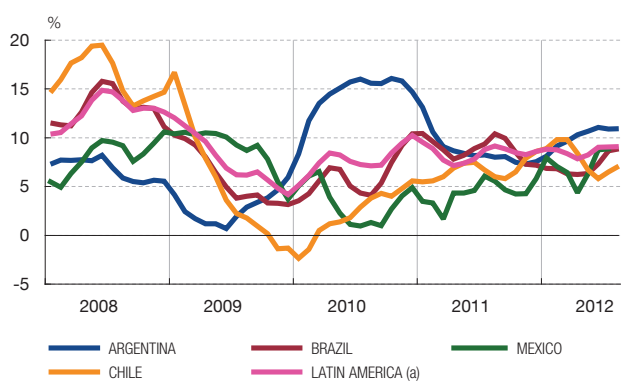
INFLATION RATE



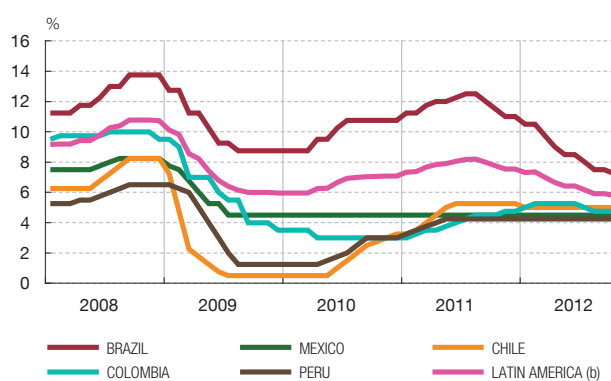
CORE INFLATION RATE



INFLATION RATE OF FOOD



OFFICIAL INTEREST RATES



SOURCES: National statistics and Banco de España.

a Aggregate of the seven main economies.

b Weighted average of the official rates of the five countries with inflation targets (see Table 2).

## INFLATION

### Year-on-year rates of change

TABLE 2

Country	Target	2011		2012		2013
		December	Fulfillment	September	Expectations (a)	Expectations (a)
Brazil	$4,5 \pm 2$	6,5	Yes	5.3	5.2	5.3
Mexico	$3 \pm 1$	3,8	Yes	4.8	4.0	3.7
Chile	$3 \pm 1$	4,4	No	2.8	2.2	3.1
Colombia	$3 \pm 1$	3,7	Yes	3.1	3.1	3.1
Peru	$2 \pm 1$	4,7	No	3.7	3.0	2.9

SOURCES: National statistics and Consensus Forecasts.

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

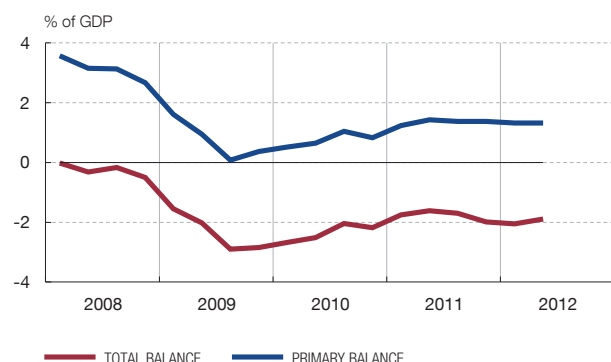
The depreciation since the beginning of the year of several Latin American currencies and the labour market tightness in several countries constitute other risk factors. However, the fact that this rise has not been as widespread by product as that recorded in 2008, that energy prices have not increased to the same extent, and that the less buoyant setting has contributed to closing output gaps in some countries, indicates that pressures on food prices could feed through on this occasion to inflation rates and, especially, to inflation expectations to a smaller degree than they did at that time. In any event, this background contributes to explaining why the downward cycle in interest rates has not spread. Brazil's central bank has continued to cut its official interest rates heavily (by 525 bp since the beginning of the cycle to 7.25%); Colombia's central bank has lowered them by 25 bp on two occasions in July and August, to 4.75%. The other central banks in countries with inflation targets have adopted a wait-and-see stance and further action will depend to a large degree on developments in the external environment.

The stimulus measures were not restricted to conventional monetary policy in Brazil. A series of measures was also adopted to bring down the cost of credit, such as modifying the lower limit of savings deposits (considered a floor for official interest rates); an indirect reduction of the bank reserve requirement; a cut in the long-term interest rate on loans extended by the public bank to 5.5% and the abolition of the tax on financial transactions (IOF by its Portuguese acronym) for operations abroad with a maturity of more than two years. In Peru, by contrast, a series of restrictive measures were taken in this area such as raising the local and foreign currency bank reserve requirement in September and October in order to moderate the inflow of short-term capital and credit growth, although the requirements in respect of foreign trade transactions were reduced.

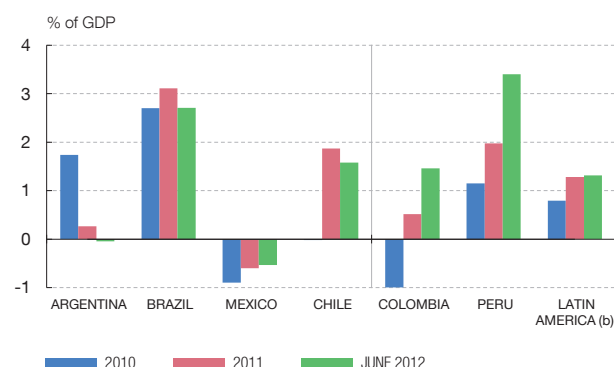
In the fiscal arena Brazil and Peru were the countries which announced most measures. In the former, various stimulus packages were approved, slightly shifting spending towards investment, although without changing the target of a primary surplus for 2012 or 2013 (3.1% of GDP). However, the outturn to August indicates a considerably lower primary surplus in 2012 of 2.5% of GDP. In the other countries the fiscal policy measures were less significant. The region's fiscal and primary balances hardly changed with respect to 2011, averaging around -2% of GDP for the former and around 1.5% for the latter (see Chart 10). Cross-country differences, however, were pronounced since, whereas in Brazil and Chile the primary surpluses fell and in Argentina there was a primary deficit (measured in cumulative four-quarter terms), in Colombia and Peru, as a result of the favourable performance of revenue, their primary surpluses rose noticeably. In this setting, the public debt/GDP ratios stabilised and in some countries continued their downward trend.

Finally, exchange rate policy has not had to face in this half-year period the upward pressures and dilemmas seen recurrently in 2008, 2010 and 2011, in a setting in which capital inflows have tended to moderate (especially portfolio inflows). Accordingly, in certain countries the active use of exchange controls and declines in interest rates seem to have had some effect on moderating the upward pressures. Furthermore, the international financial markets have experienced moments of high risk aversion which have also eased the pressure on and even triggered the depreciation of currencies. Nevertheless, the authorities of Peru and Colombia, for instance, have continued to intervene on foreign exchange markets when they have perceived that there is an overvaluation risk of their currencies (see Box 2). This possibility has even been weighed up in Chile due to the appreciation of the peso, although the authorities have reiterated that levels which would justify an intervention have not been breached. In Peru a new exchange rate intervention policy was announced which is geared at buying smaller amounts of dollars for a fixed

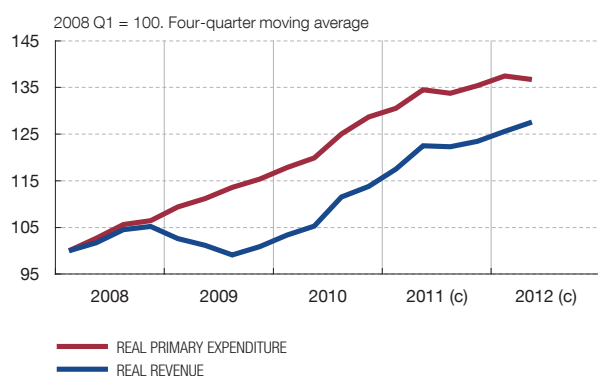
SURPLUS (+) OR DEFICIT (-) IN LATIN AMERICA (a)



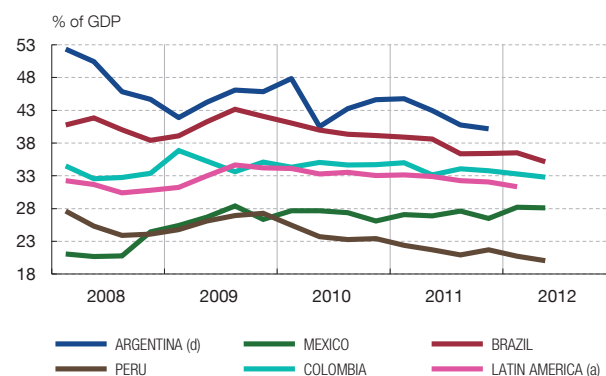
PRIMARY BALANCE



REAL PRIMARY REVENUE AND EXPENDITURE IN LATIN AMERICA (a) (b)  
Index



PUBLIC DEBT



SOURCES: IMF and national statistics.

- a Seven main economies.
- b Deflated by the CPI.
- c Aggregate excluding Venezuela.
- d Excludes untendered debt in the debt swap offers of 2005 and 2010.

amount, irrespective of any appreciation of the new sol exchange rate, in order to introduce greater exchange rate volatility and to discourage speculation and indebtedness in dollars. Finally, in some countries such as Brazil, there seems to be lower tolerance of an appreciation of the exchange rate: following the depreciation of the real against the dollar over the year, the announcement of a third round of monetary easing by the Federal Reserve unleashed buying of dollars at certain threshold levels of the exchange rate which are considerably lower than last year, and even prompted statements about the possible reintroduction of the tax on cross-border financial transactions in order to moderate speculative financial inflows. In the region as a whole, however, the build up of reserves in the last six months has been much more limited.

## Integration processes and structural policies

The trade integration processes in the region continued to progress differently in the countries on the Pacific Rim, which continued to focus on foreign trade, and in Mercosur where the protectionist tensions between Argentina and Brazil heightened with the adoption of measures – although announced as temporary – that have restricted inter-regional trade. In addition to this problem, there were also fresh political tensions among the bloc's members and progress on agreements with other actors in world trade was impossible.

Foreign exchange interventions consist of foreign currency purchases or sales undertaken with the aim of influencing the level and/or volatility of the local currency. If a central bank considers that the exchange rate of its currency has deviated excessively from its equilibrium, it will buy (sell) a foreign currency during periods of upward (downward) pressures. Currently, practically all of these interventions, including those in Latin America, are sterilised through open market operations in order to eliminate their effect on the internal money supply. While unsterilised interventions have a direct impact on the exchange rate through the monetary channel, sterilised interventions have an impact through indirect channels, although there is still broad theoretical and empirical debate about these, both for developed and emerging countries.<sup>2</sup>

Thus, much of the empirical literature analysing this question reaches unfavourable conclusions about their degree of effectiveness: namely, the interventions are estimated not to have a significant influence on the exchange rate and even seemingly increase exchange rate volatility. However, this finding may be the result of a simultaneity problem inherent to the data since the interventions are a response to excessive exchange rate volatility and, consequently, the dates of both usually coincide. That is to say, concluding that greater volatility is the result of the intervention could be misleading.<sup>3</sup> This evidence contrasts with the widespread use of foreign exchange interventions by central banks. In fact, according to different surveys of central banks, the latter trust in the usefulness of these interventions for influencing the level and volatility of the exchange rate.

In addition to this lack of consensus is the fact that very few countries publish their daily interventions – the commonest frequency for this type of analysis. This explains why most empirical studies focus on a few economies: the United States, Japan and Australia. Conversely, studies which have analysed emerging market economies (EMEs) are more scarce, largely due to the lower availability of data, which are frequently considered confidential. Although the dissemination of this information is gradually increasing, only a few EMEs (mainly from Latin America) publish these figures with the aforementioned frequency.

Foreign exchange interventions in EMEs differ in nature from those of developed countries and, consequently, their effects could be different. Thus, this type of operations is more frequent in EMEs than in developed countries, even where the economies follow an inflation-targeting regime, although theoretically this regime

should be linked to a freely floating exchange rate.<sup>4</sup> This flexible implementation of inflation targeting is very common in emerging economies given their vulnerability to abrupt movements in the exchange rate and, consequently, their exchange rate management is usually more active than in developed economies.<sup>5</sup> A priori, it could be thought that the effect of interventions on EMEs would have a bigger impact on the exchange rate than in developed economies, given the larger size of their interventions in relation to the foreign exchange trading volumes since they are less sophisticated markets than developed ones. However, the empirical studies for EMEs are not conclusive either.

The study on which this box is based analyses the effect of the interventions on foreign exchange levels and volatilities in the four economies in the region which publish their data daily – Chile, Colombia, Mexico and Peru – through various GARCH models. As a result of these models it is possible to take into account the volatility of the data in the estimation.<sup>6</sup> These four economies follow monetary policy systems based on the fulfilment of inflation targeting and constitute a representative sample of Latin America, although the main country in the region, Brazil,<sup>7</sup> is missing. Panel 1 shows bilateral exchange rates against the dollar of the Chilean peso, the Colombian peso, the Mexican peso and the Peruvian new sol, together with their corresponding daily interventions.

The Panel shows the varied characteristics of foreign exchange interventions in terms of frequency and size, which differ considerably by country. Thus, these intervention strategies range from purely discretionary ones (Peru), to the use of intervention rules (Chile and, recently, Mexico and Colombia), where the authorities publicly announce the amount of foreign currency to be bought or sold during a specific period, and where more frequent interventions of a smaller size than the ad hoc interventions seem to be involved.<sup>8</sup> This diversity of strategies employed by the EMEs contrasts with that of developed economies that currently perform interventions, such as Japan, where the tendency is to intervene discretionally and only under exceptional circumstances.

<sup>1</sup> Based on C. Broto (2012), The effectiveness of forex interventions in four Latin American countries, Documentos de Trabajo, No. 1226, Banco de España.

<sup>2</sup> Usually, three theoretical transmission channels of the effects of sterilised interventions are cited: the signalling channel, the portfolio-balance channel and the international coordination channel [see Sarno and Taylor (2001) for more details].

<sup>3</sup> Endogeneity problems are present in virtually all the empirical applications that analyse the effectiveness of foreign exchange interventions. Simultaneity problems are also behind some of the scantily intuitive results which are consistent with leaning against the wind strategies in which, for example, dollar purchases give rise to an appreciation of the exchange rate [Kim et al. (2000)].

<sup>4</sup> In principle, assuming that there is mobility of capital flows, an independent monetary policy cannot coexist with an exchange rate that is fixed or pegged to another currency through foreign exchange interventions (the policy dilemma of the impossible trinity).

<sup>5</sup> Berganza and Broto (2012).

<sup>6</sup> The main empirical contributions which study the impact of interventions on the exchange rate have used variants of the GARCH (Generalised Autoregressive Conditional Heteroskedasticity) models. See, for example, Domínguez (1998).

<sup>7</sup> Brazil is not included in the sample because daily data on its foreign exchange interventions are not available. They publish daily volumes of reserves, but the variation in international reserves is a poor approximation of the interventions [Adler and Tovar (2011)].

<sup>8</sup> There are two types of rules: those which aim to moderate exchange rate volatility (Colombia) and those which seek a mechanism to build up reserves (Chile). Mexico also uses the first type of rule with variation in the direction of the intervention (dollar purchases or sales on the spot market or via options). At present and since November 2011, a rule has been applied of buying up to \$400 million daily if the peso depreciates by more than 2% daily against the dollar.

Another significant aspect is the possible asymmetrical effect of the interventions, namely, whether the magnitude of the impact of the foreign currency sales (negative interventions to avoid currency depreciation) on the level and volatility of the exchange rate is different to that of purchases (positive interventions with the aim of mitigating appreciation). This question had virtually not been analysed to date, however, following the outbreak of the global economic financial crisis in summer 2007, many central banks of EMEs implemented sales of reserves, of the opposite sign to those predominating prior to the crisis, which makes it easier to study this matter. Panel 1 shows that from the beginning of the period analysed, in Chile, Colombia and Peru interventions to purchase dollars have predominated, coinciding with the appreciation of their bilateral exchange rate against the dollar. Conversely, in Mexico dollar sales are more usual, given the depreciating trend of the Mexican peso and the central bank's strategy of smoothing market trends.

Several conclusions can be drawn from the empirical study. For instance, foreign exchange interventions seem to have asymmetrical effects, especially on exchange rate volatility. Furthermore, monitoring interventions based on their sign makes it easier to

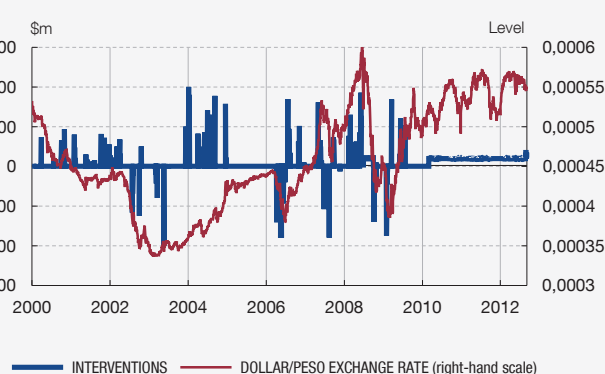
analyse the type of intervention, in terms of frequency and size, which is more effective. The results of the various estimations offer a clear pattern: on one hand, the size of the interventions does not seem to play an important role in reducing volatility or in achieving a specific exchange rate level. By contrast, isolated interventions or those which are the first following the adoption of a rule or in a series of interventions do seem to moderate exchange rate volatility in the four countries. The results for the level of the exchange rate are not as robust.

Since the four economies follow inflation targeting, this evidence suggests that the ad hoc interventions or the initial ones, following the creation of a rule, provide a signal to markets, irrespective of their size, and reduce exchange rate volatility. This result could be linked to the credibility of the inflation-targeting regime and offer further empirical support for the advantages of monetary policies instrumented through flexible inflation targeting. Additionally, these conclusions would support the empirical validity of the signalling channel in sterilised interventions, insofar as central banks would be indicating to the markets information about their future monetary policy or their outlook for the long-term equilibrium exchange rate.

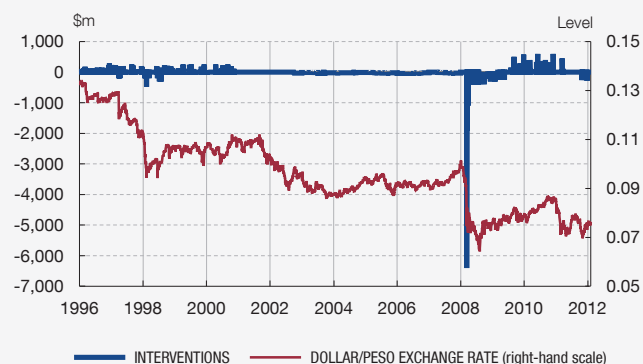
#### 1 CHILE



#### 2 COLOMBIA



#### 3 MEXICO



#### 4 PERU



SOURCES: Datastream and national central banks.

a An increase (decrease) in the exchange rate indicates the appreciation (depreciation) of the local currency against the dollar. Foreign exchange interventions have a positive sign when they are dollar purchases and a negative sign when they are dollar sales.

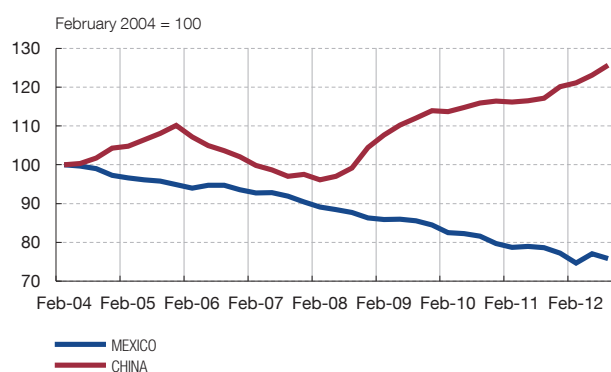
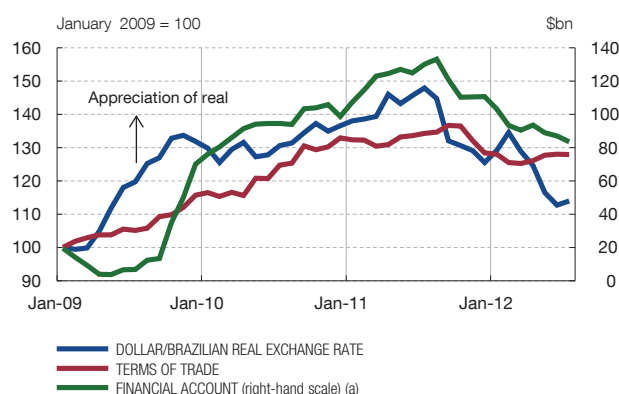


Thus, the Pacific Rim countries (Colombia, Peru, Chile and Mexico) created the Pacific Alliance in order to step up trade integration and to counter the protectionism of other blocs in the region, at the same time as they continued to sign or negotiate treaties such as that between Colombia and South Korea. Conversely, within Mercosur protectionist measures abounded such as new tariffs on capital goods imported by Argentina or various measures to protect local industry in Brazil, including, inter alia, the restriction of the automobile free-trade agreement with Mexico. At the summit held end-June the number of tariff items for which a temporary tariff increase was permitted for non-Mercosur products was raised from 100 to 200, although non-trade matters dominated the summit, in particular, Venezuela officially joining the trade bloc. No specific plans for opening up trade to other major players such as the European Union or China were made.

Turning to structural reforms, the new Mexican government suggested the possibility of implementing a labour reform (with unemployment benefit, regulation of temporary employment, reform of the role of trade unions and the introduction of a trial period in contracts), the universalisation of the social security system financed through taxes, an energy reform (opening up PEMEX to private investors while maintaining ownership and control of the company) and fiscal reform (broadening the VAT bases). Furthermore, the labour reform, proposed by the outgoing president of Mexico was approved, albeit with a smaller scope than was originally proposed. In Peru, the parliament approved the private pension system reform in order to increase current coverage of those contributing by 40% with the introduction of certain conditions for compulsory contributions (only 34% of employees are covered under these arrangements) and reduce the commissions charged by the employee pension fund managers. A tax reform was also approved which intends to raise tax revenue by 3 pp of GDP in five years, by abolishing certain tax allowances and reducing tax evasion. In Chile a tax reform was also approved with the aim of increasing tax revenue by reducing evasion, increasing corporate income tax, abolishing some allowances and eliminating legal loopholes which give risk to tax arbitrage. An increase in the tax on tobacco was also agreed, representing a further 0.2% of GDP to be used for improvements in education. Furthermore, half of household expenditure on education will be deductible. In Venezuela a new Labour Law was approved which increases labour costs and the payment of pensions and aims to reduce the shadow labour market. Lastly, the Bolivian government issued a decree for the expropriation of Transportadora de Electricidad, a subsidiary of the Spanish group Red Eléctrica, on the grounds of insufficient investment.

#### Economic developments by country

Economic activity in *Brazil* remained sluggish in the first half of the year, recovering more slowly than expected from the sharp slowdown recorded in the second half of 2011. GDP grew 0.4% quarter-on-quarter in 2012 Q2, after having expanded by 0.1% in Q1, and the year-on-year growth rate eased to 0.6% in Q2, down from 0.8% in Q1. This performance was once again explained by weak gross capital formation (-3.7% year-on-year), whereas private consumption continued to increase at a moderate pace (2.5%). The negative contribution of external demand stood at 0.5 pp, in line with previous quarters, the difference being that it was linked to a 3.9% contraction in exports in year-on-year terms. The lacklustre state of the economy stems from industrial weakness which is partly attributable to the delayed effect of the exchange rate appreciation in recent quarters, that despite having been corrected, could be weighing on competitiveness. Another factor that has had a negative impact on growth is lower external demand, partly linked to the restrictions imposed by Argentina and the weakness of the euro area. Factors such as rising household indebtedness could also have moderated growth of private consumption with respect to more robust growth recorded in prior years. In conjunction with this, growth is being limited by structural factors which include, most notably, the high cost of capital and the

MEXICO: WAGE COSTS  
IndexBRAZIL: EXCHANGE RATE DEPRECIATION, FINANCIAL FLOWS AND  
TERMS OF TRADE

SOURCES: Banco Central de México, Banco Central de Brasil, Oxford Economics and Datastream.

a 12-month cumulated flows.

shortage of infrastructures. Activity indicators point to a slight recovery of the economy at the end of Q2, due to more buoyant retail sales and a slight pick-up in industrial production, underpinned by the considerable stimulus provided by economic policies. Inflation stood at 5.3% in year-on-year terms in September, practically unchanged relative to its level six months ago. Credit to the private sector posted high growth rates of 17% year-on-year to August, despite lower growth in recent months. The Brazilian real experienced the highest depreciating trend in the region during the last six months, moving within a range of 2-2.1 reales to the dollar, partly due to lower portfolio inflows (see Chart 11). In this setting, the central bank extended monetary easing, cutting official interest rates by a further 175 bp to 7.25%, which represents a reduction since the beginning of the downward cycle of 525 bp. The current account deficit held steady at around 2.2% of GDP. In the fiscal area, the primary surplus decreased over the six months to 2.5% of GDP in August, below the target set at 3.1% of GDP. This reduction in the surplus stems from lower-than-projected revenue —affected by the cyclical slowdown and lower extraordinary revenue— and the increase in spending (partly linked to the increase in the minimum wage which came into effect at the beginning of the year). The target of a primary surplus of 3.1% is maintained in the draft budget for 2013. Against a backdrop of a persistently weak industrial sector, certain tax relief and allowances were introduced or extended in order to boost the car industry and investment in capital goods. An infrastructure investment plan was announced, an area in which there is deemed to be a significant shortage. As a result of this 25-year plan, investments will be made in highways and railways amounting to 1.8% of GDP over the next five years; it will include resources from the public bank (BNDES), with private funding and tax allowances, and has been assessed positively since it is targeted at overcoming some of the structural limitations on Brazil's growth.

In *Mexico*, the economy performed better than expected in the first half of 2012, quickening slightly with respect to the previous half-year period. The higher buoyancy was especially noticeable in Q1 when GDP grew 1.2% quarter-on-quarter (4.5% year-on-year) and the pace of expansion moderated in Q2 (0.9% quarter-on-quarter and 4.1% year-on-year). By component, growth was supported by the robust increase in investment (7.5% in the first half of the year, as a whole), underpinned by government investment which grew 11.1% in the six-month period and offset a slight slowdown in private investment (6.6%), which nonetheless remained notably buoyant; conversely, private consumption moderated



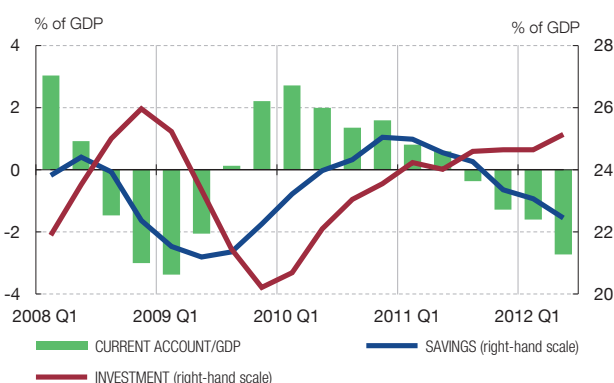
notably (3.8% in the six-month period, as a whole). Furthermore, exports grew by 6.3% year-on-year in Q2 which exceeded the growth rate of imports, generating a positive contribution from external demand. The higher frequency data indicate that the pace of growth in activity remained the same, with a higher contribution from industry and the external sector, and a slightly lower one from domestic demand. The external sector seems to be benefitting, among other factors, from a gradual narrowing of the wage-cost differential with respect to China, one of its main competitors in the US market (see Chart 11), although the gap is estimated to continue at around 25%. Private consumption was supported by fluid access to financing (consumer credit continues to expand at high rates in the region of 19% in real terms) and by the gradual improvement in the labour market, although mostly poor-quality jobs continue to be created. By contrast, the growth rate of remittances eased in the first half of the year and showed a negative year-on-year rate of change in July. Investment, as indicated above, held at high growth levels insofar as the cost of borrowing, both internally and externally, fell back and the rate of increase of credit quickened in the six-month period. Inflation rose strongly from April onwards, up from a rate of 3.4% to 4.8% in September, above the upper interval of the central bank's target range ( $3\% \pm 1\%$ ), owing to the shortage of certain foods due to isolated supply problems. Core inflation held at 3.6% and medium and long-term inflation expectations remain anchored at around 3.5%, although short-term inflation expectations rose further to the publication of official figures. Against this background, the central bank kept its official rate unchanged at 4.5%, where it has held since July 2009 and although in September the tone of its statement was more restrictive, a tightening of monetary conditions in coming quarters has not yet been discounted. The peso depreciated 10.2% between April and May, which activated on two occasions the dollar auctions that had been reintroduced in November 2011, and subsequently recovered to similar levels to those in March. In the fiscal realm, the deficit decreased to 2.5% of GDP (considering PEMEX's investment), from 2.7% at end-2011, due to the higher contribution of the state-owned petrol company to the budget. The current account balance posted a deficit of 0.5% of GDP in Q2 — lower than in previous quarters — as a result of the ongoing wide trade surplus. Capital inflows declined, particularly those related to carry trade operations. Finally, on 1 July presidential and parliamentary elections were held in Mexico which were won by the PRI. The first task for the new government, which came to power on 1 September, will be drawing up next year's budget for which no changes to taxes are expected.

Activity in *Argentina*, which had already lost momentum in the second half of 2011, slowed further over the first half of the year. Thus, in Q2 real GDP fell 0.8% quarter-on-quarter (following growth of 0.6% in Q1). In year-on-year terms, the economy recorded zero growth in Q2 (5.2% in Q1). Idiosyncratic factors have had a greater weight than external ones in the correction of activity. Accordingly, import restrictions have triggered a notable adjustment in purchases abroad (-14% year-on-year) and in gross capital formation (-15%), due to the effect of investment in capital goods, whereas foreign exchange controls, among other consequences, have cooled down the housing sector, a market with mostly dollar-denominated transactions. Consumption, by contrast, has held up as the main engine of growth. The private component increased 4.2% year-on-year in Q2 (10.7% in 2011) and government consumption rose 6.8% (10.9% in 2011). The contribution from external demand was positive despite the 9.5% decline in exports, which is partly attributable to the weakness of Brazil. The high frequency indicators show that the economy could have begun to stabilise. In fact, although restrictions remain on the currency market, other factors dampening growth are abating. Accordingly, certain import restrictions have been relaxed, a better harvest is expected (with high prices) and Brazil, its main trading partner, seems to have got back onto a more buoyant path. The current account once again re-

ARGENTINA: EXCHANGE RATE VIS-À-VIS THE DOLLAR



CHILE: CURRENT ACCOUNT



SOURCES: Banco Central de Argentina, Banco Central de Chile and Reuters.

corded a positive balance (after posting a deficit in the three previous months) due to the higher trade surplus – despite the increase in the energy deficit. Public finances have deteriorated substantially as a result of the increase in primary expenditure and the fall in tax revenue, with the government deficit standing at 1.9% of GDP in Q2 in annualised terms. As a result of the foregoing, public institutions, including pension fund administrators and the central bank, have become more reliant on the Treasury for financing. The attendant advances to the Treasury have reached their highest level since January 2003. Growing recourse to the central bank has contributed to perpetuating high inflation, of around 10% according to official figures (although private estimates indicate rates of more than 20%). Negative real interest rates together with a continuing overvalued exchange rate are behind the growing demand for dollars as a safe-haven asset and capital flight. Capital controls have been implemented in an attempt to contain capital flight. These measures have succeeded in stabilising the volume of international reserves, but they have prompted the re-emergence of the informal market on which the dollar is traded at a high premium – of around 35% with respect to the official exchange rate (see Chart 12). At the same time the withdrawal of dollar deposits has stepped up to more than \$6.5 billion (45% of total dollar deposits) since the sale of dollars was regulated at the end of last year.

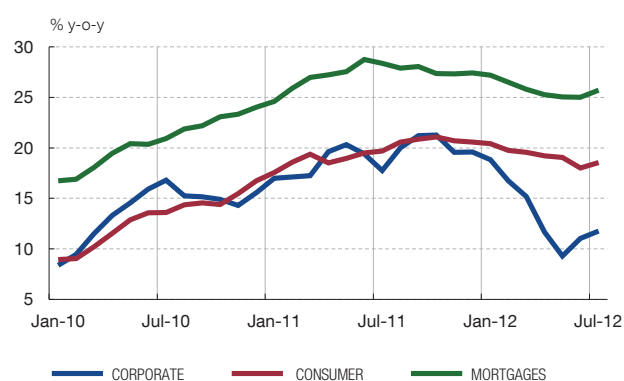
Economic activity in *Chile* was notably buoyant in the first half of 2012, exceeding expectations and showing high resilience to the deteriorating external environment and the see-sawing of global markets. Thus, GDP in 2012 Q2 posted quarter-on-quarter growth of 1.7% (5.5% year-on-year), which was even higher than in the previous quarter (1.3% quarter-on-quarter and 5.3% year-on-year). The expansion continues to be led by domestic demand which grew 7.2% in Q2, underpinned by the favourable performance of the labour market and the temporary effect of strong inventory building. Thus, the contribution of external demand, which was positive in Q1 (0.6 pp), turned negative once again in Q2 (1.8 pp), as a result in particular of the slowdown of exports, especially due to lower copper prices. The trade surplus fell by almost 67% in the nine months to end-September, due to a year-on-year decline in exports of 5.5% and an increase in imports of 4.3% which has widened the current account deficit, that stood at 2.7% of GDP in Q2 (see Chart 12). The high frequency indicators show that a slight slowdown has begun, especially in the investment component. Inflation has also been a favourable surprise throughout the year with a pronounced downward trend from rates of 4% in the early months of the year to 2.8% in September, although with a sharp contrast in the performance of tradeable and non-tradeable goods prices. The rise in the former fell back notably due to the adjustment of energy

and food prices, and due to the appreciating trend of the peso, which despite bouts of volatility has strengthened by around 10% since the beginning of the year. Conversely, the rise in non-tradeable goods prices remained high with pressures linked to the tightness of the labour market (unemployment rate of 6.4% in the quarter June-August and growth of real salaries by around 3% in recent months). In the future, inflation could reverse its trend in view of the recent rise in international food prices, however, long-term inflation expectations remain anchored at 3%. In this context, the central bank has left the official interest rate unchanged at 5% since January, when it implemented a cut of 25 bp. The interest rate curve does not discount short-term declines. The rate of expansion of bank lending has decreased slightly, although it continues to grow by more than 10% in real terms. In the fiscal arena, the surplus built up in the first half of the year (2% of GDP) was slightly higher than projected due to the favourable performance of tax collection. Thus, although the stimulus applied in 2009 and 2010 has not been fully withdrawn, a structural deficit of 1.4% is projected to be reached before year-end, and the government's target is for it to be 1% in 2014. Faced with a worsening external scenario, Chile not only has some room to relax monetary and fiscal policies, but it also has more than \$39 billion in dollar reserves and a sovereign wealth fund, which in August amounted to almost \$15 billion, while the Pension Reserve Fund totalled more than \$5.7 billion.

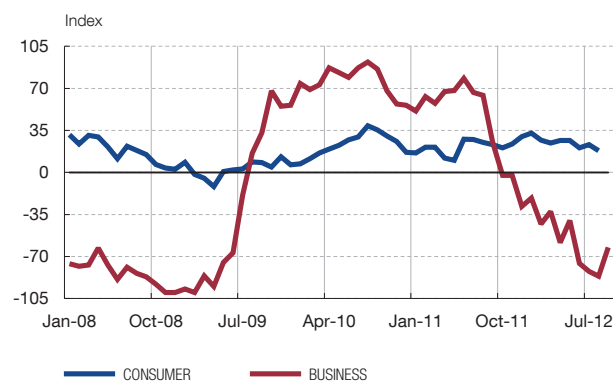
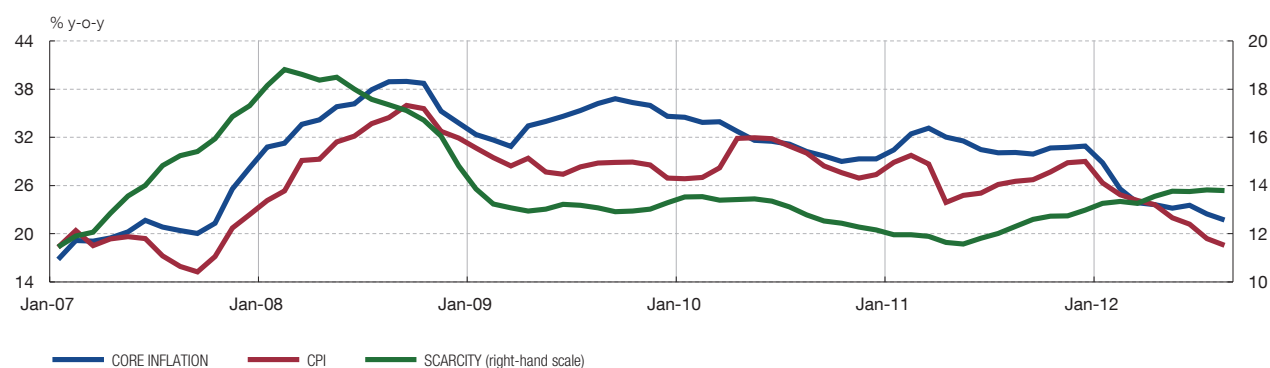
In *Colombia*, following robust buoyancy in 2011, economic activity slowed down notably throughout 2012 Q1, although it regained greater momentum in Q2. Thus, quarter-on-quarter growth was 1.6% in Q2 (0.3% in Q1), while the year-on-year rate stood at 4.9% in Q2 (4.7% in Q1). This performance is explained by developments in gross fixed investment, which during Q1 eased its year-on-year growth rate to 7.8%, while in Q2 it grew 15.5%, owing especially to the quickening pace of civil engineering works. Private consumption which had been growing strongly, supported by the gradual reduction of the unemployment rate, eased to 4.2% in Q2 due to less support from the labour market with an unemployment rate that has stabilised in recent months at 10.9%. Similarly, the contribution from external demand was negative after imports increased by 9.5% and exports fell 2%. The high frequency indicators point to a slight slowdown prompted by both external and local demand, especially in the manufacturing sector which also has been affected by the currency appreciation. In fact, business confidence has deteriorated continuously since the beginning of the year (see Chart 13). Inflation has gradually corrected from 3.6% in January to 3.1% in September. Furthermore, the real growth rate of credit decreased from 24% at the beginning of 2012 to less than 18%, which mitigates the associated risks. In this context, the central bank left official interest rates unchanged until its meetings in July and August, when it adopted cuts of 25 bp, leaving the official interest rate at 4.75% in September. Likewise, in order to control upward pressure on the Colombian peso, the central bank extended its daily dollar purchasing programme until March 2013, at the same time as the Public Treasury also began to make specific purchases. The central government's deficit continues to moderate as a result of the increase in tax revenue (especially, oil-related revenue), which is widening the primary surplus and, consequently, it has been possible to revise downwards the fiscal deficit projection for 2012 by 0.4 pp to 2.4%.

Although *Peru's* economy remains the most buoyant in the region, it has slowed slightly over the year. In Q2 GDP increased 1.4% quarter-on-quarter, below the rate of increase of 2.1% posted in Q1. In year-on-year terms, GDP increased 6.1%, the same rate as in the previous quarter. Domestic demand continued to act as a support and private consumption remained robust (5.6% year-on-year in Q2 and 5% in Q1) as did gross capital formation (16.1% in Q2 and 15.4% in Q1). By contrast, external demand made a negative contribution to GDP in Q2 of 1.6 pp (+0.1 pp in Q1), due to the extraordinary moderation of

PERU: REAL CHANGE IN CREDIT TO THE PRIVATE SECTOR



COLOMBIA: CONFIDENCE INDICES

VENEZUELA: INFLATION RATES AND SCARCITY INDEX  
Year-on-year change

SOURCES: National sources and Fedesarrollo in Colombia.

exports, especially mining exports, which is in response to both slowing demand and temporary supply problems. According to high frequency indicators there will only be a gradual slowdown that will foreseeably be mitigated by public spending and investment, owing to the implementation of the second economic stimulus package agreed in June which is equivalent to 0.4% of GDP (in order to boost investment and public spending, to extend welfare programmes, improve infrastructures and support exports). The current account deficit increased in Q2 to 2% of GDP, due to the strong decline in the trade surplus (see Chart 13). The surplus on the financial account widened to 7.5% of GDP, as a result of higher long-term capital flows to the private sector. Inflation has shown a decreasing trend over the year, resulting from the moderation in food and energy prices, although in September it stood at 3.7%, still above the upper limit of the central bank's target interval, affected by the rise in international food prices. The central bank held the official rate at 4.25%, unchanged since May 2011. Despite the complicated external environment, the new sol has appreciated by around 4% in the year, which would have been higher without the build-up of international reserves of more than \$10 billion, an increase in the stock of more than 20%. Likewise, the central bank raised average reserves in national and foreign currency by 100 bp in order to moderate the inflow of short-term foreign capital and credit growth, which over the year held on a decreasing trend, albeit at high rates (see Chart 13). Turning to fiscal matters, the non-financial public sector achieved a surplus in Q2 equivalent to 3.4% of GDP arising from the increase in current revenue which reflects buoyant domestic demand. The government envisages that the structural fiscal deficit will have been eliminated from 2013 onwards.

Venezuela's economy showed a strong upswing in growth in 2012 Q1. GDP expanded by 4.3% quarter-on-quarter and by 5.8% year-on-year and subsequently slowed to 5.4% year-on-year. Domestic demand grew 16.4% year-on-year in Q1 and 13.1% in Q2, due to the quickening of public and private consumption and, especially, investment. The contribution of external demand to growth was highly negative (-14 pp in Q1 and -11.3 pp in Q2), owing to more buoyant imports — on account of the greater availability of foreign currency in the economy — and weak exports, which even fell in year-on-year terms in Q2. Inflation has gradually moderated over the year from 29% at end-2011 to 19% in September, although the increase in the scarcity index compiled by the Central Bank of Venezuela seems to indicate the presence of some suppressed inflation (see Chart 13). Furthermore, in July government legislation came into force which aims to raise the amount of dollars in circulation in Venezuela; specifically in the parallel foreign exchange market (SITME), since it authorises certain agents to open accounts denominated in a foreign currency — accounts which, in any event, would be settled in local currency at the official exchange rate — to which dollar reserves would be applied, and authorises export firms to trade 5% of their foreign-currency revenue in SITME. As for public finances, on central bank figures, 2011 ended with a central government deficit of 3.4% of GDP, 0.1 pp down on 2010, on account of an increase in non-oil revenue of 3.2 pp of GDP, which financed a rise in current expenditure of 2.6 pp (essentially, higher debt service payments). Using other sources, such as ECLAC, the public sector deficit is estimated to have stood at around 6.5% of GDP in 2011, which, coupled with growing public debt (which has risen from 13.6% of GDP in 2008 to 35.5% in March 2012), raises doubts about the sustainability of public finances. The election year has also generated a sharp increase in expenditure (above 36% year-on-year in real terms in 2012 Q1). The current account surplus stood at 6% of GDP in Q2 in annualised terms and foreign direct investment amounted to 1.3% of GDP. After the presidential elections of 7 October which were won by the incumbent, the sovereign spread stabilised at around 900 bp.

15.10.2012.



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## Introduction

In comparison with previous years, a large amount of new financial legislation was enacted in 2012 Q3.

The European Central Bank (ECB) adopted three guidelines: one to establish temporary measures relating to Eurosystem refinancing operations and the eligibility of new collateral in monetary policy operations; a second to update the TARGET2-Securities regulations; and a third to introduce an information exchange system for cash transactions in the Eurosystem.

In relation to credit institutions, four pieces of legislation of some significance were published: to regulate a new framework for the restructuring and resolution of institutions, and to attribute new powers to the Fund for the Orderly Restructuring of the Banking Sector (FROB); to implement regulations on the remuneration policy of institutions that receive public financial support for reorganisation or restructuring; to update the rules on transparency and protection of bank service customers; to modify certain financial provisions in order to grant new powers to the European Supervisory Authorities (ESA).

Regulations on State debt market-makers were updated.

Two pieces of legislation were enacted in relation to the securities market: to update the regulation of collective investment institutions (CIIs), in accordance with the latest amendments introduced in the law which regulates them, and to amend the law on the derivative instrument transactions of CIIs.

In relation to Union law, two regulations were published which implement certain aspects of the law on short positions. Also, a regulation was published relating to extra-stock market derivatives, central counterparty institutions (CCIs) and transaction registers.

Finally, the financial and fiscal changes introduced by two royal decree-laws are summarised: one on the approval of measures to ensure budgetary stability and foster competitiveness, and the other, relating to the adoption of liquidity measures for regional governments.

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

## European Central Bank: refinancing operations and collateral in monetary policy operations

*Guideline ECB/2012/18 of 2 August 2012* (OJ L, 15 August 2012) on additional temporary measures relating to Eurosystem refinancing operations and eligibility of collateral and amending Guideline ECB/2007/9 on monetary, financial institutions and markets statistics was published.

The measures established must be applied temporarily until the Governing Council of the ECB considers that they are no longer necessary, to ensure an appropriate monetary policy transmission mechanism.

## OPTION TO TERMINATE OR MODIFY LONGER-TERM REFINANCING OPERATIONS

The Eurosystem may decide that counterparties may reduce the amount of, or terminate, certain longer-term refinancing operations before maturity. Such conditions will be published in the announcement of the relevant tender.

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## COLLATERAL

The Guideline specifies additional assets that will be eligible as collateral for Eurosystem monetary policy operations, which are summarised as follows:

## Admission of certain asset-backed securities

Asset-backed securities (ABS) that do not fulfil the credit assessment requirements laid down in Guideline ECB/2011/14 of 20 September 2011<sup>1</sup> will be eligible as collateral provided

<sup>1</sup> For ABS issued from 1 March 2010, the Eurosystem requires at least two ratings of the issue from accepted external credit assessment institutions (ECAIs). In determining the eligibility of these ABS, the "second-best" rule is applied, whereby not only the best, but also the second-best available ECAI rating must comply with the minimum threshold applicable to ABS. Under this rule, the Eurosystem requires both ratings to be at the "AAA"/"Aaa" level at issuance and "A" over the lifetime of the security, for the securities to be eligible. From 1 March 2011, all ABS, regardless of their date of issue, must have at least two ratings from accepted ECAIs and must comply with the second-best rule to be eligible collateral. As for ABS issued before 1 March 2010 that only have one rating, a second must be obtained before 1 March 2011. For ABS issued before 1 March 2009, both ratings must be at the "A" level over the lifetime of the security.

that they have two ratings of at least triple B<sup>2</sup>, at issuance and at any time subsequently, and that satisfy certain additional requirements.<sup>3</sup> Also, ABS backed by commercial mortgages will be subject to a valuation haircut of 32% and all other ABS to a valuation haircut of 26%.<sup>4</sup>

For their part, national central banks (NCBs) may accept as collateral for Eurosystem monetary policy operations ABS whose underlying assets include residential mortgages<sup>5</sup> or loans to SMEs<sup>6</sup> or both, so long as they have two ratings of at least triple B (there being no need to satisfy any other kind of requirement). These ABS will be limited to those issued before 20 June 2012 and will be subject to a valuation haircut of 32%.

As was already established, a counterparty may not submit as collateral any asset issued or guaranteed by itself or by any other entity with which it has close links.<sup>7</sup>

Admission of certain credit claims

Credit claims that do not satisfy the Eurosystem eligibility criteria specified in Guideline ECB/2011/14 will be admissible. In this case, national central banks (NCBs) that decide to accept such credit claims must establish the eligibility criteria and risk control measures in accordance with the laws of the Member State of the NCB concerned. Such criteria and control measures will be subject to the prior approval of the Governing Council of the ECB.

In exceptional circumstances NCBs may, with the approval of the Governing Council of the ECB, accept credit claims governed by the law of any Member State other than the Member State in which the accepting NCB is established.

Acceptance of certain government-guaranteed bank bonds

NCBs may accept bank bonds guaranteed by a Member State under a European Union/ International Monetary Fund programme, or by a Member State whose credit assessment does not meet the Eurosystem's minimum requirement for issuers and guarantors of marketable assets laid down in Guideline ECB/2011/14.<sup>8</sup>

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- 2 A "triple B" credit rating is a rating of at least "Baa3" from Moody's, "BBB-" from Fitch or Standard & Poor's, or a rating of "BBB" from DBRS.
  - 3 Inter alia, the following requirements: 1) the assets backing the ABS must belong to certain asset classes; 2) they may not include loans that are non-performing, structured, syndicated or leveraged, and 3) the ABS transaction documents must contain servicing continuity provisions.
  - 4 Unless they have at least an "A" rating, in which case they will be subject to a 16% valuation haircut.
  - 5 Residential mortgages include, apart from mortgage-secured loans for house purchase, loans for house purchase without mortgage security, as long as the guarantee is payable immediately upon default. Such guarantees may be provided in different contractual formats, including contracts of insurance, provided that they are granted by a public-sector entity or a financial institution subject to public supervision. The rating of the guarantor for the purposes of such guarantees must be equivalent to credit quality step 3 in the Eurosystem's harmonised rating scale over the life of the transaction.
  - 6 SMEs are entities that, regardless of their legal form, perform economic activity with annual turnover, or where applicable, of the consolidated group, of less than €50 million.
  - 7 "Close links" are deemed to exist between a counterparty and an issuer/debtor/guarantor of eligible assets when: 1) the counterparty owns directly, or indirectly, through one or more other undertakings, 20% or more of the capital of the issuer/debtor/guarantor; 2) the issuer/debtor/guarantor owns directly, or indirectly through one or more other undertakings, 20% or more of the capital of the counterparty; or 3) a third party owns more than 20% of the capital of the counterparty and more than 20% of the capital of the issuer/debtor/guarantor, either directly or indirectly, through one or more undertakings.
  - 8 The requirement for marketable assets to be of high credit quality is established on the basis of certain criteria, such as the assessment of credit quality by accepted external credit assessment institutions (ECAIs), which should be equal to or exceed the credit quality threshold, which must be equivalent to credit quality step 3 in the Eurosystem's harmonised rating scale. In the event that no (acceptable) assessment of the credit quality of the issuer by an ECAI is available, the credit quality requirement may be met on the basis of guarantees provided by solvent guarantors, which must be adjusted to certain requirements. The financial solvency of a guarantor is determined on the basis of the credit assessments made by ECAI which meet the credit quality threshold.

Counterparties may not submit bank bonds issued by themselves and guaranteed by an EEA public-sector entity,<sup>9</sup> or bonds issued by closely linked entities as collateral for Euro-system credit operations in excess of the nominal value of these bonds already submitted as collateral on 3 July 2012. In exceptional cases, the Governing Council may decide on derogations from this requirement if the counterparty makes a request accompanied by a funding plan.

The Guideline entered into force on 4 August and has applied since 14 September.

#### **TARGET2-Securities: changes to its regulations**

*Guideline ECB/2012/13 of 18 July 2012* (OJ L, 11 August 2012), which updates and replaces Guideline ECB/2010/2 of 21 April 2010 on TARGET2-Securities (T2S), was published. In particular, it incorporates the provisions of Decision ECB/2012/6 of 29 March 2012 on the establishment of the T2S Board, while repealing Decision ECB/2009/6 of 19 March 2009.

T2S is a Eurosystem service, established by Guideline ECB/2010/2, for securities settlement in NCB money.<sup>10</sup> It is based on a single technical platform integrated with central bank real-time gross settlement systems, which allows for the core, neutral and borderless settlement of securities transactions by central securities depositories (CSDs).<sup>11</sup> In this way, CSDs can provide customers with harmonised and commoditised delivery-versus-payment settlement services in an integrated technical environment with cross-border capabilities.

Guideline ECB/2012/13 basically maintains the functions of internal governance of T2S, which is based on three levels: at level 1 is the Governing Council, which will be responsible for the direction, overall management and control of T2S. It will also be responsible for ultimate decision-making in relation to T2S and will decide on the allocation of tasks not specifically attributed to levels 2 and 3.

At level 2, the T2S Board (which replaces the former T2S Programme Board) is responsible for assisting the ECB's decision-making bodies in ensuring the successful and timely completion of the T2S Programme. It is a simplified Eurosystem management body which develops proposals for the T2S Governing Council on key strategic issues and executes tasks of a purely technical nature. The T2S Board has been entrusted with certain implementing tasks by the Eurosystem central banks so that it can be fully operational and act on behalf of the whole Eurosystem.

At level 3 are the 4CB, which will develop and operate T2S and provide information on their internal organisation and allocation of work to the T2S Board.

The functions of CSDs are specified. Apart from enabling securities to be established and settled in book-entry form, they provide a securities settlement service to entities in the

<sup>9</sup> The EEA came into existence on 1 January 1994, as a result of an agreement between the countries belonging to the European Union (EU) and the European Free Trade Association (EFTA). Its creation enabled EFTA countries to participate in the EU's internal market without having to join the EU. It is made up of the 27 countries of the EU and the following members of EFTA: Iceland, Liechtenstein and Norway.

<sup>10</sup> On the basis of an offer made by the Deutsche Bundesbank, the Banco de España, the Banque de France and the Banca d'Italia (hereinafter the "4CB"), the Governing Council also decided that T2S would be developed and operated by the 4CB.

<sup>11</sup> A CSD is an entity that: 1) enables securities to be established and settled in book entry form, and/or maintains and administers securities on behalf of others through the provision or maintenance of securities accounts; 2) operates or provides for a securities settlement system or for entities not located in the EEA in accordance with the relevant national legislation and/or is regulated by a central bank, and 3) is recognised as a CSD by national regulations and/or is authorised or regulated as such by a competent authority.

