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ABBREVIATIONS

ABCP	Asset-backed commercial paper
AIAF	Association of Securities Dealers
BCBS	Basel Committee on Banking Supervision
BE	Banco de España
BIS	Bank for International Settlements
BLS	Bank Lending Survey
CBSO	Central Balance Sheet Data Office
CCR	Central Credit Register
CEBS	Committee of European Banking Supervisors
CEIPOS	Committee of European Insurance and Occupational Pensions Supervisors
CEMLA	Center for Latin American Monetary Studies
CEPR	Centre for Economic Policy Research
CESR	Committee of European Securities Regulators
CIIs	Collective Investment Institutions
CNE	Spanish National Accounts
CNMV	National Securities Market Commission
CPI	Consumer price index
DGSFP	Directorate General of Insurance and Pension Funds
EAGGF	European Agricultural Guidance and Guarantee Fund
ECB	European Central Bank
ECOFIN	Council of the European Communities (Economic and Financial Affairs)
EDP	Excessive Deficit Procedure
EMU	Economic and Monetary Union
EONIA	Euro overnight index average
EPA	Official Spanish Labour Force Survey
ERDF	European Regional Development Fund
ESA 79	European System of Integrated Economic Accounts
ESA 95	European System of National and Regional Accounts
ESCB	European System of Central Banks
EU	European Union
EURIBOR	Euro Interbank Offered Rate
EUROSTAT	Statistical Office of the European Communities
FAFA	Fund for the Acquisition of Financial Assets
FASE	Financial Accounts of the Spanish Economy
FDI	Foreign direct investment
FROB	Fund for the Orderly Restructuring of Banks
GDI	Gross disposable income
GDP	Gross domestic product
GFCF	Gross fixed capital formation
GNP	Gross national product
GVA	Gross value added
HICP	Harmonised index of consumer prices
IADB	Inter-American Development Bank
ICO	Official Credit Institute
IGAE	National Audit Office
IMF	International Monetary Fund
INE	National Statistics Institute
INEM	National Public Employment Service
MBSs	Mortgage-backed securities
MEW	Mortgage equity withdrawal
MFIs	Monetary financial institutions
MiFID	Markets in Financial Instruments Directive
MMFs	Money market funds
MROs	Main refinancing operations
NAIRU	Non-accelerating-inflation rate of unemployment
NCBs	National central banks
NPISHs	Non-profit institutions serving households
NRPs	National Reforms Programmes
OECD	Organisation for Economic Co-operation and Development
OPEC	Organisation of Petroleum Exporting Countries
PPP	Purchasing power parity
QNA	Quarterly National Accounts
RoW	Rest of the World
SCLV	Securities Clearing and Settlement Service
SDRs	Special drawing rights
SEPA	Single European Payments Area
SGP	Stability and Growth Pact
SIVs	Structured investment vehicles
SMEs	Small and medium-sized enterprises
TARGET	Trans-European Automated Real-time Gross settlement Express Transfer system
TFP	Total factor productivity
ULCs	Unit labour costs
VAT	Value added tax
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 (Estonia kroon)
IE	Ireland	EUR (euro)
GR	Greece	EUR (euro)
ES	Spain	EUR (euro)
FR	France	EUR (euro)
IT	Italy	EUR (euro)
CY	Cyprus	EUR (euro)
LV	Latvia	LVL (Latvian lats)
LT	Lithuania	LTL (Lithuanian litas)
LU	Luxembourg	EUR (euro)
HU	Hungary	HUF (Hungarian forint)
MT	Malta	EUR (euro)
NL	Netherlands	EUR (euro)
AT	Austria	EUR (euro)
PL	Poland	PLN (Polish zloty)
PT	Portugal	EUR (euro)
RO	Romania	RON (New Romanian leu)
SI	Slovenia	EUR (euro)
SK	Slovakia	EUR (euro)
FI	Finland	EUR (euro)
SE	Sweden	SEK (Swedish krona)
UK	United Kingdom	GBP (Pound sterling)
JP	Japan	JPY (Japanese yen)
US	United States	USD (US dollar)