European Union or for entities located outside the EEA, in accordance with the relevant national legislation.

Also, T2S services are extended to non-euro area NCBs on the basis of contractual arrangements, so that the relationship with the latter is structured throughout the development, migration and subsequent operation of T2S. To this end, a CSD Steering Group and a Non-euro Currencies Steering Group, which replace the former CSD Contact Group, have been set up.

The T2S Advisory Group is maintained, as a forum for communication and interaction between the Eurosystem and external T2S stakeholders, although it is given some new functions, since, apart from being an advisory body to the Eurosystem for all T2S-related issues, it may also advise the CSD Steering Group and the Non-euro Currencies Steering Group. Also, its working procedures and reporting are detailed.

Finally, the functions of national user groups,<sup>12</sup> such as contributing to the monitoring and implementation tasks associated with the T2S harmonisation activities supported by the Advisory Group, and adhering to the high standards of transparency of T2S, are extended, and certain aspects of their working procedures are clarified.

This Guideline entered into force on 20 July 2012.

**European Central Bank:  
exchange of information  
on cash transactions in  
the Eurosystem**

*Guideline ECB/2012/16 of 20 July 2012* (OJ L, 11 September 2012) on the data exchange for cash services was published.

The Guideline introduces a system of Data Exchange for Cash Services (DECS)<sup>13</sup>, with a view to further harmonising cash services in the Eurosystem. It maximises efficiency in the supply and withdrawal of cash and the functioning of the cash cycle in the euro area. It also ensures the interchangeability of data for cross-border cash transactions and bulk transfers of euro banknotes between NCBs that use different cash management systems.

NCBs must connect their cash management systems to DECS to: 1) enable clients<sup>14</sup> to exchange electronic data messages concerning cash transactions with a non-domestic NCB via the cash management system of their domestic NCB<sup>15</sup>; and 2) facilitate the exchange of electronic data messages concerning bulk transfers between NCBs or between a printing works<sup>16</sup> and a receiving NCB,<sup>17</sup> via the cash management system of the supplying NCB.

NCBs must establish a connection between their cash management system and DECS as soon as they are technically able to do so.

<sup>12</sup> National User Groups are a forum for communication and interaction with providers and users of securities settlement services within their national market, in order to support the development and implementation of T2S and assess the impact of T2S on the national markets. As a rule, the National User Groups will be chaired by the respective NCBs.

<sup>13</sup> "DECS" is the common interface that communicates with an NCB's cash management system enabling the mapping, routing and transformation of electronic data messages between NCBs using different cash management systems or cash management specifications related to cash transactions and bulk transfers.

<sup>14</sup> A client is a credit institution providing cash services incorporated in a Member State whose currency is the euro or, if applicable, a cash-in-transit company incorporated in a Member State whose currency is the euro that is registered in the database of a domestic NCB for the use of its cash management system and DECS.

<sup>15</sup> A domestic NCB is responsible for providing the DECS system to NCBs in their cash management systems.

<sup>16</sup> This printing works must have concluded contractual arrangements with an NCB for the production of euro banknotes.

<sup>17</sup> A receiving NCB receives euro banknotes from a supplying NCB or a printing works for bulk transfers of euro banknotes.

Domestic NCBs will ensure that they meet the technical requirements for communication via DECS. Also they must put in place contractual arrangements with their clients stipulating that cash transactions will be processed through DECS. Finally, they must establish, maintain and regularly update a database of clients that agree to the use, conditions and technical requirements of DECS.

Domestic NCBs will not be parties to nor be held liable for cash transactions between clients and non-domestic NCBs.

Non-domestic NCBs must, as soon as feasible, enter into contractual arrangements with the clients of domestic NCBs that intend to enter into cash transactions with that non-domestic NCB via DECS.

Transaction messages must be processed via DECS as set out in Annex I to the Guideline.

Finally, NCBs must duly cooperate in exchanging information about the operation of DECS, in particular, where an NCB is faced with potential or actual litigation initiated by a client stemming from a transaction processed through DECS.

The Guideline entered into force on 1 October 2012.

#### **New framework for the restructuring and resolution of credit institutions**

*Royal Decree-Law 24/2012 of 31 August 2012* (BOE of 31 August 2012) on restructuring and resolution of credit institutions, which repeals Royal Decree-Law 9/2009 of 26 June 2009 on bank restructuring and strengthening of the capital of credit institutions, as well as certain sections of Royal Decree-Law 2/2011 of 18 February 2011 on the strengthening of the Spanish financial system, and of Royal Decree-Law 2/2012 of 3 February 2012 on restructuring of the financial sector. Also, it introduces various amendments to a large number of provisions with the status of Law.

The Royal Decree-Law includes the following measures: 1) a new enhanced framework for the management of credit institution crises, which will allow such institutions to be effectively restructured and, where necessary, resolved (wound up) in an orderly manner; 2) new regulation of the FROB, which delimits its powers and significantly enhances the tools for intervention in all phases of the management of credit institution crises; 3) a system of burden sharing to distribute the costs of credit institution restructuring and resolution between the public and private sectors; 4) the legal framework for the incorporation of an Asset Management Company (AMC); 5) greater protection for retail investors; 6) a new regime of “capital principal” requirements that must be complied with by institutions, which covers both the definition and level of such capital; 7) the transfer of certain powers to the Banco de España; 8) new functions of the Deposit Guarantee Fund for Credit Institutions, and 9) new limits on the remuneration of executives of credit institutions that receive financial support.

Table 2 shows the most important changes relative to the previous situation.

#### **MANAGEMENT OF CREDIT INSTITUTION CRISIS SITUATIONS**

The Royal Decree-Law establishes a new legal regime for addressing situations of institutions in difficulty. For this purpose, three levels of management are established:

##### **Early action measures**

These are envisaged for credit institutions that are viable, but which either fail or, owing to the existence of objective factors,<sup>18</sup> can be expected to fail to comply with solvency,

<sup>18</sup> Regulations will specify the objective indicators that should be used to determine the situation of institutions in any possible phase of the crisis.

ROYAL DECREE-LAW 9/2009 OF 26 JUNE 2009

ROYAL DECREE-LAW 24/2012 OF 31 AUGUST 2012

**Management of credit institution crisis situations**

Not specifically envisaged.	Early action measures: provided for institutions that may be viable on the basis of their own funds, but which may require exceptional, temporary assistance, through contributions to share capital, purchase of ordinary shares or instruments convertible into shares, to be repaid within two years.
Restructuring processes: two phases are envisaged. The first, with the submission of the plan of action setting out the actions planned to overcome the situation of financial weakness. When the plan of action is insufficient, the restructuring process is initiated with the intervention of the FROB. Its objective is to support integration processes or the transfer of all or part of the banking business. The FROB can provide temporary financial support to the restructuring process.	Restructuring processes: envisaged for institutions displaying temporary weaknesses that may be overcome by means of public financial support, to be repaid within a five-year period, extendable by no more than two years. The restructuring instruments that the FROB may implement (individually or jointly) are two: 1) public financial support, and 2) the transfer of assets or liabilities to the Asset Management Company (AMC).
Not envisaged.	Orderly resolution of institutions: applied to unviable credit institutions. The resolution instruments that may be adopted by the FROB (individually or jointly) are: 1) sale of the business or the institution; 2) transfer of assets or liabilities to a bridge bank; 3) transfer of assets or liabilities to the AMC, and 4) financial support for acquirers of the business, the bridge bank or the AMC.

**Composition and powers of the FROB**

The FROB is governed by a Governing Committee with eight members: five proposed by the Banco de España and three of which correspond to by each of the Deposit Guarantee Funds.	The Governing Committee is made up of representatives of the Ministry of Economic Affairs and Competitiveness, the Ministry of Finance and Public Administration (five members) and the Banco de España (four members). It will have a general manager with full executive powers.
It has a capital endowment financed out of the State budget and the contributions of the Deposit Guarantee Fund. In addition, it may raise funds on the securities markets by issuing fixed-income securities, taking out loans, requesting the opening of credit facilities and conducting any other debt operation, although such funds may not amount to more than three times the value of the capital endowment existing from time to time. However, as from 1 January 2010, funding beyond this limit may be authorised, although external funds may in no event amount to more than ten times the capital endowment.	It has the capital endowments that may be financed out of the State budget. In addition, to achieve its purposes, the FROB may raise funds by issuing fixed-income securities, taking out loans, requesting the opening of credit facilities and conducting any other debt operation. The external funds obtained must not exceed the limit established in the State budget.
The FROB basically has two functions: management of the restructuring processes (by means of financial support and management measures to improve the organisation and the procedural and internal control systems), and the strengthening of the capital of institutions with the exclusive purpose of carrying out integration processes.	The FROB manages credit institution restructuring and resolution processes with the instruments mentioned above.
Not envisaged.	In cases of restructuring or resolution of credit institutions that belong to international groups, the FROB will collaborate with the EU institutions, including the European Banking Authority, and with foreign authorities with the relevant responsibilities, and may conclude collaboration agreements and exchange information for the exercise of its powers.

**System for distributing the costs of restructuring or resolving credit institutions**

Not envisaged.	The distribution of the costs of restructuring or resolution of institutions is addressed, and the mechanism established whereby the holders of hybrid capital instruments (preference shares, convertible bonds, subordinated bonds or any other subordinated financing obtained by the credit institution) may be obliged to assume part of the losses of an institution in crisis.
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**Asset management company**

Not envisaged.	Its sole object is to hold, manage and administer directly or indirectly, acquire and dispose of the assets transferred to it by credit institutions, as well as any that it may acquire in future. The transfer of assets will be subject to certain special conditions.
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SOURCES: BOE and Banco de España.

liquidity, organisational structure or internal control requirements, although they have the capacity to return to compliance using their own resources. Institutions in such a situation must report the fact immediately to the Banco de España, submitting a “plan of action” setting out the actions planned to ensure the institution’s long-term viability. This plan must be approved by the Banco de España, and a favourable report by the FROB will also be required if the institution needs public financial support.

Simultaneously, the Banco de España, from the moment it is aware of the situation, may take certain early action measures. The Royal Decree mentions, *inter alia*, the following: 1) to require the replacement of members of the board, or of the equivalent body, or of general managers and the like; 2) to require the preparation of a programme to renegotiate or restructure the institution’s debt with all or some of its creditors; 3) to adopt any of the measures in the current law on regulation and discipline, in accordance with the provisions of Law 26/1988 of 29 July 1988 on discipline and intervention of credit institutions, and 4) exceptionally, and complying with Spanish and EU law on competition and State aid, to require recapitalisation measures through contributions of share capital, purchase of ordinary shares or instruments convertible into shares (known colloquially as “cocos”), in which the repurchase or repayment period does not exceed two years.

#### Restructuring measures

These are envisaged for institutions with temporary weaknesses that, to ensure their viability, may be overcome through public financial support, there being objective factors that make it reasonably foreseeable that such support will be repaid within five years, with a maximum extension of two years. The institution can obtain guarantees, loans, or recapitalisation by means of ordinary shares, contributions to share capital, *cocos*, etc. These measures are also envisaged, in the absence of objective factors, when the orderly resolution or winding up of a credit institution have effects that are seriously prejudicial for the stability of the financial system as a whole.

The institution must submit a “restructuring plan” setting out the planned measures to ensure its long-term viability, which must be approved by the Banco de España. This plan will include, in addition to the elements envisaged for action plans (mentioned in the previous section), the restructuring tools that the FROB is going to apply, of which there are basically two: 1) public financial support, and 2) the transfer of assets and liabilities to the AMC. These tools can be applied individually or jointly.

#### Orderly resolution of institutions

This will be applied to credit institutions that are non-viable,<sup>19</sup> or when it is reasonably foreseeable that they will become non-viable in the near future. Following the opening of the resolution process, and provided that the FROB does not possess a holding that gives it control of the institution, the Banco de España will agree to replace the board or equivalent body of the institution, appointing the FROB as sole director. The latter will prepare a resolution plan for the institution or, where applicable, will determine whether it is appropriate to open insolvency proceedings, which must be approved by the Banco de España, within the framework of its powers.

<sup>19</sup> A credit institution will be deemed non-viable when it is in one of the following situations: 1) the institution substantially fails, or it is reasonably foreseeable that it will in the near future fail, to comply with the solvency requirements; or 2) the debt of the institution is greater than its assets or it is reasonably foreseeable that it will be in the near future, or 3) the institution cannot, or it is reasonably foreseeable that in the near future it will not be able to, punctually comply with its enforceable obligations. It is also non-viable if it is not reasonably foreseeable that the institution can redress the situation within a reasonable period of time by using its own resources, tapping the markets or receiving public financial support.



The resolution tools are: 1) sale of the institution's business;<sup>20</sup> 2) transfer of assets or liabilities to a bridge bank;<sup>21</sup> 3) transfer of assets or liabilities to the AMC; and 4) the financial support to the acquirers of the business, the bridge bank or the AMC when it is necessary to facilitate implementation of the above-mentioned tools and to minimise the use of public financial support. The FROB may adopt these tools individually or jointly.

Bridge banks will be administered and managed with a view to their sale, or to the sale of their assets or liabilities, when the conditions are appropriate and, in any event, within five years from its incorporation or acquisition by the FROB. Such sale shall be carried out at arm's length by means of competitive, transparent and non-discriminatory procedures. In the event that the bridge bank is no longer operational, the FROB will proceed to wind it up, provided that it holds the majority of its share capital. The amount resulting from the winding-up will be paid to the institutions in resolution whose assets and liabilities have been transferred to the bridge bank.

Prior to the adoption of any restructuring or resolution measure, the FROB will determine the economic value of the institution or of the relevant assets and liabilities on the basis of the valuation reports commissioned from one or more independent experts. This valuation will be used whenever public financial support is granted to an institution.

#### STRENGTHENING OF THE POWERS OF THE FROB

The other major part of the Royal Decree-Law is the strengthening of the powers of the FROB, which is conceived, along with the Banco de España, as the public institution responsible for managing credit institution restructuring and resolution processes. It will have funds assigned to it out of the State budget. In addition, to achieve its purposes, the FROB may raise funds by issuing fixed-income securities, receiving loans, requesting the opening of credit facilities and through any other debt-incurrence transaction. The external funds obtained by the FROB, in whatever form, may not exceed the limit established in the State budget.<sup>22</sup>

The FROB will be governed by a Governing Committee, made up of representatives of the Ministry of Economic Affairs and Competitiveness, of the Ministry of Finance and Public Administration (five members) and of the Banco de España (four members). A director general will have full executive functions for the steering and ordinary management of the FROB, as well as those others that may be delegated to him/her by the Governing Committee. He/she will be appointed by the Council of Ministers, upon a proposal from the Minister of Economic Affairs and Competitiveness and after consulting the Governor of the Banco de España, among persons with the capability, technical training and sufficient experience to perform the functions of the post.

In the exercise of its powers, and in particular in the event of restructuring or resolution of credit institutions that belong to international groups, the FROB will collaborate with the

<sup>20</sup> The sale of the institution's business involves transfer to an acquirer that is not a bridge bank of the shares, non-voting equity units or contributions to share capital or, generally, instruments representing or convertible into the capital, or equivalent, of the institution, whoever their holders may be, or all or some of the assets or liabilities of the institution.

<sup>21</sup> A bridge bank will be considered to be a credit institution (including, where applicable, the very institution in resolution) in which the FROB has a holding, whose object is to carry on all or part of the activities of the institution in resolution and to manage all or part of its assets and liabilities. The total value of the liabilities transferred to the bridge bank may not exceed the value of the assets transferred from the institution or from any other source, including those relating to the public financial support.

<sup>22</sup> Law 2/2012 of 29 June 2012 on the 2012 State budget has been amended, so that the limit on external funds obtained by the FROB in 2012 will be €120 billion.



institutions of the European Union, including the European Banking Authority, and with foreign authorities with functions relating to supervision, restructuring or resolution of financial institutions, and for this purpose may conclude with them the appropriate collaboration agreements, and exchange information for the exercise of their powers in relation to the planning and implementation of early action measures, restructuring or resolution. In addition, it may participate in the colleges of resolution authorities that may be established to ensure the necessary cooperation and coordination with foreign resolution authorities.

In the event that the competent foreign authorities do not belong to an EU Member State, the exchange of information will require reciprocity and that they are subject to a duty of secrecy on at least equivalent terms to those established by Spanish law.

#### BURDEN SHARING SYSTEM FOR THE COSTS OF CREDIT INSTITUTION RESTRUCTURING OR RESOLUTION

The Royal Decree-Law addresses the distribution of the costs of credit institution restructuring or resolution, establishing a mechanism to enable the holders of hybrid capital instruments (preference shares, convertible bonds, subordinated bonds or any other subordinated financing obtained by the credit institution) to be obliged to assume part of the losses of an institution in crisis. Burden sharing will be managed in accordance with the EU law on State aid and the objectives and principles established in this Royal Decree-Law: in particular, to protect financial stability and minimise the use of public funds.

Operations may consist of offers to exchange credit institutions' capital instruments; repurchase by means of direct cash payment or of payment that is conditional upon subscription for capital instruments or any other banking product; reduction in the face value of debt; and early redemption at other than face value. In all cases, market value must be taken into account, with discounts applied to face value in accordance with European law.

At the same time, the FROB may agree certain actions to manage hybrid capital and subordinated debt instruments, such as deferment, suspension, elimination or modification<sup>23</sup> of certain rights, obligations, terms and conditions of all or some of the issues of hybrid capital and subordinated debt instruments, or obliging the institution to repurchase the securities concerned at such price as the FROB itself may determine.

For this purpose, it must assess the suitability and content of the management action it intends to agree in accordance with the following criteria: 1) the proportion of all the assets of the institution that the hybrid capital and subordinated debt instruments represent; 2) the amount of public assistance that has been or that is going to be received by the institution and its form, and in particular whether the institution has received or is going to receive financial support in the form of share capital; 3) the proportion of the risk-weighted assets of the institution that the public assistance received or promised represents; 4) the viability of the credit institution without such assistance; 5) the current and future capacity of the credit institution to raise capital on the market; 6) the amount that the holders of the hybrid capital and subordinated debt instruments would receive if the institution were wound up or liquidated in the absence of public assistance; 7) the market value of the hybrid capital and subordinated debt instruments which will be affected by the action; 8) the effectiveness obtained or obtainable by an action of management of hybrid capital and subordinated debt instruments carried out by the institution, and 9) the probability that investors would voluntarily accept the measures planned, taking into account, moreover,

<sup>23</sup> The modifications may affect, inter alia, the payment of interest, the repayment of principal, the maturity date, and the individual or collective rights of investors.

the profile of the majority of the investments in each of the issues that are going to be affected by such measures.

The holders of affected hybrid capital and subordinated debt instruments may not initiate any other action for payment based on breach of the terms and conditions of the issue in question, if such terms have been affected by an action of management of hybrid capital and subordinated debt instruments agreed by the FROB and the institution is complying with its content. Also, neither the institution nor the FROB may claim any type of financial compensation for losses that may have been caused to them by the execution of an action of management of hybrid capital and subordinated debt instruments.

#### ASSET MANAGEMENT COMPANY

The Royal Decree-Law first addresses a general framework for asset management companies that may be set up as instruments for restructuring credit institutions. Within this are established the powers of the FROB to oblige an institution receiving public assistance to transfer to the AMC certain categories of assets that have been particularly impaired or whose presence on the institution's balance sheet is considered prejudicial to its health and viability, in order to remove them from the balance sheet and enable them to be independently managed.

Also, the broad outline of the process to be followed for this purpose is established, including the determination of the categories of assets that should be transferred (at the responsibility of the FROB), the recording by the credit institution (prior to the transfer) of adjustments to the valuation of the assets to be transferred, and the determination, also beforehand, by the Banco de España, of the transfer value of such assets on the basis of reports commissioned from one or more independent experts. For all this the appropriate powers to determine implementing regulations are established.

Asset transfers will be subject to certain special conditions, such as the following: 1) in no event may they be reversed by the application of claw-back actions envisaged in insolvency legislation; 2) the acquiring company is not obliged to make a public offering, in accordance with the law on stock markets; and 3) the AMC will not be responsible, in the event that transfer takes place, for any tax obligations arising prior to transfer due to the ownership, operation or management of the assets by the transferring institution.

At the same time, the Royal Decree-Law envisages the creation, within three months from its entry into force of a specific AMC to acquire the assets of those institutions in which, as at that date, the FROB has a majority holding or that, in the opinion of the Banco de España, following an independent assessment of its capital needs and the quality of its assets (also under way at that date), are going to require a restructuring or resolution process to be initiated.

The AMC will be incorporated for a limited period, which will be determined in its articles of association. Its sole object will be to hold, manage and administer, directly or indirectly, to acquire and dispose of the assets that are transferred to it by credit institutions, as well as those that it may acquire in future.

Apart from the FROB the shareholders of the AMC may include the Credit Institution Deposit Guarantee Fund, credit institutions, other financial institutions (inter alia, venture capital institutions and their management companies), other institutional investors and those institutions that may be determined by regulations. The public holding<sup>24</sup> of the capital of the AMC must be below 50%.

<sup>24</sup> Public holding is understood to include all the direct or indirect holdings of public institutional units, as defined in the European System of National Accounts.

If desirable for the appropriate management of the AMC, the FROB may incorporate a management company whose objects would be to manage and administer the assets and liabilities of the asset management company, which it will represent, where applicable, in the operations of its ordinary traffic, with a view to realising such assets on the best conditions possible.

Finally, the obligation to contribute foreclosed assets or assets received in payment of debts to asset management companies, in accordance with the provisions of Royal Decree-Law 18/2012 of 11 May 2012 on the writing down and sale of the real estate assets of the financial sector, will not be applicable to credit institutions in which the FROB has a majority holding or that are subject to a resolution process. Nor will this obligation be applicable to any credit institution belonging to the consolidable group or sub-group of these institutions.

#### STRENGTHENING THE PROTECTION OF RETAIL INVESTORS

A number of restrictions are introduced on the marketing of hybrid capital and subordinated debt instruments, in order to protect retail investors and increase transparency in the marketing of these products. Henceforth, there must be a tranche of at least 50% for professional investors and the minimum investment will be €100,000 in the case of unlisted companies and €25,000 in that of listed companies.

Information on these financial instruments must include appropriate guidance and warnings regarding the risks associated with such instruments or strategies. The CNMV may require such information to be delivered to investors before the acquisition of a product, with highlighting in particular of those products that are not appropriate for non-professional investors owing to their complexity. Also, it may require these warnings to be included in any advertising.

In the event that the service is provided, the contractual document must include, along with the signature of the client, a written statement by the investor, in such terms as the CNMV may determine, that he/she has been warned that the product is inappropriate for him/her or, where applicable, that the institution has not been able to assess his/her knowledge and experience in relation to the product or service offered or applied for, given the insufficiency of the information supplied by the client.

In the case of securities other than shares issued by a credit institution, the information delivered to investors must highlight, inter alia, the differences between these products and ordinary bank deposits, in terms of yield, risk and liquidity.

#### NEW "CAPITAL PRINCIPAL" REQUIREMENTS

The "capital principal" requirements established by Royal Decree-Law 2/2011 of 18 February on the strengthening of the financial system that institutions and consolidable groups must comply with will be modified from 1 January 2013. Specifically, the current requirements of 8% (general) and 10% (for institutions that have not sold at least 20% of the securities representing their capital to third parties, and that have a wholesale funding ratio of more than 20%) will be converted into a single 9% requirement.

Also, the definition of "capital principal" will be modified, to adapt it to the one used by the European Banking Authority, although this will not involve any significant change to the requirements currently imposed on credit institutions operating in Spain. Instruments convertible into ordinary shares, non-voting equity units and contributions to capital of credit cooperatives which the Banco de España classifies as qualifying as "capital principal" are included in the new definition. Accordingly, issuance contracts or prospectuses, and any

changes in their characteristics, should be sent to the Banco de España to enable it to classify them as qualifying as “capital principal”. By contrast, revaluation surpluses on available-for-sale financial assets that form part of equity, net of tax effects, are left out of the new definition.

Among deductions, apart from losses from previous years and intangible assets, 50% of the amount of certain assets is deducted, including: 1) certain holdings in financial institutions which are consolidable, by reason of their activity, but not included in the consolidable group; 2) holdings in reinsurance undertakings; 3) subordinated financing or other securities qualifying as capital issued by investee institutions, and; 4) exposures to asset-backed securities that receive a risk weighting of 1,250% of capital requirements, except when this amount has been included in the calculation of weighted risks for the calculation of such requirements for securitised assets.

Institutions or consolidable groups of credit institutions that on 1 January 2013 do not have the correct amount of “capital principal” must submit to the Banco de España the strategy and timetable to achieve compliance by 30 June 2013. However, institutions or consolidable groups of credit institutions that expect to fail to comply should notify the Banco de España, which must approve the tentative strategy and timetable presented by the institution.

#### TRANSFER OF POWERS TO THE BANCO DE ESPAÑA

From 1 January 2013, the Banco de España is entrusted with powers in relation to the authorisation of the creation of credit institutions, the establishment in Spain of branches of credit institutions not authorised in an EU Member State, and the imposition of very serious sanctions.<sup>25</sup> Previously, the authorisation of credit institutions and the imposition of sanctions for very serious infringements were the competence of the Ministry of Economic Affairs and Competitiveness, upon a proposal from the Banco de España.

#### REMUNERATION OF MANAGERS

The cap on the total fixed remuneration of the executive chairmen, managing directors and managers of institutions which, although not majority-held by the FROB, receive financial support is lowered from €600,000 to €500,000.

#### NEW FUNCTIONS OF THE CREDIT INSTITUTION DEPOSIT GUARANTEE FUND

Royal Decree-Law 16/2011 of 14 October 2011, which created the Deposit Guarantee Fund (DGF), introduced measures to support the resolution of a credit institution. When adopting these measures, the DGF may not assume a financial cost higher than the payments it would have had to make had it opted, at the time the resolution process opened, to pay the amounts guaranteed in the event of the winding-up of the institution.

The financial support measures that the DGF may implement can take the form of one or more of the following: 1) the granting of guarantees; 2) the extension of loans or credits; 3) the acquisition of assets or liabilities, the management of which it may carry out itself or entrust to a third party; and 4) facilitate its participation in the resolution process.

#### OTHER CHANGES

Law 2/2012 of 29 June 2012 on the 2012 State Budget is amended to increase by €41,235 million (from €55,000 million to €96,235 million) the guarantees granted for the financial obligations deriving from bond issues of credit institutions resident in Spain

<sup>25</sup> Sanctions for very serious infringements are as follows: 1) a fine of up to 1% of own funds or up to €1 million, whichever is the highest; 2) revocation of the authorisation of the institution. In the case of branches of credit institutions authorised in another EU Member State, the sanction of revocation of authorisation will be understood to be substituted by a prohibition on the undertaking of new business within Spanish territory, and 3) a public reprimand published in the BOE.

with significant activity in the national credit market. Of this amount, €55,000 million is reserved for guarantees granted up to 15 December 2012 for new bond issues of credit institutions that, in the opinion of the Banco de España, are solvent but need liquidity.

The Royal Decree-Law entered into force on 31 August 2012.

# **Remuneration policy of credit institutions receiving public financial support for reorganisation or restructuring**

*Order ECC/1762/2012 of 3 August 2012* (BOE of 8 August 2012), which implements Royal Decree-Law 2/2012 of 3 February 2012 on the restructuring of the financial sector as regards remuneration at credit institutions receiving public financial support for reorganisation or restructuring, was published.

## SCOPE

The Order will apply to the remuneration of the directors and senior managers of credit institutions which, as a result of reorganisation or restructuring, are majority-held by the FROB,<sup>26</sup> have received support from the FROB<sup>27</sup> or are going to request its support.

The remuneration restrictions established will apply from 2012 and will be lifted following completion of the reorganisation or restructuring of the credit institution, as declared by the Banco de España, on the basis of an opinion from the FROB that the majority holding or financial support has ended.

## UPPER LIMITS ON REMUNERATION AT INSTITUTIONS MAJORITY-HELD BY THE FROB

As provided by Royal Decree-Law 2/2012 of 3 February 2012, the non-executive members of the board or similar body of institutions majority-held by the FROB may not receive total annual gross fixed remuneration of more than €50,000. Executive chairmen, managing directors and similar officers may not receive a total annual gross fixed remuneration of more than €300,000. This Order now specifies that, as long as the FROB has a majority holding, such officers may not receive any variable remuneration.

## UPPER LIMITS ON REMUNERATION AT INSTITUTIONS THAT RECEIVE FINANCIAL SUPPORT FROM THE FROB

Likewise, Royal Decree-Law 2/2012 of 3 February 2012 established that the total annual gross fixed remuneration of non-executive members of the board or similar body of institutions that receive financial assistance from the FROB could not exceed €100,000. While for executive chairmen, managing directors and similar officers it could not exceed €600,000 (now lowered to €500,000, in accordance with the amendment introduced by Royal Decree-Law 24/2012, which was discussed in the previous section of this article).

The Order provides that the annual variable remuneration of managers and directors may not exceed 60% of the annual gross fixed remuneration. The receipt of this remuneration, in line with the provisions of Royal Decree-Law 2/2012, must be deferred by three years from its accrual, and must be subject to the condition that the profits arising from compliance with the plan drawn up to obtain the financial support are obtained.

This remuneration may amount to as much as 100% of the annual gross fixed remuneration, with the prior approval of the Banco de España, in the case of managers hired after or at the same time as the financial support from the FROB is received.

<sup>26</sup> For the purposes of this Order, institutions majority-held by the FROB are deemed to be those in which the majority holding is held directly, as well as those that have received public financial support and form part of the same group as the former.

<sup>27</sup> Institutions that have received financial support are deemed to be those that, although not majority-held by the FROB, have received any form of financial support envisaged in Royal Decree-Law 9/2009 of 26 June 2009 on bank restructuring and strengthening of the capital of credit institutions.

RULES FOR CALCULATING  
REMUNERATION FOR THE  
PURPOSE OF THE LIMITS

To calculate remuneration for the purpose of the limits, all amounts received from the various institutions belonging to the same group as the institution majority-held or supported by the FROB must be taken into account. Also, any allowances, compensation or similar amounts that the managers and directors receive from institutions in which they hold any office for or on behalf of the institution held or supported by the FROB, will be understood to form part of such remuneration.

In particular, it should be noted that contributions to pension schemes or any other social welfare scheme under collective agreements will be considered to be fixed remuneration. Also, any type of remuneration in kind will be considered to be (fixed or variable) remuneration of the corresponding amount.

COMPENSATION

The contracts or agreements of the managers and directors may not provide for compensation for termination of contract<sup>28</sup> in excess of that provided for in additional provision seven of Royal Decree-Law 3/2012 of 10 February 2012 on urgent measures to reform the labour market.<sup>29</sup> Moreover, they must ensure that the payment of such compensation will be adjusted to the provisions of Royal Decree 216/2008 of 15 February 2008,<sup>30</sup> including clauses that qualify and, where applicable, extinguish the right to receive compensation in accordance with the solvency and results of the institution.

RULES APPLICABLE IN  
INTEGRATION PROCESSES

In the case of integration of institutions, the managers and directors who do not form part of the institution majority-held or supported by the FROB will not be affected by the above-mentioned limits, even when they subsequently hold office in the majority-held or supported institution following the integration. For this purpose, a list of managers and directors should be submitted to the Banco de España, specifying which are affected by the restrictions established in this Order and which are not.

As regards the managers and directors from the institution that has required public financial support or that gives rise to it, the Minister of Economic Affairs and Competitiveness, upon a reasoned proposal of the Banco de España, may modify the criteria and limits established in this Order. However, under no circumstances may the variable remuneration proposed for directors and managers exceed 100% of the fixed remuneration.

Finally, in the event that the financial support of the FROB is granted during a competitive procedure for divestment, the Minister of Economic Affairs and Competitiveness, on the basis of a reasoned proposal of the Banco de España, may also adjust the above-mentioned limits for managers and directors who are going to hold office in the institution allotted the business under the competitive procedure or exempt them from such limits.

<sup>28</sup> The term "compensation for termination of contract" includes any amount of a compensatory nature that the manager or director may receive as a consequence of termination of contract, whatever the reason, origin or purpose, so that the sum of all the amounts that may be received may not exceed the limits established in Royal Decree-Law 3/2012 of 10 February 2012.

<sup>29</sup> Additional provision seven provides that credit institutions majority-held or financially supported by the FROB may not pay, under any circumstances, compensation for termination of contract in excess of the lower of the following amounts: a) twice the maximum levels laid down by Royal Decree-Law 2/2012 of 3 February 2012 on restructuring of the financial sector; or b) twice the stipulated fixed annual remuneration. Directors and managers who have joined the institution or its group after or at the same time as the holding was taken or financial support granted by the FROB are exceptions to this rule. The Banco de España may, in view of the contractually stipulated conditions and the results of the restructuring plan, authorise higher amounts for such persons than those laid down in Royal Decree-Law 2/2012, but always subject to the limit of twice the originally stipulated fixed annual remuneration.

<sup>30</sup> This provision stipulates that payments for early termination of a contract will be based on the results obtained over time and will be established in such a way as not to reward poor results.



The Order entered into force on 9 August 2012.

## Transparency and protection of bank customers: updating of regulations

*Banco de España Circular CBE 5/2012 of 27 June 2012* (BOE of 6 July 2012 and error correction in the BOE of 11 October 2012) to credit institutions and payment services providers on transparency of banking services and responsible lending implements Ministerial Order EHA/2899/2011 of 28 October 2011 under the mandate conferred by that Ministerial Order on the Banco de España. Also, it sets out the disclosure obligations of payments services providers which offer foreign exchange services.<sup>31</sup> It repeals CBE 8/1990 of 7 September 1990 to credit institutions on transaction transparency and customer protection, except for Rule 8, which will remain in force for the sole purpose of calculating the weighted average interest rates on the transactions in Spain with the resident private sector addressed in CBE 5/2012.

Table 3 sets out the main new developments with respect to the previous rules.

### SCOPE

Its scope is limited to banking services provided in Spain by Spanish credit institutions and the branches in Spain of foreign credit institutions to customers, or potential customers, who are natural persons (hereafter “customers”),<sup>32</sup> without prejudice to certain provisions relating to payment services providers offering foreign exchange services.

If the customer is acting in pursuit of his professional or business activity, the parties may agree to waive totally or partially the provisions of the Circular, except in respect of calculation of the annual percentage rate (APR), the official interest rates and the reference indices or rates used to calculate market value in the compensation for interest rate risk on mortgage loans.

### OBLIGATION TO PROVIDE MORE INFORMATION ON BANKING SERVICES

#### Fees and interest rates

As provided previously, the fees and, where applicable, interest rates charged by credit institutions to their customers for banking services will continue to be set freely. In addition, credit institutions will henceforth make available to customers the fees and interest rates that they normally receive for the services they most frequently provide, as well as the chargeable expenses in such services, presenting them in the standard format established in Annex 1 of the Circular. This system replaces the previous one, whereby the declarations of the prime rate and of indicative rates for other loans, and of brochures listing maximum fee and commission charges had to be registered at the Banco de España in order to be applicable.

Institutions tacitly allowing customers to run overdrafts in deposit accounts or exceed the credit limit in credit accounts must publish, in the format established in Annex 2 of the Circular, the interest rates (or overlimit charges in the case of an exceeded credit limit) applicable in these cases. Unlike at present, this information must also include the fees or commissions which will be applied for the granting of these transactions.

Annexes 1 and 2 have to be made public in the institutions’ commercial establishments and on their website.

### Greater diligence in information on banking services

As a general requirement, before providing any banking service, institutions have to indicate to customers the amount of all fees, commissions and expenses which they will be

<sup>31</sup> In accordance with Article 3 of Ministerial Order EHA/1608/2010 of 14 June 2012 on transparency of conditions and information requirements applicable to payment services.

<sup>32</sup> Customers are defined as including joint owners, owners’ associations, associations of heirs, probate estates and the like, provided that they are composed mainly of individuals and are not acting in pursuit of their professional or business activity.

CBE 8/1990 OF 7 SEPTEMBER 1990

CBE 5/2012 OF 27 JUNE 2012

<b>Obligation to provide more information on banking services</b>	
The fees for banking services are set freely. They may only be received for services that have been requested and effectively provided.	No significant changes.
The interest rates applicable to banking services, whether in deposits or in loans, are also set freely by agreement between the parties, whatever the transaction type and term.	No significant changes.
Institutions must make public, after registering them at the Banco de España, fees and chargeable expenses which will constitute a maximum, and they may not charge higher rates or amounts or different items than those registered.	Credit institutions must make available to customers the fees and interest rates that they normally receive for the services they most frequently provide, as well as the chargeable expenses in such services, presenting them in a standard format.
Not envisaged.	Institutions have to be especially diligent in the explanations to be given to customers when they offer certain banking products or services, including those which carry special risks.
Not envisaged.	Credit institutions have to furnish customers, free of charge, with all the precontractual information needed to make an informed decision on a banking service and to compare similar offers.
The cases are specified in which customers have to be given a copy of the contractual document, provided they expressly request it.	The Circular extends to all banking services received the obligation for credit institutions to deliver free of charge to customers, regardless of whether or not they request it, a copy of the contractual document evidencing those services.
Customers must be given the transaction settlement documents.	No significant changes, although new settlement formats covering more transactions are established.
<b>New notification requirements</b>	
Not envisaged.	Institutions have to give full and detailed information on interest received and paid and on fees and expenses accrued for each banking service provided to customers in the previous year.
<b>Improvements in bank lending practices</b>	
Not specifically envisaged.	Credit institutions have to have internal procedures to assess customer creditworthiness.
Not envisaged.	The concept of "responsible loan" is introduced, whereby institutions have to act honestly, impartially and professionally, having regard to the personal and financial situation, and to the preferences and objectives, of their customers.
<b>Information to the Banco de España</b>	
Institutions must send, inter alia, fee rates, assessment rules and interest rate notifications and statements.	Institutions must send, inter alia, information on the most frequent transactions carried out in the previous quarter.

SOURCES: BOE and Banco de España.

charged and, after such indication, offer them the option of withdrawing from the transaction. When the contractual relationship concerns loan, deposit or service transactions listed in Annex 1, the explanations have to mention the existence of that annex, of its content and of where customers may consult it. In particular, in the case of loans or advances, these explanations must include data allowing customers to understand the method used to calculate charges and other possible costs or penalties, as well as a clear description of the obligations undertaken by the customer and of the consequences deriving from non-compliance.

Institutions have to be especially diligent in the explanations to be given to customers when they offer certain banking products or services: 1) which carry special risks, such as, for example, that of a zero return on structured deposits or on hybrids with guaranteed principal, or that of a potentially significant increase in the cost of a loan as a result



of its specific characteristics; 2) which, to be properly judged by customers, require the assessment of multiple factors, such as the (past or future) performance of benchmark indices or of the price of linked products necessarily included in the package; 3) which, as a result of their amount and duration, entail obligations for customers which may be particularly onerous; or 4) whose marketing is accompanied by a personalised recommendation, particularly in the case of large-scale campaigns to sell the aforementioned products or services.

Credit institutions and payment service providers which buy from or sell to their customers foreign currencies or banknotes against euro must make public their minimum buy rates and maximum sell rates or, where appropriate, the single rates, along with the commissions and other charges to be applied in spot transactions when the amount does not exceed €3,000.

#### Precontractual information

Credit institutions have to furnish customers, free of charge, with all the precontractual information needed to make an informed decision on a banking service and to compare similar offers. This information must be clear, sufficient and objective and has to be provided in good time and in any event before the consumer is bound by any contract or offer. If this information has the nature of a binding offer, such circumstance must be indicated, as well as its period of validity. Once this information has been provided, the customer will be offered, also free of charge, the opportunity to withdraw from the transaction. In the particular case of loans, if the analysis, processing or other similar fees or charges arising from loan extension are not combined in a single origination fee, accurate details must be given of the different services to which they relate and their amounts.

In certain products and services,<sup>33</sup> additional information listed in the Circular must be provided and certain information specified in Annex 3 of the Circular has to be highlighted. Also, institutions must decide, depending on the physical or virtual characteristics of each information item, the best way of attracting the customer's attention. The means used to highlight information, such as, for example, bold or capital letters, may not be used for any other information (including titles) in the document. The header of precontractual information documents must include a message advising customers that the highlighted information is particularly important.

Finally, the font size must allow the document to be easily read, for which purpose lower case letters may not be less than 1.5 millimetres high.

#### Contractual information

Pursuant to Ministerial Order EHA/2899/2011, the Circular extends to all banking services received the obligation for credit institutions to deliver free of charge to customers, regardless of whether or not they request it, a copy of the contractual document evidencing those services.

Such delivery may be made on a durable electronic medium which allows reading, printing, preservation and reproduction without changes, or on a paper copy delivered to the customer upon entry into the contract or subsequently sent by post. In the case of contracts entered into electronically through digitised hand-written signatures, the institution has to deliver to the contracting parties the contract on paper and/or on a durable electronic support

<sup>33</sup> Including sight and savings deposits, principal-guaranteed time deposits, consumer loans, mortgage loans, cheque negotiation and remotely marketed banking services.

bearing the digitised signatures. If any of the parties has signed by means of an advanced electronic signature, the signature date, reference and certifying authority must be stated. In any event, if any of the parties to the contract so requests, the institution has to send the contract by e-mail to the address given to it.

The provisions on the content of contractual documents in Ministerial Order EHA/2899/2011 are implemented, and certain qualifications are made in some areas, such as in remuneration of products, contract term, notifications prior to changes in conditions that are non-beneficial for customers, etc.

#### Notifications to customers

Ministerial Order EHA/2899/2011 requires institutions to deliver to customers, upon each settlement of interest or fees for services, a settlement document with a specified minimum content, and empowers the Banco de España to establish standard settlement formats (the delivery of a settlement document was compulsory before the Ministerial Order came into force). In the exercise of these powers, the Circular sets out, in Annex 4, the most common formats, which follow the formats already in use but include some additional items in specific cases.

Further, in implementation of Ministerial Order EHA/2899/2011, the Banco de España establishes the notification format (Annex 5) to be used by credit institutions to send annually to customers, in January each year, full and detailed information on interest received and paid and on fees and expenses accrued for each banking service provided to customers in the previous year.

Also, they must send customers free of charge, at least monthly, a statement of all current account activity, including at least the information set out in Annex 4, unless there was no activity in the current account in the month in question.

#### IMPROVEMENTS IN BANK LENDING PRACTICES

The concept of “responsible loan”, first presented in Law 2/2011 of 4 March 2011 on sustainable economy, and subsequently in Ministerial Order EHA/2899/2011 is regulated in detail. Thus institutions, when they offer and grant loans or advances to customers and, where appropriate, provide related ancillary services, must act honestly, impartially and professionally, having regard to the personal and financial situation, and to the preferences and objectives, of their customers, and highlighting any condition or characteristic of contracts which is not conducive to that objective.

Moreover, institutions, in a manner commensurate with the volume, characteristics and complexity of their transactions, must have in place specific policies, methods and procedures for analysing and originating customer loans or advances (including a loan marketing policy which also addresses the remuneration of the persons entrusted with the marketing tasks). Such policies, methods and procedures, duly updated, must at all times be available to the Banco de España. Annex 6 of the Circular sets out the principles to be observed by these policies, methods and procedures.

#### INFORMATION ON THE ANNUAL PERCENTAGE RATE (APR) AND THE FORMULA USED TO CALCULATE IT

The elements to be included in the calculation of the APR are stipulated, and the mathematical formula used to calculate it is set out in Annex 7 of the Circular.

The APR and the residual effective cost or return<sup>34</sup> are calculated on the assumption that the contract will be in force during the agreed period and that the institution will duly meet its obligations on the terms and conditions agreed in the contract.

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<sup>34</sup> The residual effective cost or return is calculated using the mathematical formula for APR, but applying it only to the period until maturity or repayment and to the cost or return still to be paid or collected if the transaction follows its normal course.

If a contract contains clauses allowing changes in the interest rate and/or the fees or charges included in the APR, but those changes cannot be quantified, they must be calculated on the assumption that interest, fees and charges will accrue at the rate set when the contract was entered into. In these cases, the term “APR” will be replaced by “variable APR” and it must be expressly stated that this calculation system has been used.

Also regulated are the particular means of calculating APR in certain lending transactions, specifically in consumer loans and advances and in mortgages, which are subject to Law 16/2011 of 24 June 2011 on consumer credit contracts and Ministerial Order EHA/2899/2011, respectively. Generally lending transactions must include interest, fees and other charges the customer has to pay the institution as consideration for the loan or advance received or the services inherent in it, as well as the premiums of insurance aimed at ensuring the loan is repaid to the institution in the event of death, disability or unemployment of the individual who received the loan, provided the institution requires such insurance to be taken out as a condition for granting the loan or advance. In binding offers of subrogation and amendment of mortgage loans, the amount of the loan settlement fee or of the compensation for withdrawal from the loan subject to subrogation must be included, and the customer informed of the remaining effective cost of the loan to be subrogated.

In borrowing transactions, certain characteristics of the calculation of the APR are established, particularly in tacit overdrafts in sight accounts and in remuneration in kind, and, for the first time, the principles and factors to be taken into account in hybrid instruments with guaranteed principal are defined. In this latter case, the APR has to reflect the effective interest rate corresponding to the host contract once the embedded derivative has been separated, as well as the value of that derivative at the contract date.

#### OFFICIAL INTEREST RATES

The Circular specifies how to calculate the official interest rates,<sup>35</sup> which are stated in Annex 8. Particularly noteworthy are the two new ones introduced by Ministerial Order EHA/2899/2011: that linked to one- to five-year mortgage loans for the purchase of houses in the euro area, which has to be taken directly from those published by the ECB;<sup>36</sup> and the five-year interest rate swap (IRS) rate, which will be taken from those published daily on the screens customarily used by financial operators.

Also, it defines the reference indices and rates used to determine the market value of mortgage loans repaid early, for the purpose of calculating compensation for interest rate risk. Valid reference indices or rates are two-, three-, four-, five-, seven-, ten-, fifteen-, twenty- and thirty-year IRSs, with that used being the one whose term is nearest to the time remaining from the loan early repayment date to the next interest rate reset date specified in the contract or, if no interest rate adjustment is scheduled, to the maturity date.

#### INFORMATION TO THE BANCO DE ESPAÑA

The Circular specifies the formal obligations of institutions regarding the information they have to send periodically to the Banco de España by electronic means. Thus each quarter they have to send information on the most frequent transactions carried out in the previous

<sup>35</sup> The official interest rates stated in Ministerial Order EHA/2899/2011 are: 1) average rate on unsubsidised house-purchase mortgage loans with terms over three years granted by credit institutions in Spain; 2) average rate on unsubsidised one- to five-year house-purchase mortgage loans granted by credit institutions in the euro area; 3) internal rate of return in the secondary market for two- to six-year government debt; 4) one-year inter-bank reference (EURIBOR); 5) five-year interest rate swap (IRS) ; and 6) MIBOR, applicable only for mortgage loans taken out before 1 January 2000.

<sup>36</sup> Pursuant to Regulation 63/2002 of the European Central Bank of 20 December 2001 concerning statistics on interest rates applied by monetary financial institutions to deposits and loans vis-à-vis households and non-financial corporations.

quarter in the format established in Annex 1. Every month they must report the weighted average interest rates of certain transactions with the resident private sector in Spain initiated or renewed in the previous month, using the format given in Annex 9, so that the Banco de España can continue compiling and publishing certain mortgage market reference indices or rates.

Finally, a transition period is declared until the indices or rates currently applied (average interest rate of mortgage loans granted by commercial or savings banks with maturities longer than three years, and the savings bank lending reference rate, also known as the “CECA indicator, lending rate”) in the review of contracts entered into before the entry into force of the Circular, and certain minor adjustments are made.

The Circular came into force, with certain exceptions, on 6 October 2012.

#### **New powers of the European Supervisory Authorities: amendment of certain financial legislation**

*Royal Decree 1336/2012 of 21 September 2012* amended certain royal decrees<sup>37</sup> relating to the powers of ESAs (BOE of 5 October 2012).

This Royal Decree, which completes the transposition of Directive 2010/78/EU of the European Parliament and of the Council of 24 November 2010, incorporates into Spanish law the obligation of the competent authorities (Banco de España and CNMV) to cooperate with, inform and communicate with their European counterparts (the European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA)) on certain matters, some of which were initially regulated in Royal Decree-Law 10/2012 of 23 March 2012 amending certain financial legal provisions relating to the powers of the ESAs, and which are now addressed in their respective implementing provisions.

The main developments are as follows.

#### **BANKING SYSTEM**

Credit institution registrations and deregistrations, as well as being recorded in the Special Register of the Banco de España and published in the BOE, must be notified to the EBA.

As regards the supervisory colleges promoted by the Banco de España to facilitate the exercise of supervisory functions, the EBA may participate in them as it sees fit in order to foster and monitor their efficient, effective and consistent functioning.

#### **SECURITIES MARKET**

The CNMV’s communication and notification obligations to the ESMA regarding the securities market are as follows:

- 1 The authorisation of investment firms in Spain. Also, it must inform the ESMA and the European Commission (previously only the latter) of any difficulties

<sup>37</sup> The Royal Decree amends the following legislation: the Regulations implementing Law 13/1989 of 26 May 1989 on credit cooperatives, approved by Royal Decree 84/1993 of 22 January 1993; Royal Decree 1245/1995 of 14 July 1995 on the creation of banks, cross-border activity and other matters relating to the legal regime of credit institutions; Royal Decree 1310/2005 of 4 November 2005 partly implementing Securities Market Law 24/1988 of 28 July 1988 on admission of securities to trading on official secondary markets, public and subscription offerings and the prospectus required for such purposes; Royal Decree 1332/2005 of 11 November implementing Law 5/2005 of 22 April on supervision of financial conglomerates, which amends other financial sector laws; Royal Decree 1362/2007 of 19 October 2007 implementing Securities Market Law 24/1988 of 28 July 1988 in respect of transparency requirements relating to information about issuers whose securities are admitted to trading on an official secondary market or on another regulated market in the European Union; Royal Decree 216/2008 of 15 February 2008 on the own funds of financial institutions; and Royal Decree 217/2008 of 15 February 2008 on the legal regime of investment firms and of other investment services entities partially amending the Regulations of Collective Investment Institutions Law 35/2003 of 4 November 2003 approved by Royal Decree 1309/2005 of 4 November 2005.

encountered by Spanish investment firms in establishing themselves, providing services or pursuing investment activities in a non-EU country.

- 2 In relation to prospectuses for admission of securities to trading on official secondary markets or public or subscription offerings, the approval of the prospectus and any supplement thereto for the purpose of cross-border validity. The CNMV must at the same time provide the ESMA with a copy of the prospectus. The CNMV must also notify the ESMA if it decides to transfer the approval of a prospectus (because Spain is the home Member State) to the supervisor of another Member State, or vice versa, i.e. if it accepts the transfer of prospectuses from the supervisor of another Member State for approval.
- 3 The cases in which issuers with registered office in a non-EU country are exempted by the CNMV from reporting and transparency obligations when the law of the third country in question lays down requirements equivalent to those in Spain or such an issuer complies with requirements of the law of a third country that the CNMV considers as equivalent.
- 4 The content of coordination and cooperation agreements which the CNMV may decide to enter into with other competent authorities to facilitate and establish effective supervision of the groups subject to its supervision, as well as the additional tasks delegated in those agreements.

Also, provision is made for the ESMA to participate, together with the CNMV and any other competent authority of a Member State, in on-site inspections of those supervisory authorities on institutions subject to supervision.

Regarding the supervision of financial holding companies and mixed financial holding companies, a list of the financial holding companies which control investment firms must, from the date of entry into force of the Royal Decree, be sent by the CNMV to the competent authorities of the other Member States, to the ESMA and to the European Commission.

Just as the ESMA may participate in credit institutions, it may also participate in CNMV-sponsored colleges of supervisors as it deems appropriate in order to promote and monitor the efficient, effective and consistent functioning of those colleges.

Also, the CNMV must advise the ESMA and the European Systemic Risk Board (ESRB), as well as the Ministry of Economic Affairs and Competitiveness and any other Spanish or foreign supervisory authorities which may be affected, whenever an emergency situation arises. An emergency situation refers particularly to an adverse financial market trend which may compromise the market liquidity and financial system stability of any Member State.

Finally, all the references to the rules of the Committee of European Securities Regulators (CESR) are replaced by references to the ESMA (the successor of the CESR).

#### FINANCIAL CONGLOMERATES

The changes made to the coordinator's<sup>38</sup> reporting obligations upon identification of a financial conglomerate are set out in Royal Decree 1332/2005 of 11 November 2005. Thus,

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<sup>38</sup> The function of coordinator is usually exercised by the competent authority entrusted with the tasks of overseeing and supervising the consolidable group of which the controlling entity forms part. In other cases it may be exercised by the competent authority responsible for supervising the Spanish regulated entity with the largest balance sheet total in the most important financial sector.

as well as notifying their status to the subject entity<sup>39</sup> and to the competent authorities which authorised the regulated entities of the financial conglomerate, it must inform the Joint Committee of the ESAs<sup>40</sup> (previously only the European Commission was informed).

The Royal Decree came into force on 6 October 2012.

#### Government debt market makers: new regulations

The *Resolution of 20 July 2012* (BOE of 26 July 2012) of the General Secretariat of the Treasury and Financial Policy (hereafter “the Treasury”)<sup>41</sup> sets the conditions under which Spanish government debt market-makers may act and repeals the previous regulations set out in the Resolution of 18 November 2008, subsequently amended by that of 29 November 2011.

The new developments include most notably increasing the bonus ratio in the second round of Treasury bill auctions to make it equal to that for bonds.

Also, the time period in which the second round has to be conducted is changed. The second round must now be carried out between the auction allotment and 12.00 hours of the working day before that on which the bills are put into circulation (previously it was the following working day).

Finally, to endow the Treasury with greater flexibility in evaluating market makers, allowance is made for the non-penalisation of market makers when appropriate.

The Resolution came into force on 1 August 2012.

#### Collective investment institutions: new regulations

*Royal Decree 1082/2012 of 13 July 2012* (BOE of 20 July 2012) approved the implementing Regulations of Collective Investment Institutions (CIIs) Law 35/2003 of 4 November 2012, amended by Law 31/2011 of 4 October 2012. It also repealed the previous regulations in Royal Decree 1309/2005 of 4 November 2005.

Among other things, the Royal Decree includes the amendments recently made by Law 31/2011 to Law 35/2003 and advances in the transposition of EU legislation.<sup>42</sup>

#### NEW OWN FUNDS REGIME FOR CII MANAGEMENT COMPANIES

The calculation of the minimum own funds to be held by CII management companies for the exercise of their activity in accordance with EU legislation is harmonised. It is similar to that in the previous regulations, although the percentages are different and the cases are broadened to include more types of activity. Thus they must have minimum fully paid share capital of €300,000 plus 25% of overhead expenses charged to the previous year's income statement (these items are unchanged). These amounts are increased by certain

39 The subject entity is the one which must assume the duties deriving from the conglomerate's relationship with the coordinator. It is usually the controlling entity.

40 The Joint Committee will be formed by the ESAs and the European Systemic Risk Board (ESRB). The ESAs will cooperate regularly and closely with the ESRB so as to ensure the inter-sectoral consistency of activities and to reach common positions in the area of financial conglomerate supervision and in other cross-sectoral issues.

41 Under the new basic organisational structure of the ministerial departments, the competences of the Directorate General of the Treasury and Financial Policy have been taken on by the General Secretariat of the Treasury and Financial Policy.

42 Specifically, to transpose Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (recasting Directive 85/611/EEC in a single text) and Directive 2010/78/EU of the European Parliament and of the Council of 24 November 2010 amending Directives 98/26/EC, 2002/87/EC, 2003/6/EC, 2003/41/EC, 2003/71/EC, 2004/39/EC, 2004/109/EC, 2005/60/EC, 2006/48/EC, 2006/49/EC and 2009/65/EC in respect of the powers of the European Banking Authority, the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority.



percentages based on the effective value of the CII's net worth or on the assets managed for third parties,<sup>43</sup> with certain variations relative to the previous regulations.

If CII management companies market shares or other equity of CII's, the minimum own funds must be increased by €100,000 before that activity is commenced, plus 0.5‰ of the effective net worth of the unit-holders or shareholders to whom the sale was made directly by the CII management company. If certain CII's or similar foreign institutions are administered and/or managed, to the foregoing proportion must be added 4% of the gross fee income obtained. Certain items specified in the Royal Decree are deducted from the total own funds.

CII management companies with own funds below the required minimum must immediately notify this shortfall to the CNMV and submit a programme setting out their plans for returning to compliance. The programme must refer to: the reasons for non-compliance; the action, if any, taken by the institution; the definition of a plan for returning to compliance and the envisaged time that will be taken to do so, which may not be more than three months.

The obligations relating to investment in own funds (at least 60% in securities admitted to trading on regulated markets and in sight accounts or deposits with credit institutions), the upper limit on indebtedness (20% of own funds) and the prohibition on granting loans are similar to those in the previous regulations.

#### HARMONISATION OF POLICIES ON RISKS AND ON CONFLICTS OF INTEREST

A regime similar to that in other EU countries is set in place. In the area of risk management, it is made compulsory to specify the criteria to be used by CI management companies to assess the suitability and proportionality of their risk management policy on the basis of the nature, scale and complexity of their activities and of the CII's managed by them.

Similarly, improvements are made to the rules applicable to CII management companies for controlling and managing personal transactions in which conflicts of interest may arise because inside information is held by employees or persons related to them or to the CII management company. In the case of inevitable conflicts of interest, the Royal Decree requires CII management companies to have suitable mechanisms to ensure fair treatment for the CII's managed by them. Specifically, CII management companies have to ensure that their senior managers or the members of any of their competent internal bodies are informed without delay so they can take the necessary decisions to deal with those conflicts.

#### ENHANCEMENT OF INVESTOR PROTECTION

As envisaged in Law 31/2001, the Regulations provide for a short new document referred to as *key investor information*,<sup>44</sup> which replaces the previous simplified prospectus. It has two new features: first, it is standardised so as to ensure the comparability of harmonised funds and management companies of any Member State; and second, it includes only essential CII information, presented in abbreviated, easily understandable

<sup>43</sup> The CNMV may set the terms under which a CII management company may replace the provision of 50% of the increase by a guarantee provided by a credit institution or an insurance policy with an insurance company for the same amount.

<sup>44</sup> The key investor information document has to provide, inter alia, the following information: identification of the CII; short description of its investment objectives and investment policy; past-performance presentation or, where relevant, performance scenarios; costs and associated charges; and the risk/reward profile of the investment, including appropriate guidance and warnings in relation to the risks associated with investments in the CII.



form for investors so they are reasonably able to understand the essential characteristics, nature and risks of the investment product that is being offered to them and to take investment decisions on an informed basis without need to refer to other documents.<sup>45</sup>

New cases are included relating to changes in the regulations governing investment fund management, such as: the setting or raising of fees, changes in the frequency of calculation of the net asset value, conversion into a compartmentalised CII or into compartments of other CIIs, replacement of the depositary, and other cases to be defined in the regulations. As in previous cases, they must be authorised by the CNMV and communicated by the CII management company to the unit-holders before they come into force.

Communications to be made to unit-holders or shareholders must be by electronic means whenever so decided expressly by the investor.<sup>46</sup>

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

Another aspect of investor protection derives from the strengthening of the mechanisms of cooperation, consultation, information exchange and professional secrecy between the competent supervisory authorities, similar to those in place for credit institutions. Thus the CNMV has to cooperate with the competent authorities of the Member States and with the ESMA to carry out the functions established in these Regulations.

It also has to assist the competent authorities of other Member States by providing the information needed for them to perform their functions and must cooperate in investigation or supervision activities. Similarly, it may request the cooperation of the competent authorities of another Member State in a supervisory activity or for an on-the-spot verification or in an investigation on the territory of the latter within the framework of their powers pursuant to the Royal Decree or its implementing regulations.

Finally, the CNMV may require the temporary suspension of the issuance, redemption or repurchase of units or shares of CIIs authorised in Spain when their price cannot be determined or for other reasons of force majeure.

#### CHANGES IN CROSS-BORDER ACTIVITY

##### Cross-border management

In accordance with Law 31/2011, the new development consists of the introduction of the European passport to operate throughout the EU for the cross-border management of investment funds,<sup>47</sup> as envisaged in Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009. Thus CII management companies may manage investment funds in other Member States either by establishing branches or under the freedom to provide services.

<sup>45</sup> The prospectus and key investor information may be provided in a durable medium or via the investment company's or management company's website. A paper copy of these documents will be delivered free of charge to investors on request.

<sup>46</sup> Previously, there were legal provisions only for sending the annual, six-monthly and, where applicable, quarterly reports free of charge by electronic means when so requested by unit-holders or shareholders.

<sup>47</sup> Harmonised management companies and investment funds and investment firms already had a European "passport" to operate throughout the EU for the cross-border marketing of their shares and units. The main change consists of introducing a passport for the cross-border management of investment funds across EU Member States.

Cross-border management is of two types: activity abroad by Spanish CII management companies and activity in Spain by foreign CII management companies. The regulations set different requirements for EU and non-EU CII management companies. Also, different procedures are laid down for the opening of branches and for the cross-border provision of services, and certain additional requirements are specified for CII management in the host country.

In any event, under the new regulations the provision of services in another Member State by an EU CII management company does not require authorisation by the supervisory authorities in the host country. All that is required is the submission of certain information by the supervisory authorities of the home country.

#### *Cross-border marketing*

The regime governing cross-border marketing in the EU is simplified. Previously, entities wishing to engage in cross-border marketing had to inform the competent authorities of the home Member State and submit certain documentation to the competent authorities of the host Member State, which considerably lengthened these formalities. Now, as well as less documentation being required,<sup>48</sup> the procedure is that the competent authorities notify their counterparts of the CII management company's application and that only the competent authorities of the home Member State check compliance with the requirements for the sale of CII shares or units to investors in Member States other than that in which the CII is domiciled. Also, the time periods required for being able to market CII shares and units are shortened,<sup>49</sup> and the CII no longer has to notify the competent authorities of the host Member State.

In consonance with the preceding section (enhancement of investor protection), CII management companies domiciled in Member States have to provide investors based in another Member State, other than the home Member State, all the information and documentation in the manner stipulated in the Royal Decree and in these Regulations, including the investment fund rules or investment firm deed of incorporation, the key investor information, prospectus and yearly and six-monthly reports, along with any modifications thereof.

Finally, a supervision and cooperation framework is defined for the competent authorities of Member States which oversee CII management companies engaging in cross-border marketing.

#### ADVANCES IN EU HARMONISATION

The provisions of Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 in respect of the harmonised regulation of master-feeder structures have been transposed. A feeder CII invests at least 85% of its assets in another CII, called the master CII. Feeder CII management companies may not invest in more than one CII (the master). A master CII may not also be a feeder CII, so as to prevent the cascade phenomenon. The harmonisation allows the master and feeder CII management companies to be domiciled in different Member States, ensuring that investors better understand structures of this type and that the authorities can supervise them more easily, particular in a cross-border situation.

Also provided for is a harmonised regime for cross-border CII mergers which allows CII management companies to merge regardless of their legal form upon prior authorisation by the competent authorities.

<sup>48</sup> Apart from the notification letter, a CII only has to submit its fund rules or instruments of incorporation, its prospectus, its latest annual report and, where appropriate, any subsequent half-yearly report, its key investor information and an attestation that it fulfils the conditions imposed by Directive 2009/65/EC.

<sup>49</sup> Previously the CII had to wait at least two months from the date when the documentation was submitted, except in the event of a reasoned denial, whereas the new Royal Decree allows marketing to commence when the competent authority of the home Member State notifies the CII that it has transmitted to the competent authority of the host Member State the notification letter along with the required documentation.

To provide greater assurance to investors, provision is also made for control by depositaries of the CIIIs involved in the proposed merger and for examination by an independent auditor. Within the framework of this objective, the obligation to appoint an external expert to issue a report on the proposed merger if the resulting CII will be an investment fund is removed.<sup>50</sup>

#### OTHER REGULATORY CHANGES

Additions have been made to the list of cases in which the authorisation of CII management companies has to be suspended or revoked. If a CII management company administers, represents, manages investments and manages subscriptions and redemptions of CIIIs authorised in another EU Member State, the competent authority of the host Member State (the CNMV in Spain) has to consult the competent authorities of the CII management company's home Member State before withdrawing the authorisation. The revocation of authorisation of a CII management company domiciled in a non-EU country also entails the revocation of authorisation of any branch operating in Spain. In this case, the CNMV also has to take the pertinent measures to prevent the institution from initiating new activities in Spain and safeguard investors' interests.

The penalty regime for CII management companies is updated by the addition of new serious and very serious infringements and the related penalties.

Also, the corporate income tax regulations approved by Royal Decree 1777/2004 of 30 July 2004 are amended to adapt the minimum percentage of investment required of CIIIs investing in a single fund (currently 80%) to the new minimum percentage (85%) set by Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004.

Finally, the Royal Decree broadens the powers conferred on the CNMV by Royal Decree 217/2008 of 15 February 2008 on the legal regime governing investment firms and of other investment institutions, partially amending the implementing regulations of CII Law 35/2003 of 4 November 2003 enacted by Royal Decree 1309/2005 of 4 November 2005. Accordingly, as from the entry into force of the Royal Decree, the CNMV is empowered to define and implement: 1) the organisational structure requirements, and establish the minimum requirements for the organisation and internal control of investment and ancillary services provided by investment firms, as well as for specifying the tasks to be entrusted to the risk management functions; and 2) the communication regime, the content of reporting obligations, the manner in which disclosures are to be remitted, which may be electronically, and the reporting deadlines in relation to any changes made to investment firm authorisation conditions.

The Royal Decree came into force on 21 July 2012.

#### Collective investment institutions: amendment of the regulations on derivative instrument transactions and other operational aspects

*CNMV Circular 1/2012 of 26 July 2012* (BOE of 4 August 2012) amending *CNMV Circular 6/2010 of 21 December 2010* on transactions with derivative instruments and other operational aspects of CIIIs; *CNMV Circular 4/2008 of 11 September 2008* on the content of quarterly, half-yearly and annual reports of CIIIs and of the statement of position; and *CNMV Circular 3/2006 of 26 October 2006* on the prospectuses of CIIIs, was published.

<sup>50</sup> Previously a report by an independent expert had to be requested whenever any of the parties to the merger was a public limited company.

The criteria and requirements developed in the “Guidelines on risk measurement and the calculation of global exposure for certain types of structured UCITS” published by the ESMA on 28 March 2012, and applicable to CILs with the specific objective of yield, are incorporated.

The counterparties of derivative financial instruments in which CILs invest with sufficient solvency in the opinion of the management company to fulfil their obligations<sup>51</sup> are permitted as valid. To this end, the management company must perform a credit risk analysis of the counterparty, using the appropriate methodologies and considering various commonly used market indicators or parameters.<sup>52</sup>

Amendments are introduced in respect of the guarantees or collateral received by the CIL to reduce counterparty risk in order to fulfil requirements for the eligibility, calculation and reinvestment of guarantees or collateral received in the CILs’ operations (both with derivatives and reverse repos, sell/buy-back agreements, securities lending, etc.) that are required at European level. Thus, the list of assets which can be used as guarantees<sup>53</sup> is extended, as is that of the assets in which the CIL may reinvest the cash obtained as a guarantee; including, among others, reverse repos entered into with credit institutions that have their headquarters in a Member State of the European Union or in any other Member State of the OECD subject to prudential supervision.

In relation to the CILs with the specific objective of yield,<sup>54</sup> an itemisation is given of non-compliances the resolution of which jeopardises achievement of the yield target set in the CILs’ prospectuses, specifying certain action for investor protection. Thus, in addition to informing the CNMV of this immediately, they must provide the measures which might be adopted in order to avoid conflicts of interest and the protection of unit-holders’ interests.

Finally, the regime is relaxed for CILs with a specific objective of guaranteed yield (commonly known as “internal guarantee” funds), with the result that it is not necessary to have a favourable credit rating for guarantors in cases where the limits established in the Regulation will not foreseeably be exceeded. Thus, the entity guaranteeing a specific objective of yield to the CIL may, under no circumstances, have a solvency rating granted by a specialised agency which is lower than that of Spain at any given time. Furthermore, the aforementioned guarantors are required to have sufficient solvency in the management company’s opinion to fulfil their obligations.

The online submission of certain documents to the CNMV is updated. Specifically CILs’ and CIL management companies’ annual reports, comprising the annual accounts, management report and auditor’s report, must be submitted electronically using the “IPE”

51 Previously, a counterparty had sufficient solvency when its long-term credit rating showed the entity’s strong capacity to meet payment of its obligations on time (rated at least “A-” by Standard & Poor’s, “A3” by Moody’s, “A-” by Fitch or similarly by other ECAs), and in the short term, at least, a satisfactory capacity to meet the payment of its obligations on time (rated at least “A-2” by Standard & Poor’s, “P-2” by Moody’s, “F2” by Fitch or similarly by other ECAs). For these purposes, the “short term” will be deemed a period of 13 months or less.

52 These solvency requirements are not enforced in relation to the counterparties of financial instruments not traded on organised derivatives markets provided that they are settled through a central counterparty clearing house which demands margins based on trading price, records the operations performed and is interposed between the contracting parties, acting as a buyer to the seller and as a seller to the buyer.

53 Including, *inter alia*, private non-subordinated debt traded on a regulated market which currently only needs to have a favourable credit rating in the management company’s opinion.

54 These CILs have an investment policy of attaining a specific yield target which may comprise obtaining a pre-defined fixed or variable pay-off tied to the performance of any of the suitable underlyings established in CNMV Circular 6/2010 of 21 December 2010.

procedure for regular reports of CII in the CIFRADO/CNMV electronic service, in accordance with the provisions of the Resolution of the Chairman of the CNMV of 16 November 2011, whereby the CNMV's<sup>55</sup> Electronic Register is created and regulated. It will begin to be applicable to documents referring to 2012.

#### CHANGES TO CIRCULAR 3/2006

It is specified that changes to the credit rating of fixed-income assets are not considered essential items of CII's prospectuses provided that, at least: the credit rating of Spain is maintained, the other selection criteria of the assets remain the same, and the investment fund's purpose and policy are not distorted. In such cases, it will only be necessary to publish a significant event including the aforementioned change prior to it becoming effective, without prejudice to the obligation to include this information in the following update of the prospectus.

Furthermore, it is clarified that only essential changes<sup>56</sup> to the brochure are those which grant the right to withdraw.<sup>57</sup>

#### OTHER CHANGES

Like the CII, investment firms and their consolidable groups are required to send to the CNMV compulsory financial information and reports on internal control and capital adequacy assessment through the CIFRADO/CNMV service, by the submission thereof to the CNMV's Electronic Register as standardised electronic documents, in accordance with the provisions in the Resolution of the Chairman of the CNMV of 16 November of 2011, whereby said register is created and regulated.

The Circular came into force on 5 August 2012.

#### **Net short positions on shares, sovereign debt and uncovered sovereign credit default swaps: regulatory implementation of European law**

*Commission Delegated Regulation 826/2012 of 29 June 2012* (OJ L of 18 September 2012), supplementing Regulation 236/2012 of 14 March 2012 of the European Parliament and of the Council, on short selling and certain aspects of credit default swaps with regard to regulatory technical standards on notification and disclosure requirements with regard to net short positions, the details of the information to be provided to the European Securities and Markets Authority (ESMA) in relation to net short positions and the method for calculating turnover to determine exempted shares was published.

The Regulation aims to establish, on one hand, a uniform regime for the submission of notifications and information by investors to national competent authorities or by the latter to the ESMA and, on the other, to establish the method to calculate turnover to determine the principal trading venue of a share.

Investors must notify the competent authorities of net short positions on shares, sovereign debt and uncovered sovereign credit defaults swaps using a form provided by the competent authority which shall take the formats set out in Annexes I and II to the Regulation.

<sup>55</sup> Previously, the above-mentioned documents were sent online using the CIFRADO/CNMV service approved by the CNMV Board of Directors on 15 September 2006.

<sup>56</sup> The following are considered changes to essential items in investment funds' prospectuses: the replacement of the management company; the replacement of the custodian; the engagement of asset management functions; the transformation of the fund or the sub-fund; the modification of the investment policy; changes in the income distribution policy; the setting or raising of the management fee and of the custodian's fee; the setting or raising of the management company's fees or of discounts in favour of the fund to be made in subscriptions and redemptions; for funds whose investment policy is based on investing in only one investment fund, the change of the fund subject to investment; and the cases envisaged here which affect the information included in their prospectus on said fund.

<sup>57</sup> In this case, the communication sent to unit-holders must mention, their right to opt, during a period of 30 calendar days, to redeem or transfer their units, in full or in part, without the deduction of any redemption or transfer fee being payable, at the unit redemption price corresponding to the last day of the 30 calendar days of the notification period.

The competent authorities shall provide ESMA with the following information: 1) the daily aggregated net short position on each individual share in the main national equity index as identified by the relevant competent authority; 2) on a quarterly basis, the aggregated net short position for each individual share which is not included in the previous point; 3) the daily aggregated net short position on each sovereign issuer, and 4) where applicable, daily aggregated uncovered positions on credit default swaps of a sovereign issuer.

As for the method for calculating turnover to determine the principal trading venue of a share, the competent authority shall use the best available information which may include, inter alia, the following: 1) publicly available information; 2) information from trading venues where the relevant share is traded; 3) information provided by another competent authority, including the competent authority of a third country; and 4) information provided by the issuer of the relevant share.

In accordance with Regulation 236/2012, *Commission Implementing Regulation 827/2012 of 29 June 2012* (OJ L of 18 September 2012) was published which lays down technical standards with regard to the means for public disclosure of net positions in shares, the format of the information to be provided to the ESMA, the types of agreements, arrangements and measures to adequately ensure that shares or sovereign debt instruments are available for settlement and the dates and periods for the determination of the principal trading venue for a share.

Net short positions in shares shall be disclosed through central websites operated or supervised by the competent authorities. Said authorities shall notify the ESMA of this, which in turn, shall insert on its own website a hyperlink to all those central websites. Presentation shall be in the format specified in the Annexes to this Regulation so that all the relevant data on positions in respect of each share issuer shall appear. It will also permit users to check whether, at the time of accessing the website, the net short positions in a specific share issuer have reached or exceeded the publication threshold which is set at 0.5% of the issued share capital.

The competent authorities shall provide the ESMA on a quarterly basis with information on net short positions in shares electronically in the format specified in the Annexes to this Regulation.

Another block of this Regulation details the types of agreements, arrangements with third parties and other measures to ensure the settlement of uncovered short sales of shares or sovereign debt instruments when due.<sup>58</sup>

The agreements to borrow and other enforceable claims may consist of the following (provided that they are legally binding for the duration of the short sale): 1) futures and swaps; 2) options; 3) repurchase agreements; 4) standing agreements or rolling facilities; 5) agreements relating to subscription rights, and 6) other claims or agreements leading to delivery of the shares or sovereign debt.

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<sup>58</sup> Regulation 236/2012 established a series of restrictions on uncovered short sales in shares or in sovereign debt. Thus, one of the following conditions had to be fulfilled: 1) that they have been borrowed or alternative provisions resulting in a similar legal effect have been made; 2) that agreements have been entered into to borrow the share or, if applicable, the sovereign debt instrument, or there is an absolutely enforceable claim under contract or property law for the transfer of ownership of a corresponding number of securities of the same class so that settlement can be effected when it is due, or 3) there is an arrangement with a third party that has confirmed that the share or, if appropriate, the sovereign debt instrument has been located or there is a reasonable expectation that settlement can be effected when it is due.



In relation to arrangements with third parties for short sales of shares, a distinction is drawn between “standard locate arrangements and measures”,<sup>59</sup> “standard same day locate arrangements and measures”,<sup>60</sup> and “easy to borrow or purchase arrangements and measures”<sup>61</sup>. The arrangements to be made with third parties in relation to sovereign debt include: the “standard sovereign debt locate arrangement”,<sup>62</sup> the “time limited confirmation arrangement”,<sup>63</sup> the “unconditional repo confirmation”<sup>64</sup> and the “easy to purchase sovereign debt confirmation”<sup>65</sup>. All of these arrangements shall comply with a series of conditions which are detailed in the Regulation.

Finally, the Regulation determines the dates and reference period for the principal trading venue calculation of a share and the obligations of the competent authorities to notify the ESMA of shares whose principal trading venue is located outside the European Union.

Both regulations came into force on 19 September 2012, and except for any derogations, will be applicable from 1 November 2012.

#### EU regulation on OTC derivatives, central counterparties and trade repositories

*Regulation 648/2012 of the European Parliament and of the Council of 4 July 2012 (OJ L of 27 July 2012) on OTC derivatives, central counterparties (CCPs) and trade repositories was published.*

Generally, the Regulation sets out clearing<sup>66</sup> and bilateral risk management requirements for OTC derivative contracts<sup>67</sup> (“OTC derivatives”), and requirements for the performance of activities of CCPs<sup>68</sup> and trade repositories.<sup>69</sup>

59 The third party confirms, prior to the short sale being entered into, the availability of the shares for settlement in due time taking into account the amount of the possible sale and market conditions and the period for which the share is located.

60 The third party confirms, prior to the short sale being entered into, that it will be covered by purchases during the day on which the short sale takes place. In the event of the sale not being covered, the natural or legal person will promptly send an instruction to the third party to procure the shares to cover the short sale and ensure settlement in due time.

61 The third party confirms, prior to the short sale being entered into, that the share is easy to borrow or purchase in the relevant quantity, taking into account market conditions and indicating the period in which the share is located. If the sale could not be covered through purchasing or borrowing it, the natural or legal person will promptly send an instruction to the third party to procure the shares to cover the short sale and to ensure settlement in due time.

62 It is the confirmation given by a third party, prior to the short sale being entered into, that it considers that it may have available for settlement in due time the amount of the sovereign debt requested by the natural or legal person, taking into account market conditions and indicating the period for which the sovereign debt is located.

63 It is the arrangement whereby the natural or legal person indicates to a third party that the short sale will be covered by purchases during the same day of the short sale and the third party confirms, prior to the short sale being entered into, that it has a reasonable expectation that the sovereign debt can be purchased in the relevant quantity taking into account the market conditions and other information available to that third party on the supply of sovereign debt instruments on the day of entering into the short sale.

64 It shall mean the confirmation given by a third party, prior to the short sale being entered into, that it has reasonable expectation that settlement can be effected when due as a result of its participation in a structural based arrangement, organised or managed by a central bank, a debt management office or a securities settlement system that provides unconditional access to the sovereign debt in question for the amount corresponding to the short sale.

65 It shall mean a confirmation by the third party, provided prior to the short sale being entered into, that it has a reasonable expectation that settlement can be effected when due on the basis that the sovereign debt in question is easy to borrow or purchase in the relevant quantity taking into account the market conditions and any other information available to that third party on the supply of the sovereign debt.

66 Clearing is a process of establishing positions, including the calculation of net obligations, and ensuring that financial instruments, cash or both, are available to secure the exposures arising from those positions.

67 An OTC derivative is a derivative contract the execution of which does not take place on a regulated market or on a third-country market considered as equivalent to a regulated market.

68 A CCP is a legal person that interposes itself between the counterparties to the contracts traded on one or more financial markets, acting as the buyer to every seller and the seller to every buyer.

69 Trade repositories shall be legal persons established in the European Union which centrally collect and maintain the records of derivatives.



The most important changes are as follows:

#### OTC DERIVATIVES

OTC derivatives subject to the clearing obligation shall be cleared through a CCP and the trade repositories shall be notified. For these purposes, ESMA shall establish, maintain and keep up to date a public register to correctly and unequivocally identify the classes of OTC derivatives subject to the clearing obligation. This register shall be available on ESMA's website.

The counterparties shall clear the OTC derivatives belonging to a class of OTC derivatives<sup>70</sup> declared subject to the clearing obligation<sup>71</sup>. Those which constitute intragroup transactions<sup>72</sup> shall not be subject to the clearing obligation provided that they fulfil certain requirements detailed in the Regulation.

The CCPs authorised to clear OTC derivatives shall accept clearing such contracts on a non-discriminatory and transparent basis, regardless of the trading venue<sup>73</sup>. Nevertheless, they may require that a trading venue comply with the operational and technical requirements established in the Regulation, including the risk-management requirements.

The counterparties and the CCPs shall report to the trade repository (on the working day following conclusion of the contracts) the data on the derivatives contracts concluded and any modification or termination thereof.

Finally, the Regulation sets forth a series of risk mitigation techniques applicable to OTC derivative contracts not cleared by a CCP, and the introduction of procedures and arrangements to measure, monitor and mitigate operational risk and counterparty credit risk.

#### AUTHORISATION AND SUPERVISION OF CCPs

The community passport of CCPs is regulated,<sup>74</sup> which shall be granted solely for activities related to clearing and shall specify the services or activities that the CCP may provide or undertake, including the classes of financial instruments covered by such authorisation. Similarly, the cases in which it can be refused or, if applicable, revoked are detailed.

The CCPs shall have a permanent and available initial capital of at least €7.5 million. The CCPs' capital, including retained earnings and reserves, shall be proportionate to the risk stemming from its activities and, especially, sufficient to ensure an orderly winding-down or restructuring of their activities over an appropriate time span and an adequate protection against credit, counterparty, market, operational, legal and business risks.

Likewise, they will have robust governance arrangements, including a clear organisational structure with well-defined, transparent and consistent lines of responsibility, effective

<sup>70</sup> The class of derivatives is a subset of derivatives sharing common and essential characteristics including at least the relationship with the underlying asset, the type of underlying asset, and currency of notional amount. Derivatives belonging to the same class may have different maturities.

<sup>71</sup> ESMA shall, on its own initiative, after having conducted a public consultation and after having consulted the ESRB and, where appropriate, the competent authorities of third countries, notify the Commission of the classes of derivatives that should be subject to the clearing obligation provided in Article 4, but for which no CCP has yet received authorisation.

<sup>72</sup> An intragroup transaction is an OTC derivatives contract entered into with a counterparty belonging to the same group, provided that both counterparties are included in the same consolidation of a full basis and are subject to appropriate centralised risk evaluation, measurement and control procedures.

<sup>73</sup> A trading venue is a system operated by an investment firm or a market operator, other than a systematic internaliser which bring together buying and selling interests in financial instruments that result in contracts.

<sup>74</sup> The community passport means that once the authorisation has been given, it will be valid throughout the territory of the European Union.

processes to identify, manage, monitor and report the risks to which it is or might be exposed, and adequate internal control mechanisms, including sound administrative and accounting procedures. The senior management shall be of sufficiently good repute and shall have sufficient experience so as to ensure the sound and prudent management of the CCP.

They shall inform the competent authority of the identities of the shareholders or members, whether direct or indirect, natural or legal persons that have qualifying holdings,<sup>75</sup> and of the amounts of those holdings. The competent authority shall refuse to authorise a CCP where it is not satisfied as to the suitability of the shareholders or members that have qualifying holdings in the CCP.

Where close links exist between the CCP and other natural or legal persons, the competent authority shall grant authorisation only where those links do not prevent the effective exercise of the supervisory functions of the competent authority.

Each Member State shall designate the competent authority responsible for carrying out the duties resulting from this Regulation for the authorisation and supervision of CCPs established in its territory and shall inform the Commission and ESMA thereof.

Competent authorities shall cooperate closely with each other, with ESMA and, if necessary, with the European System of Central Banks (ESCB). The CCPs established in a third country may provide clearing services to clearing members or trading venues established in the European Union only where the CCPs are recognised by ESMA. The latter may establish cooperation arrangements with the relevant competent authorities of third countries whose legal and supervisory frameworks have been recognised as equivalent.

CCPs shall establish a risk committee, which shall be composed of representatives of its clearing members, independent members of the board and representatives of its clients. The risk committee shall advise the board on any arrangements that may impact the risk management of the CCP, such as a significant change in its risk model, the default procedures, the criteria for accepting clearing members, the clearing of new classes of instruments, or the outsourcing of functions.

Where a natural or legal person or such persons acting in concert have taken a decision either to acquire or sell, directly or indirectly, a qualifying holding in a CCP or to further increase, directly or indirectly, such a qualifying holding in a CCP as a result of which the proportion of the voting rights or of the capital held would reach or exceed 10%, 20%, 30% or 50% or so that the CCP would become its subsidiary, they shall first notify in writing the competent authority, indicating the size of the intended holding. The competent authority shall appraise the suitability of the proposed acquirer and the financial soundness in order to ensure the sound and prudent management of the CCP, in which an acquisition is proposed, and having regard to the likely influence of the potential acquirer on the CCP.

The CCPs shall maintain and operate effective written organisational and administrative arrangements to identify and manage any potential conflicts of interest between themselves, including their managers, employees, or any person with direct or indirect control or close links, and their clearing members or their clients known to the CCP.

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<sup>75</sup> A qualifying holding is a direct or indirect holding in a CCP or trade repository which represents at least 10% of the capital or of the voting rights.

Where the CCPs outsource operational functions, services or activities, they shall remain fully responsible for discharging all of their obligations. The CCPs shall not outsource major activities linked to risk management unless such outsourcing is approved by the competent authority.

When providing services to their clearing members, and where relevant, to their clients, CCPs shall act fairly and professionally in accordance with the best interests of such clearing members and clients and sound risk management. The CCPs shall have accessible, transparent and fair rules for the prompt handling of complaints.

The CCPs shall invest their financial resources only in cash or in highly liquid financial instruments with minimal market and credit risk that are capable of being liquidated rapidly with minimal adverse price effect.

The CCPs may enter into an interoperability arrangement<sup>76</sup> with other CCPs where the requirements laid down in this Regulation are fulfilled. Specifically, they shall: 1) put in place adequate policies, procedures and systems to effectively identify, monitor and manage the risks arising from the arrangement so that they can meet their obligations in a timely manner; 2) agree on their respective rights and obligations, including the applicable law governing their relationships; 3) identify, monitor and effectively manage credit and liquidity risks so that a default of a clearing member of one CCP does not affect the interoperable CCPs, and 4) identify, monitor and address potential interdependences and correlations that arise from an interoperability arrangement that may affect credit and liquidity risks relating to clearing member concentrations, and pooled financial resources. In any event, interoperability arrangements shall be subject to the prior approval of the competent authorities of the CCPs involved.

#### TRADE REPOSITORIES

As with CCPs, the Community passport for trade repositories has been regulated, specifying the instances in which authorisation may be refused or, where appropriate, revoked. The ESMA and the related competent authority will exchange all the information needed for oversight of the fulfilment of the requirements for inscription or authorisation in the Member State in which it is established.

Generally, and similarly to CCPs, trade repositories should have sound governance mechanisms, including a clear organisational structure, with well-defined, transparent and consistent reporting lines, along with suitable internal control mechanisms, including appropriate administrative and accounting procedures that prevent any revelation of confidential information. Senior management and board members should have sufficient integrity and experience to ensure appropriate and prudent management.

They shall maintain and apply effective measures for detecting and managing conflicts of interest that might arise in relation to their managers, employees or any person that directly or indirectly maintains close links with them.

If a trade repository offers ancillary services (e.g. trade confirmation services, trade matching, credit event servicing, portfolio reconciliation or portfolio compression), it will keep them operationally separate from the trade repository's function consisting of centrally collecting and maintaining records of derivatives.

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<sup>76</sup> An interoperability arrangement means an arrangement between two or more CCPs that involves a cross-system execution of transactions.

Further, they shall identify sources of operational risk and minimise them through the development of appropriate systems, controls and procedures. Such systems shall be reliable and secure and have adequate capacity to handle the information received. Also, they shall regularly, and in an easily accessible way, publish aggregate positions by class of derivatives on the contracts reported to them.

The Regulation details the procedural rules for the adoption of supervisory measures and the imposing of fines on trade repositories.

Relevant authorities of third countries that do not have any trade repository established in their jurisdiction may contact ESMA with a view to establishing cooperation arrangements to access information on derivatives contracts held in Union trade repositories, provided that guarantees of professional secrecy exist, including the protection of business secrets shared by the authorities with third parties.

Competent authorities, ESMA and other relevant authorities shall provide one another with the information required for the purposes of carrying out their duties. If they receive confidential information, they will use it exclusively in the exercise of their duties, duly informing the relevant members of the ESCB.

The Regulation came into force on 16 August 2012.

**Measures to ensure budgetary stability and the promotion of competitiveness**

*Royal Decree-Law 20/2012 of 13 July 2012* (BOE of 14 July 2012) on measures to ensure budgetary stability and the promotion of competitiveness.

From the financial regulation and fiscal standpoint, the following aspects are notable.

**FINANCIAL MEASURES**

Law 24/1988 of 28 July 1988 on the Securities Market and Law 44/2002 of 22 November 2002 on financial system reform measures have been amended to include a new financial instrument in the Spanish legal system: the so-called *internationalisation covered bonds*, which are similar to territorial covered bonds<sup>77</sup>, introduced by Law 44/2002.

They are fixed-income securities that may be issued by credit institutions, whose capital and interest are especially secured, inter alia, by the following assets:

- 1 Loans and credits tied to the financing of Spanish goods and services export agreements or to the internationalisation of companies resident in Spain, granted or guaranteed by general government, central banks or multilateral development banks, and international organisations, and which are of high credit quality. These loans and credits may also secure territorial covered bonds, whereby, at the time of issue of internationalisation covered bonds, it must be decided which of these loans or credits are to secure this issue, since they cannot simultaneously secure both types of bonds.
- 2 Loans and credits tied to the financing of Spanish goods and services export agreements or to the internationalisation of companies resident in Spain, granted to debtors that are non-financial corporations or financial institutions, and are of high credit quality, or that benefit from the protection from credit

<sup>77</sup> They are similar to covered bonds and enjoy the same tax arrangements.

risk by means of an insurance policy or a guarantee by the State, issued by CESCE (the Spanish export credit insurance and reinsurance company).

- 3 The loans and credits tied to the financing of goods and services export agreements of whatever nationality that benefit from protection from credit risk by means of an insurance policy or a guarantee by States of high credit quality, issued by their respective export credit agencies or bodies of a similar nature.

The internationalisation covered bonds may be secured up to a limit of 5% of the principal issued by specific replacement assets,<sup>78</sup> provided they are not secured by any loan or credit granted by the issuing institution itself, or by other institutions in its group (with the exception of those issued by the State, by other European Union Member States or by the OCI).

The total amount of internationalisation covered bonds issued by a credit institution may not exceed 70% of the amount of the unrepaid loans and credits mentioned in item 1) above. However, if the amount exceeded this limit, it would have to be restored within a period no longer than three months, increasing its portfolio of the aforementioned loans or credits, acquiring its own covered bonds on the markets or through the redemption of covered bonds for the amount necessary to restore the balance. Meanwhile, it must cover the difference by means of a deposit of cash or public funds at the Banco de España, or by assigning to the payment of the covered bonds new replacement assets of the type envisaged in item 2), provided that the limit set hereunder is met.

Finally, the instruments may be admitted to trading on securities markets, in conformity with the provisions of Law 24/1988 of 28 July 1988 on the Securities Market, and may be acquired by the institutions, in which case they will be in the form of book entries.

#### FISCAL MEASURES

In the case of personal income tax, the withholding rate on fee-earning activities and on the prepayment of tax on earned income<sup>79</sup> rises from 15% to 19%. Temporarily, however, from September 2012 to 31 December 2013, this rate will be 21%.

Further, the tax offset applicable to the deduction for purchase of the principal residence for taxpayers who bought their house prior to 20 January 2006 has been eliminated for fiscal year 2012.

Under corporate income tax, the measures essentially affect large companies. In 2012 and 2013 the offsetting of negative tax bases generated in previous years will be restricted to 50% for those entities whose turnover during the previous year was between €20 million and €60 million (the figure was previously 75%) and to 25% if the turnover exceeds €60 million (previously 50%).

Over this same period, the deduction for goodwill arising from acquisitions of businesses will be subject to the maximum annual limit of 1% of the related amount (5% previously). Likewise, for fiscal years 2012 and 2013, the ceiling on the tax deduction for intangible fixed assets with an indefinite useful life is reduced from 10% to 2%.

<sup>78</sup> These include the following: a) fixed-income securities represented by book entries issued by the State, other Member States of the European Union or the Official Credit Institute; b) mortgage covered bonds or mortgage bonds listed on an official secondary market or on a regulated market; c) securities issued by mortgage or asset securitisation special purpose entities listed on an official secondary market, or on a regulated market, with a high credit rating; d) territorial covered bonds and internationalisation covered bonds listed on an official secondary market or on a regulated market.

<sup>79</sup> Specifically, imparting courses, conferences, colloquiums, seminars and the like, or arising from the production of literary, artistic or scientific work, provided that the right to use such work is conceded.

There is also a temporary increase in partial payments that will affect the two remaining such payments for 2012 and the three partial payments for 2013. The tax base of the partial payment thus increases on including the 25% of the amount of dividends and the income accrued thereon, to which the exemption for avoiding international economic double taxation is applicable. There is also an increase in the percentage applicable to the base for the calculation of this partial payment on the basis of the volume of operations for the previous year, establishing several tranches, between €6 million and €20 million. If this amount is exceeded, the percentage of the minimum amount of the partial payment increases from 8% to 12%.

Finally, the restriction on the deduction for financial costs is widened, making it extensive to all companies in general, without it being confined to their being part of a mercantile group. The limit on this deductibility was set at 30% of the operating profit for the year, but it allowed, in any event, costs for the year up to €1 million to be deducted. The Royal Decree-Law specifies that, if the tax period for the entity is less than one year, the limit of €1 million will be applied in proportion to its duration. Further, the instances in which this limit will not be applicable are amended. These cases are:

- 1 Credit institutions<sup>80</sup> and insurance companies (previously only credit institutions). However, in the case of credit institutions or insurance companies that are taxable under the fiscal consolidation regime jointly with other institutions that do not have this consideration, the 30% ceiling will be calculated taking into account the net operating profit and financial costs of these latter institutions.
- 2 When during the tax period the entity is wound up, unless this is as a result of a restructuring operation or takes place within a fiscal group, and the wound-up institution has deductible financial costs as at the time of its integration into the group.

Lastly, a new 10% charge is established on dividends and income of foreign origin arising on the transfer of equity securities of companies not resident in Spain, exclusively to 30 November 2012, in a similar fashion to that envisaged in Royal Decree-Law 12/2012. Thus, fulfilling certain requirements set out in the regulations, it may not be necessary to integrate the returns generated to that date into the corporate income tax base and they will have the option of availing themselves of new special charge.

Regarding indirect taxation, as from 1 September the standard rate of VAT increases from 18% to 21%, the reduced rate from 8% to 10%, and the super-reduced rate is held at 4%, which is applicable to staple goods and services. Certain goods and services hitherto taxed at the reduced rate (8%) will now be taxed at the standard rate (21%). Finally, the tax rate applicable to the delivery of housing units, including garage parking spaces (with a maximum of two units) transferred jointly therewith, is maintained at 4% until 31 December 2012.

The Royal Decree-Law came into force on 15 July.

#### Liquidity measures for the regional governments and in the financial field

Royal Decree-Law 21/2012 of 13 July 2012 (BOE of 14 July 2012) on liquidity measures for general government and in the financial field has been published.

From the financial regulation standpoint, the following paragraphs are notable.

<sup>80</sup> To this end, those entities whose voting rights relate in full, directly or indirectly, to credit institutions, and whose sole activity consists of the issue and placement on the market of financial instruments to reinforce regulatory capital and the financing of such entities, shall receive the treatment of credit institutions.

The Banco de España shall be exempt from the duty of professional secrecy<sup>81</sup> so it may provide the European Commission, the ECB, the European Banking Authority, the IMF, the European Financial Stability Facility and, where appropriate, the European Stability Mechanism with the information needed for the proper performance of their functions in respect of financial assistance for the recapitalisation of Spanish financial institutions.

Along the same lines, the FROB is authorised to subscribe to the agreements and contracts necessary to formalise and place at the disposal of the State and the FROB itself the financial assistance that it may receive, directly or indirectly through the State, in cash or in debt securities. This assistance will not be subject to the limits envisaged in Article 2.5 of Royal Decree-Law 9/2009 of 26 June 2009 on bank restructuring and the strengthening of credit institutions' own funds.<sup>82</sup>

As part of the recapitalisation processes envisaged in Royal Decree-Law 9/2009 of 26 June 2009, the FROB may advance in the form of a loan, in cash, or in debt securities the amount of the financial support that the institutions participating in these processes had requested. The decision to grant these advances will be conditional upon a series of circumstances which, in the opinion of the Banco de España, may determine that the institution in question is subject to liquidity tensions that may affect its stability during the period needed for the effective subscription and disbursement of the support from the FROB.

The advances will be compensated as credit vis-à-vis the institution at the time at which the subscription and disbursement of the corresponding capital instruments take place. If the subscription and the disbursement do not ultimately take place due to not meeting one of the requirements in the recapitalisation process or for any other cause, the institution will be obliged immediately to reimburse the FROB in full for the cash or for the securities delivered on loan. Likewise, if the amount of the financial support formalised is less than the advance, the institution will be obliged to reimburse the related surplus.

In terms of its functions to reinforce the solvency of credit institutions, and bearing in mind the profit of the system of affiliated institutions as a whole, the DGF may adopt measures aimed at facilitating European financial assistance for the recapitalisation of Spanish credit institutions. The cost of these measures shall be lower than the disbursements the DGF may have had to make under its governing regulations, in the context of the processes of orderly restructuring and reinforcement of the capital of credit institutions envisaged in Royal Decree-Law 9/2009 of 26 June 2009.

To this end, it may commit its assets for the providing of the collateral that may be required in respect of the financial assistance referred to. These commitments and collateral may be assumed by credit institutions under the recapitalisation plans approved by the Banco de España.

Law 2/2012 of 29 June 2012 on the State Budget for 2012 has been amended to authorise the State, up to 15 December 2012, to grant guarantees for a maximum amount of €55 billion for the economic obligations arising from new bond and notes issues by credit institutions with a registered office in Spain which, in the opinion of the Banco de España, are solvent but have temporary liquidity needs.

<sup>81</sup> The duty of secrecy is stipulated in article 6 of Royal Legislative Decree 1298/1986 of 28 June 1986 on the adaptation of prevailing law on credit institutions to that of the European Communities.

<sup>82</sup> Under this article, borrowings by the FROB, however instrumented, shall not exceed an amount threefold the endowment capital existing at each moment in time. However, the Minister of Finance and General Government may authorise the breaching of this ceiling, without borrowings by the FROB being allowed, in any circumstances, to be more than sixfold the endowment capital.



To obtain the guarantee, the applicant institution must, among other aspects, prove it meets, individually or jointly with the other institutions in its consolidable group, a share of at least 1% of the total for the item “loans and credits, other sectors” relating to residents in Spain from the latest EMU1 return (summary balance sheet, business in Spain) published in the Banco de España *Boletín Estadístico*. In the case of credit institutions that have transferred their liquidity management in the interbank market systematically to another institution with which they have a contractual clearing agreement, the institution to which such management is assigned may request the guarantee. Within each consolidable group, the State guarantee will be granted, if appropriate, on the operations entered into by the applicant institutions.

The guarantee will be granted irrevocably and unconditionally with a waiver of the “benefit of discussion”<sup>83</sup>, under the terms set in the granting orders. The guarantee will back the principal of the issue and the ordinary interest.

In the event of execution of the guarantee, provided this is initiated within the five calendar days following the bond maturity date, the State shall pay compensation to the legitimate holders of the secured instruments, without prejudice to the amounts it must satisfy in respect of the guarantee. The amount of this compensation will be that resulting from applying, to the payment comprised of the execution of the guarantee, the EONIA rate published by the Banco de España or that which, if appropriate, is determined by the Minister of Economy and Competitiveness, on the maturity date of the guaranteed bond, taking the number of days that elapse between the latter date and the date of actual payment by the guarantor using the day-count convention actual/360.

The guarantees granted will accrue, in favour of the State, the following commissions:

- a guarantee-granting commission of 0.5% of the total, to be settled by the Treasury, the payment of which will be credited by the institution prior to the formalisation of the guarantee by the Minister of Economy and Competitiveness.
- b An issuance commission whose payment will be credited by the issuing institution before launching the issue. The amounts paid as a guarantee-granting commission will be deducted in full from this issuance commission.

The criteria for the calculation of the issuance commissions have been laid down in the Treasury *Resolution of 18 July 2012* (BOE of 20 July 2012), approving the guarantee application format for credit institutions’ bond and note issues to be guaranteed by the State and establishing the criteria for the calculation of issuance commissions.

Specifically, issuance commissions shall be applied to the face value of each issue of bonds or notes, and this will be the result of adding up specific components detailed in the Resolution.<sup>84</sup>

<sup>83</sup> The benefit of discussion is the right of a surety (in this case the guarantor) not to pay the guarantee until the creditor has exhausted all the property of the debtor, i.e. the creditor must first proceed against the property of the principal debtor before having recourse to the guarantor.

<sup>84</sup> The components are the following: 1) 40 basis points (bp); 2) 40 bp for one-half of the ratio of the beneficiary’s median five-year senior CDS spread over the three years ending one month before the date of issue of the guaranteed bond to the median level of the iTraxx Europe Senior Financials five-year index over the same three-year period, and 3) one-half of the ratio of the median five-year senior CDS spread of all Member States to the median five-year senior CDS spread of the Member State granting the guarantee over the same three-year period. The foregoing components will be calculated for each of the issues made. If CDS spreads are denominated in different currencies, those corresponding to the most liquid markets will be taken into account. Further, certain particularities are established for issuers who have a credit rating but lack CDS spreads data.

The Royal Decree-Law envisages the institution of a territorial financing mechanism which involves the creation of a Regional Government Liquidity Fund that will be funded with a charge to the State budget with an extraordinary budgetary appropriation for an amount of €18 billion.

The Fund will be assigned to the Ministry of Economy and General Government through the Secretariat of State for General Government, and it will be managed by the OCI.

It will extend loans to the Regional Governments, in order to cover their financial liquidity needs.

The Regional Governments may join this mechanism voluntarily, and it will involve accepting certain fiscal and financial conditions. The fiscal conditions include the necessary presentation or updating of an adjustment plan, regular reporting obligations and even the possibility of control being taken of the Regional Governments if there is a risk of default on the financial debt falling due. The financial conditionality requires fulfilment of the principle of financial prudence, which involves the terms of indebtedness being consistent with the sustainability of the debt.

The loans extended by this mechanism will be guaranteed by the resources under the funding arrangements for the Regional Governments. In this way, the Regional Governments are guaranteed to receive the funding, but retain full responsibility for payment.

The Royal Decree-Law came into force on 15 July.

5.10.2012.



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

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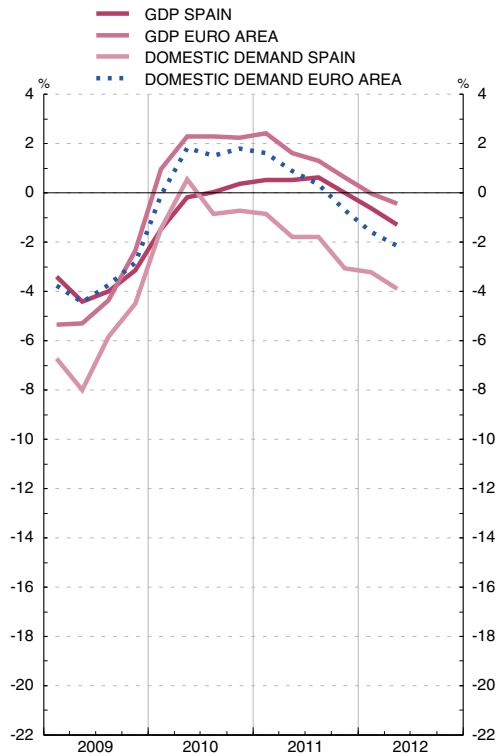
# 1.1. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES, REFERENCE YEAR 2008=100. DEMAND COMPONENTS. SPAIN AND EURO AREA (a)

■ Series depicted in chart.

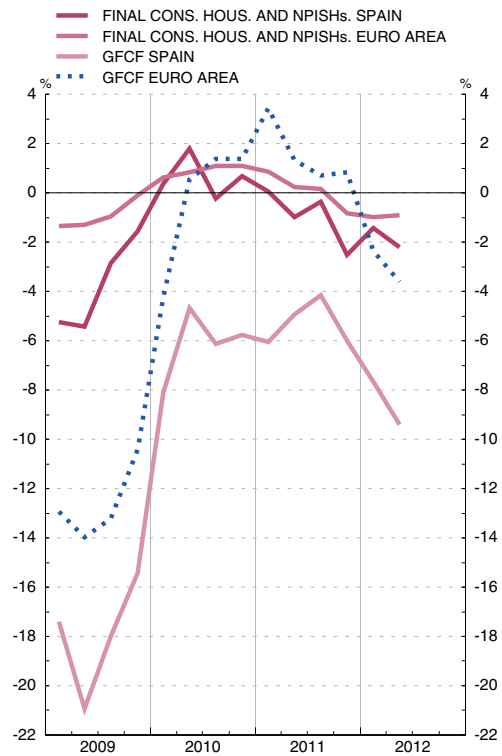
Annual percentage changes

		GDP		Final consumption of households and NPISHs		General government final consumption		Gross fixed capital formation		Domestic demand		Exports of goods and services		Imports of goods and services		Memorandum item: GDPmp (current prices) (g)	
		Spain	Euro area	Spain (b)	Euro area (c)	Spain	Euro area (d)	Spain	Euro area	Spain (e)	Euro area	Spain	Euro area (f)	Spain	Euro area (f)	Spain	Euro area
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
09	P	-3.7	-4.3	-3.8	-0.9	3.7	2.6	-18.0	-12.6	-6.3	-3.7	-10.0	-12.2	-17.2	-10.9	1 048	8 920
10	P	-0.3	1.9	0.7	0.9	1.5	0.7	-6.2	-0.2	-0.6	1.3	11.3	11.0	9.2	9.4	1 049	9 169
11	P	0.4	1.5	-0.9	0.1	-0.5	-0.1	-5.3	1.6	-1.9	0.5	7.6	6.5	-0.9	4.3	1 063	9 417
09	Q3	-4.0	-4.4	-2.9	-1.0	3.4	2.6	-18.0	-13.2	-5.8	-3.7	-9.9	-12.6	-14.9	-11.3	261	2 231
	Q4	-3.1	-2.3	-1.6	-0.1	1.8	2.5	-15.4	-10.4	-4.5	-2.8	-0.5	-4.5	-5.5	-5.7	260	2 243
10	Q1	-1.5	1.0	0.4	0.6	1.0	1.4	-8.1	-4.2	-1.5	-0.1	9.5	7.4	8.5	4.6	261	2 260
	Q2	-0.2	2.3	1.8	0.8	2.2	0.9	-4.7	0.5	0.5	1.8	12.5	12.9	14.6	11.9	262	2 289
	Q3	0.0	2.3	-0.2	1.1	2.5	0.7	-6.1	1.4	-0.9	1.5	10.6	12.0	6.6	10.3	262	2 305
	Q4	0.4	2.2	0.7	1.1	0.3	-0.0	-5.8	1.4	-0.7	1.8	12.4	11.7	7.5	11.0	264	2 316
11	Q1	0.5	2.4	0.0	0.9	2.2	0.2	-6.0	3.4	-0.9	1.6	10.2	10.4	4.5	8.6	265	2 340
	Q2	0.5	1.6	-1.0	0.2	-0.5	0.1	-4.9	1.3	-1.8	0.9	7.1	6.3	-1.6	4.6	266	2 354
	Q3	0.6	1.3	-0.4	0.2	-2.7	-0.4	-4.2	0.7	-1.8	0.3	7.6	5.8	-1.2	3.5	266	2 363
	Q4	-0.0	0.6	-2.5	-0.8	-1.1	-0.3	-6.0	0.8	-3.1	-0.7	5.8	3.6	-4.9	0.4	266	2 360
12	Q1	-0.6	-0.0	-1.4	-1.0	-3.6	0.0	-7.7	-2.4	-3.2	-1.6	2.8	2.6	-5.9	-0.9	265	2 368
	Q2	-1.3	-0.4	-2.2	-0.9	-3.0	-0.1	-9.4	-3.6	-3.9	-2.2	3.3	3.3	-5.4	-0.6	263	2 372

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



**DEMAND COMPONENTS. SPAIN AND EURO AREA**  
Annual percentage changes



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

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

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

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



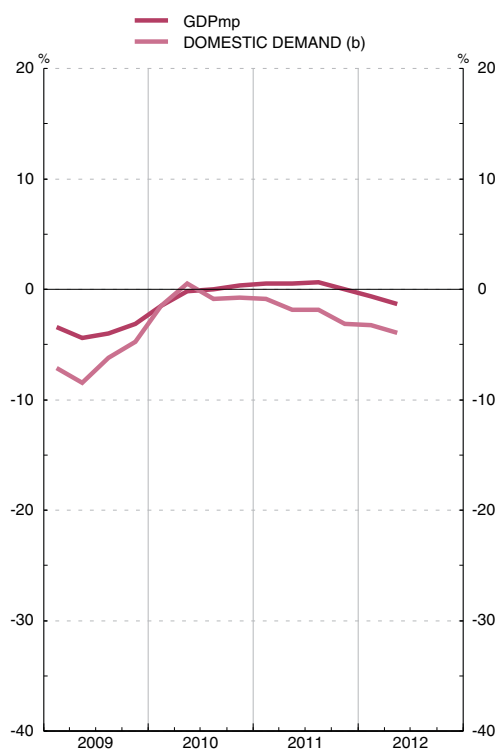
## 1.2. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES. REFERENCE YEAR 2008=100. DEMAND COMPONENTS. SPAIN: BREAKDOWN (a)

■ Series depicted in chart.