CONVENTIONS USED

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

CONTENTS

1 Overview

In the first three quarters of 2009, the Spanish economy continued on the contractionary course initiated in the second half of 2008. However, the pace of the decline in activity gradually eased from Q1, which marked the height of the contraction. The indicators available suggest that this pattern is expected to have slackened even further in 2009 Q4, and the quarter-on-quarter rate of GDP is estimated to have declined by 0.1% (-0.3% in the previous quarter). That entails a fall in the related year-on-year rate of 3.1%, 0.9 pp down on the previous quarter. On the expenditure side, the pace of decline of national demand eased off to a year-on-year rate of -4.8%, while the contribution of net external demand to GDP, which was positive for the seventh quarter running, fell by 0.5 pp to 2 pp.

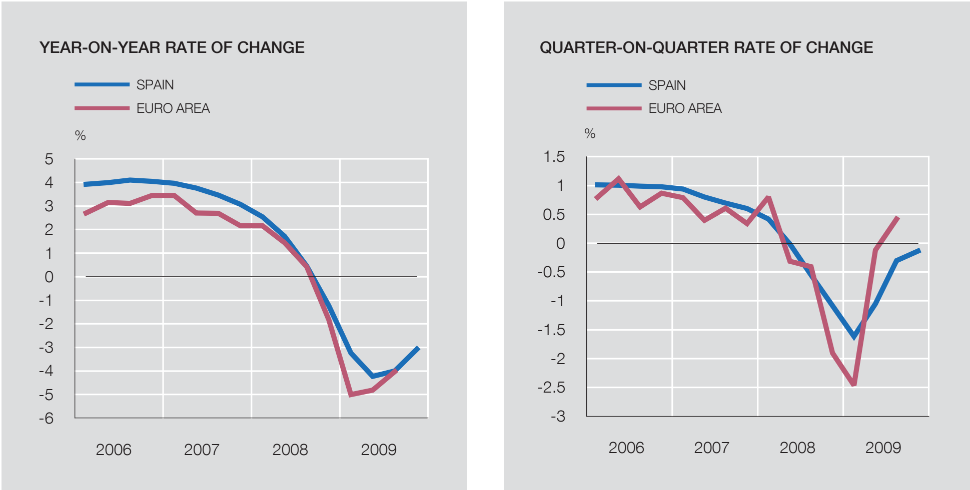
As at year-end, GDP is estimated to have declined at a rate of 3.6% over the course of 2009, the biggest fall in activity in recent decades, in step with the severity of the contractionary trends facing the world economy over the past two years. In Spain, however, the imbalances built up during the previous upturn would also have contributed to the decline in activity. The fall-off in output was the result of the marked decline in national demand (6% on average in 2009), which affected all its components, except those linked to general government activity. In the second half of the year there was some smoothing in the quarter-on-quarter path of decline of expenditure, with increases actually being recorded in the case of consumption and investment in equipment, which were influenced by the direct aid for new car purchases, while public investment reflected the execution of projects under the Local Investment Fund. Net external demand softened the impact of the contraction in domestic spending on activity, contributing 2.7 pp to GDP growth. This contribution was also the biggest in recent decades and was underpinned by the decline in imports, which was far greater than that in exports.

On the supply side, the decline in spending affected all the productive branches, but particularly impacted manufacturing industry and construction. That led to a step-up in the process of job destruction, which heightened in the opening months of the year. As a result, in 2009 as a whole employment is expected to have declined by 6.7%, a higher figure than in previous recessions. The deterioration in employment expectations ultimately influenced labour supply, which posted increasingly lower growth and turned down in Q4, in contrast to its buoyancy in previous years. Notwithstanding, the unemployment rate rose to 18% of the labour force (18.8% in Q4) on EPA figures. The contractionary trends in expenditure affected the course of inflation, whose rate of increase lessened, influenced also by the fall in the prices of energy products, which had posted notable increases in 2008. In 2009 as a whole, the CPI fell by 0.3%, compared with an increase of 4.1% in 2008. Annual average inflation had not been negative since 1952.