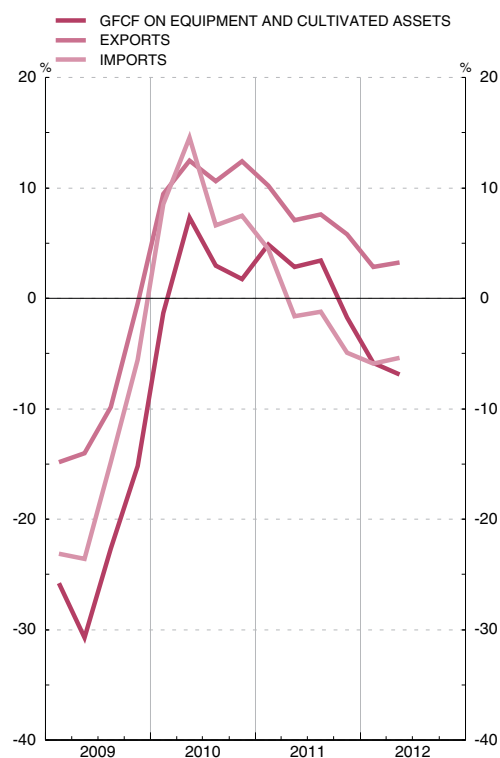
Annual percentage changes

		Gross fixed capital formation					Change in Stocks (b)	Exports of goods and services				Imports of goods and services				Memorandum items	
		Total	Tangible fixed assets			Intangible fixed assets		Total	Goods	Services	Of which Final consumption of non- residents in economic territory	Total	Goods	Services	Of which Final consumption of residents in the rest of the world	Domestic demand (b) (c)	GDP
			Total	Construc- tion	Equipment and cultivated assets												
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
09	P	-18.0	-18.5	-16.6	-23.9	-7.5	-0.0	-10.0	-10.4	-9.2	-9.6	-17.2	-18.7	-11.4	-13.3	-6.6	-3.7
10	P	-6.2	-6.7	-9.8	2.6	3.5	0.1	11.3	15.1	4.1	2.6	9.2	12.1	0.3	0.4	-0.6	-0.3
11	P	-5.3	-5.8	-9.0	2.3	3.1	-0.1	7.6	8.5	5.8	6.4	-0.9	-0.7	-1.4	-4.5	-1.9	0.4
09	Q3	-18.0	-18.6	-17.1	-22.7	-6.7	-0.1	-9.9	-9.5	-10.6	-9.4	-14.9	-16.1	-10.2	-11.7	-6.2	-4.0
Q4	P	-15.4	-15.9	-16.2	-15.2	-6.1	-0.0	-0.5	4.7	-10.0	-5.8	-5.5	-4.3	-9.7	-7.3	-4.8	-3.1
10	Q1	-8.1	-8.7	-11.0	-1.3	2.8	0.1	9.5	15.0	-0.3	0.3	8.5	10.6	2.1	-2.1	-1.5	-1.5
Q2	P	-4.7	-5.3	-9.3	7.3	6.5	0.2	12.5	16.9	4.3	0.6	14.6	18.2	3.2	1.0	0.6	-0.2
Q3	P	-6.1	-6.5	-9.7	3.0	0.9	0.2	10.6	13.2	5.9	5.1	6.6	9.7	-3.2	2.5	-0.9	0.0
Q4	P	-5.8	-6.4	-9.2	1.8	3.8	0.1	12.4	15.4	6.7	4.5	7.5	10.1	-0.9	0.2	-0.7	0.4
11	Q1	-6.0	-6.7	-10.8	4.9	4.1	0.0	10.2	14.0	2.8	5.5	4.5	6.4	-1.9	-2.6	-0.9	0.5
Q2	P	-4.9	-5.4	-8.5	2.9	1.4	-0.1	7.1	8.0	5.2	8.4	-1.6	-1.2	-3.1	-6.0	-1.8	0.5
Q3	P	-4.2	-4.7	-8.0	3.5	4.9	-0.1	7.6	8.4	5.9	5.9	-1.2	-1.9	1.3	-5.1	-1.8	0.6
Q4	P	-6.0	-6.6	-8.6	-1.7	2.0	-0.1	5.8	4.2	9.4	5.8	-4.9	-5.8	-2.0	-4.3	-3.1	-0.0
12	Q1	-7.7	-8.4	-9.5	-5.9	3.0	-0.0	2.8	2.9	2.7	-0.8	-5.9	-5.6	-7.3	-8.5	-3.2	-0.6
Q2	P	-9.4	-10.3	-11.8	-6.9	2.9	-0.0	3.3	3.6	2.6	-2.3	-5.4	-5.9	-3.4	-2.7	-3.9	-1.3

**GDP. DOMESTIC DEMAND**  
Annual percentage changes



**GDP. DEMAND COMPONENTS**  
Annual percentage changes



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

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

b. Contribution to GDPmp growth rate.

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

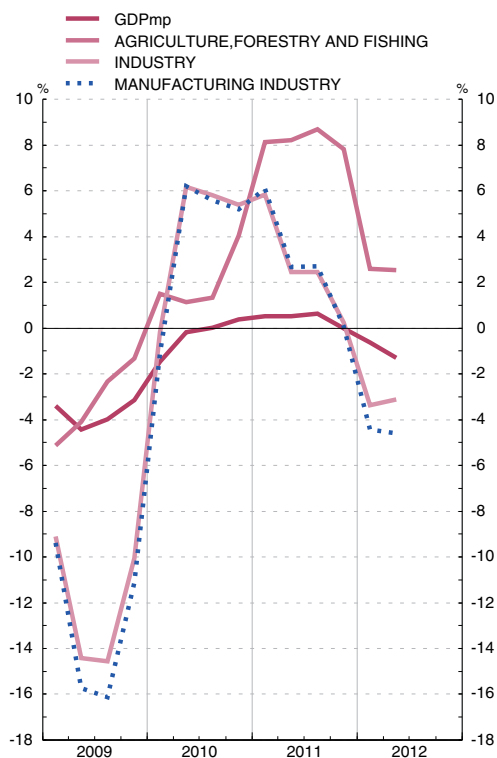
### 1.3. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES. REFERENCE YEAR 2008=100. BRANCHES OF ACTIVITY. SPAIN (a)

■ Series depicted in chart.

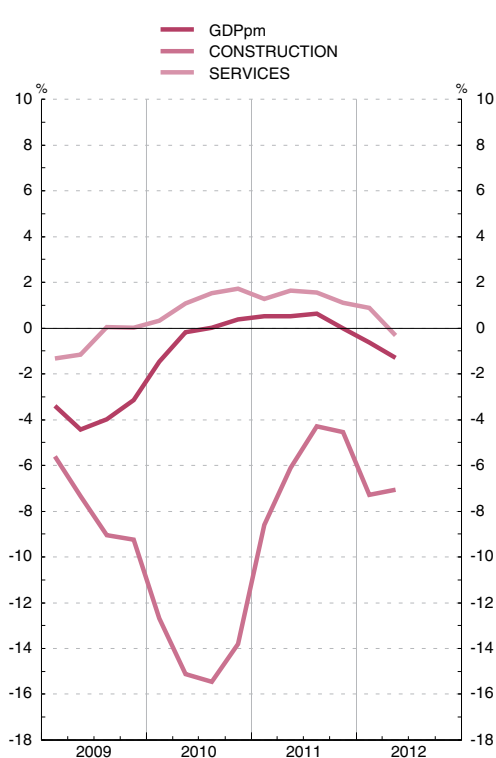
Annual percentage changes

		Gross domestic product at market prices	Agriculture livestock breeding, forestry and fishing	Industry		Construction industry	Services								Net taxes on products
				Total	Of which		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	
					Manufacturing industry										
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
09	P	-3.7	-3.2	-12.1	-13.1	-7.8	-0.6	-1.9	0.9	-4.0	0.0	-2.6	2.3	0.3	-5.4
10	P	-0.3	2.0	4.3	3.9	-14.3	1.2	1.6	6.5	-3.7	-0.9	-0.2	2.4	0.3	0.1
11	P	0.4	8.2	2.7	2.9	-5.9	1.4	1.1	3.9	-3.6	2.7	3.2	1.1	1.4	-5.5
09	Q3	P	-4.0	-2.3	-14.6	-16.1	-9.0	-1.2	-0.3	-0.2	0.4	-3.0	2.8	1.4	-6.4
	Q4	P	-3.1	-1.3	-10.1	-11.1	-9.3	0.1	4.6	-6.4	0.6	-2.6	1.4	1.6	-5.3
10	Q1	P	-1.5	1.5	-0.2	-1.1	-12.7	0.3	1.1	5.3	-7.3	-1.9	-0.9	1.6	2.1
	Q2	P	-0.2	1.1	6.2	6.2	-15.1	1.1	1.8	7.2	-5.5	-0.8	-0.0	1.8	1.6
	Q3	P	0.0	1.3	5.8	5.6	-15.5	1.5	1.6	7.4	-1.3	-1.1	0.2	3.0	-0.7
	Q4	P	0.4	4.1	5.4	5.2	-13.8	1.7	1.8	6.0	-0.2	0.0	-0.1	3.3	-1.6
11	Q1	P	0.5	8.1	5.8	6.1	-8.6	1.3	1.8	4.1	-6.5	2.8	2.9	1.1	-0.3
	Q2	P	0.5	8.2	2.4	2.7	-6.1	1.6	2.0	3.6	-4.9	2.3	3.1	1.8	0.1
	Q3	P	0.6	8.7	2.5	2.7	-4.3	1.6	1.0	4.3	-3.4	2.9	3.6	1.3	3.1
	Q4	P	-0.0	7.8	0.2	0.1	-4.5	1.1	-0.2	3.7	0.4	2.8	3.4	0.3	2.9
12	Q1	P	-0.6	2.6	-3.4	-4.4	-7.3	0.9	0.2	1.9	3.5	1.9	0.6	0.6	1.0
	Q2	P	-1.3	2.5	-3.1	-4.6	-7.1	-0.3	-1.2	0.5	1.9	1.6	-1.7	0.1	-0.8

**GDP. BRANCHES OF ACTIVITY**  
Annual percentage changes



**GDP. BRANCHES OF ACTIVITY**  
Annual percentage changes



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

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

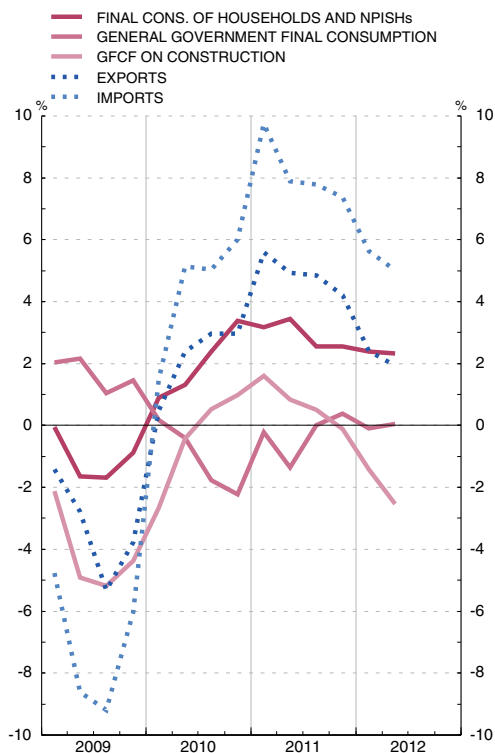
#### 1.4. GROSS DOMESTIC PRODUCT. IMPLICIT DEFLATORS. SPAIN (a)

■ Series depicted in chart.

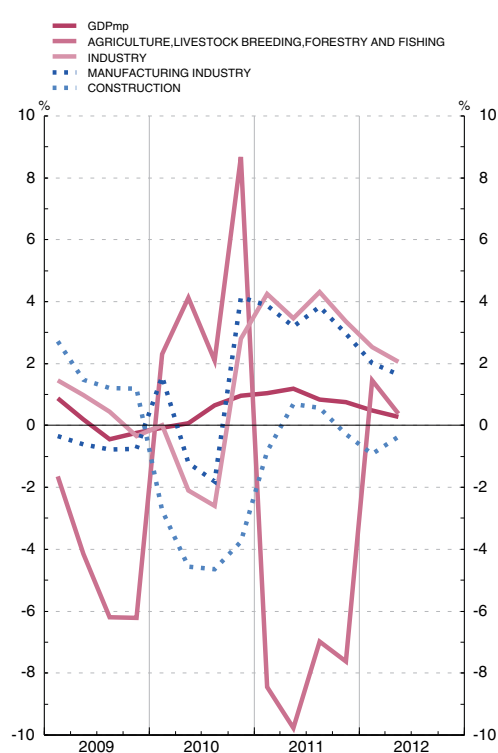
Annual percentage changes

		Demand components								Gross domestic product at market prices	Branches of activity												
		Final consumption of households and NPISHs (b)	General government final consumption	Gross fixed capital formation			Exports of goods and services	Imports of goods and services	Agriculture, livestock breeding, forestry and fishing		Industry	Construction	Services										
				Total	Tangible fixed assets								Intangible fixed assets	Total	Trade, transport and accommodation	Information and communications	Financial and insurance activities	Real estate activities	Professional activities	Public administration, Health and Education	Artistic, recreational and other services activities		
					Construction	Equipment and cultivated assets																	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21			
09	P	-1.1	1.7	-3.3	-4.1	-1.7	0.2	-3.3	-7.2	0.1	-4.6	0.6	-0.7	1.7	1.6	1.9	0.3	10.2	-8.5	1.3	2.9	1.6	
10	P	2.0	-1.1	0.6	-0.5	3.1	2.6	2.2	4.4	0.4	4.2	-0.5	0.7	-3.9	-1.2	0.2	-5.9	-20.2	13.5	-1.4	-1.4	0.6	
11	P	2.9	-0.3	1.3	0.7	2.5	1.3	4.9	8.1	1.0	-8.2	3.8	3.4	0.0	0.8	2.4	-1.5	-4.1	4.7	0.3	-0.8	-0.3	
09	Q3	P	-1.7	1.0	-4.3	-5.2	-2.8	0.2	-5.3	-9.2	-0.4	-6.2	0.4	-0.8	1.2	2.0	2.3	0.7	9.6	-5.3	1.4	2.9	1.4
	Q4	P	-0.9	1.4	-3.3	-4.4	-0.6	-0.8	-3.8	-6.0	-0.2	-6.2	-0.3	-0.8	1.2	0.0	1.2	-1.1	1.3	-11.3	-0.0	2.7	1.2
10	Q1	P	0.9	0.2	-1.6	-2.7	0.6	2.7	0.5	1.5	-0.1	2.3	0.0	1.6	-2.8	-0.1	-0.0	-5.1	-14.9	14.9	-1.8	1.4	0.7
	Q2	P	1.3	-0.4	0.4	-0.4	2.1	2.6	2.4	5.1	0.1	4.1	-2.1	-1.2	-4.6	-2.3	-2.2	-6.1	-22.4	9.9	-2.8	0.1	0.2
	Q3	P	2.4	-1.8	1.6	0.5	4.3	2.6	3.0	5.0	0.6	2.1	-2.6	-1.8	-4.6	-2.1	0.0	-6.5	-22.8	11.0	-1.2	-2.8	0.5
	Q4	P	3.4	-2.2	2.2	1.0	5.3	2.6	3.0	6.0	1.0	8.7	2.8	4.1	-3.8	-0.2	2.8	-5.8	-20.4	18.2	0.2	-3.9	1.1
11	Q1	P	3.2	-0.2	2.4	1.6	4.6	1.1	5.6	9.7	1.0	-8.4	4.2	3.9	-0.8	0.2	2.1	-1.6	-10.1	3.2	1.0	-0.8	-0.2
	Q2	P	3.5	-1.3	1.5	0.8	3.1	1.7	4.9	7.9	1.2	-9.8	3.5	3.2	0.7	1.4	3.0	-1.4	-3.2	9.2	1.8	-1.9	-0.4
	Q3	P	2.6	-0.0	0.8	0.5	1.6	0.9	4.9	7.8	0.8	-7.0	4.3	3.8	0.6	0.7	2.1	-1.4	-2.7	4.1	-0.9	-0.5	-0.3
	Q4	P	2.6	0.4	0.3	-0.1	0.9	1.5	4.2	7.4	0.8	-7.6	3.4	3.0	-0.3	0.9	2.3	-1.6	0.5	2.7	-0.6	-0.1	-0.2
12	Q1	P	2.4	-0.1	0.0	-1.4	3.2	0.5	2.4	5.6	0.5	1.5	2.5	2.0	-0.9	1.1	1.9	-2.6	4.1	1.6	0.4	0.1	1.3
	Q2	P	2.3	0.0	-1.1	-2.5	1.8	0.1	1.9	5.0	0.3	0.4	2.1	1.6	-0.4	1.2	2.3	-2.6	3.3	2.0	0.7	-0.1	1.1

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.

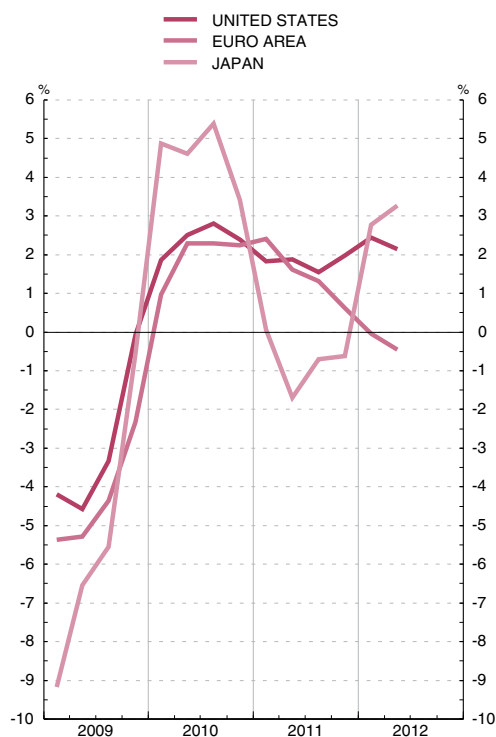
## 2.1. INTERNATIONAL COMPARISON. GROSS DOMESTIC PRODUCT AT CONSTANT PRICES

■ Series depicted in chart.

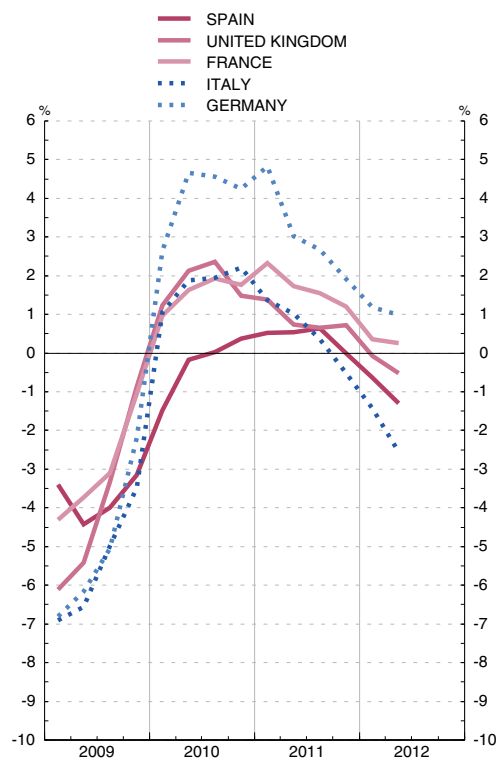
Annual percentage changes

	OECD	EU-27	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3	4	5	6	7	8	9	10
<b>09</b>	-3.6	-4.3	-4.3	-5.1	-3.7	-3.1	-3.1	-5.5	-5.5	-4.0
<b>10</b>	3.0	2.0	1.9	4.0	-0.3	2.4	1.6	1.8	4.6	1.8
<b>11</b>	1.8	1.6	1.5	3.1	0.4	1.8	1.7	0.6	-0.7	0.9
<b>09 Q2</b>	-4.9	-5.3	-5.3	-6.2	-4.4	-4.6	-3.7	-6.6	-6.5	-5.4
<b>Q3</b>	-3.6	-4.3	-4.4	-5.0	-4.0	-3.3	-3.1	-5.0	-5.5	-3.3
<b>Q4</b>	-0.6	-2.1	-2.3	-2.2	-3.1	-0.1	-1.0	-3.5	-0.6	-0.9
<b>10 Q1</b>	2.5	1.0	1.0	2.6	-1.5	1.9	1.0	1.0	4.9	1.2
<b>Q2</b>	3.3	2.3	2.3	4.7	-0.2	2.5	1.6	1.9	4.6	2.1
<b>Q3</b>	3.2	2.5	2.3	4.6	0.0	2.8	1.9	1.9	5.4	2.4
<b>Q4</b>	2.9	2.3	2.2	4.2	0.4	2.4	1.8	2.2	3.4	1.5
<b>11 Q1</b>	2.4	2.4	2.4	4.8	0.5	1.8	2.3	1.4	0.1	1.4
<b>Q2</b>	1.8	1.7	1.6	3.0	0.5	1.9	1.7	1.0	-1.7	0.7
<b>Q3</b>	1.7	1.4	1.3	2.7	0.6	1.6	1.5	0.4	-0.7	0.6
<b>Q4</b>	1.5	0.8	0.6	1.9	-0.0	2.0	1.2	-0.5	-0.6	0.7
<b>12 Q1</b>	1.7	0.1	-0.0	1.2	-0.6	2.4	0.4	-1.4	2.8	-0.1
<b>Q2</b>	1.5	-0.3	-0.4	1.0	-1.3	2.1	0.3	-2.6	3.3	-0.5

GROSS DOMESTIC PRODUCT  
Annual percentage changes



GROSS DOMESTIC PRODUCT  
Annual percentage changes



Sources: ECB, INE and OECD.

Note: The underlying series for this indicator are in Table 26.2 of the BE Boletín Estadístico.

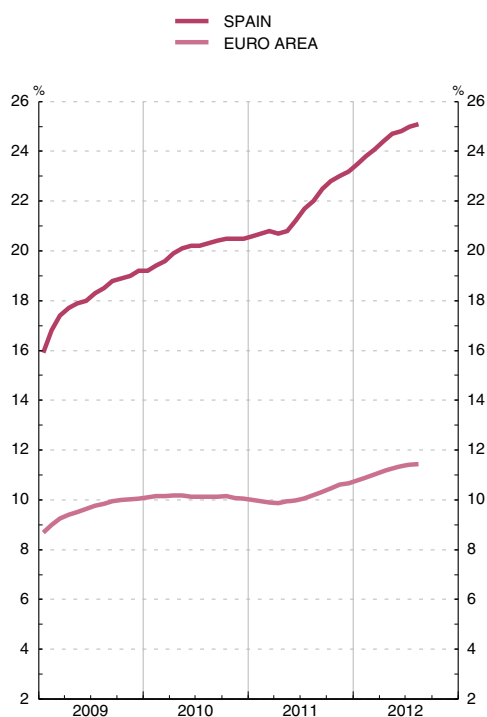
## 2.2. INTERNATIONAL COMPARISON. UNEMPLOYMENT RATES

■ Series depicted in chart.

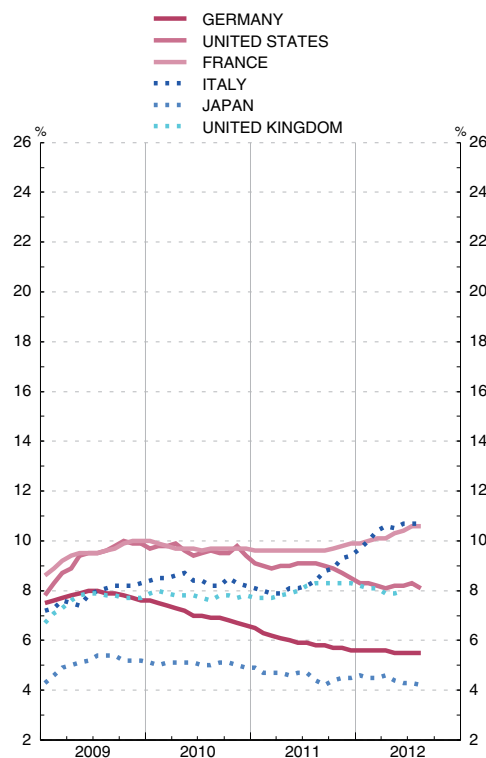
Percentages

	OECD	EU-27	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3	4	5	6	7	8	9	10
09	8.2	9.0	9.6	7.8	18.0	9.3	9.5	7.8	5.1	7.6
10	8.3	9.6	10.1	7.1	20.1	9.6	9.7	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
11 Mar	7.9	9.4	9.9	6.2	20.8	8.9	9.6	7.9	4.7	7.7
Apr	7.9	9.4	9.9	6.1	20.7	9.0	9.6	7.9	4.7	7.8
May	7.9	9.5	10.0	6.0	20.8	9.0	9.6	8.1	4.6	7.9
Jun	8.0	9.5	10.0	5.9	21.2	9.1	9.6	8.1	4.7	8.0
Jul	8.0	9.6	10.1	5.9	21.7	9.1	9.6	8.2	4.7	8.2
Aug	8.0	9.7	10.2	5.8	22.0	9.1	9.6	8.4	4.4	8.3
Sep	8.0	9.8	10.3	5.8	22.5	9.0	9.6	8.8	4.2	8.3
Oct	8.0	9.9	10.4	5.7	22.8	8.9	9.7	8.9	4.4	8.3
Nov	8.0	10.0	10.6	5.7	23.0	8.7	9.8	9.3	4.5	8.3
Dec	7.9	10.0	10.6	5.6	23.2	8.5	9.9	9.4	4.5	8.3
12 Jan	7.9	10.1	10.8	5.6	23.5	8.3	9.9	9.7	4.6	8.2
Feb	8.0	10.2	10.8	5.6	23.8	8.3	10.0	10.0	4.5	8.1
Mar	7.9	10.3	10.9	5.6	24.1	8.2	10.1	10.4	4.5	8.1
Apr	7.9	10.3	...	5.6	24.4	8.1	10.1	10.6	4.6	7.9
May	8.0	10.4	...	5.5	24.7	8.2	10.3	10.5	4.4	7.9
Jun	8.0	10.5	...	5.5	24.8	8.2	10.4	10.7	4.3	8.0
Jul	8.0	10.5	...	5.5	25.0	8.3	10.6	10.7	4.3	...
Aug	7.9	10.5	...	5.5	25.1	8.1	10.6	10.7	4.2	...

UNEMPLOYMENT RATES



UNEMPLOYMENT RATES



Source: OECD.

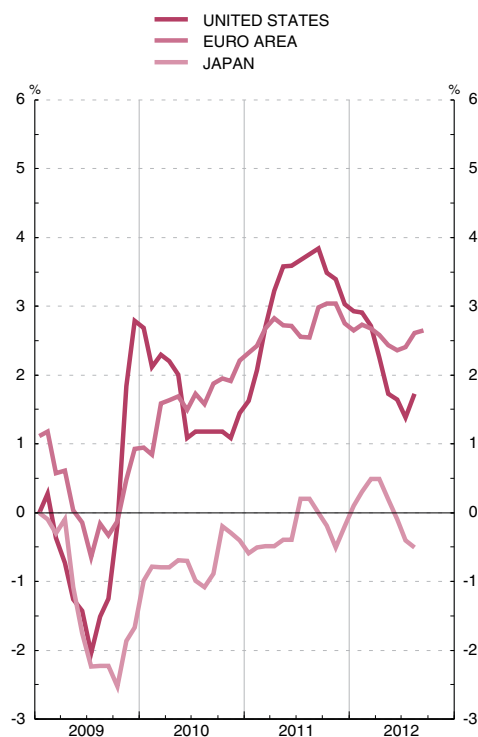
## 2.3. INTERNATIONAL COMPARISON. CONSUMER PRICES (a)

■ Series depicted in chart.

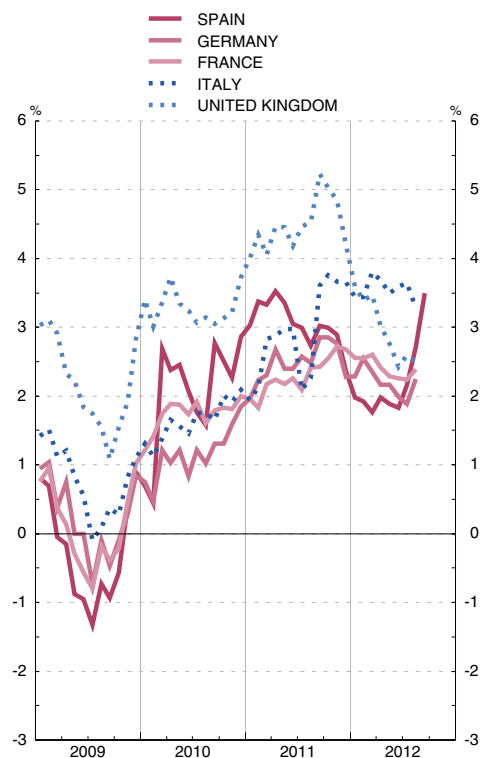
Annual percentage changes

	OECD	EU-27	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3	4	5	6	7	8	9	10
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 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	2.1	2.5	2.4	2.0	1.8	1.6	2.3	3.6	-0.1	2.4
Jul	1.9	2.5	2.4	1.9	2.2	1.4	2.2	3.6	-0.4	2.6
Aug	2.0	2.7	2.6	2.2	2.7	1.7	2.4	3.3	-0.5	2.5

CONSUMER PRICES  
Annual percentage changes



CONSUMER PRICES  
Annual percentage changes



Sources: OECD, INE and Eurostat.

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

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

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

■ Series depicted in chart.

Average of daily data

	Exchange rates			Indices of the nominal effective exchange rate vis-à-vis the (a) developed countries 1999 Q1=100			Indices of the real effective exchange rate vis-à-vis the developed countries (b) 1999 Q1=100					
	US dollar per ECU/euro	Japanese yen per ECU/euro	Japanese yen per US dollar	Euro	US dollar	Japanese yen	Based on consumer prices			Based on producer prices		
							Euro	US dollar	Japanese yen	Euro	US dollar	Japanese yen
	1	2	3	4	5	6	7	8	9	10	11	12
09	1.3940	130.30	93.57	110.6	81.1	112.4	109.2	88.9	86.1	104.3	92.6	84.9
10	1.3267	116.42	87.78	103.7	79.1	120.7	101.6	86.7	90.2	98.1	93.0	87.7
11	1.3918	111.00	79.74	103.4	74.5	128.6	100.7	82.4	92.8	97.6	90.5	88.7
11 J-S	1.4066	113.29	80.56	103.8	74.0	126.6	101.1	81.9	91.6	98.0	89.8	87.6
12 J-S	1.2813	101.68	79.34	97.9	77.4	133.7	95.6	86.0	94.7	92.7	95.1	89.3
11 Jul	1.4264	113.26	79.40	104.0	72.8	127.2	101.1	80.9	91.6	98.1	89.4	87.4
Aug	1.4343	110.43	77.00	103.9	72.5	130.9	100.8	80.7	94.2	97.9	88.6	89.9
Sep	1.3770	105.75	76.79	102.8	74.6	134.1	100.0	82.8	96.3	96.8	91.3	91.8
Oct	1.3706	105.06	76.65	103.0	75.1	134.9	100.2	83.1	97.0	97.1	91.6	92.1
Nov	1.3556	105.02	77.47	102.6	75.7	134.1	99.9	83.7	95.8	96.7	92.5	91.2
Dec	1.3179	102.55	77.81	100.8	76.7	135.1	98.1	84.7	96.6	95.1	93.5	92.1
12 Jan	1.2905	99.33	76.97	98.9	77.0	137.5	96.3	85.5	98.7	93.7	94.1	93.1
Feb	1.3224	103.77	78.46	99.6	76.0	133.2	97.2	84.4	95.3	94.6	93.0	89.8
Mar	1.3201	108.88	82.48	99.8	76.8	126.8	97.3	85.2	90.4	94.8	94.5	85.3
Apr	1.3162	107.00	81.30	99.5	76.6	128.8	97.2	84.9	91.6	94.4	94.5	86.3
May	1.2789	101.97	79.73	98.0	77.7	133.3	95.7	86.2	94.6	93.0	95.7	89.3
Jun	1.2526	99.26	79.24	97.2	78.8	135.4	94.9	87.6	95.8	92.0	96.9	90.6
Jul	1.2288	97.07	78.99	95.3	79.0	136.6	93.2	87.9	96.7	90.0	96.6	90.9
Aug	1.2400	97.58	78.69	95.2	78.1	136.3	93.0	...	...	89.5	...	...
Sep	1.2856	100.49	78.17	97.2	76.4	135.0	...	...	...	...	...	...

### EXCHANGE RATES



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



Sources: ECB and BE.

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

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



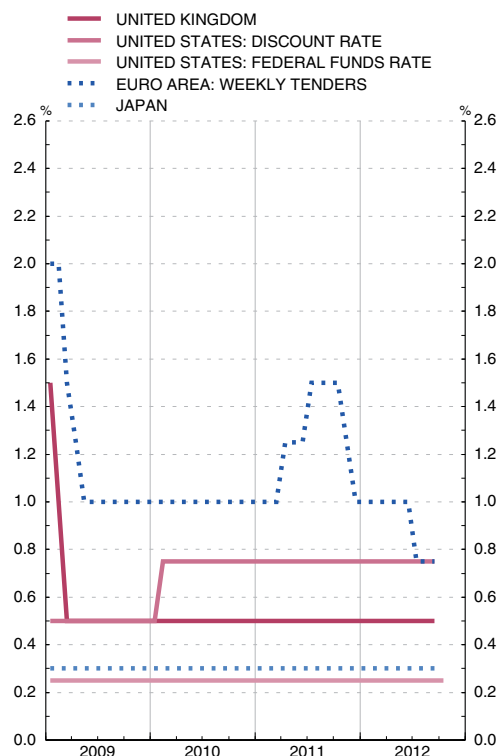
## 2.5. OFFICIAL INTERVENTION INTEREST RATES AND SHORT-TERM INTEREST RATES

■ Series depicted in chart.

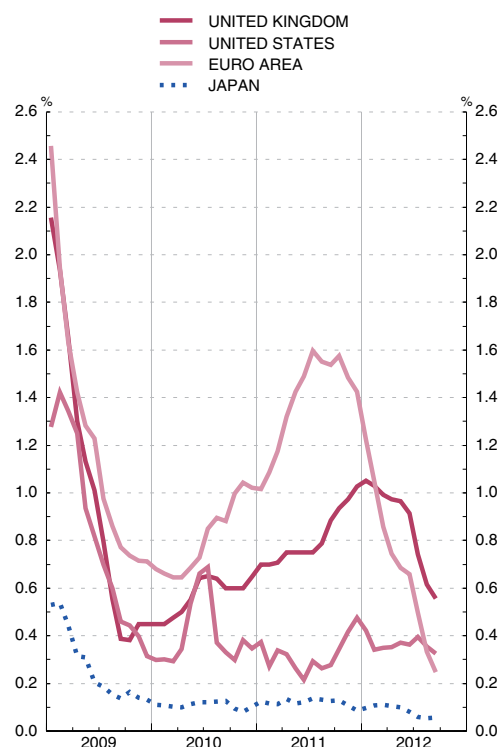
Percentages

	Official intervention interest rates					3-month interbank rates									
	Euro area	United States		Japan	United Kingdom	OECD	EU-15	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
		Discount rate (b)	Federal funds rate	(c)	(d)										
	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 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	0.75	0.75	0.25	0.30	0.50	0.53	0.56	0.50	-	-	0.40	-	-	0.06	0.74
Aug	0.75	0.75	0.25	0.30	0.50	0.45	0.40	0.33	-	-	0.35	-	-	0.05	0.62
Sep	0.75	0.75	0.25	0.30	0.50	0.41	0.32	0.25	-	-	0.32	-	-	0.06	0.56

### OFFICIAL INTERVENTION INTEREST RATES



### 3-MONTH INTERBANK RATES



Sources: ECB, Reuters and BE.

a. Main refinancing operations.

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

c. Discount rate.

d. Retail bank base rate.

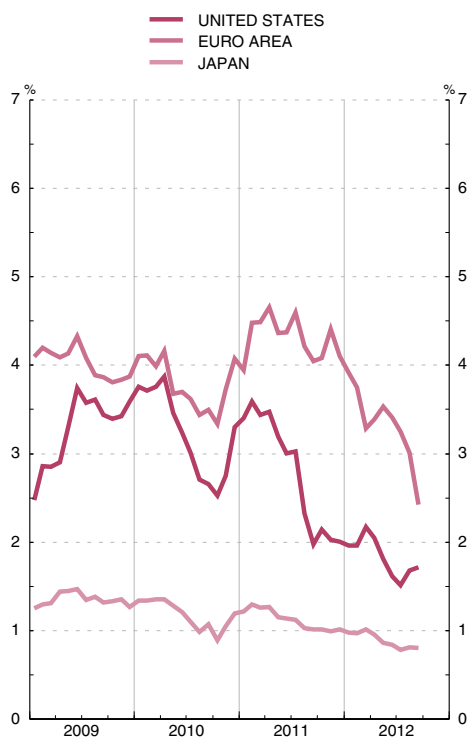
## 2.6. 10-YEAR GOVERNMENT BOND YIELDS ON DOMESTIC MARKETS

■ Series depicted in chart.

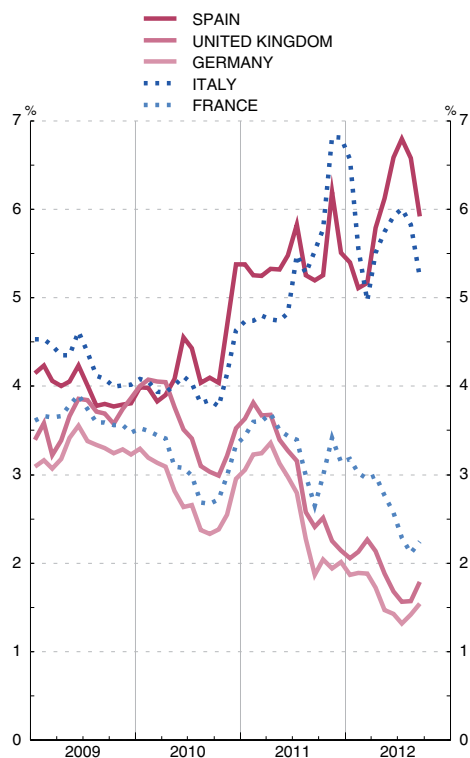
Percentages

	OECD	EU-15	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3	4	5	6	7	8	9	10
<b>09</b>	3.18	3.74	4.03	3.27	3.97	3.27	3.65	4.28	1.35	3.63
<b>10</b>	3.05	3.52	3.78	2.78	4.25	3.22	3.12	4.03	1.18	3.56
<b>11</b>	3.03	4.02	4.31	2.66	5.44	2.80	3.32	5.36	1.12	3.04
<b>11 Apr</b>	3.46	4.26	4.66	3.36	5.33	3.47	3.69	4.75	1.27	3.68
<b>May</b>	3.28	4.15	4.37	3.13	5.32	3.19	3.50	4.74	1.15	3.40
<b>Jun</b>	3.18	4.14	4.37	2.98	5.48	3.00	3.44	4.82	1.14	3.27
<b>Jul</b>	3.21	4.22	4.59	2.79	5.82	3.03	3.40	5.49	1.12	3.15
<b>Aug</b>	2.70	3.74	4.21	2.27	5.25	2.32	2.99	5.28	1.03	2.57
<b>Sep</b>	2.49	3.58	4.04	1.87	5.20	1.98	2.65	5.53	1.01	2.41
<b>Oct</b>	2.63	3.77	4.09	2.04	5.25	2.14	2.99	5.77	1.01	2.51
<b>Nov</b>	2.68	4.05	4.41	1.94	6.19	2.02	3.42	6.82	0.99	2.25
<b>Dec</b>	2.64	4.00	4.11	2.01	5.50	2.00	3.14	6.81	1.01	2.14
<b>12 Jan</b>	2.62	4.00	3.92	1.87	5.40	1.96	3.18	6.56	0.98	2.05
<b>Feb</b>	2.56	3.83	3.75	1.89	5.11	1.96	3.02	5.56	0.97	2.13
<b>Mar</b>	2.55	3.56	3.29	1.88	5.17	2.17	2.96	4.96	1.01	2.26
<b>Apr</b>	2.52	3.65	3.39	1.72	5.79	2.05	2.99	5.51	0.95	2.14
<b>May</b>	2.38	3.63	3.53	1.47	6.13	1.81	2.76	5.75	0.86	1.88
<b>Jun</b>	2.28	3.61	3.41	1.43	6.59	1.61	2.57	5.92	0.84	1.68
<b>Jul</b>	2.17	3.46	3.25	1.32	6.79	1.51	2.28	6.01	0.78	1.56
<b>Aug</b>	2.22	3.37	3.01	1.42	6.58	1.68	2.11	5.82	0.81	1.57
<b>Sep</b>	2.18	3.23	2.43	1.54	5.92	1.71	2.24	5.23	0.81	1.78

10-YEAR GOVERNMENT BOND YIELDS



10-YEAR GOVERNMENT BOND YIELDS



Sources: ECB, Reuters and BE.

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

■ Series depicted in chart.

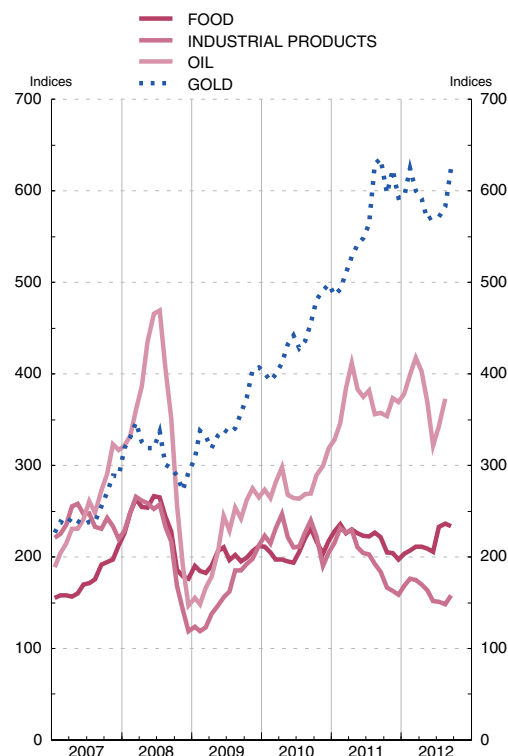
Base 2000 = 100

	Non-energy commodity price index (a)						Oil		Gold		
	Euro index		US dollar index				Index (b)	Brent North sea	Index (c)	US dollars per troy ounce	Euro per gram
	General	General	Food	Industrial products				US dollars per barrel			
				Total	Non-food agricultural products	Metals					
	1	2	3	4	5	6	7	8	9	10	11
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-S	193.4	218.6	226.4	210.5	257.8	190.2	369.5	112.9	548.7	1 530.7	35.00
12 J-S	184.2	190.1	216.7	162.5	175.9	156.9	...	112.9	591.9	1 651.1	41.44
11 Aug	181.8	209.5	226.3	192.1	215.9	181.8	355.8	111.3	629.4	1 755.8	39.41
Sep	183.5	203.2	221.7	183.9	214.1	171.0	357.1	114.8	635.1	1 771.9	41.36
Oct	170.0	186.3	205.2	166.7	198.3	153.1	353.9	110.9	596.9	1 665.2	39.04
Nov	168.7	184.1	204.4	163.0	183.6	154.1	373.2	111.1	623.4	1 739.0	41.24
Dec	168.6	178.4	197.0	158.9	174.5	152.3	369.3	108.7	592.3	1 652.3	40.18
12 Jan	179.4	186.5	203.6	168.7	183.8	162.3	378.6	111.1	593.7	1 656.1	41.35
Feb	179.8	191.8	206.9	176.2	192.6	169.2	399.2	120.6	624.7	1 742.6	42.37
Mar	181.9	193.2	210.9	174.5	192.8	166.7	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	368.9	111.0	568.3	1 585.5	39.83
Jun	177.9	179.1	205.5	151.5	165.9	146.8	321.4	95.7	572.4	1 596.7	40.94
Jul	195.1	192.9	232.9	151.3	161.7	146.9	342.7	103.1	571.4	1 593.9	41.71
Aug	192.9	193.1	236.1	148.4	155.9	145.2	372.9	114.1	582.9	1 626.0	42.22
Sep	189.8	196.5	233.4	158.2	158.8	158.0	...	113.2	624.7	1 742.8	43.59

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.

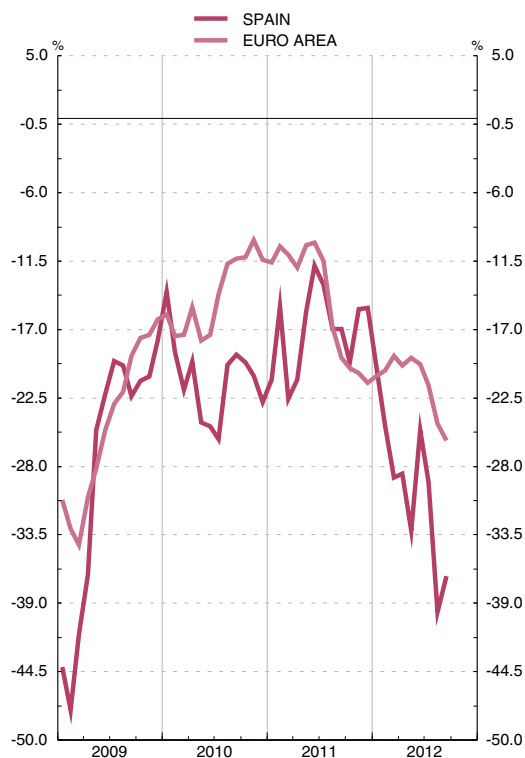
### 3.1 INDICATORS OF PRIVATE CONSUMPTION. SPAIN AND EURO AREA

■ Series depicted in chart.

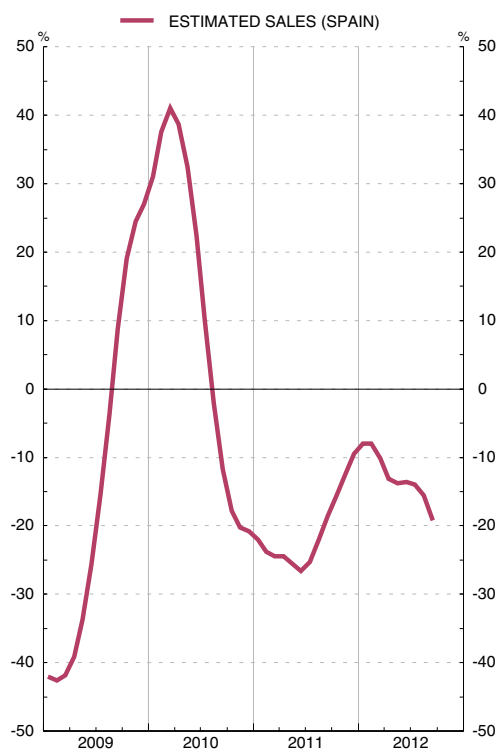
Annual percentage changes

	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	Food	Large retail outlets	Large chain stores	Small chain stores	Single-outlet retailers	Memorandum item: euro area (a)
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-S	P	-17.2	-14.2	-6.9	-19.9	-12.5	-3.6	-21.4	...	-20.7	-0.4	-5.3	-5.1	-2.7	-6.3	-0.1	-6.8	-6.8	0.0
12 J-S	P	-29.6	-28.7	-16.6	-22.4	-21.2	-15.1	-10.7	...	-11.0	...	...	...	...	...	...	...	...	...
11 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	-0.6
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	-1.3
Dec	P	-15.3	-9.8	-4.8	-20.4	-21.3	-12.2	-4.2	...	-3.6	-1.3	-6.5	-6.4	-2.4	-9.1	-2.4	-7.0	-7.4	-1.8
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	-0.9
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	-1.3
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	-10.6	-3.1
May	P	-33.2	-34.1	-18.7	-23.8	-19.3	-18.1	-7.3	...	-8.1	-6.6	-4.2	-3.6	-1.2	-5.9	0.6	-4.6	-5.4	-0.4
Jun	P	-25.1	-24.8	-14.7	-17.6	-19.8	-14.4	-11.7	...	-12.1	-6.0	-4.5	-4.0	-0.8	-6.3	2.5	-6.4	-6.7	-0.8
Jul	P	-29.3	-29.1	-18.4	-21.0	-21.5	-15.0	-16.7	...	-17.2	-15.3	-7.0	-6.6	-3.6	-10.4	-2.5	-8.5	-7.6	-1.4
Aug	P	-39.7	-45.2	-26.6	-23.7	-24.6	-17.2	4.3	...	3.4	-9.8	-2.1	-1.5	0.2	-1.2	0.2	-4.5	-2.8	...
Sep	P	-36.8	-39.0	-25.1	-25.5	-25.9	-18.6	-36.2	...	-36.8	...	...	...	...	...	...	...	...	...

#### CONSUMER CONFIDENCE INDEX



#### CAR SALES Trend obtained with TRAMO-SEATS



Sources: European Commission, European Economy, Supplement B, INE, Dirección General de Tráfico, Asociación Nacional de Fabricantes de Automóviles y Camiones and ECB.

a. Data adjusted by working days.

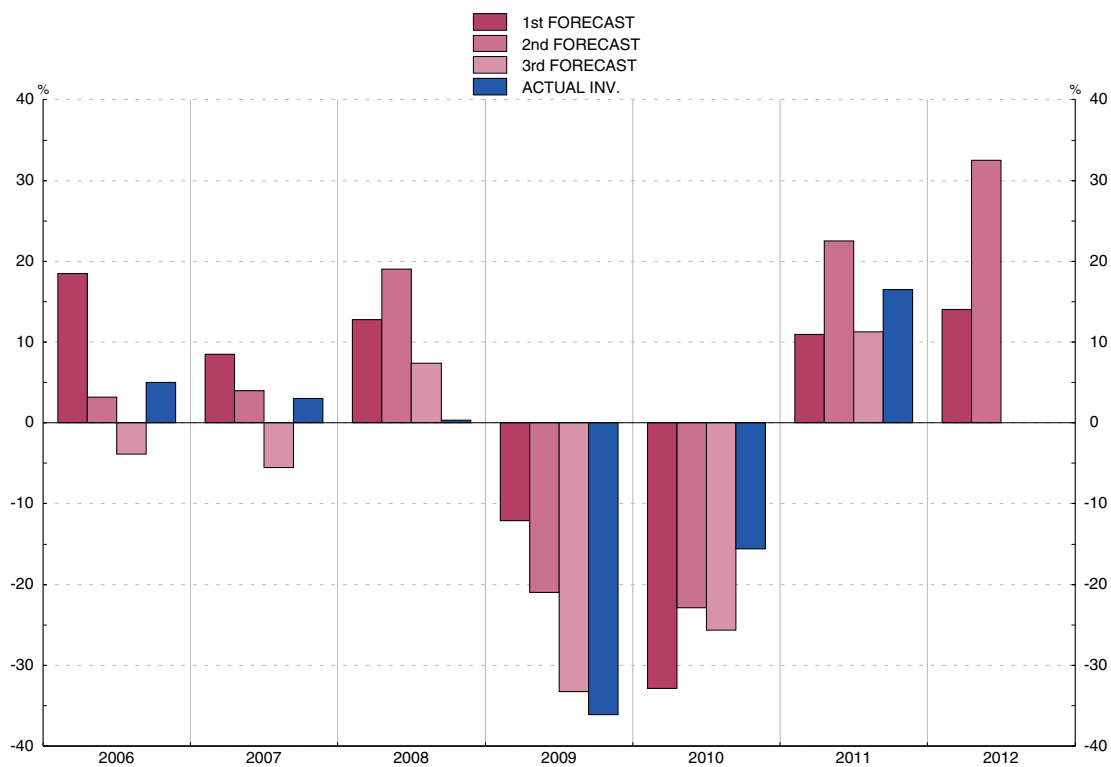
### 3.2. INVESTMENT IN INDUSTRY (EXCLUDING CONSTRUCTION): OPINION SURVEYS. SPAIN

■ Series depicted in chart.

Annual percentage changes at current prices

	1	2	3	4	
	ACTUAL INV.	1st FORECAST	2nd FORECAST	3rd FORECAST	
06	1	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.

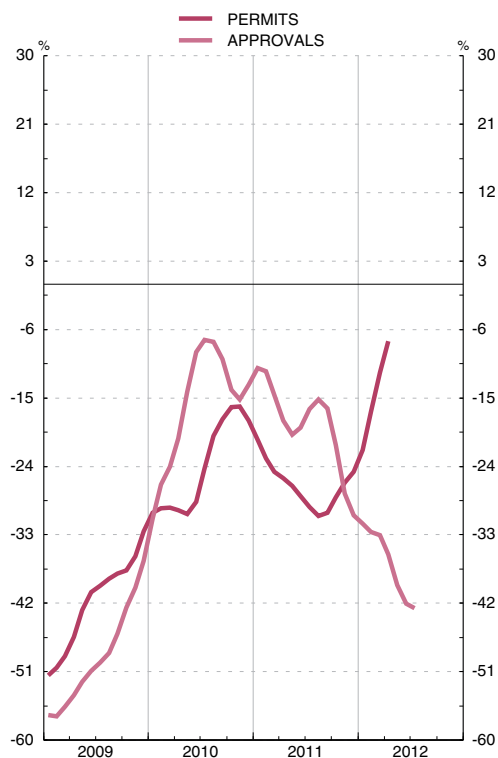
### 3.3. CONSTRUCTION. INDICATORS OF BUILDING STARTS AND CONSUMPTION OF CEMENT. SPAIN

■ Series depicted in chart.

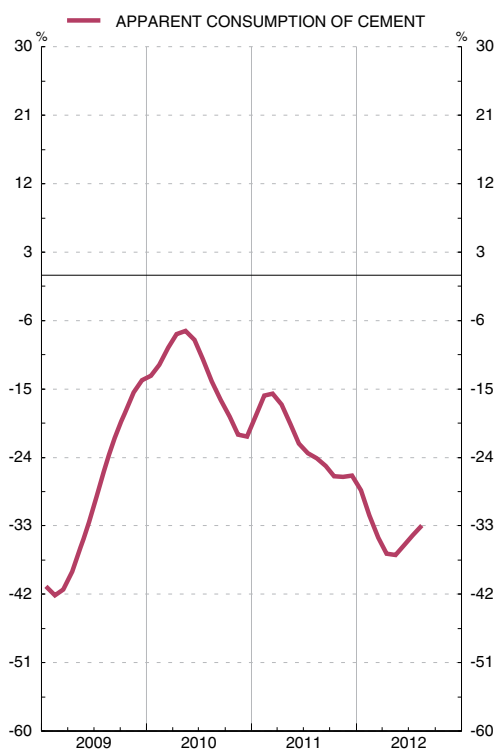
Annual percentage changes

		Permits: buildable floorage				Approvals: buildable floorage		Government tenders (budget)							Apparent consumption of cement
		Total	of which		Non-residential	Total	Housing	Total		Building				Civil engineering	
			Residential	Housing				For the month	Year to date	Total	of which		Non-residential		
											Residential	Housing			
1		2	3	4	5	6	7	8	9	10	11	12	13	14	
09		-43.4	-49.3	-49.2	-27.2	-51.4	-56.8	-8.2	-8.2	1.1	3.7	-19.9	0.3	-11.4	-32.3
10	P	-28.7	-24.3	-25.2	-36.9	-16.0	-16.1	-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	-40.2	-17.1
11 J-A	P	-4.7	-7.6	-8.4	1.7	-15.6	-11.7	-42.0	-42.0	-56.0	-47.9	-44.6	-57.9	-32.4	-13.0
12 J-A	P	...	...	...	...	...	...	...	...	...	...	...	...	...	-34.3
11 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	-25.1
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	-18.2
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	-21.6
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	-78.4	-29.8
Nov	P	-20.2	-26.4	-21.5	-3.4	-41.4	-35.8	-40.1	-43.8	-66.2	-79.8	-85.1	-62.3	-30.6	-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	-20.1	-20.8	-17.4	-18.5	-38.5	-34.7	-17.7	-42.4	-39.6	-83.1	-64.2	-35.2	-6.5	-32.0
Mar	P	-26.9	-25.4	-25.6	-29.7	-27.9	-26.7	-68.0	-50.6	-68.1	-72.7	13.2	-65.9	-67.9	-36.5
Apr	P	-8.1	-8.7	-6.3	-7.4	-34.3	-32.2	-56.7	-51.9	-59.3	-87.8	-90.0	-46.2	-55.2	-41.1
May	P	...	...	...	...	-38.9	-36.3	-35.1	-46.3	-43.1	-73.6	-55.4	-37.9	-33.5	-37.2
Jun	P	...	...	...	...	-49.2	-55.2	-50.6	-46.9	-44.6	-86.3	-82.8	-23.4	-53.4	-35.0
Jul	P	...	...	...	...	-37.9	-38.3	...	...	...	...	...	...	...	-32.4
Aug	P	...	...	...	...	...	...	...	...	...	...	...	...	...	-33.6

CONSTRUCTION  
Trend obtained with TRAMO-SEATS



CONSTRUCTION  
Trend obtained with TRAMO-SEATS



Sources: Ministerio de Fomento and Asociación de Fabricantes de Cemento de España.

Note: The underlying series for this indicator are in Tables 23.7, 23.8, and 23.9 of the BE Boletín estadístico.

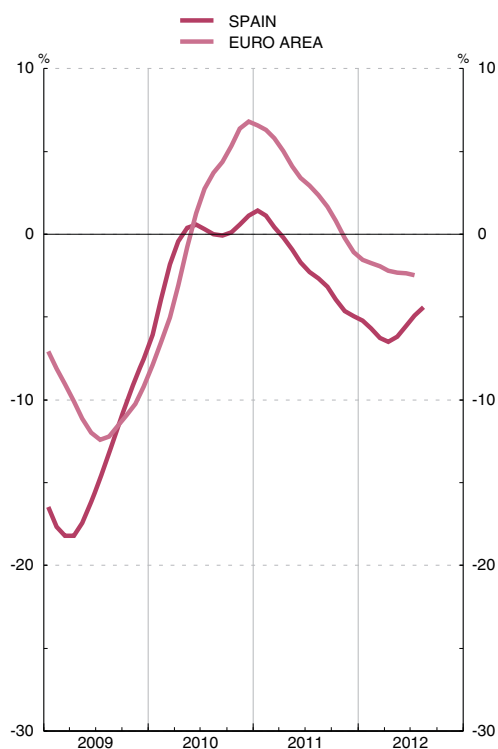
### 3.4. INDUSTRIAL PRODUCTION INDEX. SPAIN AND EURO AREA (a)

■ Series depicted in chart.

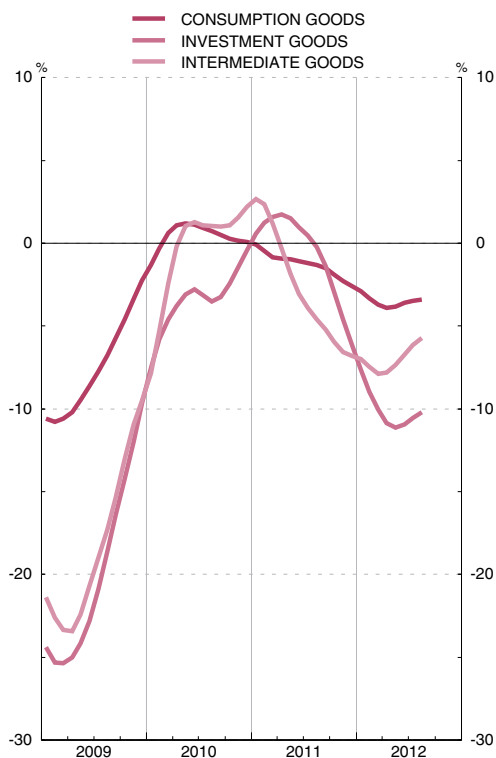
Annual percentage changes

		Overall Index		By end-use of goods				By branch of activity (NACE 2009)			Memorandum item: euro area				
		Total		Consumer goods	Capital goods	Intermediate goods	Energy	Mining and quarrying	Manufacturing	Electricity and gas supply	of which		By end-use of goods		
		Original series	12-month % change 12								Total	Manufacturing	Consumer goods	Capital goods	Intermediate goods
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
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	3.4	4.6	0.6	8.8	4.0
11 J-A	MP	82.3	-0.2	-0.9	2.7	-0.2	-2.6	-13.7	0.3	-2.7	5.1	6.3	1.1	11.4	6.0
12 J-A	MP	77.7	-5.5	-3.5	-11.0	-6.9	1.0	-17.6	-6.1	0.5	...	...	...	...	...
11 May	P	87.1	1.2	2.9	6.4	-2.2	-1.0	-14.8	1.9	-1.7	4.1	5.7	1.8	10.8	4.3
Jun	P	86.7	-2.6	-1.5	0.3	-4.2	-5.2	-14.7	-2.4	-2.3	2.6	3.3	-0.5	7.0	2.9
Jul	P	85.0	-5.2	-4.3	-1.3	-6.2	-10.2	-15.3	-4.6	-9.3	4.1	4.9	-1.0	11.5	4.1
Aug	P	64.1	0.3	3.0	7.3	-3.4	-3.1	-23.3	1.5	-4.1	5.7	6.7	2.7	12.6	5.2
Sep	P	84.9	-1.4	0.7	1.1	-4.3	-2.9	-17.8	-1.2	-1.6	2.1	2.6	0.1	5.8	1.9
Oct	P	81.1	-4.5	-2.4	-1.9	-6.3	-7.6	-20.7	-4.0	-6.0	0.9	1.7	0.3	4.8	-0.1
Nov	P	84.0	-7.0	-4.0	-7.8	-9.9	-5.2	-16.2	-6.9	-6.3	-	0.8	-1.7	4.6	-0.7
Dec	P	74.2	-6.5	-4.0	-8.1	-8.1	-6.4	-8.5	-6.4	-7.2	-1.7	0.2	-0.6	2.0	-0.3
12 Jan	P	78.4	-2.6	0.9	-6.0	-3.5	-3.6	-	-2.3	-5.1	-1.8	-0.8	-2.0	1.6	-1.9
Feb	P	80.8	-3.2	-2.3	-9.0	-5.2	7.9	-2.6	-4.7	8.9	-1.8	-2.6	-4.7	1.0	-4.6
Mar	P	82.7	-10.5	-8.2	-14.3	-13.1	-3.1	-12.6	-11.0	-5.6	-1.7	-1.0	-2.4	2.5	-2.8
Apr	P	72.3	-8.4	-7.5	-15.5	-8.2	-0.2	-6.0	-9.7	3.5	-2.6	-3.3	-4.2	-1.0	-4.6
May	P	82.0	-5.9	-3.0	-12.7	-6.7	0.3	-16.0	-6.5	2.3	-2.6	-2.9	-2.6	-1.9	-3.9
Jun	P	80.7	-6.9	-3.1	-13.6	-8.0	-1.9	-42.7	-6.9	-1.7	-2.0	-2.3	-2.2	-0.8	-3.7
Jul	P	82.7	-2.7	-1.4	-7.2	-4.2	4.9	-35.4	-2.5	0.6	-2.8	-2.7	-3.5	-1.7	-4.0
Aug	P	62.1	-3.1	-3.7	-7.5	-4.8	4.3	-19.4	-3.7	2.6	...	...	...	...	...

INDUSTRIAL PRODUCTION INDEX  
Trend obtained with TRAMO-SEATS



INDUSTRIAL PRODUCTION INDEX  
Trend obtained with TRAMO-SEATS



Sources: INE and BCE.

Note: The underlying series for this indicator are in Table 23.1 of the BE Boletín estadístico.

a. Spain 2005 = 100; euro area 2000 = 100.



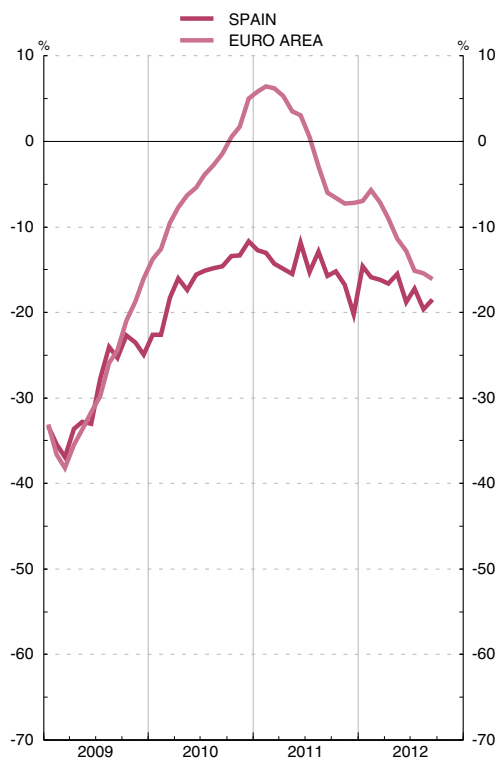
### 3.5. MONTHLY BUSINESS SURVEY: INDUSTRY AND CONSTRUCTION. SPAIN AND EURO AREA (NACE 2009)

■ Series depicted in chart.

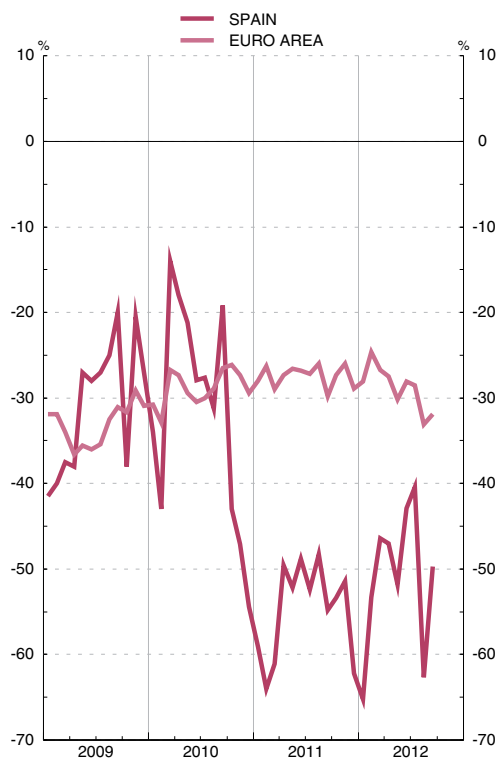
Percentage balances

		Industry, excluding construction										Construction					Memorandum item: euro area (b)		
		Business climate indicator	Production over the last three months	Trend in production	Total orders	Foreign orders	Stocks of finished products	Business climate indicator				Business climate indicator	Production	Orders	Trend		Industry, excluding construction		Construction climate indicator
		(a)		(a)	(a)		(a)	Consumption	Investment	Intermediate goods	Other sectors				Production	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-S	M	-14	-8	-2	-29	-22	11	-10	-10	-15	-49	-54	-23	-50	-43	-39	2	-4	-27
12 J-S	M	-17	-20	-5	-37	-25	9	-9	-16	-22	-18	-51	-22	-46	-41	-58	-11	-23	-29
11 Jun		-12	-6	-2	-28	-17	6	-11	-4	-13	-33	-49	-6	-41	-27	-31	3	-2	-27
Jul		-15	-6	-5	-28	-20	13	-9	-14	-17	-45	-52	-9	-40	-62	-65	1	-5	-27
Aug		-13	-7	1	-30	-24	10	-12	-6	-16	-34	-48	-10	-45	-47	-49	-3	-10	-26
Sep		-16	-11	-3	-32	-28	12	-8	-15	-22	-28	-55	-38	-46	-51	-56	-6	-12	-30
Oct		-15	-19	-3	-32	-23	11	-7	-8	-22	-35	-53	-12	-46	-31	-54	-7	-14	-27
Nov		-17	-26	-6	-36	-29	9	-8	-18	-23	-29	-51	-37	-33	-71	-74	-7	-14	-26
Dec		-20	-30	-6	-38	-30	16	-10	-25	-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	-5	-53	-40	-46	-49	-51	-6	-14	-25
Mar		-16	-19	-8	-33	-19	8	-10	-14	-21	-8	-46	-29	-31	-34	-61	-7	-17	-27
Apr		-17	-17	-5	-34	-23	10	-7	-16	-24	-9	-47	7	-33	-31	-67	-9	-19	-28
May		-16	-18	-2	-37	-25	7	-8	-16	-20	-17	-52	-26	-52	-42	-65	-11	-24	-30
Jun		-19	-16	-9	-39	-28	9	-7	-18	-26	-34	-43	-14	-43	-45	-63	-13	-26	-28
Jul		-17	-18	-3	-39	-27	9	-10	-10	-26	-24	-40	-14	-43	-17	-47	-15	-28	-29
Aug		-20	-22	-10	-39	-27	10	-10	-23	-24	-31	-63	-27	-60	-56	-62	-15	-29	-33
Sep		-19	-17	-5	-38	-25	13	-10	-20	-23	-29	-50	-43	-58	-24	-38	-16	-31	-32

**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.

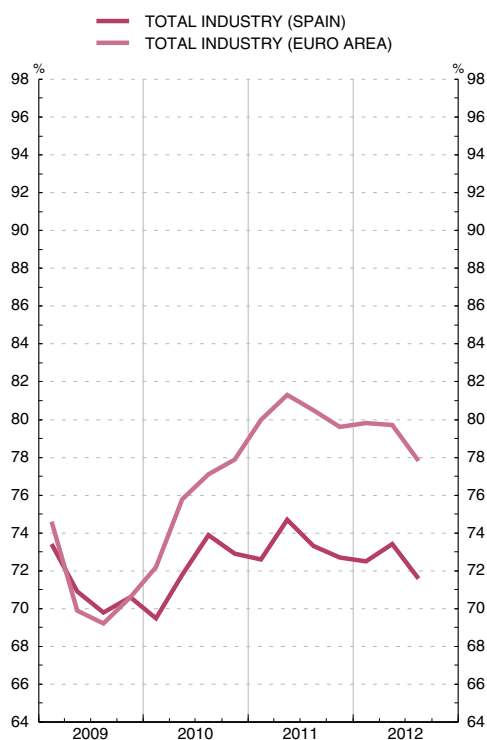
### 3.6. BUSINESS SURVEY: CAPACITY UTILISATION. SPAIN AND EURO AREA (NACE 2009)

■ Series depicted in chart.

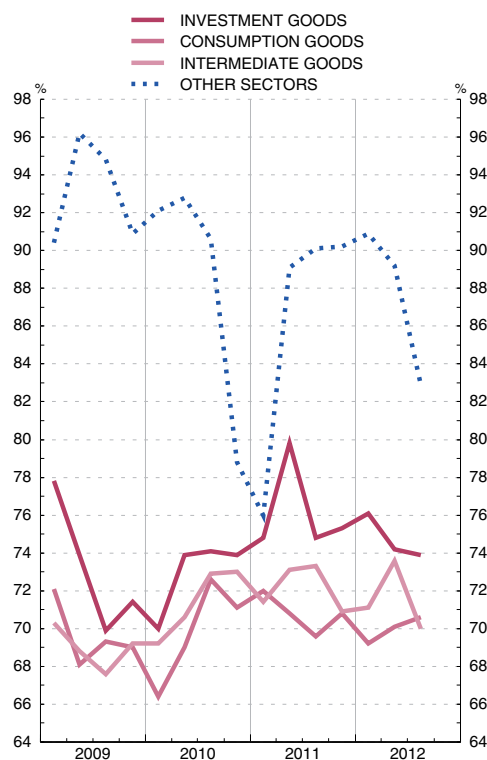
Percentages and percentage balances

	Total industry			Consumer goods			Investment goods			Intermediate goods			Other sectors (a)			Memo- randum item: euro area capacity utilisa- tion  (b)  (%)
	Capacity utilisation		Installed capacity	Capacity utilisation		Installed capacity	Capacity utilisation		Installed capacity	Capacity utilisation		Installed capacity	Capacity utilisation		Installed capacity	
	Over last three months	Forecast		Over last three months	Forecast		Over last three months	Forecast		Over last three months	Forecast		Over last three months	Forecast		
	(%)	(%)	(Per- centage balan- ces)	(%)	(%)	(Per- centage balan- ces)	(%)	(%)	(Per- centage balan- ces)	(%)	(%)	(Per- centage balan- ces)	(%)	(%)	(Per- centage balan- ces)	
	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-Q3	73.5	74.2	18	70.8	72.0	18	76.5	76.0	13	72.6	73.5	21	85.1	86.8	3	80.6
12 Q1-Q3	72.5	73.4	22	70.0	70.9	17	74.7	75.5	17	71.6	72.2	29	87.7	92.1	3	79.1
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	79.7
Q3	71.6	72.3	21	70.6	70.9	16	73.9	75.2	19	70.0	69.8	27	82.9	92.6	1	77.7

**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.

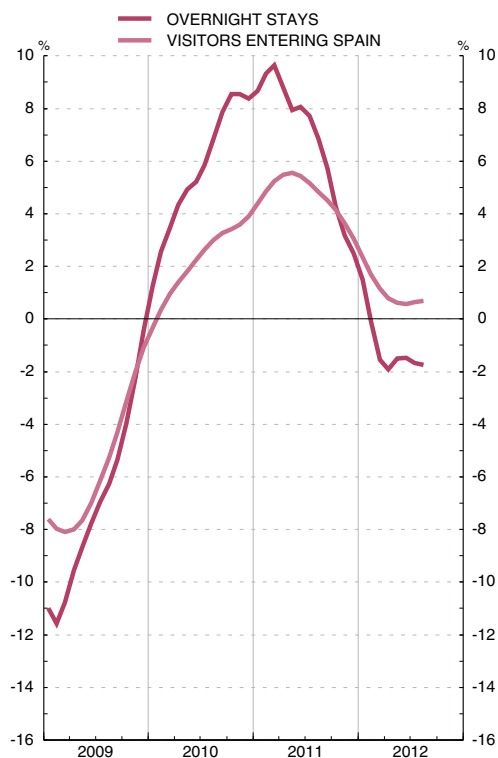
### 3.7. TOURISM AND TRANSPORT STATISTICS. SPAIN

■ Series depicted in chart.

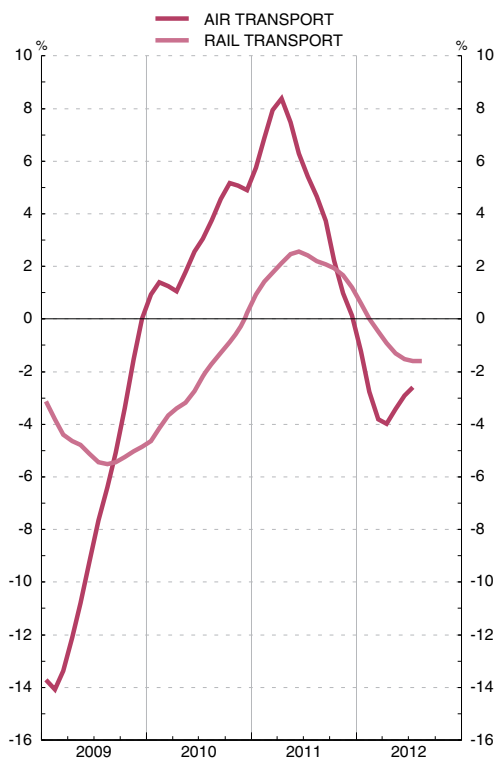
Annual percentage changes

		Hotel stays (a)		Overnight stays		Visitors entering Spain			Air transport				Maritime transport		Rail transport	
		Total	Foreigners	Total	Foreigners	Total	Tourists	Day-trippers	Passengers			Freight	Passengers	Freight	Passengers	Freight
		1	2	3	4	5	6	7	Total	Domestic flights	International flights	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	6.3	6.5	6.0	6.1	-0.4	10.5	2.2	-5.4	5.8	2.6	7.9
11 J-A	P	4.9	12.1	7.1	13.7	6.2	6.2	6.2	7.5	0.9	11.8	2.9	-8.5	5.3	2.5	8.8
12 J-A	P	-2.1	1.3	-1.5	2.1	0.2	3.6	-4.1	...	...	...	...	...	...	-1.0	...
11 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	8.3	17.5	11.0	18.0	10.5	8.4	13.8	6.8	-0.2	11.0	3.6	-4.3	4.6	5.3	8.3
Jul	P	6.8	12.7	8.7	13.7	6.1	5.8	6.5	6.7	0.5	10.3	4.5	-4.4	1.3	1.1	6.9
Aug	P	5.8	13.0	6.6	12.7	4.4	7.2	1.2	4.6	-0.3	7.4	4.3	-11.8	8.5	0.3	18.4
Sep	P	6.0	9.7	8.0	11.4	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	7.7	3.2	10.8	8.0	8.0	7.9	2.3	-6.3	7.5	0.4	2.9	1.9	3.2	4.3
Nov	P	-1.6	1.2	2.1	6.4	3.8	3.6	4.0	-2.1	-7.0	1.9	-1.6	-0.5	6.9	3.4	4.8
Dec	P	-1.4	3.1	2.0	7.7	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	-3.8	-10.1	-0.1	-5.1	-5.5	4.7	-2.6	4.0
Jun	P	-2.3	1.4	-1.3	2.7	-2.2	4.7	-12.8	-1.3	-8.4	2.5	-0.7	0.7	7.5	-3.3	-3.9
Jul	P	-3.7	3.0	-1.4	4.3	2.2	4.4	-1.3	-2.5	-8.6	0.7	-4.2	-12.1	6.6	-2.3	-4.0
Aug	P	-3.2	1.0	-2.1	3.5	4.2	5.0	3.2	...	...	...	...	...	...	-1.0	...

TOURISM  
Trend obtained with TRAMO-SEATS



TRANSPORT  
Trend obtained with TRAMO-SEATS



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

Note: The underlying series for this indicator are in 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.

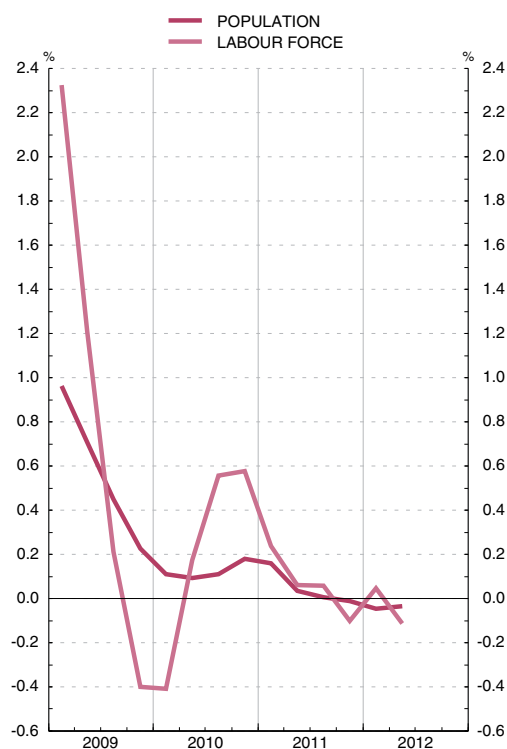
#### 4.1. LABOUR FORCE. SPAIN

■ Series depicted in chart.

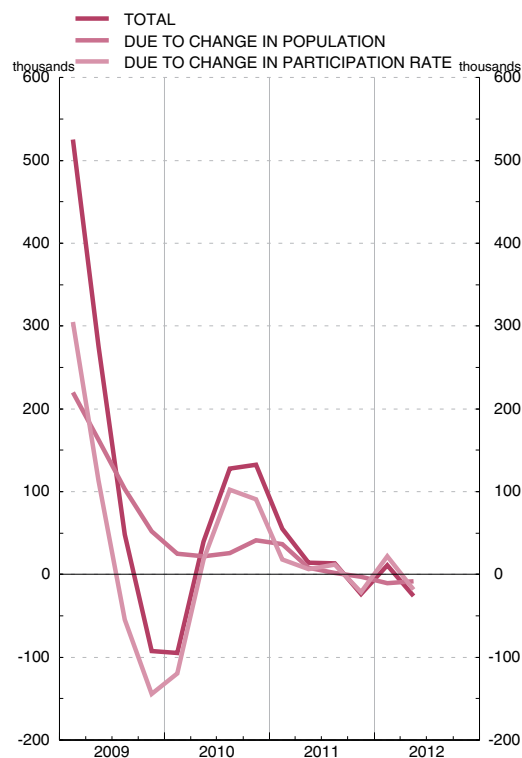
Thousands and annual percentage changes

Population over 16 years of age					Labour force					
		Thousands	Annual change	4-quarter % change	Participation rate (%) (a)	Thousands (a)	Annual change (b)			4-quarter % change
							Total	Due to change in population over 16 years of age	Due to change in participation rate	
		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-Q2M	38 497	37	0.1	60.00	23 099	69	45	25	0.2
12	Q1-Q2M	38 481	-16	-0.0	60.01	23 092	-15	-19	4	-0.0
09	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
	Q2	38 467	-14	-0.0	60.08	23 110	-26	-8	-18	-0.1

LABOUR FORCE SURVEY  
Annual percentage change



LABOUR FORCE  
Annual changes



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

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

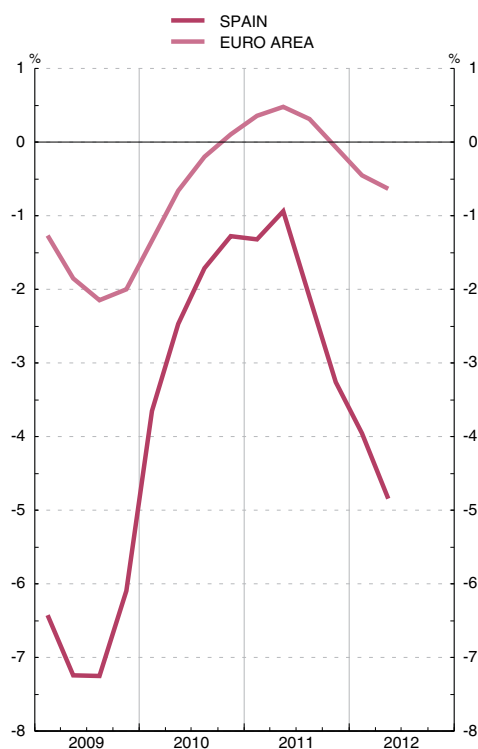
## 4.2. EMPLOYMENT AND WAGE-EARNERS. SPAIN AND EURO AREA

■ Series depicted in chart.

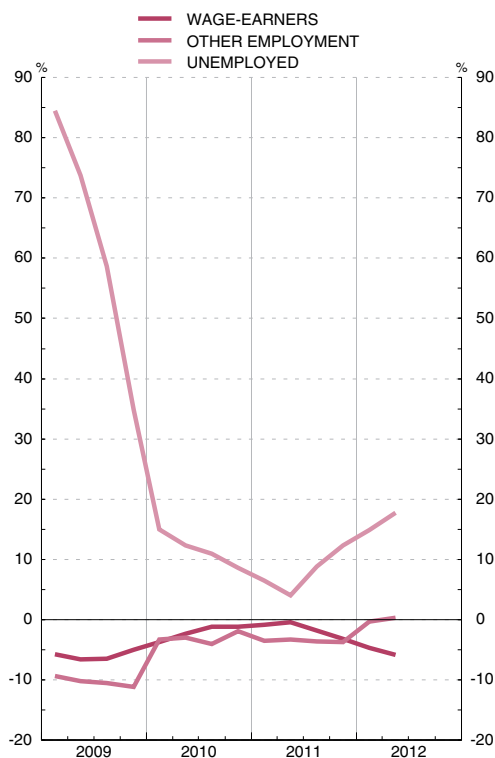
Thousands and annual percentage changes

		Employment									Unemployment			Memorandum item: euro area		
		Total			Wage-earners			Other								
		Thousands	Annual change	4-quarter % change	Thousands	Annual change	4-quarter % change	Thousands	Annual change	4-quarter % change	Thousands	Annual change	4-quarter % change	Unemployment rate	Employment 4-quarter % change	Unemployment rate
		1	2	3	4	5	6	7	8	9	(a)	11	12	(a)	14	15
09	M	18 888	-1 370	-6.8	15 681	-1 001	-6.0	3 207	-369	-10.3	4 150	1 559	60.2	18.01	-1.8	9.59
10	M	18 457	-431	-2.3	15 347	-334	-2.1	3 110	-98	-3.0	4 632	483	11.6	20.07	-0.5	10.13
11	M	18 105	-352	-1.9	15 105	-241	-1.6	2 999	-110	-3.6	4 999	367	7.9	21.64	0.3	10.17
11	Q1-Q2M	18 227	-208	-1.1	15 207	-102	-0.7	3 021	-106	-3.4	4 872	243	5.2	21.09	0.4	9.94
12	Q1-Q2M	17 425	-802	-4.4	14 404	-802	-5.3	3 021	0	0.0	5 666	794	16.3	24.54	-0.5	11.08
09	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	10.03
10	Q1	18 394	-697	-3.6	15 253	-590	-3.7	3 141	-107	-3.3	4 613	602	15.0	20.05	-1.3	10.13
	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	10.17
	Q3	18 547	-323	-1.7	15 456	-194	-1.2	3 090	-130	-4.0	4 575	451	10.9	19.79	-0.2	10.12
	Q4	18 408	-238	-1.3	15 314	-178	-1.2	3 094	-59	-1.9	4 697	370	8.6	20.33	0.1	10.09
11	Q1	18 152	-243	-1.3	15 121	-133	-0.9	3 031	-110	-3.5	4 910	298	6.4	21.29	0.4	9.95
	Q2	18 303	-174	-0.9	15 292	-71	-0.5	3 011	-103	-3.3	4 834	188	4.1	20.89	0.5	9.93
	Q3	18 156	-391	-2.1	15 179	-277	-1.8	2 977	-114	-3.7	4 978	404	8.8	21.52	0.3	10.20
	Q4	17 808	-601	-3.3	14 829	-485	-3.2	2 978	-116	-3.7	5 274	577	12.3	22.85	-0.1	10.59
12	Q1	17 433	-719	-4.0	14 411	-710	-4.7	3 022	-9	-0.3	5 640	729	14.9	24.44	-0.5	10.90
	Q2	17 417	-886	-4.8	14 397	-895	-5.9	3 020	9	0.3	5 693	859	17.8	24.63	-0.6	11.26

**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](http://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](http://www.ine.es).

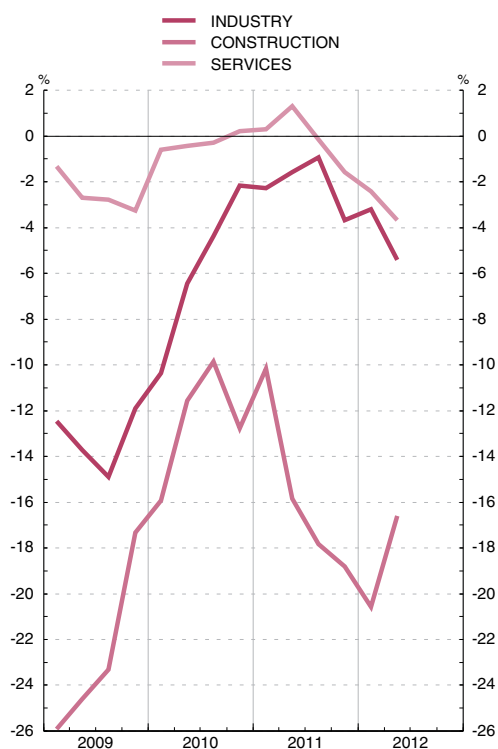
#### 4.3. EMPLOYMENT BY BRANCH OF ACTIVITY. SPAIN (a)

■ Series depicted in chart.

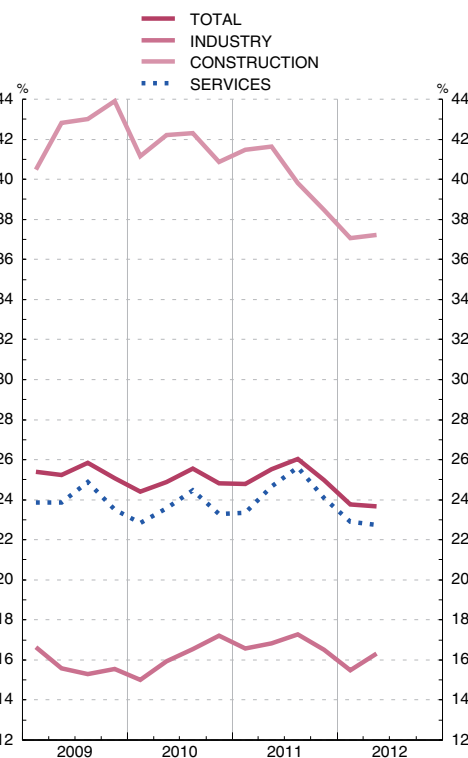
Annual percentage changes

		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-Q2M	-1.1	-0.7	25.1	-5.5	-4.2	57.7	-1.9	-1.4	16.7	-13.0	-12.3	41.6	0.8	0.9	24.0	-0.8
12	Q1-Q2M	-4.4	-5.3	23.7	-1.0	-2.0	59.5	-4.3	-5.6	15.9	-18.6	-23.5	37.1	-3.1	-3.6	22.8	-5.0
09	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
	Q2	-4.8	-5.9	23.7	-1.2	-0.7	58.6	-5.4	-6.5	16.3	-16.6	-20.9	37.2	-3.7	-4.5	22.8	-5.0

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](http://www.ine.es).

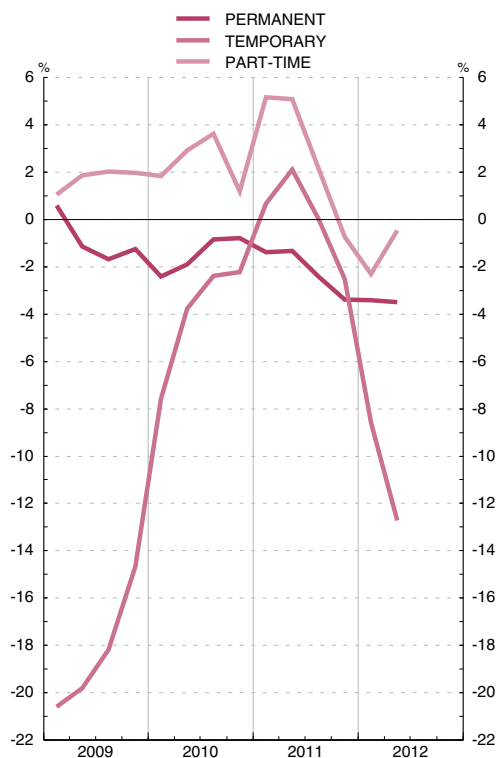
#### 4.4. WAGE-EARNERS BY TYPE OF CONTRACT AND UNEMPLOYMENT BY DURATION. SPAIN. (a)

■ Series depicted in chart.

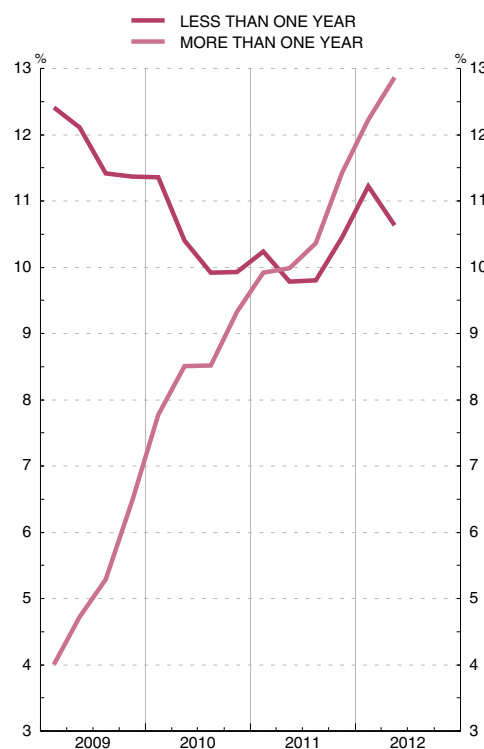
Thousands, annual percentage changes and %

		Wage-earners										Unemployment			
		By type of contract					By duration of working day					By duration			
		Permanent		Temporary			Full-time		Part-time			Less than one year		More than one year	
		Annual change	4-quar-ter % change	Annual change	4-quar-ter % change	Proportion of tempo-rary em-ployment	Annual change	4-quar-ter % change	Annual change	4-quar-ter % change	As % for wage earners	Unem-ployment rate	4-quar-ter % change	Unem-ployment rate	4-quar-ter % change
		Thousands		Thousands			Thousands		Thousands			(a)		(a)	
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
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-Q2M	-155	-1.3	53	1.4	25.15	-182	-1.4	111	5.1	14.92	10.01	-7.8	9.95	22.4
12	Q1-Q2M	-394	-3.5	-409	-10.7	23.71	-885	-6.8	-31	-1.4	15.54	10.93	9.1	12.55	26.1
09	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
	Q2	-399	-3.5	-496	-12.7	23.66	-885	-6.8	-10	-0.4	15.87	10.64	8.6	12.87	28.8

**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](http://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](http://www.ine.es).

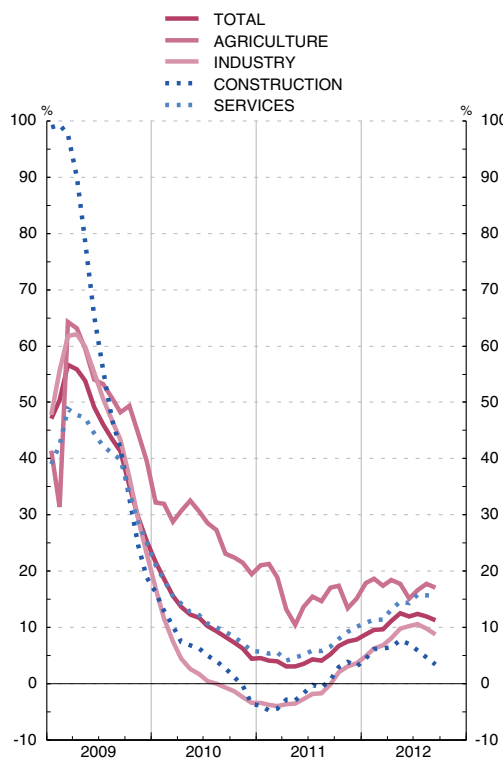
#### 4.5. REGISTERED UNEMPLOYMENT BY BRANCH OF ACTIVITY. CONTRACTS AND PLACEMENTS. SPAIN

■ Series depicted in chart.

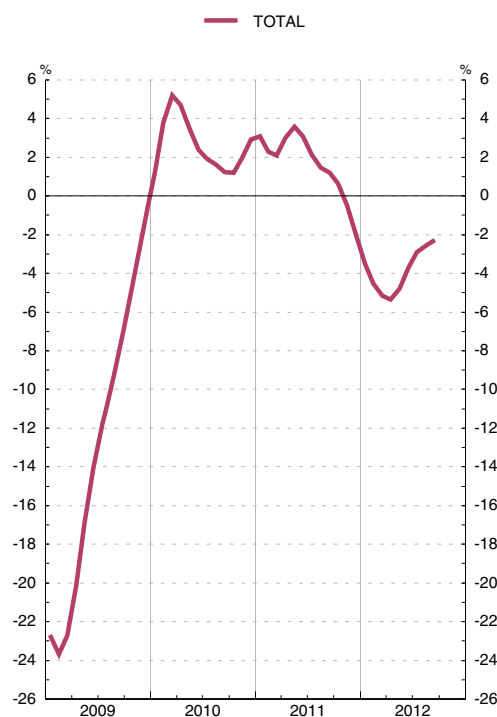
Thousands, annual percentage changes and %

		Registered unemployment										Contracts					Placements	
		Total			First time job-seekers(a)	Previously employed (a)						Total		Percentage of total			Total	
		Thou-sands	Annual change	12 month % change	12 month % change	12-month % change						Thou-sands	12 month % change	Perma-nent	Part time	Tempo-rary	Thou-sands	12 month % change
		1	2	3	4	Total	Agri-culture	Total	Industry	Construc-tion	Services	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-S	4 209	161	4.0	14.8	3.1	16.2	2.6	-2.7	-2.3	5.4	1 195	1.2	8.09	30.46	91.91	1 206	2.5
12	J-S	4 673	464	11.0	5.3	11.6	17.4	11.4	8.3	5.8	13.7	1 126	-5.8	7.71	33.41	92.29	1 148	-4.8
11	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
	Jul	4 587	508	12.4	4.5	13.2	16.7	13.1	10.5	5.9	15.8	1 352	0.2	6.74	37.00	93.26	1 357	0.9
	Aug	4 626	495	12.0	2.3	12.9	17.8	12.7	9.8	4.7	15.7	1 022	-3.7	6.05	33.65	93.95	1 035	-3.7
	Sep	4 705	479	11.3	-0.9	12.5	17.0	12.4	8.7	3.4	15.7	1 241	-10.9	7.90	36.33	92.10	1 351	-8.3

**REGISTERED UNEMPLOYMENT**  
Annual percentage changes



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



Source: Instituto de Empleo Servicio Público de Empleo Estatal (INEM).

Note: The underlying series for this indicator are in Tables 24.16 and 24.17 of the BE Boletín estadístico.

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



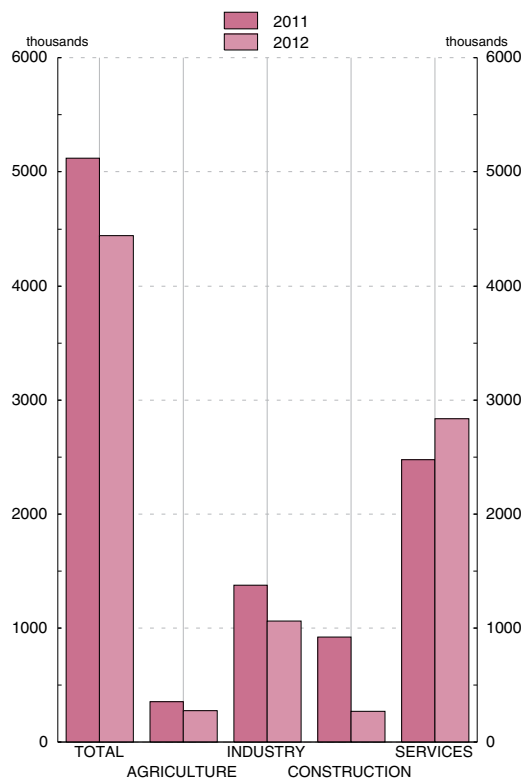
#### 4.6. COLLECTIVE BARGAINING AGREEMENTS

■ Series depicted in chart.

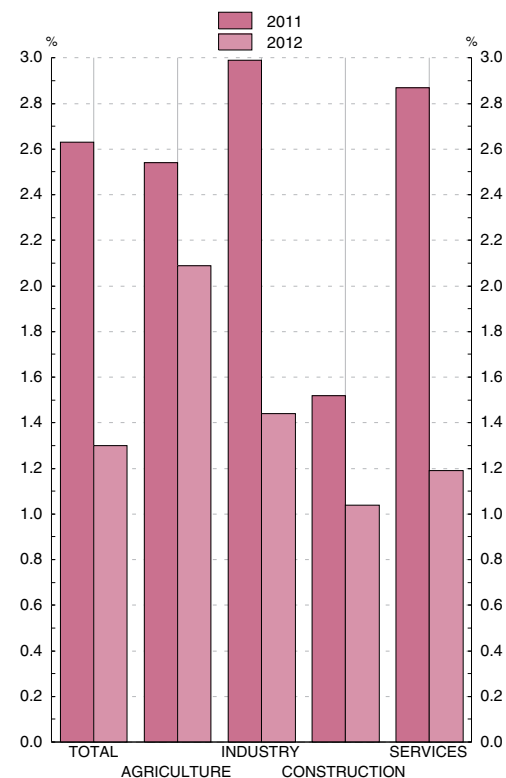
Thousands and %

	As per month economic effects come into force(a)		As per month recorded														
			Employees affected (a)								Average wage settlement (%)						
	Em- ployees affec- ted	Average wage settle- ment (b)	Auto- matic adjust- ment	Newly- signed agree- ments	Total	Annual change	Agricul- ture	Indus- try	Construc- tion	Services	Auto- matic adjust- ment	Newly signed agree- ments	Total	Agricul- ture	Indus- try	Construc- tion	Services
	1	2	3	4	5	6	7 (c)	8 (c)	9 (c)	10 (c)	11	12	13	14 (c)	15 (c)	16 (c)	17 (c)
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	8 901	2.52	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 Apr	8 638	2.57	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	8 646	2.57	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	8 685	2.57	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	8 805	2.56	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	8 805	2.56	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	8 851	2.56	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	8 896	2.55	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	8 897	2.55	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	8 901	2.52	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	4 123	1.48	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	4 152	1.49	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	4 153	1.49	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	4 409	1.47	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	4 412	1.47	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	4 429	1.47	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
Jul	4 438	1.47	2 842	415	3 257	-1 747	243	784	83	2 147	1.66	0.85	1.56	2.15	1.73	1.05	1.44
Aug	4 438	1.47	2 970	646	3 615	-1 408	244	881	234	2 256	1.60	0.87	1.47	2.15	1.57	1.02	1.40
Sep	4 439	...	3 212	1 231	4 443	-679	273	1 062	270	2 838	1.53	0.70	1.30	2.09	1.44	1.04	1.19

**EMPLOYEES AFFECTED**  
January-september



**AVERAGE WAGE SETTLEMENT**  
January-september



Source: Ministerio de Empleo y Seguridad Social, Estadística de Convenios Colectivos de Trabajo. Avance mensual.

a. Cumulative data.

b. Includes revisions arising from indexation clauses, except in 2012.

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

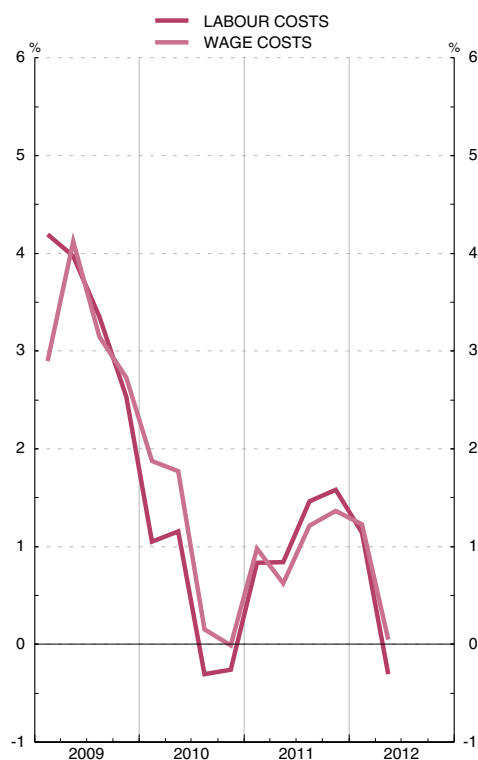
#### 4.7. QUARTERLY LABOUR COSTS SURVEY

■ Series depicted in chart.

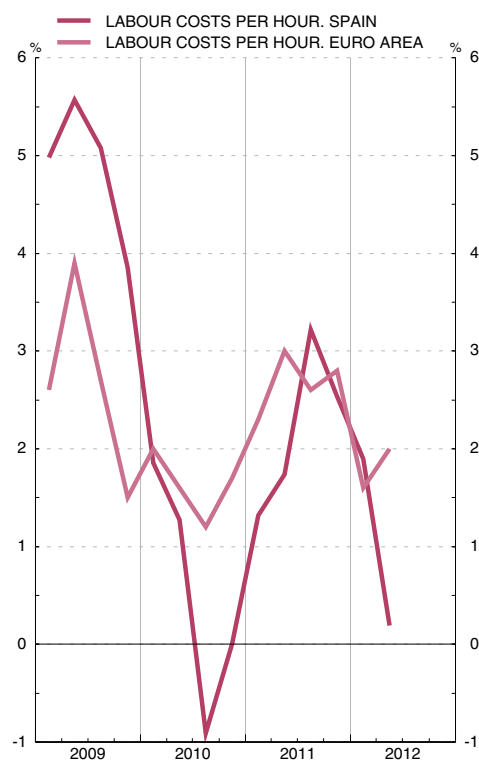
Annual percentage change

		Labour costs					Wage costs					Other costs per worker and month	memorandum item: total hourly costs (a)	
		Per worker and per month				Per hour worked	Per worker and per month				Per hour worked		Spain (b)	Euro area (c)
		Total	Industry	Construction	Services		Total	Industry	Construction	Services				
		1	2	3	4	5	6	7	8	9	10	11	12	13
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	1.6
11	M	1.2	1.7	2.8	1.0	2.2	1.0	2.8	2.5	0.5	2.1	1.6	2.2	2.7
11	Q1-Q2M	0.8	1.4	2.9	0.6	0.8	0.8	3.1	2.8	0.1	0.7	1.0	1.5	2.7
12	Q1-Q2M	0.4	2.6	2.4	-0.1	1.0	0.6	2.0	1.8	0.2	1.3	-0.2	1.0	1.8
09	Q4	2.5	2.7	4.1	2.5	5.1	2.7	2.5	5.3	2.5	5.3	1.9	3.9	1.5
10	Q1	1.0	2.1	0.7	1.0	2.1	1.9	2.8	1.9	1.6	2.9	-1.1	1.9	2.0
	Q2	1.2	2.5	0.4	1.1	0.8	1.8	3.0	1.4	1.6	1.4	-0.6	1.3	1.6
	Q3	-0.3	2.1	-0.9	-0.6	-1.4	0.1	2.9	-0.9	-0.4	-0.9	-1.5	-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	-	1.7
11	Q1	0.8	1.3	2.8	0.6	-	1.0	3.0	2.3	0.3	0.2	0.4	1.3	2.3
	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	3.0
	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	2.6
	Q4	1.6	1.8	3.3	1.5	2.5	1.4	2.3	2.4	1.1	2.2	2.2	2.5	2.8
12	Q1	1.1	2.6	2.3	0.8	1.4	1.2	1.9	1.3	1.0	1.5	0.9	1.9	1.6
	Q2	-0.3	2.6	2.6	-1.0	0.7	-	2.1	2.2	-0.5	1.0	-1.4	0.2	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.