On the international economic front, financial markets continued to improve – despite some local episodes of tension – and the process of economic recovery initiated in Q3 proceeded once the United States, Japan and the euro area resumed positive growth rates and the rates of expansion picked up in the emerging economies, led by developments in the Asian countries, particularly China. Generally, this improvement in economic activity was based on temporary factors, such as restocking and the exceptional impulses provided by economic policies during the recession. Global inflation began to rise in the closing months of the year, once the base effects prompted by the oil price rises in 2008 were stripped out, although expectations about the future course of prices remain tempered. On the foreign exchange markets the dollar appreciated against the main currencies, and on the commodities markets oil prices resumed a rising course, albeit a notably volatile one.

GROSS DOMESTIC PRODUCT (a)

CHART 1



SOURCES: ECB, INE and Banco de España.

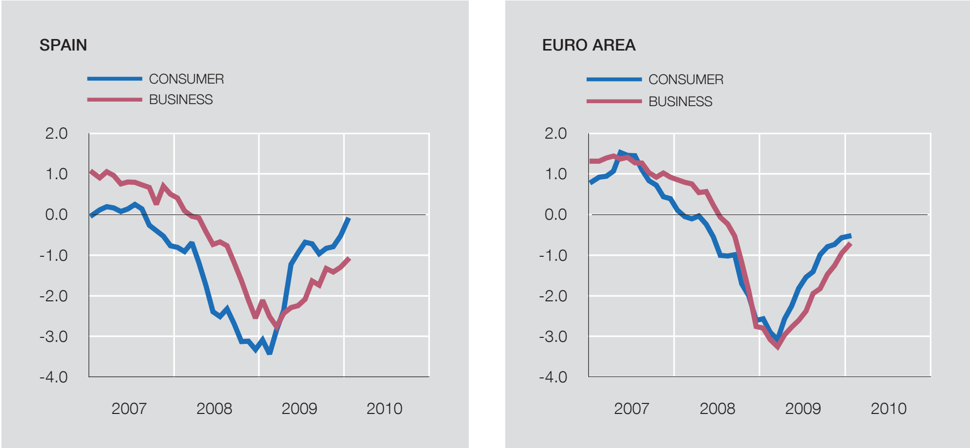
a. Seasonally adjusted series.

The improvement in the economic and financial situation in recent quarters has prompted a further upward revision in the growth outlook for the world economy, although growing divergence in the strength of the recovery across regions and countries is discernible. In the latest update of its forecasts, the IMF anticipates growth rates of 4% and 4.3% for 2010 and 2011, respectively, although doubts remain over the scale of the recovery, once the monetary and fiscal stimuli in place have been withdrawn. The main factors of uncertainty continue to be the ongoing deleveraging of both the banking sectors and the non-financial private sectors, the labour market adjustment and the deterioration in public finances, which has taken on particular importance in some developed economies in recent months, given the widespread increases in budget deficits and in debt. Of particular significance in this setting are the questions relating to potential exit strategies: the most suitable time to withdraw the exceptional monetary and fiscal measures, and the means of doing this so as to ensure sustained growth without jeopardising the economic recovery and financial stability.

The monetary policy stance remained expansionary in the closing months of 2009, while the central banks of the main developed countries announced – and began to implement, in some cases – plans to withdraw their unconventional liquidity-support measures. In the United States, the official interest rate held in the range of 0% to 0.25%, while the Federal Reserve eliminated or scaled down some of its liquidity and financing facilities, adjusting to banks' lower demand. The Bank of Japan also kept its official interest rates on hold and paved the way for the gradual and orderly withdrawal of the special measures for purchasing private bonds and commercial paper. The Bank of England held its official interest rate unchanged at 0.5% and extended its asset-purchase programme.

The broad trends of recovery have also been shared by the euro area. After posting a positive GDP growth rate in Q3 (following five quarters of marked declines), the latest available indicators point too to growth of an expansionary sign in Q4, although this is still heavily dependent on the measures to stimulate aggregate demand and on temporary factors. Nonetheless, and despite the pick-up in output in the second half of the year, euro area GDP is expected to fall by around 4% in 2009 on the forecasts of the main international agencies, which further anticipate a very gradual recovery in activity for the coming quarters. Inflation turned positive again in the closing months of the year owing to the petering out of the base effects associ-

CONFIDENCE INDICATORS (a) CHART 2



SOURCE: European Commission.