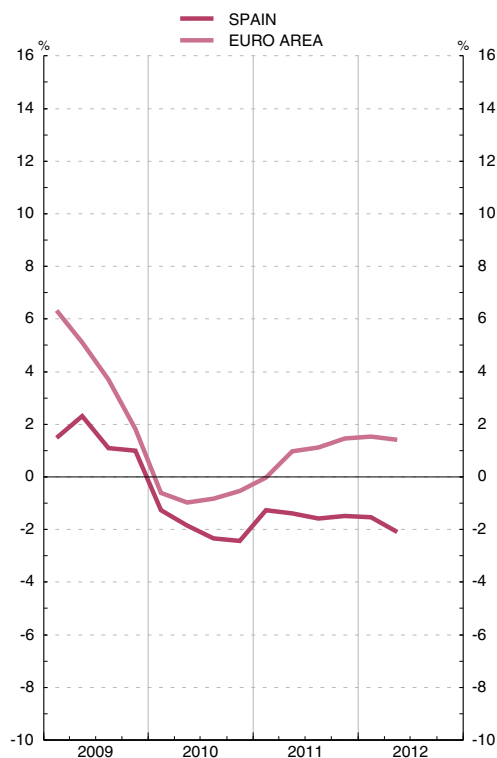
#### 4.8. UNIT LABOUR COSTS. SPAIN AND EURO AREA (a)

■ Series depicted in chart.

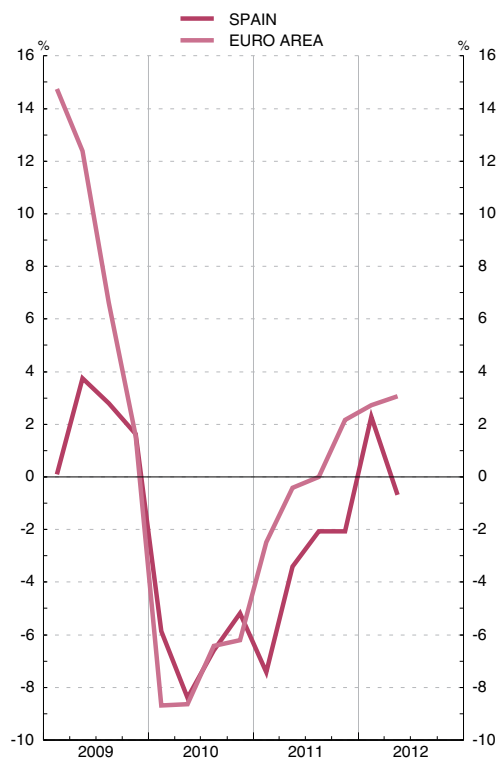
Annual percentage changes

		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	P	1.5	4.2	2.1	8.8	4.2	1.5	2.7	-2.6	-3.7	-4.3	-6.3	-1.8
10	P	-2.0	-0.7	-6.5	-7.5	0.3	1.7	2.3	2.5	-0.3	1.9	-2.5	-0.5
11	P	-1.4	0.9	-3.8	-0.2	0.7	2.1	2.2	1.2	0.4	1.5	-1.7	0.3
09	Q3	1.1	3.7	2.8	6.6	4.0	1.4	2.9	-2.3	-4.0	-4.4	-6.7	-2.1
	Q4	1.0	1.8	1.6	1.5	3.7	1.5	2.6	-0.3	-3.1	-2.3	-5.6	-2.0
10	Q1	-1.3	-0.6	-5.9	-8.7	1.4	1.7	2.7	2.3	-1.5	1.0	-4.1	-1.3
	Q2	-1.9	-1.0	-8.4	-8.6	0.8	2.0	2.7	3.0	-0.2	2.3	-2.8	-0.7
	Q3	-2.3	-0.8	-6.6	-6.4	-0.4	1.7	2.0	2.5	0.0	2.3	-1.9	-0.2
	Q4	-2.4	-0.5	-5.2	-6.2	-0.7	1.6	1.7	2.1	0.4	2.2	-1.4	0.1
11	Q1	-1.3	-0.0	-7.4	-2.5	0.6	2.0	1.9	2.1	0.5	2.4	-1.4	0.4
	Q2	-1.4	1.0	-3.4	-0.4	0.1	2.1	1.5	1.1	0.5	1.6	-0.9	0.5
	Q3	-1.6	1.1	-2.1	-0.0	0.7	2.1	2.3	1.0	0.6	1.3	-1.6	0.3
	Q4	-1.5	1.5	-2.1	2.2	1.4	2.2	2.9	0.7	-0.0	0.6	-2.9	-0.1
12	Q1	-1.5	1.5	2.3	2.7	1.5	2.0	3.1	0.4	-0.6	-0.0	-3.6	-0.5
	Q2	-2.1	1.4	-0.7	3.1	1.3	1.6	3.5	0.2	-1.3	-0.4	-4.6	-0.6

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.

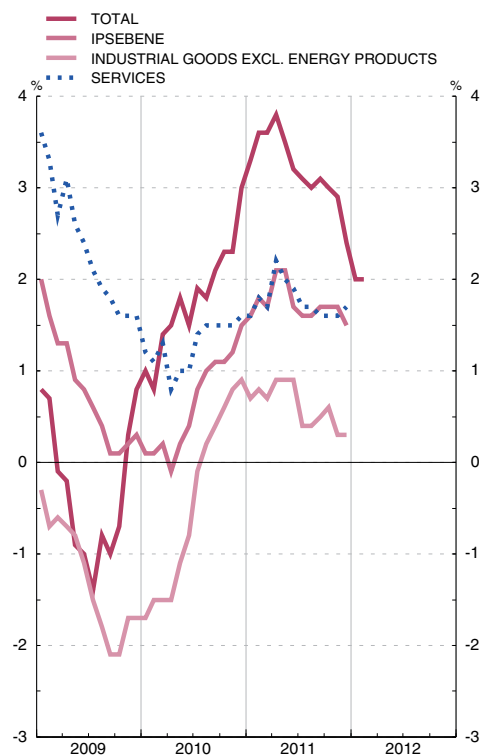
## 5.1. CONSUMER PRICE INDEX. SPAIN (2011=100)

■ Series depicted in chart.

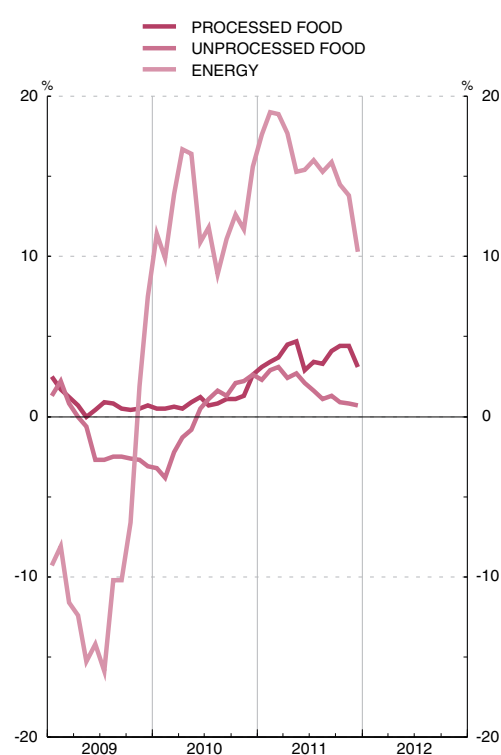
Indices and annual percentage changes

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-S	M	99.6	0.1	3.4	0.6	2.2	3.7	0.7	16.8	1.8	101.8	0.9
12 J-S	M	101.8	0.2	2.2	0.4	1.9	3.0	0.5	8.9	1.2	...	...
11 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	108.5	2.7
May	102.3	-0.1	1.9	0.9	1.1	3.0	0.2	8.3	1.1	1.1	109.0	2.4
Jun	102.1	-0.2	1.9	0.7	2.5	3.8	0.1	6.2	1.2	1.3	...	...
Jul	101.9	-0.2	2.2	0.5	2.0	3.2	1.0	7.8	1.0	1.4	...	...
Aug	102.5	0.6	2.7	1.1	2.7	3.2	0.7	11.9	1.1	1.4	...	...
Sep	103.5	1.0	3.4	2.1	2.8	2.9	2.0	13.4	1.8	2.1	...	...

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.

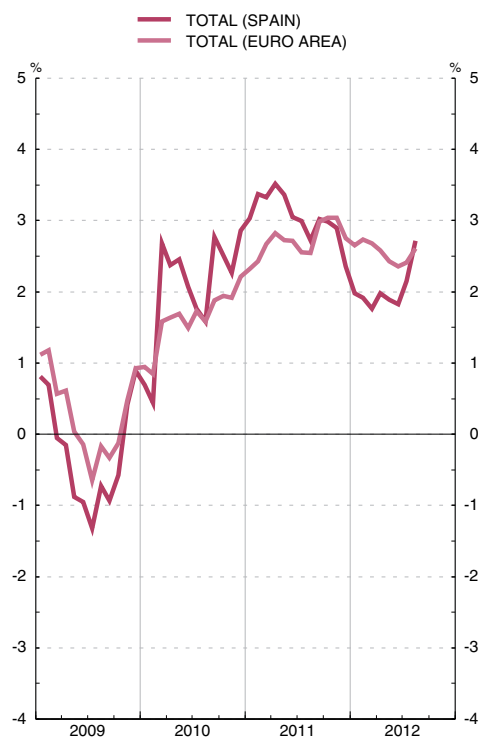
## 5.2. HARMONISED INDEX OF CONSUMER PRICES. SPAIN AND EURO AREA (2005=100) (a)

■ Series depicted in chart.

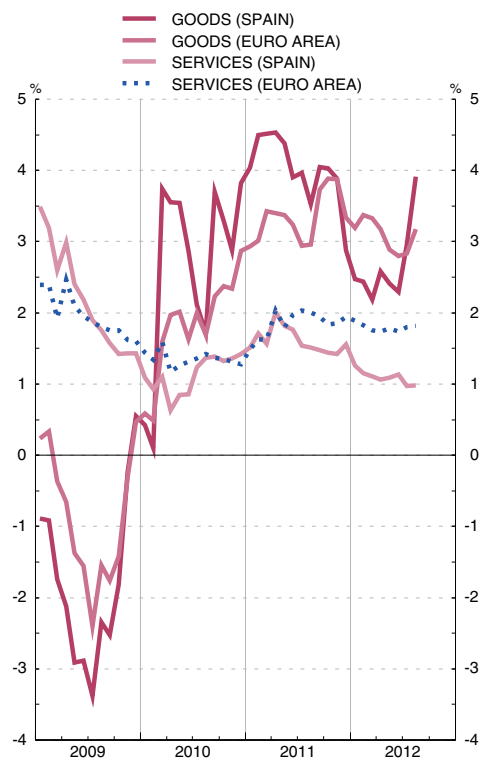
Annual percentage changes

		Total		Goods														Services	
		Spain	Euro area	Spain	Euro area	Food						Industrial						Spain	Euro area
						Total		Processed		Unprocessed		Spain	Euro area	Non-energy		Energy			
						Spain	Euro area	Spain	Euro area	Spain	Euro area			Spain	Euro area				
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-A	M	3.2	2.6	4.2	3.2	2.7	2.5	4.1	2.8	1.3	1.9	5.0	3.5	0.5	0.6	16.8	12.0	1.7	1.8
12 J-A	MP	2.0	2.6	2.7	3.1	2.3	3.1	3.5	3.5	1.0	2.4	2.8	3.1	0.5	1.2	8.3	8.0	1.1	1.8
11 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		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
Jun		1.8	2.4	2.3	2.8	2.9	3.2	4.7	3.2	0.9	3.1	2.0	2.6	0.2	1.3	6.2	6.1	1.1	1.7
Jul		2.2	2.4	3.0	2.8	2.3	2.9	4.0	2.9	0.5	2.9	3.3	2.8	1.3	1.5	7.8	6.1	1.0	1.8
Aug	P	2.7	2.6	3.9	3.2	3.1	3.0	3.9	2.7	2.3	3.5	4.3	3.3	1.0	1.1	11.9	8.9	1.0	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, which 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 which 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](http://www.europa.eu.int)).

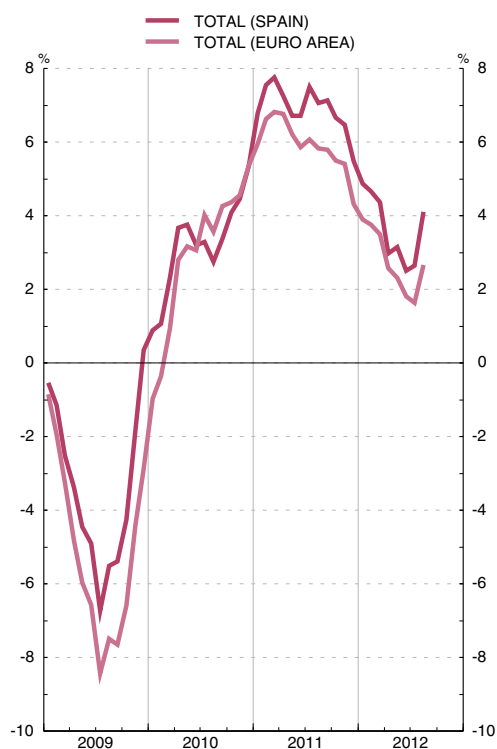
### 5.3. PRODUCER PRICE INDEX. SPAIN AND EURO AREA (2005 = 100)

■ Series depicted in chart.

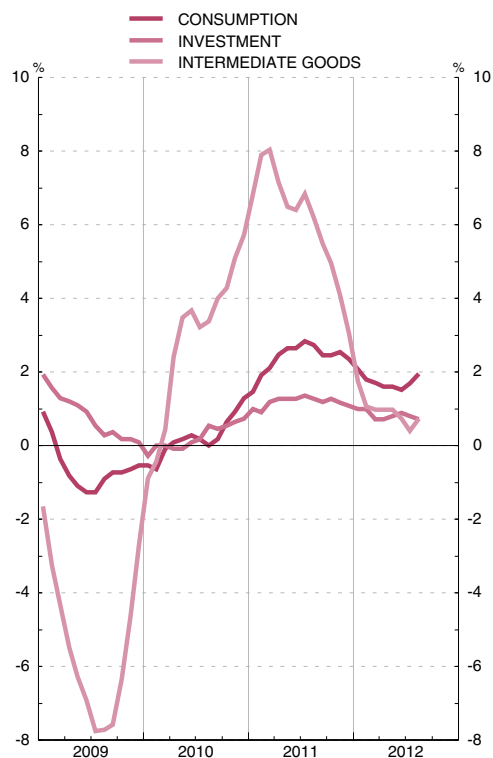
Annual percentage changes

		Total			Consumer goods		Capital goods		Intermediate goods		Energy		Memorandum item: euro area				
		Original series	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Total	Consumer goods	Capital goods	Intermediate goods	Energy
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
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-A	MP	123.5	—	7.2	—	2.3	—	1.2	—	7.0	—	17.2	6.3	3.0	1.4	7.0	12.0
12 J-A	MP	128.0	—	3.7	—	1.7	—	0.8	—	0.9	—	10.8	2.8	2.3	1.2	0.6	7.3
11 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	127.7	-0.2	3.2	0.1	1.6	0.1	0.8	0.2	1.0	-0.7	9.0	2.3	1.9	1.2	0.5	6.3
Jun	P	127.0	-0.5	2.5	-	1.5	0.2	0.9	-0.3	0.7	-2.0	6.8	1.8	1.8	1.1	0.1	4.7
Jul	P	128.0	0.8	2.6	0.4	1.7	-	0.8	-0.2	0.4	2.9	7.6	1.6	1.9	1.1	-0.2	4.5
Aug	P	129.4	1.1	4.1	0.4	1.9	-	0.7	0.3	0.7	3.1	12.6	2.7	2.1	0.9	0.3	7.9

**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.

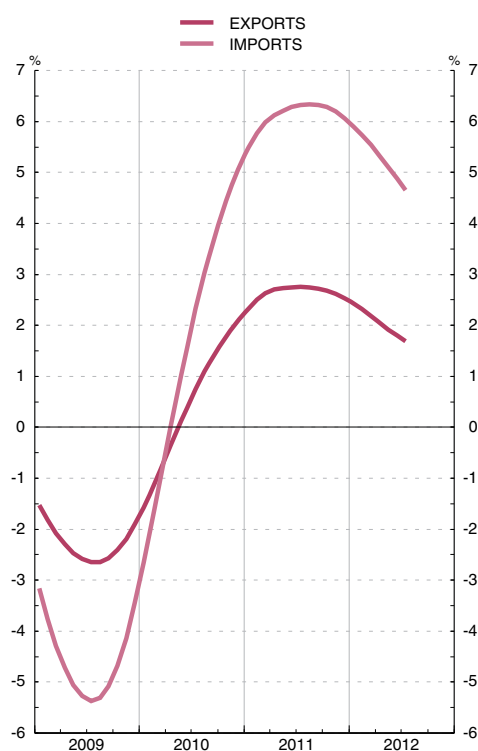
## 5.4. UNIT VALUE INDICES FOR SPANISH FOREIGN TRADE

■ Series depicted in chart.

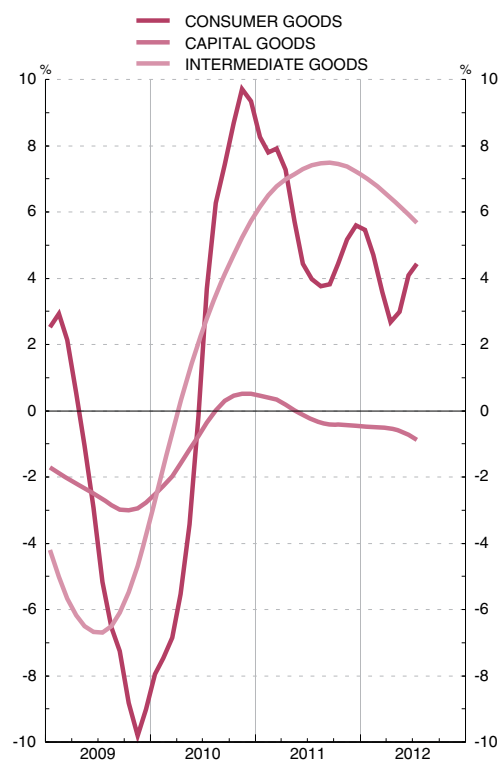
Annual percentage changes

	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
11	4,9	3,9	1,5	6,0	30,2		3,5	8,5	5,5	-0,8	10,6	25,6
12	1,8	4,8	6,8	-0,5	1,7		-1,1	5,5	4,2	0,8	6,4	11,1
11 J-J	5,4	4,7	2,4	6,3	32,7		4,3	9,2	6,2	0,1	11,1	26,6
12 J-J	1,8	4,8	6,8	-0,5	1,7		-1,1	5,5	4,2	0,8	6,4	11,1
11 Feb	6,7	5,1	3,6	8,3	24,1		6,8	10,1	6,0	0,6	12,5	30,4
Mar	6,6	2,6	4,0	10,0	41,4		8,1	11,4	10,1	12,9	11,6	33,7
Apr	9,5	11,8	1,6	9,4	29,6		7,2	11,0	9,7	2,7	12,1	25,9
May	0,7	4,6	4,0	-2,8	27,6		-5,0	3,9	4,7	-5,1	4,3	19,0
Jun	4,2	0,8	2,9	6,3	27,5		4,3	7,3	2,4	-1,7	9,8	20,4
Jul	4,6	2,9	4,7	5,6	29,1		3,6	9,3	4,2	-1,2	12,3	26,7
Aug	2,1	2,1	-6,3	3,3	21,5		2,0	5,3	3,8	-3,3	6,8	21,3
Sep	3,7	5,3	-3,8	4,0	24,4		2,2	7,1	1,7	-8,3	10,8	25,9
Oct	6,1	3,3	4,0	7,9	28,1		2,9	8,6	5,1	2,3	10,9	24,4
Nov	4,2	0,4	4,0	6,6	36,4		0,7	10,7	5,1	1,8	13,8	29,4
Dec	4,4	2,3	3,5	5,7	23,4		4,5	6,4	6,6	-1,9	7,3	20,0
12 Jan	2,0	3,2	14,0	-0,1	0,5		-0,7	5,5	6,9	-2,4	5,9	17,9
Feb	5,1	4,9	14,3	3,9	10,2		2,4	7,8	4,8	-0,9	9,6	16,7
Mar	3,7	8,5	7,9	0,1	1,2		-1,2	8,5	4,4	3,0	10,5	13,2
Apr	-0,4	3,1	1,9	-2,6	-0,1		-2,5	4,0	-0,2	0,0	5,6	10,9
May	2,1	4,4	2,5	1,1	3,6		0,9	7,0	0,6	6,9	9,0	10,6
Jun	0,5	6,4	5,3	-3,3	-3,8		-3,4	4,6	6,9	2,7	4,2	5,7
Jul	-0,1	3,5	1,8	-2,2	0,9		-3,1	1,0	6,1	-4,1	-0,0	3,0

EXPORT AND IMPORT UNIT VALUE INDICES (a)



IMPORT UNIT VALUE INDICES BY PRODUCT GROUP (a)



Sources: ME, MHAP and BE.

Note: The underlying series for this indicator are in the Tables 18.6 and 18.7 of the Boletín Estadístico.

a. Annual percentage changes (trend obtained with TRAMO-SEATS).

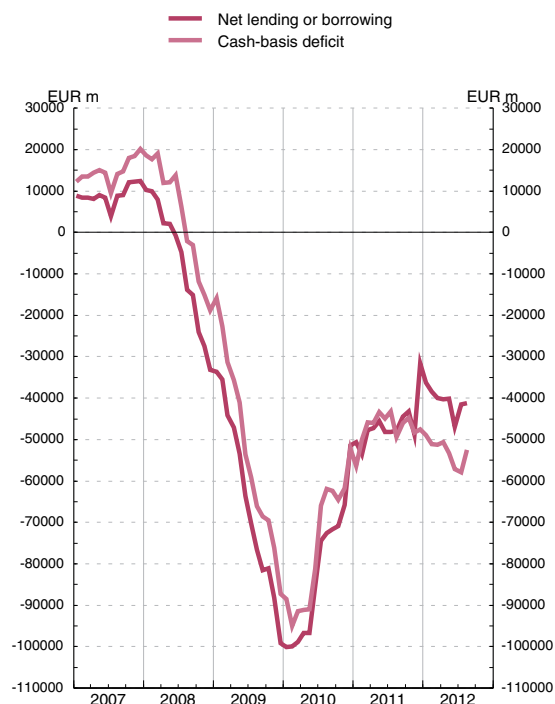
## 6.1. STATE RESOURCES AND USES ACCORDING TO THE NATIONAL ACCOUNTS. SPAIN

■ Series depicted in chart.

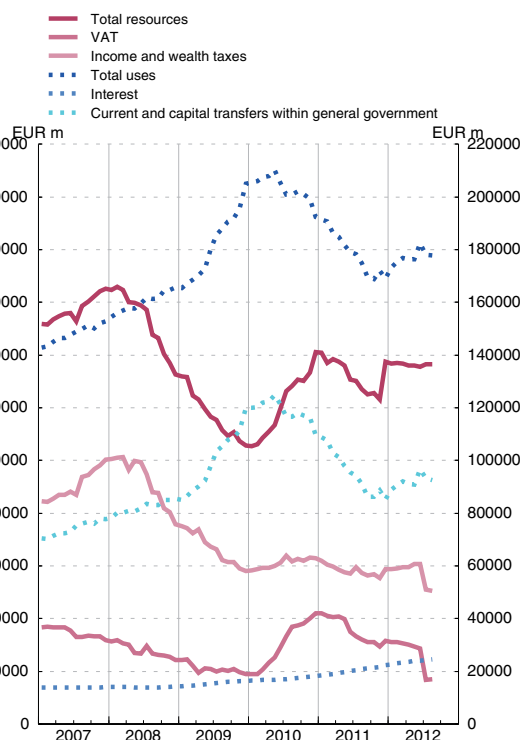
EUR millions

	Net lending (+) or borrowing (-)	Current and capital resources						Current and capital uses						Memorandum item: cash-basis deficit		
		Total	Value added tax (VAT)	Other taxes on products and imports	Interest and other income on property	Income and wealth taxes	Other	Total	Compensation of employees	Interest	Current and capital transfers within general government	Investment grants and other capital transfers	Other	Cash-basis deficit	Revenue	Expenditure
		2=3+7	3	4	5	6	7	8=9+13	9	10	11	12	13	14=15-16	15	16
<b>07</b>	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
<b>08</b>	-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
<b>09</b>	-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
<b>10</b>	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
<b>11</b>	A -31 671	137 518	31 575	8 034	7 499	58 806	31 604	169 189	20 151	22 434	85 154	3 920	37 530	-47 550	103 545	151 095
<b>11 J-A</b>	A -40 575	61 146	13 815	5 122	3 293	29 646	9 270	101 721	12 758	14 371	51 676	1 136	21 780	-34 283	63 062	97 345
<b>12 J-A</b>	A -50 175	60 106	-780	2 353	2 716	21 269	34 548	110 281	12 514	16 501	59 120	454	21 692	-39 190	66 825	106 015
<b>11 Aug</b>	A -1 926	8 020	203	524	378	5 335	1 580	9 946	1 411	1 882	4 348	18	2 287	-13 673	1 677	15 350
<b>Sep</b>	A 2 952	13 694	4 991	934	438	6 049	1 282	10 742	1 521	1 839	5 109	173	2 100	2 602	10 419	7 818
<b>Oct</b>	A -2 528	11 379	1 557	564	213	7 294	1 751	13 907	1 501	1 851	8 302	269	1 984	4 347	19 165	14 818
<b>Nov</b>	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
<b>Dec</b>	A 20 803	45 324	11 046	864	2 798	13 155	17 461	24 521	2 883	2 528	8 478	2 113	8 519	-8 401	6 830	15 231
<b>12 Jan</b>	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
<b>Feb</b>	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
<b>Mar</b>	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
<b>Apr</b>	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
<b>May</b>	A -10 907	1 744	-980	578	210	328	1 608	12 651	1 465	2 135	6 420	53	2 578	-10 599	186	10 785
<b>Jun</b>	A -6 720	13 171	3 692	507	68	6 385	2 519	19 891	2 593	1 997	12 050	249	3 002	-13 254	3 112	16 366
<b>Jul</b>	A -5 446	7 298	-12 028	-1 941	178	-4 780	25 869	12 744	1 153	2 130	7 016	23	2 422	2 091	19 165	17 074
<b>Aug</b>	A -1 622	7 929	356	824	61	4 809	1 879	9 551	1 408	2 103	3 578	48	2 414	-8 234	-1 374	6 860

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).



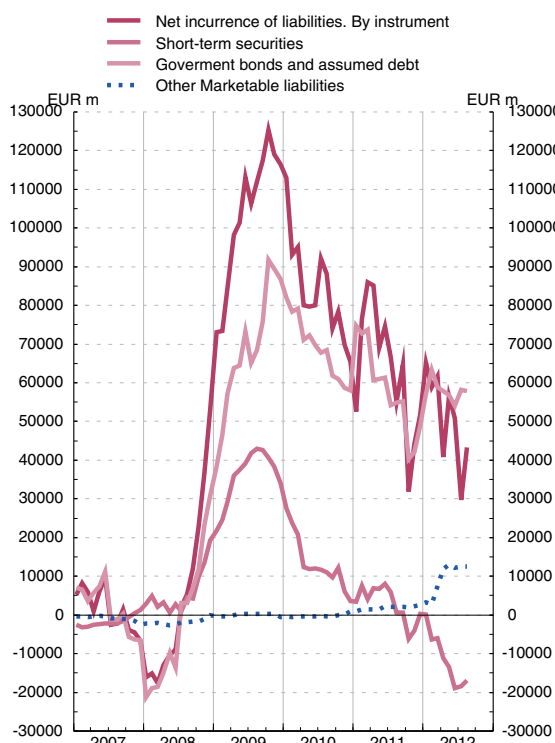
## 6.2. STATE FINANCIAL TRANSACTIONS. SPAIN

■ Series depicted in chart.

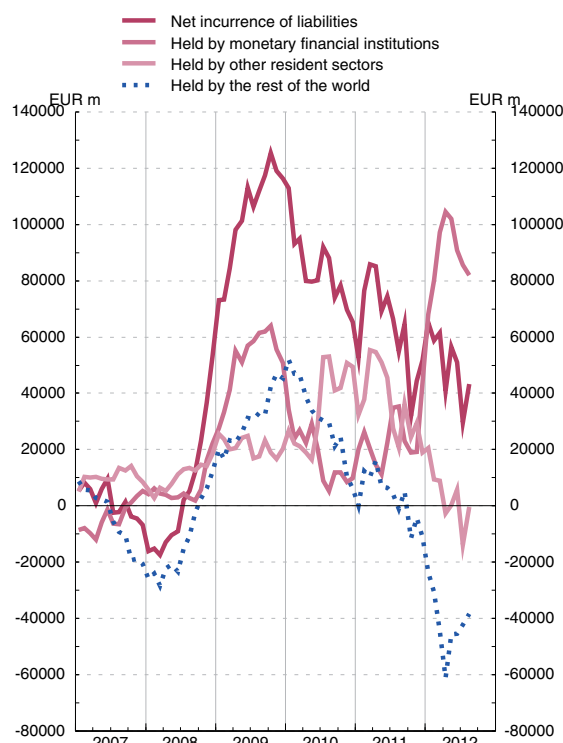
EUR millions

	Net lending (+) or net borrowing(-)	Net acquisition of financial assets		Net incurrence of liabilities										Net incurren- ce of liabi- ties (exclud- ing other accounts payable)	
				Of which		By instrument					By counterpart sector				
		Total	In currencies other than the peseta/ euro			Short- term securi- ties	Government bonds and assumed debt	Banco de España loans	Other marketa- ble liabi- lities (a)	Other accounts payable	Held by resident sectors				Rest of the world
				Total	Monetary financial institutions						Other resident sectors				
		1	2	3	4	5	6	7	8	9	10	11	12		13
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 -31 671	19 972	-75	51 643	-1 442	312	48 941	-537	2 626	301	62 788	43 784	19 004	-11 145	51 342
11 J-A	A -40 575	-8 668	-201	31 907	-1 444	-1 088	24 011	-537	1 447	8 073	36 873	14 130	22 743	-4 966	23 834
12 J-A	A -50 175	-26 702	-125	23 473	-756	-18 284	32 928	-542	11 373	-2 001	55 558	52 222	3 336	-32 085	25 475
11 Aug	A -1 926	-18 420	1	-16 494	11	-2 795	5 710	-	14	-19 423	-13 301	-1 953	-11 348	-3 193	2 929
Sep	A 2 952	11 497	1	8 545	-25	707	9 217	-	-38	-1 341	1 667	-209	1 877	6 877	9 886
Oct	A -2 528	-14 364	0	-11 836	5	-1 682	-7 751	-	-15	-2 388	-5 519	-585	-4 934	-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 20 803	28 820	125	8 017	12	2 173	13 344	-	843	-8 343	16 900	28 467	-11 567	-8 883	16 360
12 Jan	A -9 316	3 556	-210	12 872	12	-937	12 945	-	660	204	22 853	23 723	-870	-9 981	12 668
Feb	A -11 360	1 600	19 483	12 960	11	-4 508	14 172	-	1	3 295	14 517	14 117	399	-1 557	9 664
Mar	A 968	10 625	-1 998	9 657	-753	-2 067	8 964	-	4 668	-1 908	21 490	20 012	1 478	-11 833	11 565
Apr	A -5 772	-17 156	-3 999	-11 384	-9	-5 515	-10 926	-542	4 373	1 226	3 671	5 009	-1 337	-15 056	-12 610
May	A -10 907	-3 185	-13 401	7 722	11	-1 887	7 329	-	1 196	1 084	2 893	2 094	799	4 829	6 638
Jun	A -6 720	-1 320	-0	5 400	-48	-2 908	6 590	-	113	1 605	4 092	-128	4 220	1 307	3 795
Jul	A -5 446	-16 237	0	-10 791	11	757	-11 530	-	347	-364	-10 215	-6 865	-3 350	-576	-10 427
Aug	A -1 622	-4 584	-0	-2 962	10	-1 219	5 385	-	17	-7 145	-3 744	-5 740	1 997	781	4 182

STATE. NET INCURRENCE OF LIABILITIES. BY INSTRUMENT  
(Latest 12 months)



STATE. NET INCURRENCE OF LIABILITIES. BY COUNTERPART SECTOR  
(Latest 12 months)



Source: BE.

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

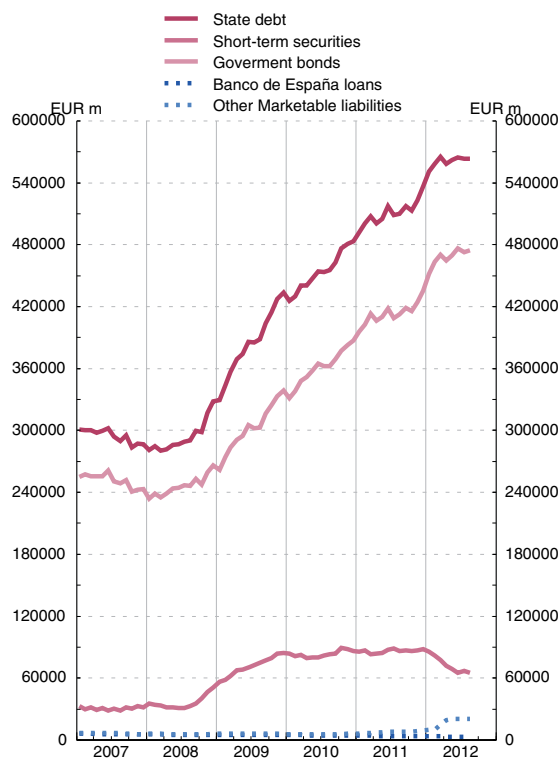
### 6.3. STATE: LIABILITIES OUTSTANDING. SPAIN

■ Series depicted in chart.

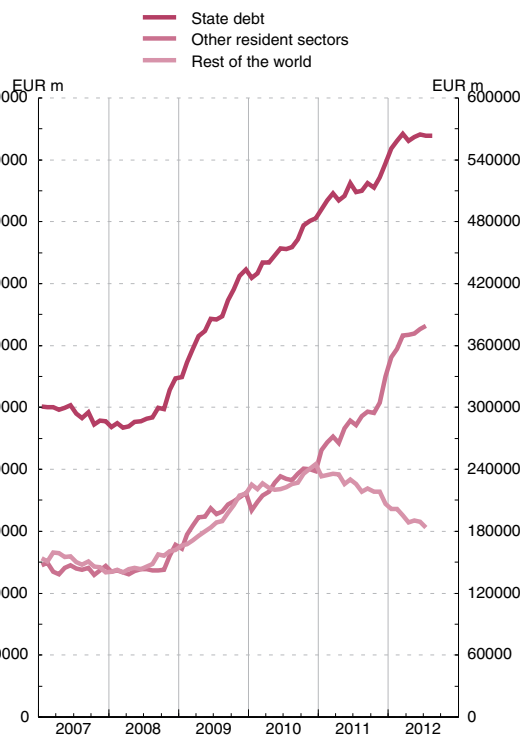
EUR millions

	Liabilities outstanding (excluding other accounts payable)										Memorandum item:		
	State debt according to the methodology of the excessive deficit procedure	of which  In currencies other than the peseta/euro	By instrument				By counterpart sector				Deposits at the Banco de España	Other deposits: Treasury liquidity tenders (b)	Guarantees given (contingent liabilities). Outstanding level
			Short-term securities	Government bonds and assumed debt	Banco de España loans	Other marketable liabilities (a)	Held by resident sectors			Rest of the world			
							Total	General government	Other resident sectors				
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 Aug	A 510 192	0	86 095	412 508	3 499	8 090	355 173	63 361	291 812	218 380	99	19 953	88 644
Sep	A 517 418	0	87 096	418 771	3 499	8 052	360 524	64 546	295 978	221 440	100	31 403	88 606
Oct	A 513 033	0	85 927	415 570	3 499	8 038	356 136	61 553	294 583	218 450	100	27 091	91 381
Nov	A 523 006	0	86 551	424 531	3 499	8 426	365 946	61 032	304 914	218 092	100	24 381	92 063
Dec	A 536 424	0	88 363	435 294	3 499	9 269	392 617	62 613	330 005	206 420	225	30 391	98 348
12 Jan	A 550 739	0	85 793	451 519	3 499	9 929	413 635	64 736	348 899	201 841	15	36 152	100 274
Feb	A 558 586	0	81 667	463 491	3 499	9 929	421 537	64 522	357 015	201 570	19 499	35 267	98 287
Mar	A 565 364	0	77 294	469 974	3 499	14 597	436 745	66 960	369 785	195 579	17 500	36 709	131 683
Apr	A 558 507	0	72 226	464 396	2 915	18 970	434 761	64 609	370 152	188 354	13 501	30 536	126 683
May	A 561 862	0	68 997	469 785	2 915	20 165	437 563	65 961	371 602	190 260	100	40 266	133 538
Jun	A 564 796	0	65 428	476 174	2 915	20 278	440 916	65 107	375 810	188 986	100	28 801	136 900
Jul	A 563 073	0	66 893	472 640	2 915	20 625	440 195	61 014	379 181	183 891	100	23 131	133 402
Aug	A 563 416	0	65 238	474 622	2 915	20 642	...	63 007	...	...	100	18 935	132 361

STATE. LIABILITIES OUTSTANDING  
By instrument



STATE. LIABILITIES OUTSTANDING  
By counterpart sector



Source: BE.

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

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

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

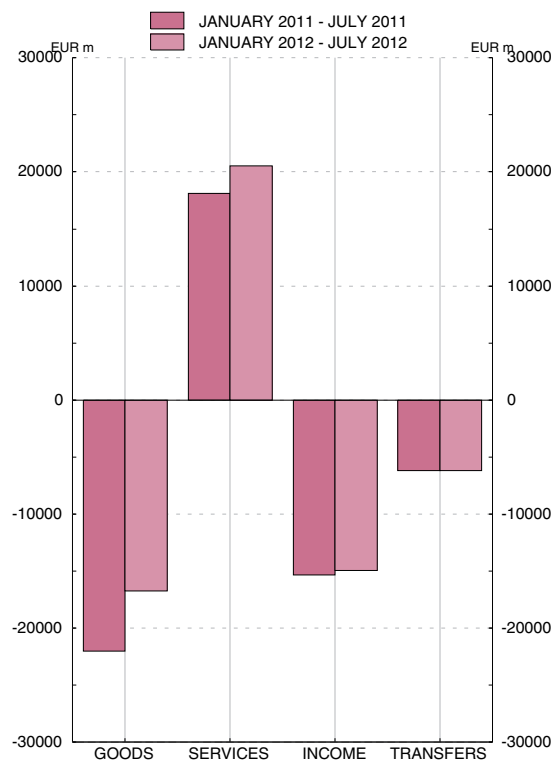
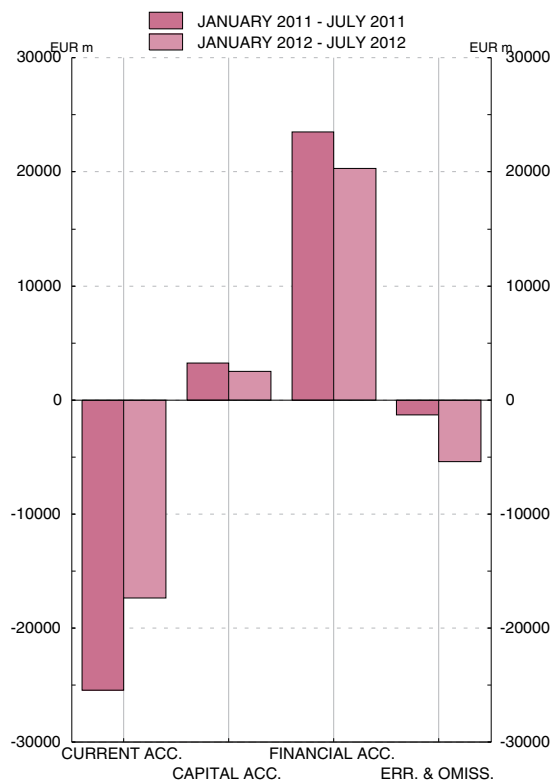
■ Series depicted in chart.

EUR millions

	Current account (a)													Capital account  (balance)	Current account plus capital account	Financial account  (balance) (b)	Errors and omis sion
Total (balance)	Goods			Services					Income			Current trans- fers (bal- ance)					
	Balance	Receipts	Payments	Balance	Receipts		Payments		Balance	Receipts	Pay- ments						
					Of which		Of which										
					Total	Travel	Total	Travel									
1=2+5+ 10+13	2=3-4	3	4	5=6-8	6	7	8	9	10=- 11-12	11	12	13	14	15=1+14	16	17=- (15+16)	
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-J	P -25 451	-22 048	130 059	152 107	18 126	57 040	23 722	38 914	6 569	-15 320	24 453	39 772	-6 210	3 257	-22 194	23 526	-1 332
12 J-J	P -17 383	-16 773	134 189	150 962	20 535	60 293	23 877	39 758	6 418	-14 953	20 764	35 716	-6 193	2 491	-14 892	20 294	-5 402
11 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 -5 677	-3 291	17 047	20 338	1 749	7 191	2 677	5 442	832	-2 998	2 878	5 875	-1 137	84	-5 593	3 767	1 826
Feb	P -6 085	-3 175	18 544	21 719	1 518	7 034	2 243	5 515	881	-1 847	2 437	4 284	-2 582	116	-5 969	6 783	-813
Mar	P -3 265	-2 645	20 869	23 515	2 001	7 687	2 687	5 686	832	-1 858	3 027	4 885	-763	485	-2 780	108	2 672
Apr	P -1 671	-2 828	17 713	20 541	2 549	7 889	2 733	5 340	844	-1 078	2 940	4 018	-315	314	-1 358	2 874	-1 516
May	P -380	-1 290	20 100	21 390	3 220	8 631	3 550	5 410	685	-1 610	3 755	5 365	-700	702	322	2 134	-2 456
Jun	P -805	-2 268	19 864	22 133	4 173	10 259	4 380	6 086	1 133	-2 456	3 251	5 707	-253	712	-93	779	-686
Jul	P 500	-1 276	20 051	21 326	5 325	11 604	5 607	6 279	1 211	-3 106	2 475	5 581	-443	79	579	3 849	-4 428

## 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).

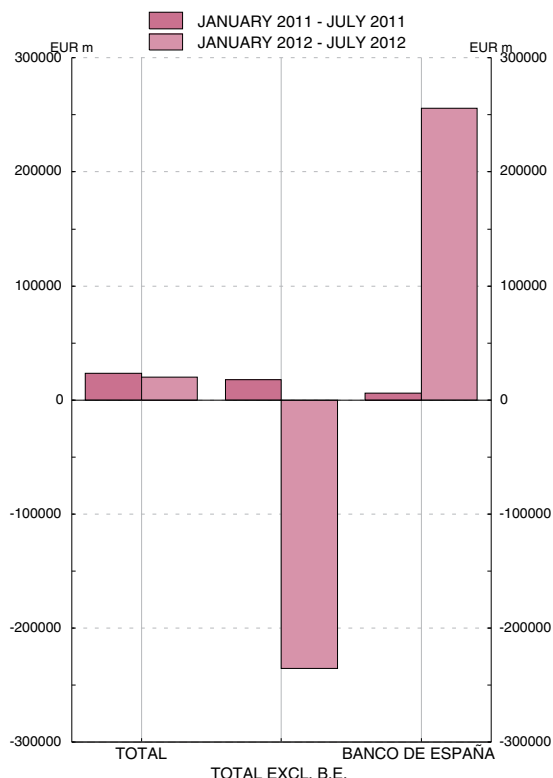
## 7.2. SPANISH BALANCE OF PAYMENTS VIS-À-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD. FINANCIAL ACCOUNT (a)

■ Series depicted in chart.

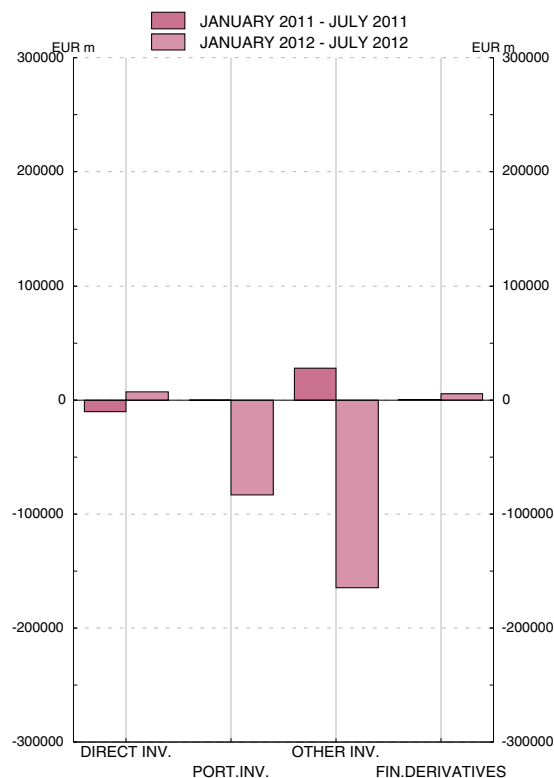
EUR millions

		Total, excluding Banco de España												Banco de España			
	Financial account	Total		Direct investment			Portfolio investment			Other investment (d)			Net financial derivatives (NCL-NCA)	Balance	Re-serves	Net claims with the Euro-system	Other net assets
	(NCL-NCA)	(NCL-NCA)	Balance (NCL-NCA)	Spanish investment abroad (NCA)	Foreign investment in Spain (NCL) (b)	Balance (NCL-NCA)	Spanish investment abroad (NCA)	Foreign investment in Spain (NCL) (c)	Balance (NCL-NCA)	Spanish investment abroad (NCA)	Foreign investment in Spain (NCL)	12	(NCL-NCA)	(e)	(e)	(NCL-NCA)	
	1=2+13	2=3+6+9+12	3=5-4	4	5	6=8-7	7	8	9=11-10	10	11		13=14+15+16	14	15	16	
09		51 982	41 517	-1 917	9 409	7 491	44 824	3 491	48 315	4 665	4 009	8 674	-6 054	10 464	-1 563	6 146	5 882
10	P	43 174	27 478	1 827	28 949	30 776	27 671	-63 711	-36 040	-10 610	17 439	6 829	8 589	15 696	-814	9 788	6 722
11	P	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-J	P	23 526	17 689	-10 268	15 750	5 482	-151 21 744	-21 895	27 625	19 751	47 376	484	5 836	-2 090	5 749	2 178	
12 J-J	P	20 294	235 376	7 381	4 535	11 916	-83 353	-12 375	-95 729	-164 882	63 895	100 988	5 479	255 669	-2 083	248 294	9 459
11 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	3 767	-5 766	2 934	-1 116	1 818	-6 321	-49	-6 370	-2 194	-1 693	-3 887	-185	9 533	-71	8 808	797
Feb	P	6 783	-22 523	2 347	-104	2 243	-6 166	2 157	-4 009	-21 383	9 185	-12 198	2 679	29 305	-111	27 639	1 777
Mar	P	108	-66 625	2 427	-3	2 424	-24 693	687	-24 006	-44 613	21 008	-23 605	253	66 734	-30	64 608	2 156
Apr	P	2 874	-26 116	1 344	1 456	2 800	-20 230	-4 363	-24 593	-6 130	4 052	-2 079	-1 100	28 990	-152	26 807	2 334
May	P	2 134	-39 917	-1 276	1 296	20	-8 583	-2 831	-11 413	-30 179	16 435	-13 743	121	42 051	-243	42 265	29
Jun	P	779	-59 398	-1 707	2 275	568	-12 227	-2 292	-14 519	-45 891	20 400	-25 491	427	60 177	-3 502	63 314	364
Jul	P	3 849	-15 030	1 312	731	2 043	-5 135	-5 684	-10 819	-14 492	-5 493	-19 985	3 284	18 879	2 025	14 853	2 001

FINANCIAL ACCOUNT  
(NCL-NCA)



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



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

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

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

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

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

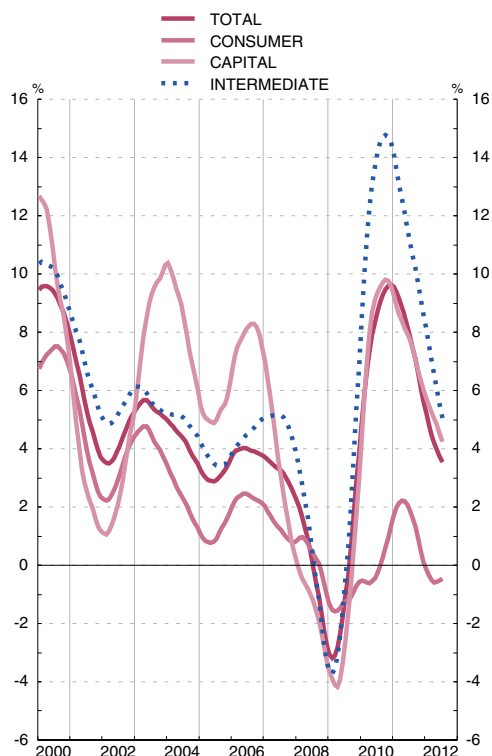
### 7.3. SPANISH FOREIGN TRADE WITH OTHER EURO AREA COUNTRIES AND WITH THE REST OF THE WORLD EXPORTS AND DISPATCHES

■ Series depicted in chart.

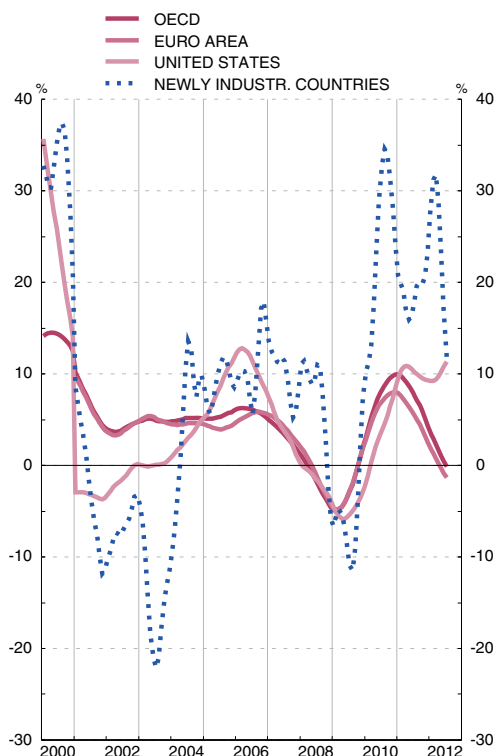
Eur millions and annual percentage changes

	Total			By product (deflated data) (a)					By geographical area (nominal data)								
	EUR millions	Nom- inal	De- flated (a)	Con- sumer	Capital	Intermediate			EU 27		OECD		OPEC	Other Amer- ican coun- tries	China	Newly indus- trialised coun- tries	
						Total	Energy	Non- energy	Total	Euro Area	of which:						
											Total	United States					
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
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 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
May	P	19 462	6.2	4.0	-3.8	1.6	8.6	7.5	8.7	2.1	0.3	1.8	4.5	57.1	29.3	5.6	33.8
Jun	P	18 869	5.1	4.5	-3.2	3.1	9.4	12.6	9.2	-1.1	-3.6	-0.4	11.5	45.0	41.1	5.3	12.5
Jul	P	19 600	5.2	5.3	5.2	-10.7	8.0	25.5	6.8	-2.2	0.7	2.5	30.6	23.0	21.3	32.5	3.4

**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, MHP y BE.

Note: The underlying series for this indicator are in Tables 18.4 and 18.5 of the Boletín estadístico.

The monthly series are provisional data, while the annual series are the final foreign trade data.

a. Series deflated by unit value indices.

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

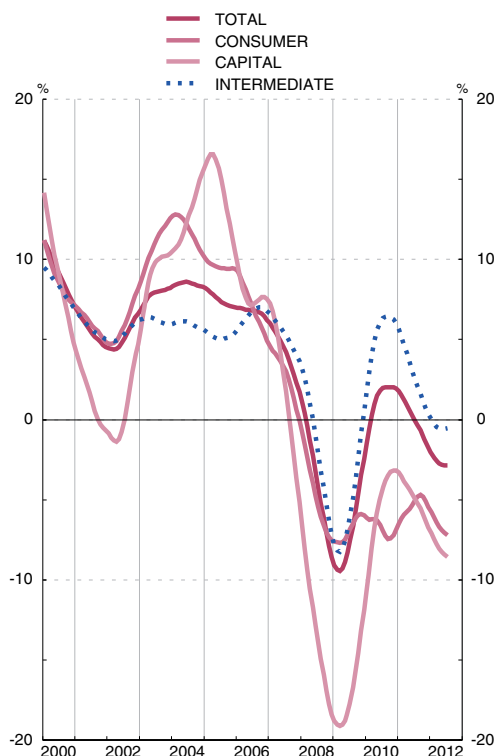
■ Series depicted in chart.

Eur millions and annual percentage changes

		Total			By product (deflated data) (a)						By geographical area (nominal data)							
		EUR millions	Nom- inal	De- flated (a)	Con- sumer	Capital	Intermediate			EU 27		OECD		OPEC	Other Amer- ican coun- tries	China	Newly indus- trialised coun- tries	
							Total	Energy	Non- energy	Total	Euro Area	of which:						
												Total	United States					
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
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 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	
May	P	21 388	-1.6	-8.0	-9.8	-18.6	-6.5	1.6	-8.4	-5.9	-7.3	-1.6	15.8	-0.7	32.9	-6.8	-3.2	
Jun	P	21 569	-1.4	-5.8	-11.2	-5.6	-4.2	0.9	-5.6	-1.7	-0.4	-1.4	-6.4	39.2	19.7	-6.7	-14.7	
Jul	P	21 293	5.0	4.0	-0.8	-4.3	6.2	8.5	5.5	2.2	0.8	3.1	-5.2	7.5	17.1	6.6	-4.7	

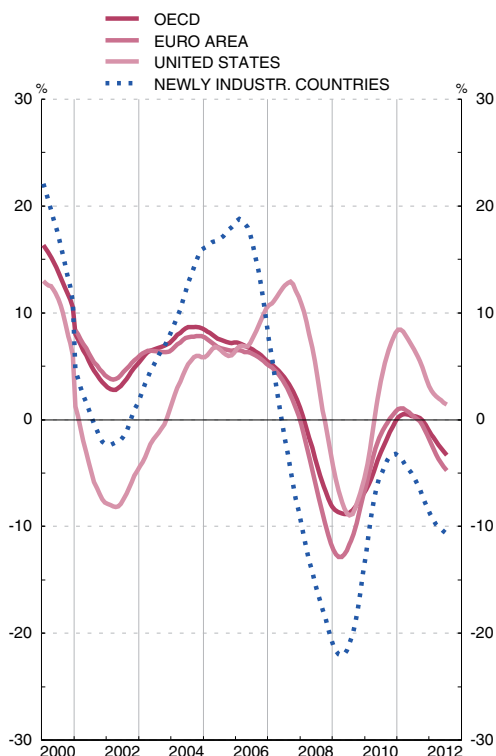
### BY PRODUCTS

Annual percentage changes (trend obtained with TRAMO SEATS method)



### BY GEOGRAPHICAL AREA

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



Sources: ME, MHP y BE.

Note: The underlying series for this indicator are in Tables 18.2 and 18.3 of the Boletín estadístico.

The monthly series are provisional data, while the annual series are the final foreign trade data.

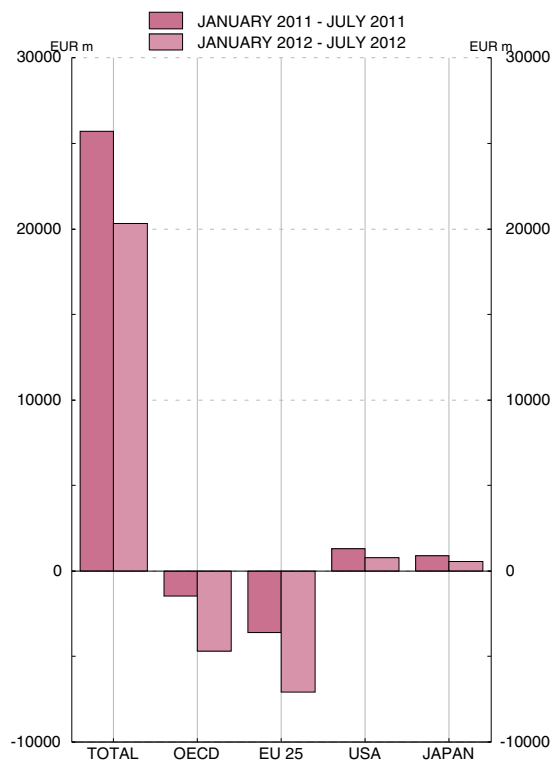
a. Series deflated by unit value indices.

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

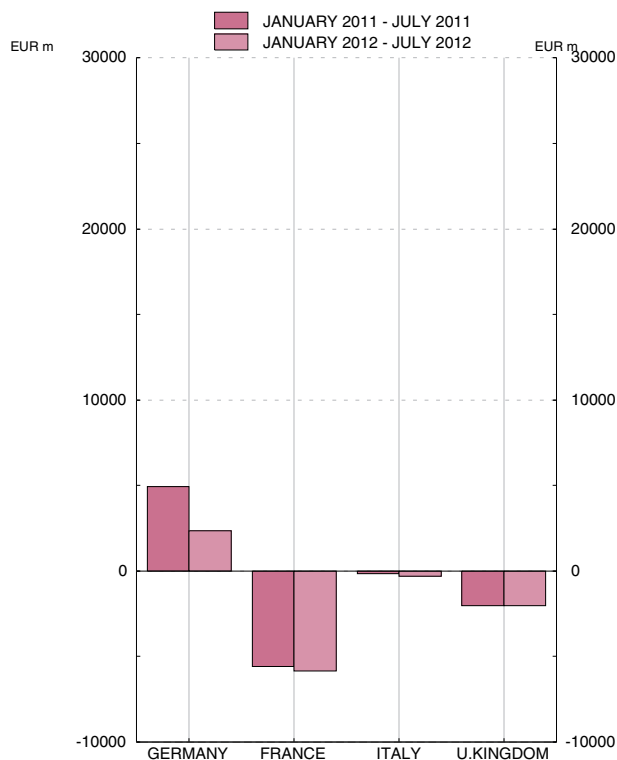
EUR millions

		World total	European Union (EU 27)							OECD					OPEC	Other American countries	China	Newly industrialised countries
			Total	Euro area					Other EU 27		Of which:							
				Of which:					Of which:		Total	United States	Japan					
				Total	Germany	France	Italy	Total	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	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	
	May	P	-1 926	1 289	907	-336	1 043	64	382	157	712	-190	-116	-1 028	-470	-1 129	-38	
	Jun	P	-2 700	655	186	-276	687	50	469	332	521	33	-37	-2 106	-325	-1 155	-8	
	Jul	P	-1 693	1 524	1 163	-240	888	82	361	337	1 458	17	-2	-1 705	-405	-1 243	-31	

**CUMULATIVE TRADE DEFICIT**



**CUMULATIVE TRADE DEFICIT**



Source: MHAP.

Note: The underlying series for this indicator are in Tables 18.3 and 18.5 of the Boletín Estadístico.

The monthly series are provisional data, while the annual series are the final foreign trade data.

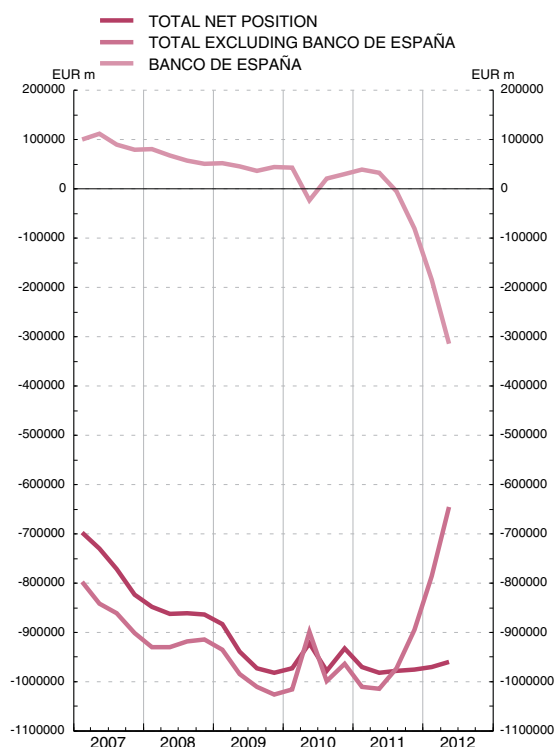
## 7.6. SPANISH INTERNATIONAL INVESTMENT POSITION VIS-À-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD SUMMARY

■ Series depicted in chart.

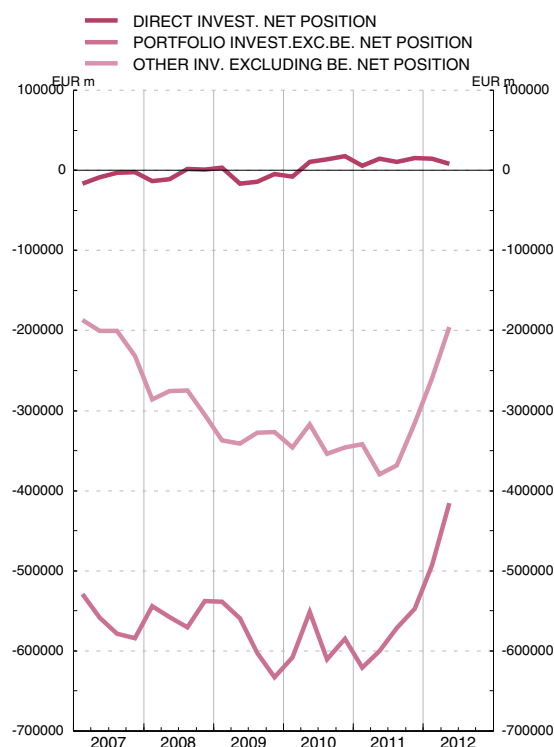
End-of-period stocks in EUR billions

	Net international investment position (assets-liabil.)	Total excluding Banco de España											Banco de España				
		Net position excluding Banco de España (assets - liabil.)	Direct investment			Portfolio investment			Other investment			Financial derivatives Net position (assets-liabil.)	Banco de España Net position (assets-liabil.)	Reserves	Net assets vis-à-vis the Euro-system	Other net assets (assets-liabil.) (a)	
			Net position (assets-liabil.)	Spanish investment abroad (assets)	Foreign investment in Spain (liabil.)	Net position (assets-liabil.)	Spanish investment abroad (assets)	Foreign investment in Spain (liabil.)	Net position (assets-liabil.)	Spanish investment abroad (assets)	Foreign investment in Spain (liabil.)						
1=2+13	2=3+6+9+12	3=4-5	4	5	6=7-8	7	8	9=10-11	10	11	12	13=14 to 16	14	15	16		
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	-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	
Q2	-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	-973.2	-1 015.6	-7.7	440.4	448.1	-667.9	380.6	1 048.4	-345.8	362.6	708.4	5.7	42.4	20.9	-38.5	60.0	
Q2	-921.9	-898.5	10.8	460.1	449.3	-604.0	352.9	956.9	-317.3	371.3	688.5	12.0	-23.4	24.4	-100.8	53.1	
Q3	-978.4	-998.5	13.4	468.1	454.7	-661.9	334.3	996.1	-354.3	354.6	708.9	4.3	20.2	22.6	-54.3	51.9	
Q4	-932.8	-963.1	17.5	487.2	469.7	-637.0	312.2	949.2	-346.3	373.1	719.3	2.7	30.3	23.9	-46.1	52.5	
11	-970.8	-1 010.2	5.8	483.4	477.7	-672.4	302.2	974.6	-342.1	379.7	721.8	-1.5	39.5	23.2	-35.2	51.5	
Q2	-982.1	-1 014.2	14.6	485.7	471.1	-648.8	293.2	942.0	-379.7	383.0	762.7	-0.3	32.2	23.5	-40.6	49.3	
Q3	-978.4	-973.2	10.2	478.9	468.8	-622.3	273.5	895.7	-368.7	388.6	757.3	7.6	-5.2	27.6	-83.8	51.1	
Q4	-975.3	-894.4	15.1	497.6	482.5	-599.4	256.7	856.1	-315.9	397.6	713.6	5.9	-81.0	36.4	-170.2	52.8	
12	-970.5	-785.7	14.2	495.4	481.2	-543.0	269.5	812.5	-259.8	415.8	675.6	2.9	-184.8	36.0	-271.2	50.5	
Q1	-960.3	-645.5	8.4	493.9	485.5	-462.5	255.1	717.6	-196.0	446.5	642.4	4.6	-314.9	41.4	-403.6	47.3	

### 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.



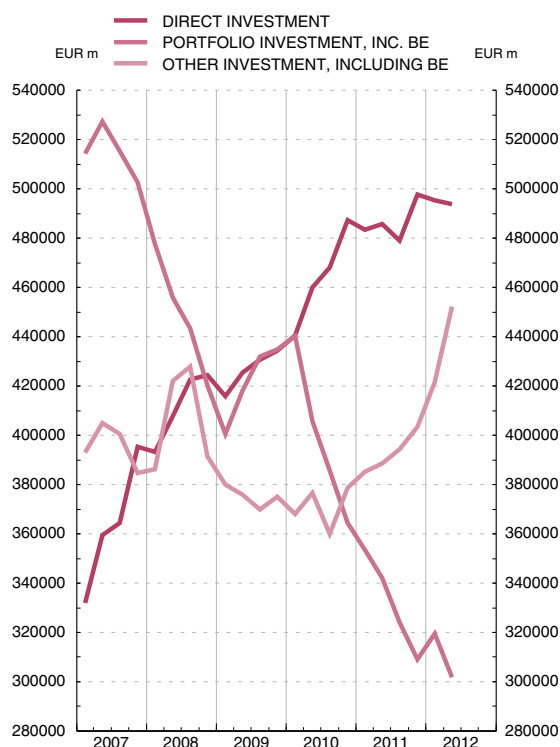
## 7.7. SPANISH INTERNATIONAL INVESTMENT POSITION VIS-À-VIS OTHER EURO AREA RESIDENTES AND THE REST OF THE WORLD BREAKDOWN BY INVESTMENT

■ Series depicted in chart.

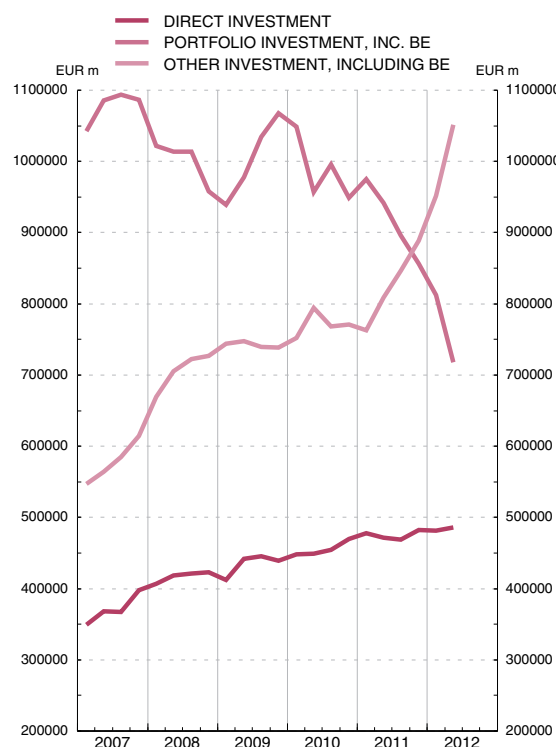
End-of-period stocks in EUR millions

	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				
<b>04</b>	189 622	17 627	231 649	67 501	78 053	302 067	183 211	379 279	254 992	431 651	-	-
<b>05</b>	236 769	22 133	250 641	75 322	104 157	388 472	197 347	531 035	287 551	504 831	-	-
<b>06</b>	307 902	23 206	271 313	79 125	133 193	373 001	245 683	718 897	355 621	531 211	32 973	42 569
<b>07</b>	368 306	27 086	307 278	90 696	132 955	369 758	282 331	804 609	384 714	614 829	44 642	63 487
<b>08</b>	393 430	31 011	320 664	102 489	63 146	357 229	170 143	787 812	391 414	726 987	108 278	114 027
<b>09</b>												
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
<b>10</b>												
Q1	410 263	30 163	329 507	118 611	89 281	351 097	198 588	849 822	368 037	752 035	93 867	88 286
Q2	427 881	32 209	330 743	118 567	87 320	318 420	169 657	787 204	376 723	794 422	118 304	106 522
Q3	431 713	36 355	334 396	120 316	88 694	297 029	194 290	801 837	360 016	768 345	121 434	117 049
Q4	449 351	37 816	346 283	123 369	92 373	271 994	181 491	767 728	378 652	770 656	95 116	92 459
<b>11</b>												
Q1	446 074	37 374	356 688	120 997	92 824	260 696	204 976	769 639	385 301	762 462	80 724	82 170
Q2	447 696	38 041	354 933	116 211	91 874	250 141	194 526	747 507	388 630	808 439	83 747	84 040
Q3	435 112	43 817	355 693	113 058	78 257	245 886	159 665	736 084	394 182	846 345	134 796	127 191
Q4	448 416	49 153	363 539	118 959	77 741	231 308	164 215	691 864	403 341	888 913	140 225	134 415
<b>12</b>												
Q1	447 395	48 004	362 459	118 765	84 295	235 127	159 817	652 698	421 535	952 112	133 237	130 209
Q2	441 365	52 502	368 530	116 960	82 241	219 548	146 557	571 050	452 201	1 051 132	153 277	148 677

### 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.

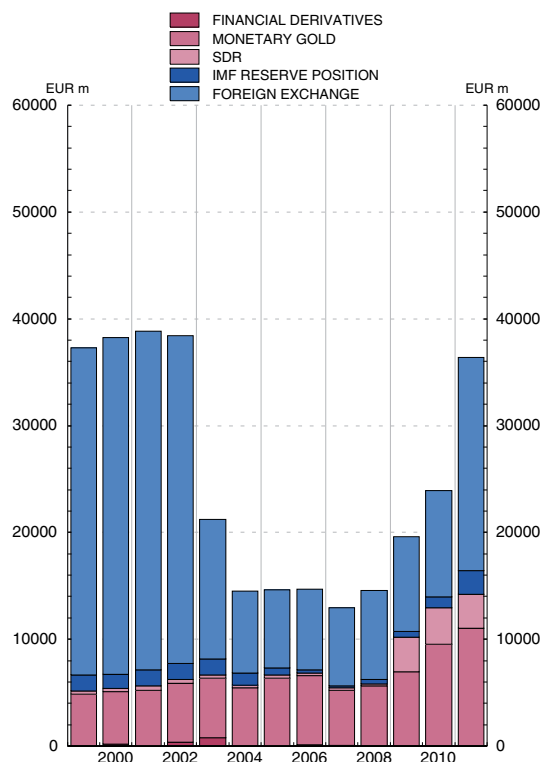
## 7.8. SPANISH RESERVE ASSETS

■ Series depicted in chart.

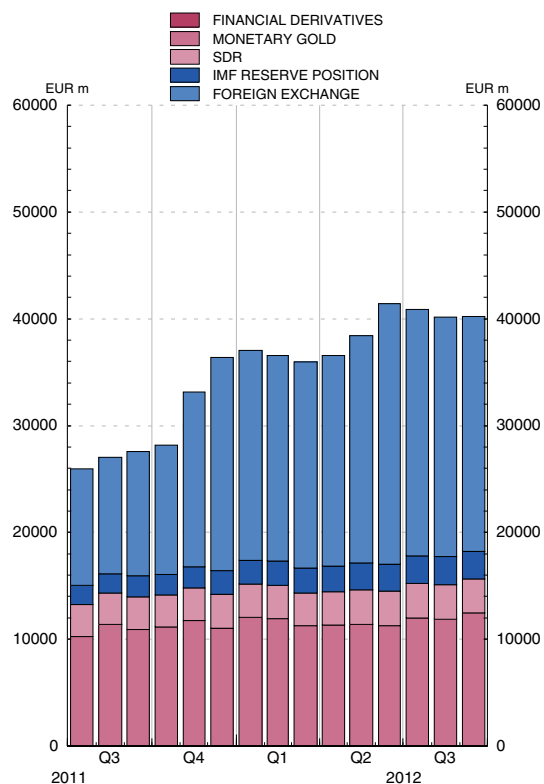
End-of-period stocks in EUR millions

	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
<b>06</b>	14 685	7 533	303	254	6 467	127	13.4
<b>07</b>	12 946	7 285	218	252	5 145	46	9.1
<b>08</b>	14 546	8 292	467	160	5 627	-	9.1
<b>09</b>	19 578	8 876	541	3 222	6 938	-	9.1
<b>10</b>	23 905	9 958	995	3 396	9 555	-	9.1
<b>11 Apr</b>	22 965	9 102	1 606	2 891	9 365	-	9.1
<b>May</b>	23 734	9 452	1 676	2 943	9 664	-	9.1
<b>Jun</b>	23 471	9 420	1 667	2 938	9 447	-	9.1
<b>Jul</b>	25 955	10 908	1 809	2 979	10 259	-	9.1
<b>Aug</b>	27 004	10 878	1 796	2 958	11 373	-	9.1
<b>Sep</b>	27 566	11 619	1 953	3 072	10 922	-	9.1
<b>Oct</b>	28 197	12 124	1 913	3 010	11 150	-	9.1
<b>Nov</b>	33 157	16 393	1 952	3 072	11 740	-	9.1
<b>Dec</b>	36 402	19 972	2 251	3 163	11 017	-	9.1
<b>12 Jan</b>	37 017	19 620	2 233	3 139	12 025	-	9.1
<b>Feb</b>	36 582	19 242	2 305	3 087	11 949	-	9.1
<b>Mar</b>	35 977	19 312	2 312	3 095	11 258	-	9.1
<b>Apr</b>	36 540	19 708	2 402	3 130	11 300	-	9.1
<b>May</b>	38 440	21 308	2 492	3 248	11 392	-	9.1
<b>Jun</b>	41 430	24 409	2 508	3 226	11 287	-	9.1
<b>Jul</b>	40 879	23 071	2 560	3 287	11 961	-	9.1
<b>Aug</b>	40 184	22 459	2 619	3 232	11 875	-	9.1
<b>Sep</b>	40 193	21 948	2 583	3 195	12 471	-3	9.1

RESERVE ASSETS  
END-OF-YEAR POSITIONS



RESERVE ASSETS  
END-OF-MONTH POSITIONS



Source: BE.

Note: From January 1999 the assets denominated in euro and other currencies vis-à-vis residents of other euro area countries are not considered reserve assets. To December 1998, data in pesetas have been converted to euro using the irrevocable euro conversion rate. Since January 1999, all reserve assets are valued at market prices. As of January 2000 reserve assets data have been compiled in accordance with the IMF's new methodological guidelines published in the document 'International Reserves and Foreign

Currency Liquidity

Guidelines for a Data Template', October 2001 (<http://dsbb.imf.org/Applications/web/sddsguide>). Using this new definition, total reserve assets as at 31.12.99 would have been EUR 37835 million instead of the amount of EUR 37288 million published in this table.

## 7.9. SPANISH EXTERNAL DEBT VIS-À-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD. SUMMARY

End-of-period positions

EUR millions

	Total	General government							Other monetary financial institutions				
		Total	Short-term		Long-term			Total	Short-term		Long-term		
			Money market instruments	Loans	Bonds and notes	Loans	Trade credits		Money market instruments	Deposits	Bonds and notes	Deposits	
1	2	3	4	5	6	7	8	9	10	11	12		
08 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	1 782 624	317 500	51 896	117	238 846	26 640	-	789 869	16 641	399 817	256 338	117 073	
Q2	1 763 442	292 974	39 698	195	224 769	28 312	-	741 796	12 157	378 888	239 162	111 589	
Q3	1 748 525	303 839	39 437	935	234 437	29 031	-	758 152	10 926	396 110	242 943	108 173	
Q4	1 718 965	289 353	36 629	980	220 521	31 223	-	759 633	9 910	413 379	238 061	98 283	
11 Q1	1 711 456	292 041	37 875	488	221 838	31 839	-	764 176	10 640	395 695	239 222	118 619	
Q2	1 734 572	286 220	37 245	11	215 762	33 202	-	795 343	7 554	425 267	234 487	128 035	
Q3	1 762 013	293 524	36 605	510	222 641	33 766	-	771 984	6 211	402 061	227 294	136 418	
Q4	1 759 711	275 629	28 545	431	211 918	34 734	-	715 320	3 494	362 532	218 539	130 755	
12 Q1	1 783 938	256 704	23 731	8	192 143	40 822	-	655 527	3 341	311 819	205 107	135 259	
Q2	1 798 740	237 608	17 247	134	173 977	46 250	-	591 736	2 749	273 161	180 062	135 765	

## 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 instruments	Loans	Other liabilities	Bonds and notes	Loans	Trade credits	Other liabilities	Direct investors		Subsidiaries	
	13	14	15	16	17	18	19	20	21	22	23	24	25	
08 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	450 816	14 758	15 099	3 179	271 344	144 739		424	1 273	180 768	69 855	110 913
Q2	105 881	105 881	440 976	12 714	17 910	4 462	258 705	145 582		432	1 172	181 816	67 392	114 424
Q3	59 477	59 477	448 713	14 032	17 464	4 762	260 062	150 839		421	1 134	178 343	67 523	110 820
Q4	51 323	51 323	438 075	11 929	17 511	4 284	250 678	152 021		422	1 231	180 582	67 445	113 136
11 Q1	40 665	40 665	435 218	11 724	18 765	3 818	248 339	150 765		415	1 391	179 356	67 750	111 606
Q2	45 732	45 732	428 650	11 840	19 174	4 192	240 618	151 415		414	997	178 626	68 454	110 172
Q3	89 019	89 019	427 885	7 466	19 732	6 433	235 866	156 972		420	997	179 601	67 937	111 664
Q4	175 360	175 360	414 468	5 300	20 205	6 544	224 068	157 022		423	907	178 935	69 733	109 201
12 Q1	276 496	276 496	416 082	8 530	20 125	6 699	219 845	159 269		420	1 194	179 128	69 664	109 463
Q2	408 695	408 695	384 143	5 643	18 764	6 826	191 372	159 850		493	1 194	176 559	69 427	107 131

Source: BE.

a. See note b to table 17.21 of the Boletín Estadístico.

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

Average of daily data, EUR millions

	Net lending in euro							Counterparts						
Total	Open market operations				Standing facilities		Autonomous factors						Actual reserves of credit institutions	
	Main refinancing operations	Longer-term refinancing operations	Fine-tuning reverse operations (net)	Structural reverse operations (net)	Marginal lending facility	Deposit facility	Total	Bank-notes	Deposits to general government	Gold and net assets in foreign currency	Other assets (net)			
1=2+3+4 +5+6-7	2	3	4	5	6	7	8=9+10 -11-12	9	10	11	12	13		
11 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	
Jul	743 701	156 106	1 080 565	-	-	817	493 787	372 135	896 182	134 906	678 366	-19 413	371 566	
Aug	885 373	131 936	1 076 236	-	-	833	323 633	347 038	898 561	115 828	678 405	-11 054	538 334	
Sep	876 292	124 884	1 069 567	-	-	1 013	319 173	332 823	893 288	95 737	670 651	-14 449	543 469	

# 8.1.b BALANCE SHEET OF THE BANCO DE ESPAÑA. NET LENDING TO CREDIT INSTITUTIONS AND ITS COUNTERPARTS

Average of daily data, EUR millions

	Net lending in euro							Counterparts							
Total	Open market operations					Standing facilities		Intra-ESCB		Autonomous factors					Actual reserves of credit institutions
	Main refinancing operations	Longer-term refinancing operations	Fine-tuning reserve operations (net)	Structural reserve operations (net)	Marginal lending facility	Deposit facility	Target	Rest	Total	Bank-notes	Deposits to general government	Gold and net assets in foreign currency	Other assets (net)		
	t														
14=15+16 +17+18 +19-20	15	16	17	18	19	20	21	22	23=24+25 -26-27	24	25	26	27	28	
11 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
Jul	375 549	69 338	332 847	-	-	-	26 636	414 619	-5 724	-45 373	71 589	5 319	42 439	79 842	12 027
Aug	388 736	74 115	337 539	-	-	-	22 918	428 617	-5 724	-46 154	71 144	6 424	43 110	80 611	11 997
Sep	378 176	70 818	329 109	-	-	-	21 751	419 847	-5 724	-47 776	69 114	4 036	41 785	79 142	11 829

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

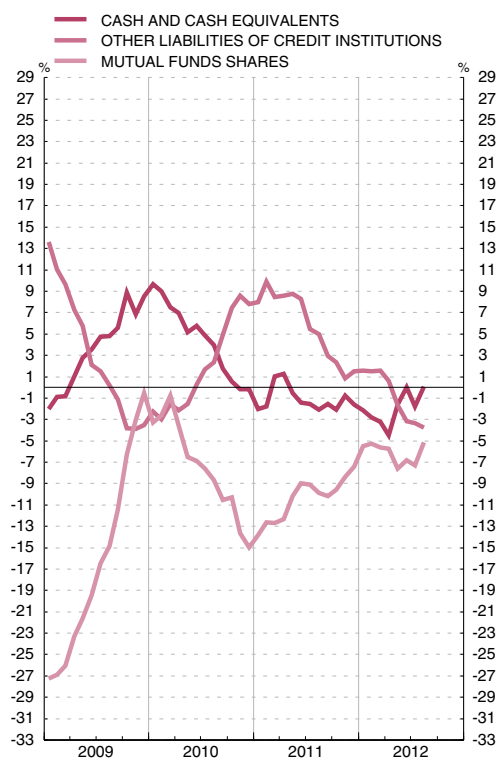
## 8.2 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES OF NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

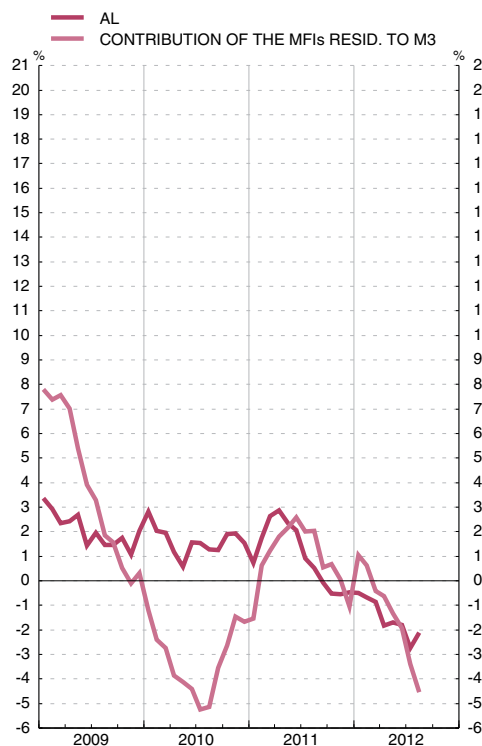
EUR millions and %

	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	527 739	-3.5	-1.3	-18.5	-39.8	146 214	-0.6	1.1	-2.4	2.0	0.3
10	518 340	-0.2	-0.3	-0.1	568 910	7.8	6.4	31.5	-22.2	124 357	-14.9	-29.5	1.6	1.5	-1.7
11	509 981	-1.6	-1.9	-1.5	577 488	1.5	-2.3	44.8	-28.9	115 157	-7.4	-10.3	-5.1	-0.5	-1.1
11 May	509 733	-0.5	-1.9	-0.2	575 646	8.7	7.4	27.3	0.5	123 436	-10.2	-25.8	5.6	2.3	2.2
Jun	523 525	-1.4	-2.3	-1.2	578 152	8.3	7.0	28.6	-13.4	121 717	-9.0	-21.1	2.4	2.1	2.6
Jul	515 634	-1.5	-2.6	-1.3	573 626	5.5	4.4	21.2	-17.0	121 283	-9.1	-18.6	-0.8	0.9	2.0
Aug	506 611	-2.1	-2.7	-1.9	575 288	5.0	4.5	14.5	-24.0	119 785	-9.9	-17.4	-3.4	0.5	2.0
Sep	502 786	-1.5	-2.1	-1.4	573 786	3.0	2.9	5.9	-14.3	117 938	-10.2	-15.8	-5.4	-0.1	0.5
Oct	495 731	-2.1	-2.0	-2.1	574 053	2.3	0.8	21.6	-13.8	118 090	-9.6	-14.3	-5.8	-0.5	0.7
Nov	500 118	-0.8	-1.6	-0.6	571 410	0.9	-1.6	29.2	-20.1	115 330	-8.4	-12.8	-4.7	-0.6	0.1
Dec	509 981	-1.6	-1.9	-1.5	577 488	1.5	-2.3	44.8	-28.9	115 157	-7.4	-10.3	-5.1	-0.5	-1.1
12 Jan	493 716	-2.2	-2.3	-2.1	577 318	1.6	-3.1	58.1	-31.7	118 041	-5.5	-7.4	-4.1	-0.5	1.0
Feb	492 086	-2.8	-2.4	-2.9	582 603	1.5	-3.5	59.8	-33.9	119 071	-5.3	-4.3	-6.0	-0.7	0.6
Mar	497 887	-3.2	-1.8	-3.5	583 480	1.6	-3.8	63.3	-39.0	118 259	-5.6	-4.4	-6.5	-0.9	-0.4
Apr	489 246	-4.5	-1.8	-5.1	575 657	0.6	-4.7	61.7	-37.6	117 474	-5.8	-3.0	-7.7	-1.8	-0.6
May	501 540	-1.6	1.4	-2.3	566 084	-1.7	-6.9	58.0	-36.2	114 082	-7.6	-3.0	-10.8	-1.7	-1.3
Jun	523 652	0.0	3.9	-0.9	559 940	-3.2	-8.4	56.4	-32.5	113 414	-6.8	-4.9	-8.2	-1.8	-1.9
Jul	506 515	-1.8	4.4	-3.2	554 296	-3.4	-9.2	60.5	-13.9	112 411	-7.3	-5.4	-8.7	-2.7	-3.4
Aug	507 076	0.1	5.3	-1.1	553 549	-3.8	-9.5	57.8	-8.2	113 655	-5.1	-5.4	-4.9	-2.1	-4.5

NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHs  
Annual percentage change



NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHs  
Annual percentage change



Source: BE.

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

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

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

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

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

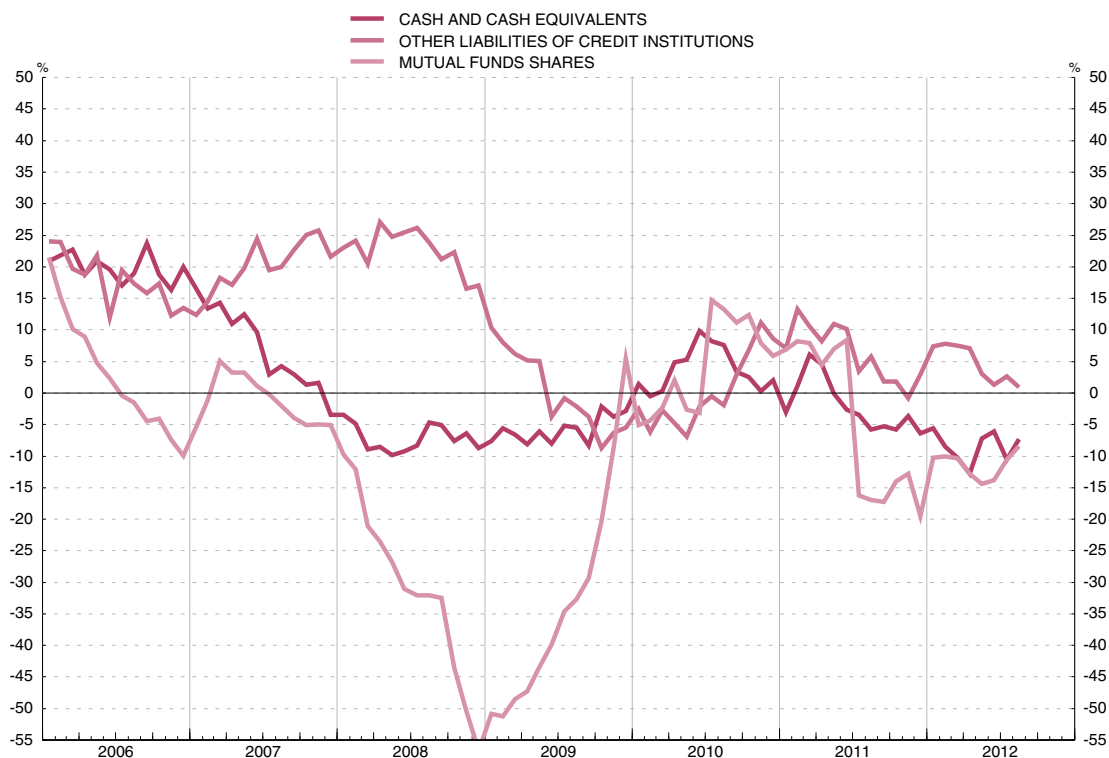
### 8.3 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES OF NON-FINANCIAL CORPORATIONS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

EUR millions and %

	Cash and cash equivalents (b)		Other liabilities of credit institutions				Mutual funds shares			
	Stocks	Annual growth rate	Stocks	Annual growth rate	Annual growth rate		Stocks	Annual growth rate	Annual growth rate	
					Other deposits (c)	Repos + credit instit. securit.+ dep. in branches abroad			Fixed income in EUR (d)	Other
	1	2	3	4	5	6	7	8	9	10
09	117 386	-2.8	113 704	-5.5	9.2	-38.6	11 475	5.5	1.0	10.8
10	119 757	2.0	123 552	8.7	6.1	19.1	12 153	5.9	-9.4	22.1
11	112 152	-6.4	127 226	3.0	-10.9	52.4	9 780	-19.5	-16.5	-21.9
11 May	118 295	-0.1	121 120	11.0	5.9	35.5	11 983	7.0	-10.7	24.8
Jun	121 854	-2.7	122 657	10.2	5.0	34.6	11 817	8.4	-5.1	21.1
Jul	115 876	-3.5	118 228	3.5	-2.1	30.4	11 282	-16.3	-25.1	-8.6
Aug	114 506	-5.7	120 531	5.8	1.3	25.2	11 142	-17.0	-24.1	-10.9
Sep	112 031	-5.3	120 520	1.9	-1.9	17.0	10 970	-17.3	-22.6	-12.8
Oct	108 693	-5.8	120 850	1.8	-6.4	35.6	10 984	-14.0	-18.1	-10.6
Nov	111 426	-3.7	122 134	-0.8	-11.0	36.2	10 727	-12.8	-16.7	-9.6
Dec	112 152	-6.4	127 226	3.0	-10.9	52.4	9 780	-19.5	-16.5	-21.9
12 Jan	106 399	-5.6	126 777	7.4	-10.8	77.5	10 976	-10.2	-12.0	-8.9
Feb	106 957	-8.5	129 784	7.8	-11.0	79.7	11 072	-10.0	-9.1	-10.7
Mar	108 838	-10.3	130 832	7.5	-13.3	85.1	10 997	-10.3	-9.2	-11.1
Apr	103 225	-12.8	127 407	7.1	-14.0	85.4	10 552	-12.8	-8.2	-16.1
May	109 824	-7.2	124 782	3.0	-17.8	80.7	10 252	-14.4	-8.2	-18.9
Jun	114 404	-6.1	124 290	1.3	-19.6	79.4	10 185	-13.8	-10.1	-16.5
Jul	103 662	-10.5	121 356	2.6	-20.1	84.1	10 091	-10.6	-5.8	-14.0
Aug	106 146	-7.3	121 602	0.9	-20.5	75.0	10 198	-8.5	-5.9	-10.3

#### 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.

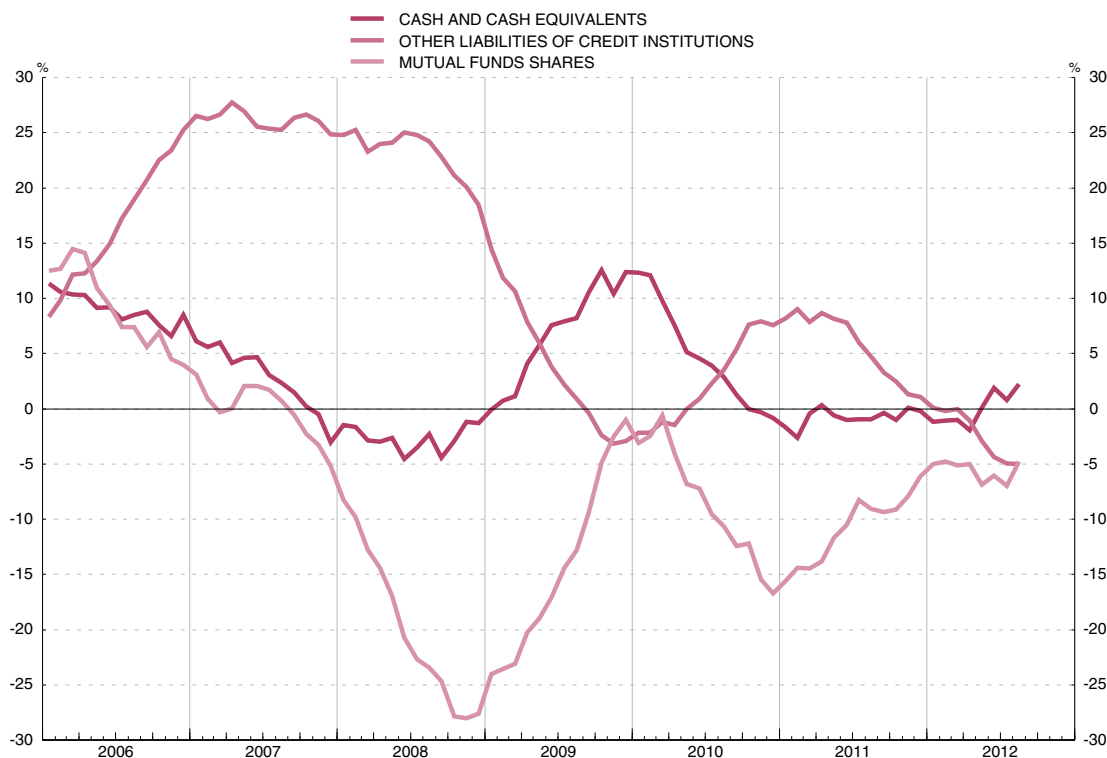
# 8.4 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES OF HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN (a)

■ 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	401 912	12.4	3.5	15.3	414 036	-2.9	-3.5	8.3	134 738	-1.0	1.1	-3.4
10	398 582	-0.8	-1.8	-0.5	445 358	7.6	6.5	28.2	112 204	-16.7	-31.1	-0.2
11	397 829	-0.2	-1.2	0.1	450 262	1.1	-0.3	23.0	105 377	-6.1	-9.6	-3.3
11 May	391 438	-0.6	-2.5	-0.1	454 527	8.2	7.7	15.5	111 452	-11.7	-27.1	3.9
Jun	401 672	-1.0	-2.3	-0.6	455 496	7.8	7.4	14.2	109 900	-10.5	-22.5	0.8
Jul	399 758	-0.9	-2.5	-0.5	455 397	6.0	6.0	6.3	110 002	-8.3	-17.8	0.1
Aug	392 105	-0.9	-2.4	-0.5	454 756	4.7	5.2	-2.1	108 644	-9.1	-16.7	-2.5
Sep	390 755	-0.4	-1.7	0.0	453 266	3.3	4.0	-7.4	106 968	-9.4	-15.1	-4.6
Oct	387 038	-1.0	-1.5	-0.8	453 203	2.5	2.4	3.1	107 106	-9.1	-13.9	-5.2
Nov	388 693	0.1	-1.0	0.4	449 277	1.3	0.6	12.6	104 603	-7.9	-12.4	-4.2
Dec	397 829	-0.2	-1.2	0.1	450 262	1.1	-0.3	23.0	105 377	-6.1	-9.6	-3.3
12 Jan	387 317	-1.2	-1.6	-1.0	450 541	0.1	-1.4	23.9	107 065	-5.0	-6.8	-3.6
Feb	385 129	-1.1	-1.7	-0.9	452 819	-0.2	-1.8	25.1	107 999	-4.8	-3.8	-5.5
Mar	389 049	-1.0	-1.2	-1.0	452 648	-0.0	-1.6	23.9	107 262	-5.1	-3.9	-6.0
Apr	386 021	-2.0	-1.2	-2.2	448 250	-1.1	-2.6	22.7	106 922	-5.0	-2.4	-6.8
May	391 716	0.1	1.9	-0.5	441 303	-2.9	-4.4	20.5	103 830	-6.8	-2.5	-9.9
Jun	409 248	1.9	4.4	1.2	435 649	-4.4	-5.9	19.3	103 229	-6.1	-4.4	-7.3
Jul	402 853	0.8	4.8	-0.4	432 940	-4.9	-6.9	26.0	102 320	-7.0	-5.3	-8.2
Aug	400 930	2.3	5.6	1.3	431 947	-5.0	-7.1	29.5	103 458	-4.8	-5.4	-4.3

## HOUSEHOLDS AND NPISH Annual percentage change



Source: BE.

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

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

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

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

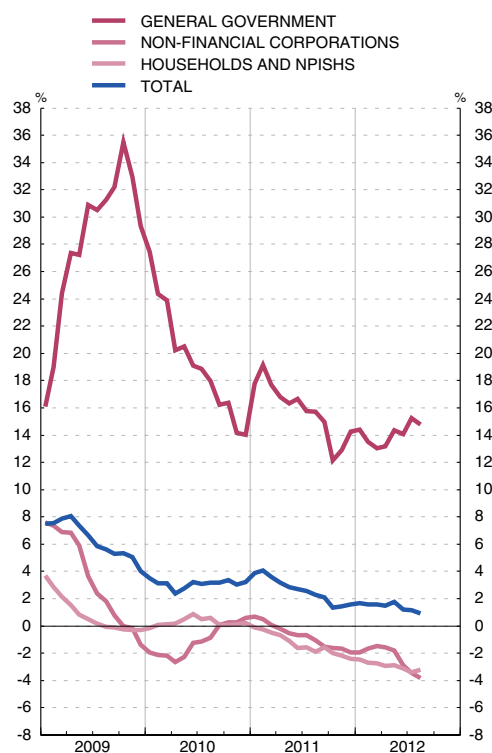
## 8.5. FINANCING OF NON-FINANCIAL SECTORS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

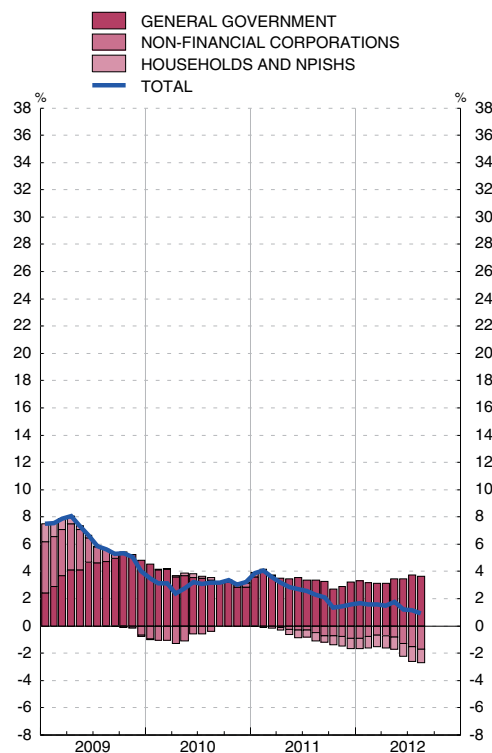
EUR millions and %

	Total			Annual growth rate							Contribution to col. 3						
	Stocks	Effective flow	Annual growth rate	General government (b)	Non-financial corp. and households and NPISHs					General government (b)	Non-financial corp. and households and NPISHs						
					By sectors		By instruments				By sectors		By instruments				
					Non-financial corporations	Households and NPISHs	Credit institutions' loans & securit. funds	Securities other than shares	External loans		Non-financial corporations	Households and NPISHs	Credit institutions' loans & securit. funds	Securities other than shares	External loans		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
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	2 844 234	88 972	3.2	14.0	0.4	0.6	0.2	-0.4	10.6	3.4	2.9	0.3	0.3	0.1	-0.3	0.2	0.4
11	2 862 498	44 897	1.6	14.2	-2.1	-2.0	-2.4	-3.3	7.6	2.4	3.2	-1.6	-0.9	-0.8	-2.1	0.2	0.3
11 May	2 852 182	1 767	2.8	16.3	-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	2 867 251	23 273	2.7	16.7	-1.1	-0.7	-1.6	-2.0	4.8	3.0	3.6	-0.8	-0.3	-0.5	-1.3	0.1	0.4
Jul	2 855 065	-11 666	2.6	15.8	-1.0	-0.7	-1.6	-2.1	7.4	2.9	3.4	-0.8	-0.3	-0.5	-1.3	0.2	0.4
Aug	2 840 072	-14 697	2.3	15.7	-1.4	-1.1	-1.9	-2.5	6.8	2.7	3.4	-1.1	-0.5	-0.6	-1.6	0.1	0.3
Sep	2 852 976	14 514	2.1	15.0	-1.5	-1.5	-1.5	-2.6	7.0	2.6	3.3	-1.2	-0.7	-0.5	-1.7	0.1	0.3
Oct	2 843 185	-4 732	1.3	12.2	-1.8	-1.6	-2.0	-2.8	5.4	2.6	2.7	-1.4	-0.7	-0.6	-1.8	0.1	0.3
Nov	2 860 482	17 249	1.4	12.9	-1.9	-1.7	-2.2	-3.0	4.8	2.6	2.9	-1.5	-0.8	-0.7	-1.9	0.1	0.3
Dec	2 862 498	5 606	1.6	14.2	-2.1	-2.0	-2.4	-3.3	7.6	2.4	3.2	-1.6	-0.9	-0.8	-2.1	0.2	0.3
12 Jan	2 870 257	6 229	1.7	14.4	-2.2	-2.0	-2.5	-3.4	8.6	2.2	3.3	-1.7	-0.9	-0.8	-2.1	0.2	0.3
Feb	2 878 531	9 614	1.6	13.5	-2.1	-1.7	-2.7	-3.3	8.8	2.2	3.2	-1.6	-0.7	-0.8	-2.1	0.2	0.3
Mar	2 886 062	6 215	1.6	13.0	-2.0	-1.5	-2.7	-3.4	11.1	2.8	3.1	-1.5	-0.7	-0.8	-2.1	0.2	0.3
Apr	2 872 712	-10 434	1.5	13.2	-2.1	-1.6	-2.9	-3.5	8.2	2.6	3.1	-1.6	-0.7	-0.9	-2.1	0.2	0.3
May	2 884 063	8 946	1.8	14.3	-2.2	-1.8	-2.9	-3.6	7.1	2.8	3.5	-1.7	-0.8	-0.9	-2.2	0.2	0.3
Jun	2 892 898	8 240	1.2	14.1	-3.0	-2.9	-3.1	-4.1	9.1	0.7	3.5	-2.2	-1.3	-1.0	-2.5	0.2	0.1
Jul	P 2 877 906	-14 024	1.1	15.2	-3.4	-3.4	-3.4	-4.6	8.8	0.3	3.7	-2.6	-1.5	-1.0	-2.8	0.2	0.0
Aug	P 2 855 678	-20 589	0.9	14.8	-3.6	-3.8	-3.2	-4.6	8.6	-0.4	3.6	-2.7	-1.7	-1.0	-2.8	0.2	-0.0

FINANCING OF NON-FINANCIAL SECTORS  
Annual percentage change



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



Source: BE.