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

ated with past increases in commodities prices; into the medium term, it is estimated productive slack will contribute to holding inflation at moderate levels.

Turning to economic policies, the deterioration in public finances brought about by the contraction in activity and by the implementation of fiscal stimulus plans has placed 13 euro area countries in an excessive deficit position. Accordingly, they will have to adopt measures to comply with the recommendations made by the Ecofin in November. As regards monetary policy, the absence of risks to price stability in the medium term has led the ECB Governing Council, in its meetings to February, to hold official rates unchanged. The MRO rate has held at 1% since last May, while the marginal lending and deposit facility rates remain at 1.75% and 0.25%, respectively.

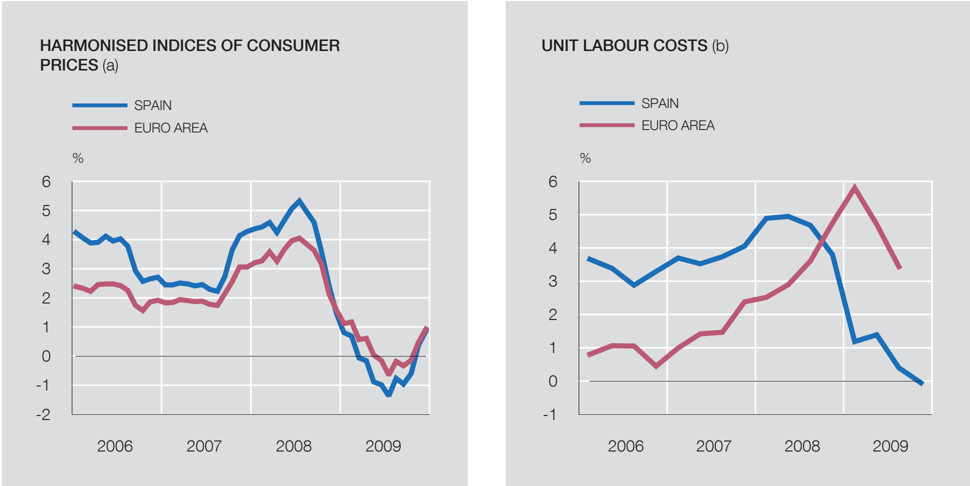
The ECB maintained a generous liquidity provision policy and, given the gradual normalisation of conditions on financial markets, it announced in December the start of a gradual withdrawal of some of the extraordinary measures introduced during the financial crisis. Hence the ECB had its last one-year funding operation in December and its six-month tenders will expire in March.

During 2009 Q4, there was a firming in the ongoing normalisation of the financial stress indicators at both the global and euro area levels that have begun in previous months. Interbank market rates were practically unchanged. Volatility and risk premia in the credit derivatives markets continued to lessen and the main stock market indices posted moderate rises, while activity increased on the debt markets. Finally, long-term interest rates moved on a slightly rising course. In 2010 to date, in contrast, there has been a slight rebound in financial instability, with stock market indices dipping, moderate increases in credit risk premia and, amid greater concern over sovereign risk, long-term sovereign bond yield spreads in the euro area have widened against the German benchmark. In early February, the IBEX 35 stood 7.9% below its end-2009 level (after posting gains of 29.3% in 2009), and the Spanish 10-year government bond yield spread over German sovereign debt was 85 bp.

In Spain, household and corporate borrowing costs fell further, which was nonetheless compatible with high premia continuing to be demanded in the higher-risk categories. Meantime, the degree of tightness of lending standards was similar to that in previous quarters, and was

PRICES AND COSTS

CHART 3



SOURCES: Eurostat, ECB and INE.

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

in any event stricter than that applied at the start of the financial crisis. In the property market, and according to figures from the Spanish Ministry of Housing, open-market house prices continued to fall during 2009 Q4 but did so at a lesser pace than in the preceding months, declining at a year-on-year rate of 6.3% (0.6% in quarter-on-quarter terms).