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

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



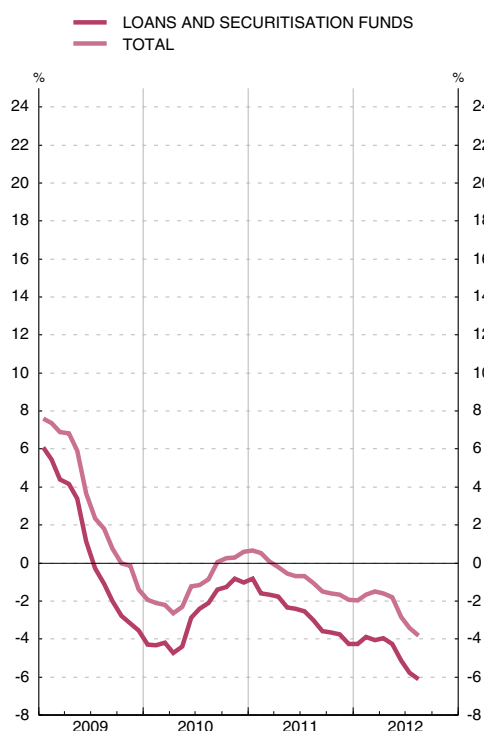
## 8.6. FINANCING OF NON-FINANCIAL CORPORATIONS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

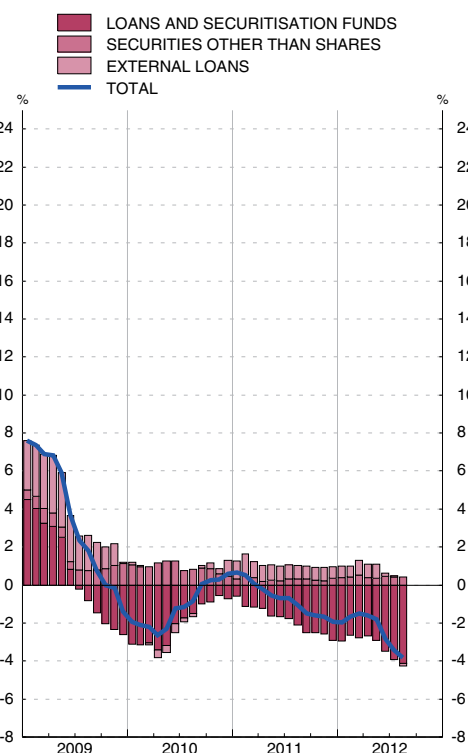
EUR millions and %

	Total			Resident credit institutions' loans and off-balance-sheet securitised loans			Securities other than shares (b)				External loans			Memorandum items: off-balance-sheet securitised loans
	Stocks	Effective flow	Annual growth rate	Stocks	Annual growth rate	Contribution to col.3	of which		Annual growth rate	Contribution to col.3	Stocks	Annual growth rate	Contribution to col.3	
							Stocks	Issues by resident financ. subsid.						
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
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	1 301 635	7 485	0.6	895 918	-1.0	-0.7	60 418	46 895	10.6	0.4	345 298	3.3	0.8	1 581
11	1 255 296	-25 410	-2.0	840 887	-4.2	-2.9	64 998	50 867	7.6	0.4	349 411	2.3	0.6	1 332
11 May	1 280 545	-4 006	-0.6	871 252	-2.3	-1.6	64 027	49 798	5.4	0.3	345 266	3.1	0.8	1 431
Jun	1 272 768	-140	-0.7	865 216	-2.4	-1.7	63 046	48 915	4.8	0.2	344 506	2.9	0.8	1 427
Jul	1 272 752	135	-0.7	863 879	-2.5	-1.8	63 352	49 181	7.4	0.3	345 520	2.9	0.7	1 386
Aug	1 262 739	-9 969	-1.1	852 995	-3.0	-2.1	63 135	49 002	6.8	0.3	346 610	2.7	0.7	1 328
Sep	1 267 014	5 163	-1.5	852 340	-3.6	-2.5	63 937	49 802	7.0	0.3	350 737	2.5	0.7	1 212
Oct	1 262 887	482	-1.6	850 978	-3.6	-2.5	64 071	49 985	5.4	0.3	347 838	2.5	0.7	1 294
Nov	1 264 914	1 477	-1.7	849 929	-3.7	-2.6	64 434	50 363	4.8	0.2	350 551	2.6	0.7	1 275
Dec	1 255 296	-7 109	-2.0	840 887	-4.2	-2.9	64 998	50 867	7.6	0.4	349 411	2.3	0.6	1 332
12 Jan	1 253 700	-3 711	-2.0	835 814	-4.3	-2.9	65 348	51 080	8.6	0.4	352 538	2.2	0.6	1 325
Feb	1 253 981	1 313	-1.7	831 018	-3.9	-2.7	67 828	53 296	8.8	0.4	355 134	2.1	0.6	1 172
Mar	1 252 635	-1 996	-1.5	828 598	-4.1	-2.8	69 150	54 320	11.1	0.5	354 886	2.8	0.7	1 143
Apr	P 1 248 818	-2 051	-1.6	825 581	-3.9	-2.7	67 933	53 166	8.2	0.4	355 304	2.6	0.7	1 172
May	P 1 244 965	-6 544	-1.8	819 091	-4.3	-2.9	68 567	53 979	7.1	0.4	357 307	2.8	0.8	1 147
Jun	P 1 232 741	-13 600	-2.9	812 285	-5.1	-3.5	68 813	53 606	9.1	0.5	351 644	0.6	0.2	1 164
Jul	P 1 225 079	-7 144	-3.4	805 015	-5.8	-3.9	68 901	53 854	8.8	0.4	351 163	0.2	0.1	1 136
Aug	P 1 208 677	-14 552	-3.8	791 767	-6.1	-4.1	68 567	53 546	8.6	0.4	348 342	-0.4	-0.1	1 126

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.

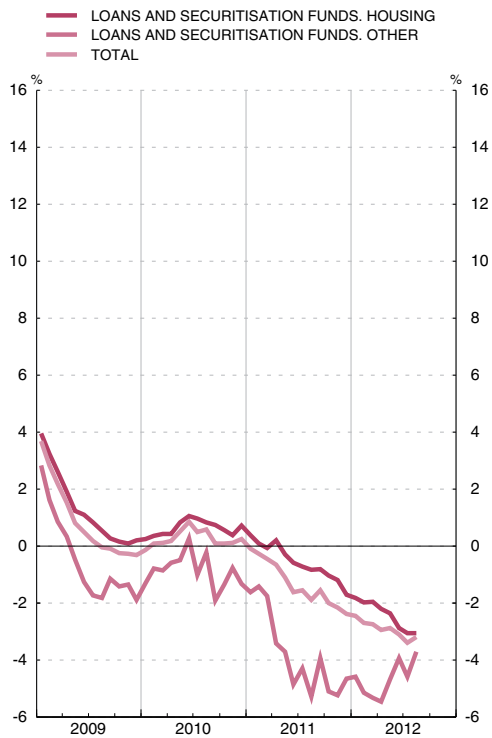
## 8.7. FINANCING OF HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

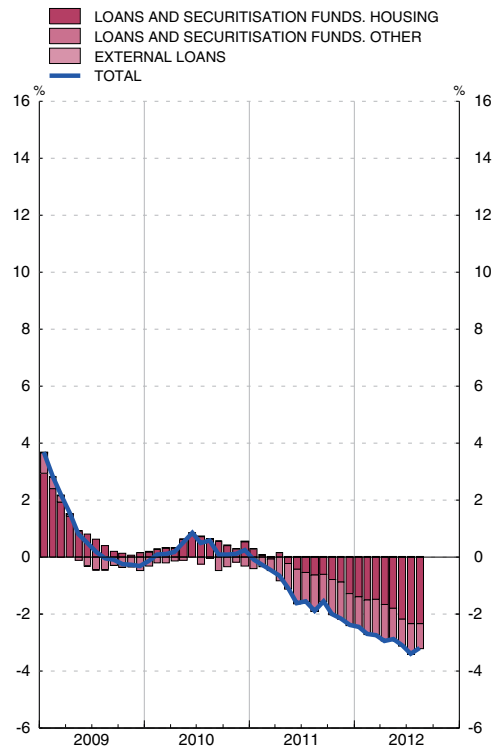
EUR millions and %

	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
<b>09</b>	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
<b>10</b>	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
<b>11</b>	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
<b>11 May</b>	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
<b>Jun</b>	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
<b>Jul</b>	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
<b>Aug</b>	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
<b>Sep</b>	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
<b>Oct</b>	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
<b>Nov</b>	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
<b>Dec</b>	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
<b>12 Jan</b>	865 762	-4 614	-2.5	663 730	-1.8	-1.4	199 318	-4.6	-1.1	2 714	4.9	0.0	10 245	497
<b>Feb</b>	861 035	-4 418	-2.7	660 918	-2.0	-1.5	197 389	-5.1	-1.2	2 728	5.3	0.0	10 194	450
<b>Mar</b>	858 727	-2 975	-2.7	659 805	-2.0	-1.5	196 186	-5.3	-1.3	2 737	4.7	0.0	10 089	428
<b>Apr</b>	855 481	-2 097	-2.9	660 121	-2.2	-1.7	192 603	-5.5	-1.3	2 757	5.3	0.0	10 040	347
<b>May</b>	853 837	-1 358	-2.9	657 256	-2.4	-1.8	193 809	-4.7	-1.1	2 772	5.2	0.0	9 897	271
<b>Jun</b>	855 769	2 713	-3.1	653 982	-2.9	-2.2	199 004	-3.9	-0.9	2 783	5.2	0.0	9 753	378
<b>Jul</b>	847 807	-7 511	-3.4	652 170	-3.1	-2.3	192 839	-4.6	-1.1	2 799	4.9	0.0	8 268	295
<b>Aug</b>	845 479	-2 540	-3.2	649 856	-3.1	-2.3	192 813	-3.7	-0.9	2 810	5.1	0.0	8 144	260

FINANCING OF HOUSEHOLDS AND NPISHs  
Annual percentage change



FINANCING OF HOUSEHOLDS AND NPISHs  
Contributions to the annual percentage change



Source: BE.

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

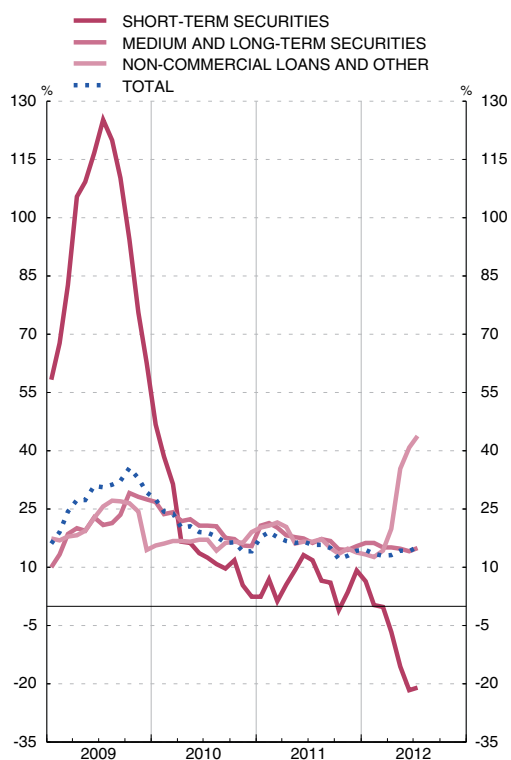
## 8.8. GROSS FINANCING OF SPAIN'S GENERAL GOVERNMENT

■ Series depicted in chart.

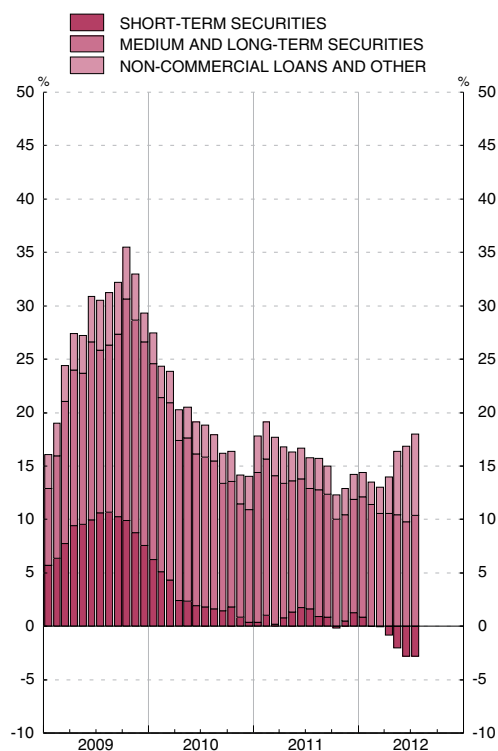
EUR millions and %

	Gross financing			Short-term securities				Medium and long term securities				Non Commercial Loans and Others (b)			
	EDP Debt (a)	Monthly change	12 month % change	Total	Monthly change	12 month % change	Contribution to 12-month % change	Total	Monthly change	12 month % change	Contribution to 12-month % change	Total	Monthly change	12 month % change	Contribution to 12-month % change
	1=4+8+12	2=5+9+13	3	4	5	6	7	8	9	10	11	12	13	14	15
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 644 454	79 372	14.0	88 124	2 121	2.5	0.4	445 252	59 427	15.4	10.5	111 078	17 823	19.1	3.2
11	P 736 242	91 788	14.2	96 153	8 029	9.1	1.2	513 696	68 444	15.4	10.6	126 392	15 314	13.8	2.4
11 Feb	P 672 558	16 255	19.1	89 203	1 312	6.8	1.0	468 380	12 388	21.4	14.6	114 976	2 555	20.8	3.5
Mar	P 685 440	12 881	17.7	85 654	-3 549	1.2	0.2	481 216	12 836	20.3	13.9	118 570	3 594	21.5	3.6
Apr	P 679 021	-6 418	16.8	85 864	210	5.5	0.8	476 416	-4 800	18.2	12.6	116 742	-1 828	20.3	3.4
May	P 686 748	7 727	16.3	89 427	3 564	9.4	1.3	482 293	5 877	17.8	12.3	115 028	-1 714	16.1	2.7
Jun	P 705 288	18 540	16.7	92 275	2 847	13.1	1.8	490 935	8 642	17.4	12.0	122 079	7 051	16.6	2.9
Jul	P 698 644	-6 644	15.8	93 311	1 037	11.9	1.6	483 170	-7 765	16.3	11.2	122 163	85	16.6	2.9
Aug	P 698 371	-274	15.7	90 266	-3 045	6.5	0.9	487 189	4 019	17.2	11.9	120 916	-1 247	17.3	3.0
Sep	P 708 340	9 969	15.0	91 271	1 005	6.0	0.8	493 559	6 370	16.8	11.5	123 509	2 593	15.0	2.6
Oct	P 706 345	-1 995	12.2	90 010	-1 262	-1.0	-0.2	494 561	1 002	14.6	10.0	121 775	-1 735	13.5	2.3
Nov	P 717 944	11 599	12.9	93 364	3 354	3.6	0.5	502 472	7 911	14.4	9.9	122 108	334	14.7	2.5
Dec	P 736 242	18 298	14.2	96 153	2 790	9.1	1.2	513 696	11 224	15.4	10.6	126 392	4 284	13.8	2.4
12 Jan	P 750 795	14 553	14.4	93 550	-2 604	6.4	0.9	529 881	16 185	16.2	11.3	127 365	972	13.3	2.3
Feb	P 763 515	12 720	13.5	89 450	-4 100	0.3	0.0	544 638	14 757	16.3	11.3	129 427	2 063	12.6	2.1
Mar	P 774 700	11 185	13.0	85 483	-3 966	-0.2	-0.0	553 704	9 066	15.1	10.6	135 512	6 085	14.3	2.5
Apr	A 768 413	-6 287	13.2	80 215	-5 268	-6.6	-0.8	548 276	-5 428	15.1	10.6	139 921	4 409	19.9	3.4
May	A 785 261	16 848	14.3	75 590	-4 625	-15.5	-2.0	553 846	5 570	14.8	10.4	155 825	15 903	35.5	5.9
Jun	A 804 388	19 127	14.1	72 319	-3 272	-21.6	-2.8	560 067	6 222	14.1	9.8	172 002	16 177	40.9	7.1
Jul	A 805 019	631	15.2	73 775	1 456	-20.9	-2.8	555 611	-4 456	15.0	10.4	175 633	3 631	43.8	7.7

**GROSS FINANCING OF GENERAL GOVERNMENT**  
Annual percentage changes



**GROSS FINANCING OF GENERAL GOVERNMENT**  
Contributions to the annual percentage change



FUENTE: BE.

a. Debt according to Excessive Deficit Procedure (EDP). Consolidated nominal gross debt.

b. Including coined money and Caja General de Depósitos

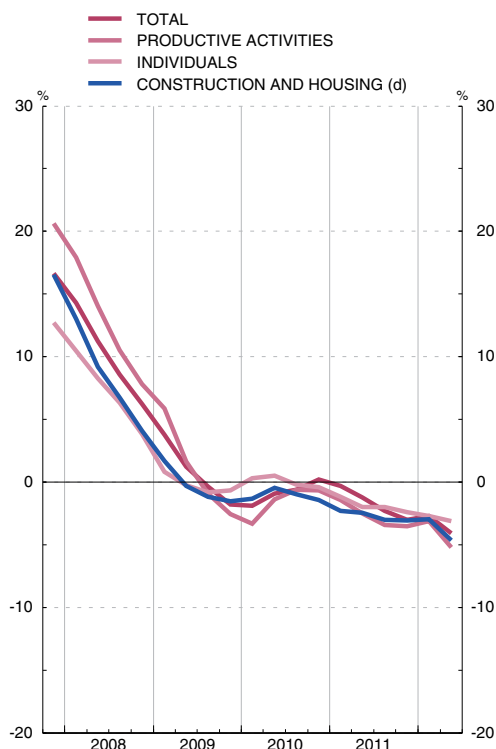
## 8.9 LENDING BY CREDIT INSTITUTIONS TO OTHER RESIDENT SECTORS. BREAKDOWN BY END-USE.

■ Series depicted in chart.

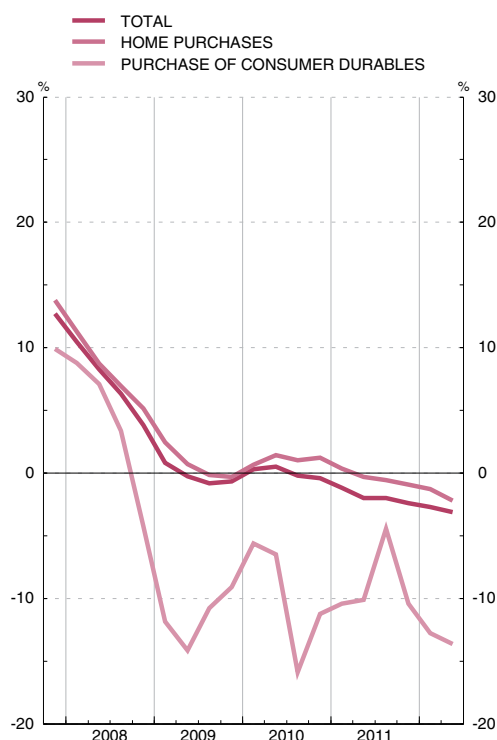
EUR millions and percentages

	Total (a)	Financing of productive activities						Financing of individuals					Financing of private non-profit institutions	Unclassified	Memo-randum item: construction and housing (d)		
		Total	Agriculture and fisheries	Industry excluding construction	Construction	Services		Total	Home purchases and improvements	Purchases of consumer durables		Other (b)					
						Total	Of which			Total	Of which						
																Real estate activities	Purchases
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	944 058	21 782	143 246	98 546	680 483	298 323	793 430	656 452	626 550	37 686	99 292	7 000	38 067	1 053 321		
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	944 058	21 782	143 246	98 546	680 483	298 323	793 430	656 452	626 550	37 686	99 292	7 000	38 067	1 053 321		
12 Q1	1 768 488	935 176	21 416	139 850	96 193	677 716	295 696	782 441	649 716	620 182	35 835	96 890	6 643	44 228	1 041 606		
Q2	1 744 215	912 914	21 085	138 007	91 834	661 988	286 942	779 950	644 236	614 743	34 726	100 988	7 013	44 338	1 023 012		

**CREDIT BY END-USE**  
Annual percentage changes (c)



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



SOURCE: BE.

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

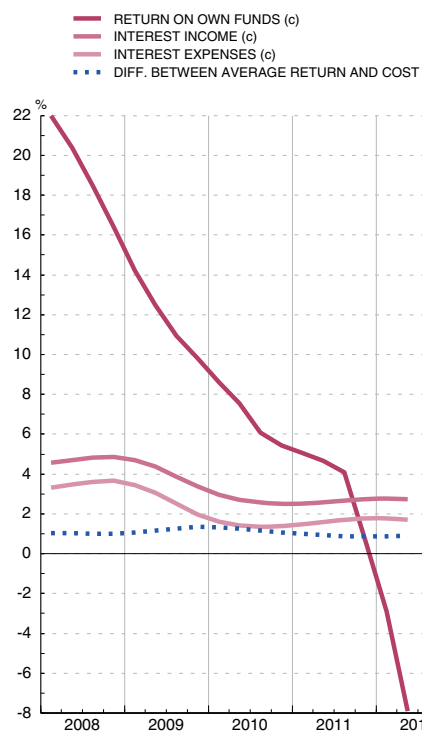
d. Including: construction, real estate activities and home purchases and improvements

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

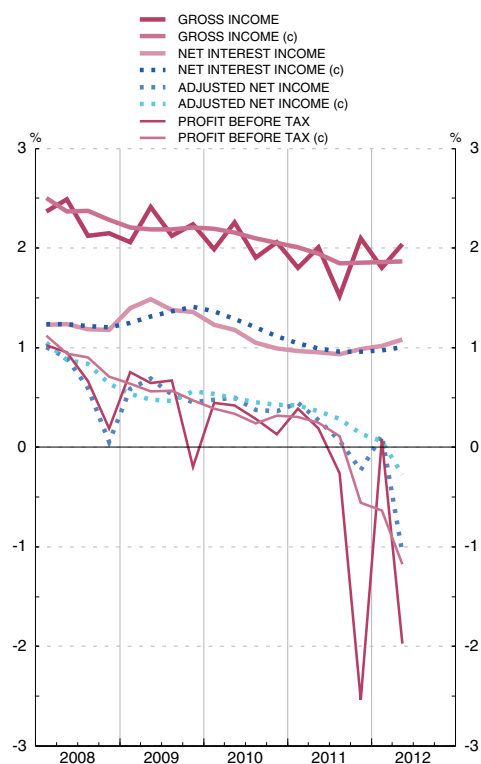
■ Series depicted in chart.

	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
<b>09</b>	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
<b>10</b>	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
<b>11</b>	2.8	1.8	1.0	1.1	2.1	0.9	0.5	1.4	-0.2	2.2	-2.5	-8.5	2.9	2.1	0.9
<b>09 Q3</b>	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
<b>Q4</b>	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
<b>10 Q1</b>	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
<b>Q2</b>	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
<b>Q3</b>	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
<b>Q4</b>	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
<b>11 Q1</b>	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
<b>Q2</b>	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
<b>Q3</b>	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
<b>Q4</b>	2.8	1.8	1.0	1.1	2.1	0.9	0.5	1.4	-0.2	2.2	-2.5	-8.5	2.9	2.1	0.9
<b>12 Q1</b>	2.7	1.7	1.0	0.8	1.8	0.9	0.5	0.8	0.1	0.2	0.1	-8.9	3.0	2.1	0.9
<b>Q2</b>	2.6	1.5	1.1	1.0	2.0	0.9	0.5	2.2	-1.1	0.8	-2.0	-16.0	3.0	2.0	0.9

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



**PROFIT AND LOSS ACCOUNT**  
Percentages of the adjusted average balance sheet



Source: BE.

Note: The underlying series for this indicator are in Table 4.36 of the BE Boletín estadístico.

a. Profit before tax divided by own funds.

b. Only those financial assets and liabilities which respectively give rise to financial income and costs have been considered to calculate the average return and cost.

c. Average of the last four quarters.

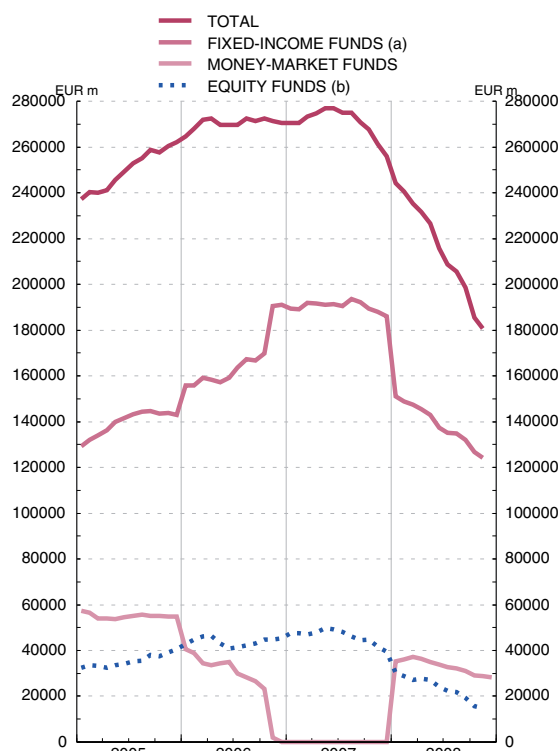
## 8.11. MUTUAL FUNDS RESIDENT IN SPAIN

■ Series depicted in chart.

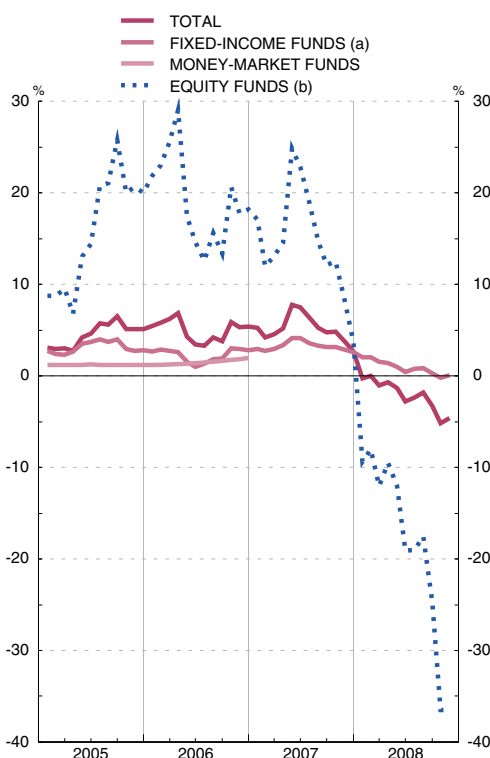
EUR millions

	Total				Money-market funds				Fixed-income funds (a)				Equity funds (b)				Others funds (c)
	Net asset value	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.

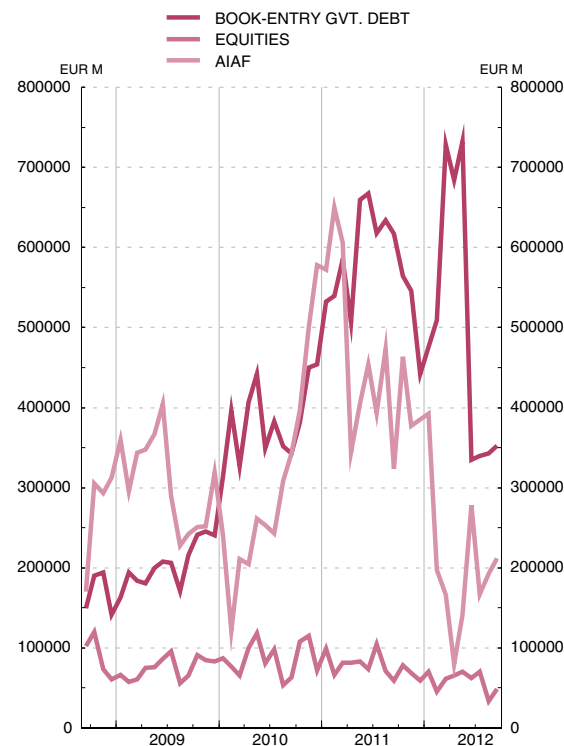
Indices, EUR millions and thousands of contracts

	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	1	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	751.20	7 444.88	236.00	2 367.78	527 952	46 849	4 498 405	1 826 423	-	26 989	-	4 097
11 Jun	1	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		718.49	7 102.20	226.42	2 264.72	62 049	3 875	335 123	277 867	...	4 246	...	566
Jul		680.53	6 738.10	232.34	2 325.72	70 446	5 057	339 550	167 029	...	2 140	...	515
Aug		749.84	7 420.50	241.70	2 440.71	33 630	3 945	342 962	192 740	...	2 044	...	374
Sep	P	777.05	7 708.50	244.21	2 454.26	48 788	6 081	352 275	212 006	...	4 937	...	357

SHARE PRICE INDICES  
JAN 1994 = 100



TURNOVER ON SECURITIES MARKETS



Sources: Madrid, Barcelona, Bilbao and Valencia Stock Exchanges (columns 1, 2, 5 and 6); Reuters (columns 3 and 4); AIAF (column 8) and Spanish Financial Futures Market (MEFFSA) (columns 9 to 12)

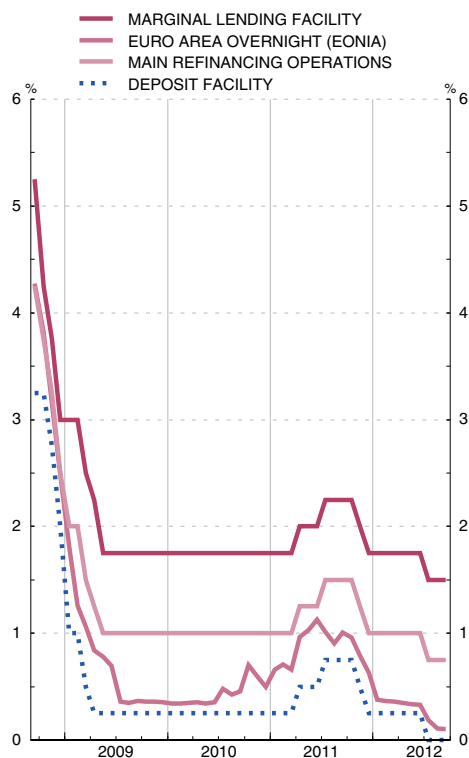
## 9.1. INTEREST RATES. EUROSISTEM AND MONEY MARKET. EURO AREA AND SPAIN

■ Series depicted in chart.

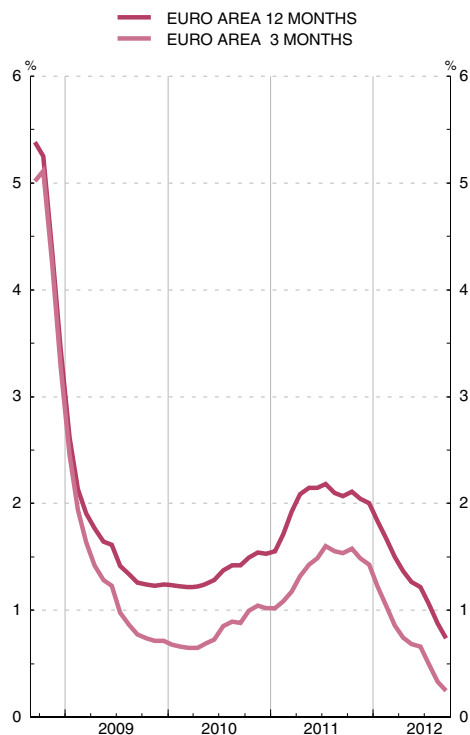
Averages of daily data. Percentages per annum

	Eurosistem monetary policy operations				Money market													
	Main refinancing operations: weekly tenders	Longer term refinancing operations: monthly tenders	Standing facilities		Euro area: deposits (Euribor) (a)						Spain							
			Marginal lending	Deposit	Over-night (EONIA)	1-month	3-month	6-month	1-year	Non-transferable deposits					Government-securities repos			
										Over-night	1-month	3-month	6-month	1-year	Over-night	1-month	3-month	1-year
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
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 0.75	0.75	1.50	-	0.278	0.40	0.70	0.98	1.28	0.30	0.85	1.06	-	1.72	0.21	0.38	0.53	1.00
11 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	-
Jul	0.75	0.75	1.50	-	0.184	0.22	0.50	0.78	1.06	0.24	0.51	-	-	-	0.20	0.45	0.15	1.00
Aug	0.75	0.75	1.50	-	0.110	0.13	0.33	0.61	0.88	0.21	0.59	-	-	-	0.15	0.45	-	-
Sep	0.75	0.75	1.50	-	0.099	0.12	0.25	0.48	0.74	0.21	2.22	-	-	-	0.10	0.43	0.46	-

EUROSISTEM: MONETARY POLICY OPERATIONS AND EURO AREA OVERNIGHT DEPOSITS



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



Source: ECB (columns 1 to 8).

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



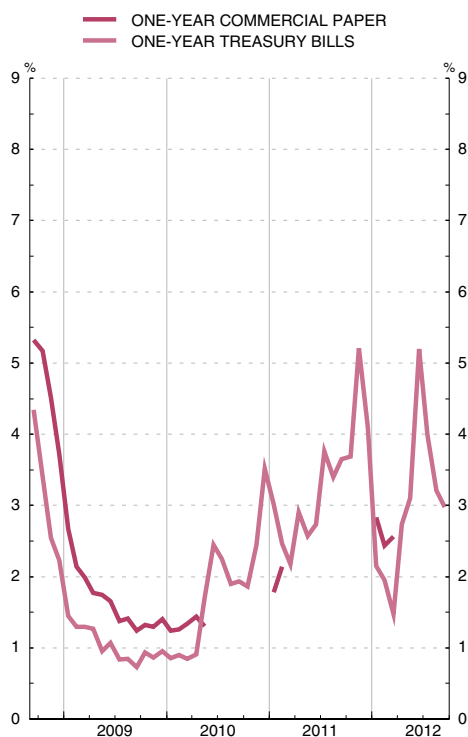
## 9.2. INTEREST RATES: SPANISH SHORT-TERM AND LONG-TERM SECURITIES MARKETS

■ Series depicted in chart.

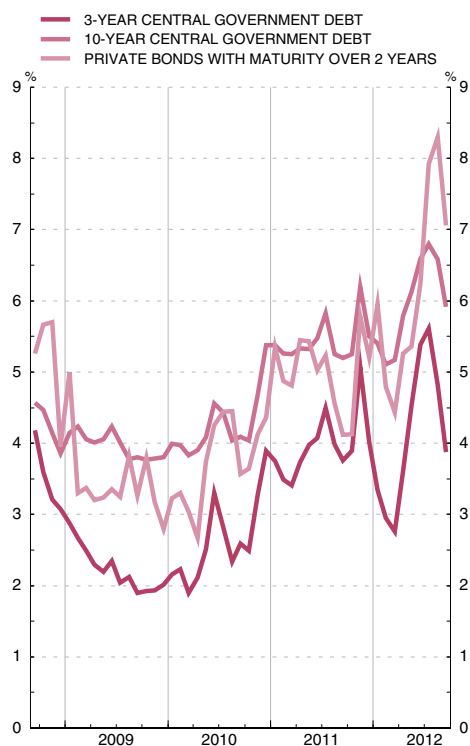
Percentages per annum

	Short-term securities				Long-term securities								
	One-year Treasury bills		One-year commercial paper		Central Government debt							Private bonds with a maturity of over two years traded on the AIAF	
	Marginal rate at issue	Secondary market: outright spot purchases between market members	Rate at issue	Secondary market: outright spot purchases	Marginal rate at issue					Secondary market. Book-entry debt. Outright spot purchases between market members			
					3-year bonds	5-year bonds	10-year bonds	15-year bonds	30-year bonds	At 3-years	At 10-years		
	1	2	3	4	5	6	7	8	9	10	11	12	
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	2.98	2.75	2.57	3.09	4.13	4.97	5.93	-	-	4.10	5.95	6.15
11 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
Jul		3.99	4.05	-	2.52	5.30	6.54	6.80	-	-	5.61	6.79	7.92
Aug		3.21	3.09	2.44	2.74	4.85	6.06	6.71	-	-	4.82	6.58	8.30
Sep		2.98	2.63	-	2.92	3.55	4.58	5.70	-	-	3.88	5.92	7.06

### PRIMARY MARKET



### SECONDARY MARKET



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

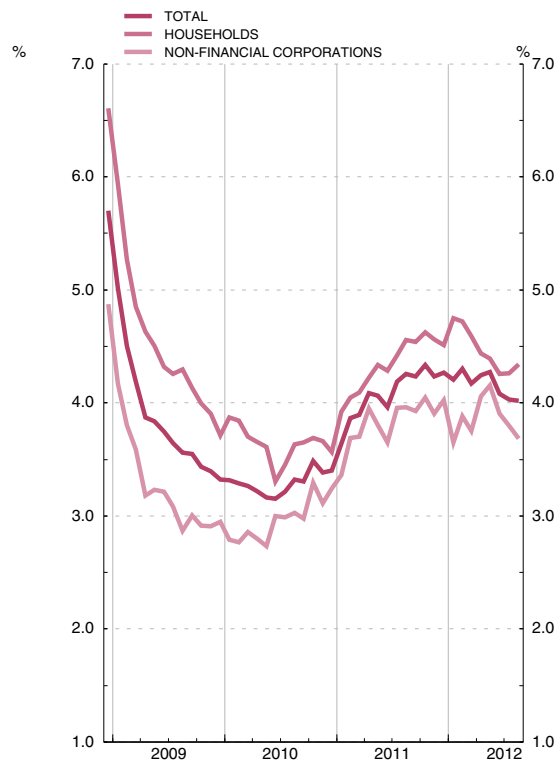
### 9.3. INTEREST RATES ON NEW BUSINESS. CREDIT INSTITUTIONS. (CBE 4/2002) SDDS (a)

■ Series depicted in chart.

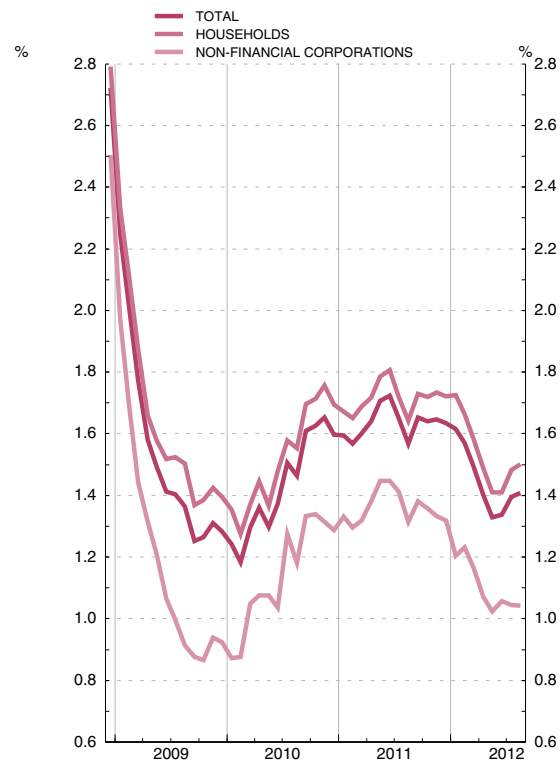
Percentages

	Loans (APRC) (b)							Deposits (NDER) (b)									
	Synthetic rate (d)	Households and NPISH			Non-financial corporations			Synthetic rate (d)	Households and NPISH				Non-financial corporations				
		Synthetic rate	House purchase	Consumption and other	Synthetic rate	Up to EUR 1 million	Over EUR 1 million (c)		Synthetic rate	Over-night and re-deemable at notice	Time	Repos	Synthetic 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	4.02	4.34	3.31	7.76	3.68	5.81	2.74	1.41	1.50	0.25	2.47	0.75	1.04	0.46	1.81	0.48
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	4.43	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		4.27	4.39	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
Jun		4.08	4.26	3.40	7.04	3.91	5.58	3.36	1.34	1.41	0.26	2.31	0.77	1.06	0.52	1.79	0.64
Jul		4.03	4.26	3.34	7.32	3.80	5.70	2.98	1.40	1.48	0.24	2.44	0.72	1.04	0.49	1.77	0.58
Aug	P	4.02	4.34	3.31	7.76	3.68	5.81	2.74	1.41	1.50	0.25	2.47	0.75	1.04	0.46	1.81	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 NEDR rate, which does not include commissions and other expenses, a moving average of such expenses.

d. The synthetic rates of loans and deposits are obtained as the average of the interest rates on new business weighted by the euro-denominated stocks included in the balance sheet for all the instruments of each sector.

e. Up to the reference month May 2010, this column includes credit granted through credit cards (see the 'Changes' note in the July-August 2010 Boletín Estadístico).

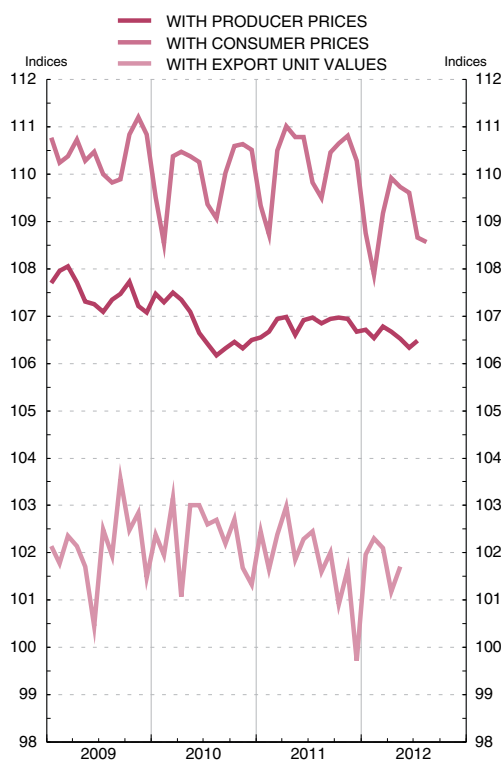
## 9.4 INDICES OF SPANISH COMPETITIVENESS VIS-À-VIS THE EU-27 AND THE EURO AREA

■ Series depicted in chart.

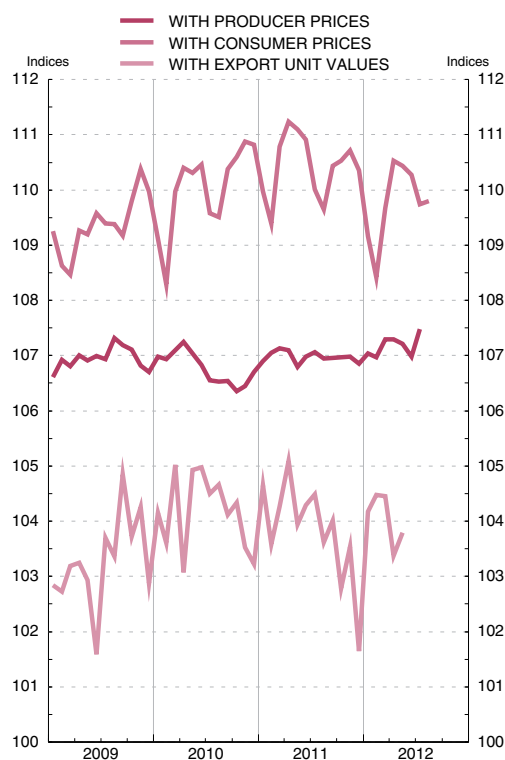
Base 1999 QI = 100

	Vis-à-vis the EU-27									Vis-à-vis the euro area				
	Total (a)				Nominal component (b)	Price component (c)				Based on producer prices	Based on consumer prices	Based on total unit labour costs (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	111.9	102.1	102.6	104.7	107.6	109.1	99.5	106.9	109.4	111.8	113.1	103.3
10	106.8	110.0	109.2	102.3	101.9	104.8	108.0	107.2	100.5	106.8	110.0	110.2	111.9	104.2
11	106.8	110.2	106.5	101.8	101.9	104.9	108.2	104.5	99.9	107.0	110.4	107.5	109.8	103.8
10 Q3	106.3	109.5	109.0	102.5	101.6	104.6	107.7	107.3	100.9	106.5	109.8	110.3	112.1	104.4
Q4	106.4	110.6	108.4	101.9	101.8	104.6	108.7	106.5	100.1	106.5	110.8	109.5	113.9	103.7
11 Q1	106.7	109.5	107.2	102.2	101.6	105.1	107.8	105.5	100.6	107.0	110.1	108.5	106.4	104.2
Q2	106.8	110.9	107.3	102.4	101.8	104.9	108.8	105.4	100.5	107.0	111.1	108.3	109.0	104.4
Q3	106.9	109.9	106.1	102.0	102.0	104.8	107.8	104.0	100.0	107.0	110.0	107.0	111.1	104.0
Q4	106.9	110.6	105.4	100.7	102.1	104.6	108.3	103.2	98.6	106.9	110.5	106.1	112.6	102.6
12 Q1	106.7	108.6	103.6	102.1	101.7	104.9	106.8	101.9	100.4	107.1	109.1	104.9	109.3	104.4
Q2	106.5	109.8	102.7	...	101.5	104.9	108.1	101.2	...	107.2	110.4	104.2	108.9	...
11 Dec	106.7	110.3	105.4	99.7	102.0	104.5	108.1	103.2	97.7	106.9	110.4	106.1	112.6	101.6
12 Jan	106.7	108.8	...	102.0	101.8	104.8	106.8	...	100.1	107.0	109.2	...	...	104.2
Feb	106.5	107.9	...	102.3	101.7	104.8	106.1	...	100.6	107.0	108.4	...	...	104.5
Mar	106.8	109.2	103.6	102.1	101.6	105.1	107.4	101.9	100.4	107.3	109.7	104.9	109.3	104.5
Apr	106.7	109.9	...	101.2	101.6	105.0	108.2	...	99.6	107.3	110.5	...	...	103.4
May	106.5	109.7	...	101.7	101.5	105.0	108.1	...	100.2	107.2	110.4	...	...	103.8
Jun	106.3	109.6	102.7	...	101.5	104.7	108.0	101.2	...	107.0	110.3	104.2	108.9	...
Jul	106.5	108.7	...	...	101.2	105.2	107.4	...	...	107.5	109.7	...	...	...
Aug	...	108.6	...	...	101.0	...	107.5	...	...	...	109.8	...	...	...
Sep	...	...	...	...	101.2	...	...	...	...	...	...	...	...	...

INDICES OF SPANISH COMPETITIVENESS VIS À VIS THE EU-27



INDICES OF SPANISH COMPETITIVENESS VIS À VIS THE EURO AREA



Source: BE.

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

b. Geometric mean calculated using a double weighting system based on (1995-1997), (1998-2000), (2001-2003), and (2004-2006) manufacturing foreign trade figures.

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

d. 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.

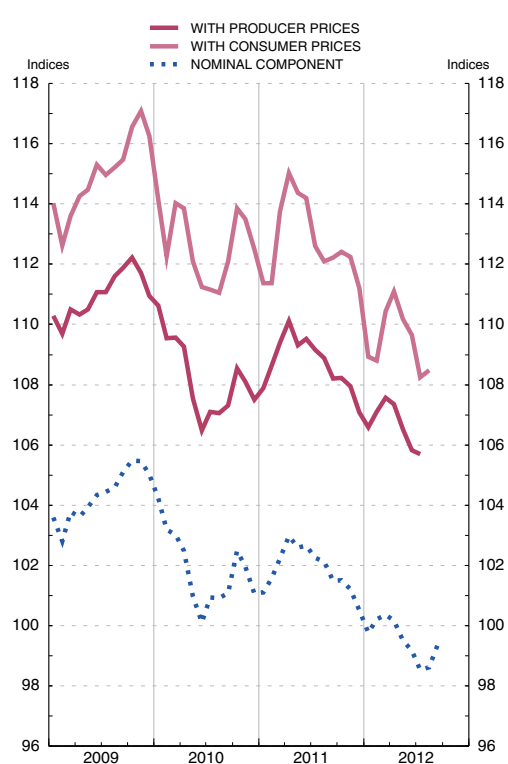
Base 1999 Q1 = 100

	Vis-à-vis developed countries									Vis-à-vis industrialised countries				
	Total (a)				Nominal component (b)	Prices component (c)				Total (a)		Nominal component (b)	Prices component (c)	
	Based on producer prices	Based on consumer prices	Based on manufacturing unit labour costs (d)	Based on export unit values		Based on producer prices	Based on consumer prices	Based on manufacturing unit labour costs (d)	Based on export unit values	Based on producer prices	Based on consumer prices		Based on producer prices	Based on consumer prices
	1	2	3	4		6	7	8	9	10	11		13	14
<b>09</b>	110.5	114.0	120.4	104.2	103.4	106.9	110.2	116.4	100.7	111.0	115.0	104.4	106.4	110.2
<b>10</b>	109.1	112.9	116.6	103.7	101.9	107.1	110.8	114.4	101.8	108.2	112.7	101.9	106.2	110.6
<b>11</b>	109.2	113.1	113.6	103.4	101.7	107.3	111.2	111.6	101.6	108.7	112.7	101.8	106.7	110.7
<b>10 Q3</b>	108.3	112.0	116.0	103.7	101.2	107.0	110.6	114.6	102.4	107.1	111.4	101.0	106.1	110.4
<b>Q4</b>	108.8	113.6	118.2	103.3	101.8	106.9	111.6	116.1	101.5	108.0	113.3	101.8	106.1	111.2
<b>11 Q1</b>	109.3	112.6	109.9	103.8	101.6	107.5	110.8	108.2	102.1	108.6	112.2	101.6	106.9	110.4
<b>Q2</b>	109.8	114.4	113.3	104.2	102.3	107.3	111.9	110.8	101.9	109.6	114.5	102.7	106.7	111.5
<b>Q3</b>	109.2	112.7	115.0	103.5	101.8	107.3	110.7	113.0	101.7	108.8	112.3	102.0	106.7	110.2
<b>Q4</b>	108.7	112.8	116.0	101.9	101.3	107.3	111.4	114.5	100.6	107.7	111.9	101.1	106.6	110.8
<b>12 Q1</b>	108.4	110.8	112.1	103.0	100.7	107.6	110.0	111.3	102.3	107.1	109.4	100.1	107.0	109.3
<b>Q2</b>	108.0	111.8	111.2	...	100.3	107.6	111.4	110.9	...	106.6	110.3	99.6	107.0	110.7
<b>11 Dec</b>	108.2	112.3	116.0	100.8	100.9	107.2	111.3	114.5	99.9	107.1	111.2	100.5	106.6	110.6
<b>12 Jan</b>	108.0	110.5	...	102.5	100.5	107.5	110.0	...	102.0	106.6	108.9	99.8	106.8	109.2
<b>Feb</b>	108.3	110.1	...	103.4	100.8	107.5	109.3	...	102.6	107.1	108.8	100.2	106.9	108.6
<b>Mar</b>	108.7	111.7	112.1	103.2	100.9	107.8	110.7	111.3	102.3	107.6	110.4	100.4	107.2	110.0
<b>Apr</b>	108.5	112.3	...	102.2	100.7	107.7	111.5	...	101.4	107.4	111.1	100.2	107.2	110.9
<b>May</b>	108.0	111.7	...	102.3	100.3	107.7	111.4	...	102.0	106.5	110.2	99.5	107.0	110.7
<b>Jun</b>	107.5	111.4	111.2	...	100.0	107.5	111.3	110.9	...	105.8	109.6	99.2	106.7	110.6
<b>Jul</b>	107.6	110.3	...	...	99.6	108.0	110.7	...	...	105.7	108.2	98.5	107.3	109.9
<b>Aug</b>	...	110.4	...	...	99.6	...	110.8	...	...	...	108.5	98.6	...	110.0
<b>Sep</b>	...	...	...	...	100.1	...	...	...	...	...	...	99.4	...	...

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



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



Source: BE.

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

b. Geometric mean calculated using a double weighting system based on (1995-1997), (1998-2000), (2001-2003), and (2004-2006) manufacturing foreign trade figures.

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.

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The list of articles published in the Economic Bulletin since 1990 can be consulted at [http://www.bde.es/f/webbde/Secciones/Publicaciones/InformesBoletinesRevistas/BoletinEconomico/indice\\_general\\_ingles.pdf](http://www.bde.es/f/webbde/Secciones/Publicaciones/InformesBoletinesRevistas/BoletinEconomico/indice_general_ingles.pdf).

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## ABBREVIATIONS

BCBS	Basel Committee on Banking Supervision	FSF	Financial Stability Forum
BE	Banco de España	GDI	Gross disposable income
BIS	Bank for International Settlements	GDP	Gross domestic product
BLS	Bank Lending Survey	GFCF	Gross fixed capital formation
BOE	Official State Gazette	GNP	Gross national product
BRICs	Brazil, Russia, India and China	GVA	Gross value added
CBFA	Collective Bargaining Framework Agreement	HICP	Harmonised Index of Consumer Prices
CBSO	Central Balance Sheet Data Office	IASB	International Accounting Standards Board
CCR	Central Credit Register	ICO	Official Credit Institute
CDSs	Credit default swaps	IFRSs	International Financial Reporting Standards
CEIPOS	Committee of European Insurance and Occupational Pensions Supervisors	IGAE	National Audit Office
CESR	Committee of European Securities Regulators	IIP	International Investment Position
CNE	Spanish National Accounts	IMF	International Monetary Fund
CNMV	National Securities Market Commission	INE	National Statistics Institute
CPI	Consumer Price Index	SPEE	National Public Employment Service
DGF	Deposit Guarantee Fund	LTROs	Longer-term refinancing operations
EBA	European Banking Authority	MFIs	Monetary financial institutions
ECB	European Central Bank	MMFs	Money market funds
ECOFIN	Council of the European Communities (Economic and Financial Affairs)	MROs	Main refinancing operations
EDP	Excessive Deficit Procedure	MTBDE	Banco de España quarterly macroeconomic model
EFF	Spanish Survey of Household Finances	NAIRU	Non-accelerating-inflation rate of unemployment
EFSS	European Financial Stability Facility	NCBs	National central banks
EMU	Economic and Monetary Union	NFCs	Non-financial corporations
EONIA	Euro overnight index average	NPISHs	Non-profit institutions serving households
EPA	Official Spanish Labour Force Survey	OECD	Organisation for Economic Co-operation and Development
ESA 79	European System of Integrated Economic Accounts	OPEC	Organisation of Petroleum Exporting Countries
ESA 95	European System of National and Regional Accounts	PMI	Purchasing Managers' Index
ESCB	European System of Central Banks	PPP	Purchasing power parity
ESFS	European System of Financial Supervisors	QNA	Quarterly National Accounts
ESM	European Stability Mechanism	RDL	Royal Decree-Law
ESRB	European Systemic Risk Board	SEPA	Single Euro Payments Area
EU	European Union	SGP	Stability and Growth Pact
EURIBOR	Euro interbank offered rate	SMEs	Small and medium-sized enterprises
EUROSTAT	Statistical Office of the European Communities	TARGET	Trans-European Automated Real-time Gross settlement Express Transfer system
FASE	Financial Accounts of the Spanish Economy	TFP	Total factor productivity
FDI	Foreign direct investment	ULCs	Unit labour costs
FROB	Fund for the Orderly Restructuring of the Banking Sector	VAT	Value Added Tax
FSB	Financial Stability Board	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 <sup>9</sup> ).
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.