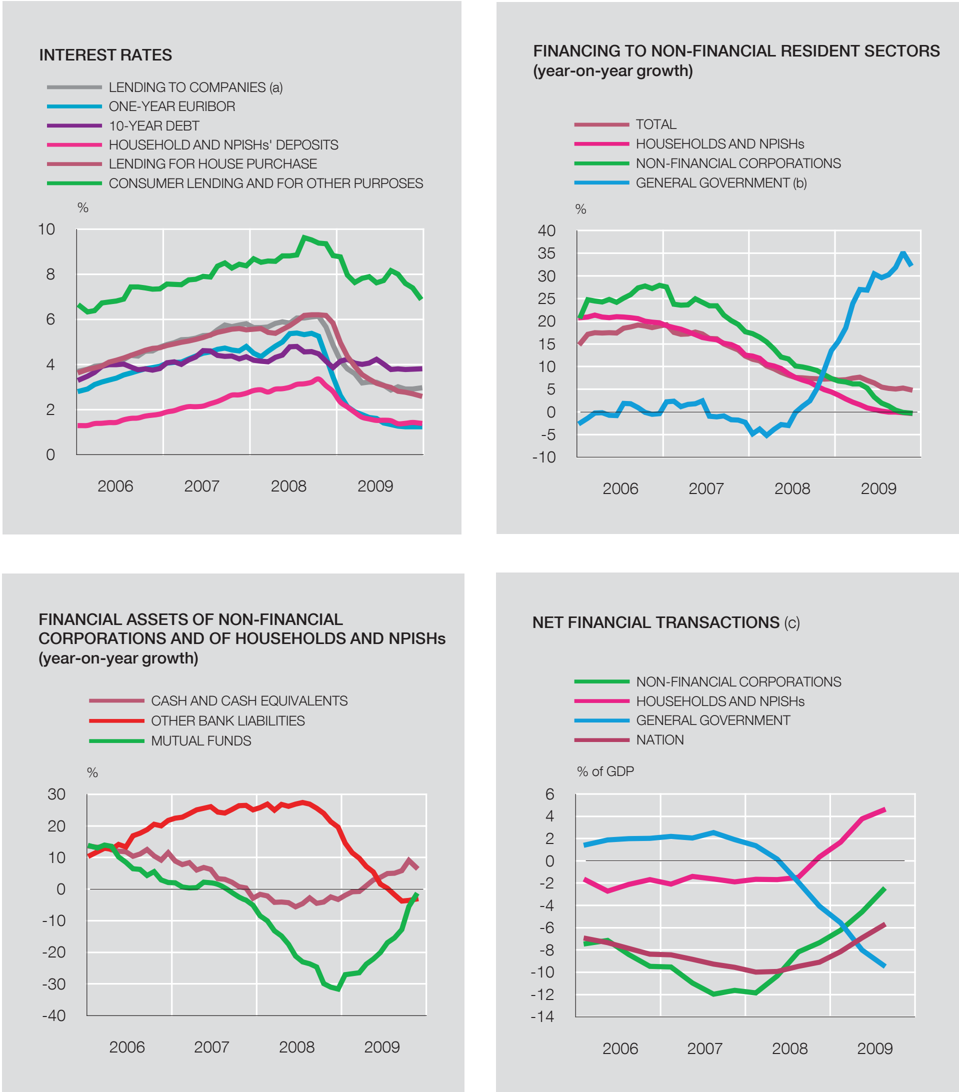
Despite this relative improvement in financial conditions and in the international environment, household spending remained sluggish, although there was a slight rise in its consumption component that may be associated chiefly with the effects of the direct aid programme for car purchases (Plan 2000E). The declining course of this variable is therefore estimated to have halted in Q4, following two years of negative quarter-on-quarter rates, ending the year with a 12-month decline of 3.6%. As a result of this process, household consumption on average in 2009 was once again the domestic demand component that most contributed to the decline in GDP.

As indicated on previous occasions, it is difficult to explain the drastic cut in consumption on the basis of developments in its most readily quantifiable determinants (see, for example, Box 4 in the October 2009 *Economic Bulletin).* On one hand, disposable income held at positive albeit moderate growth rates in 2009, underpinned by the sizeable transfers of income by general government, the reduction in interest payments and the fall in consumer prices which all offset the decline in wage income. On the other, the declining course of household wealth slowed in 2009 as a result of the better performance of stock markets and of the lesser decline in property prices. The strong response of consumption should therefore be attributed to factors linked to uncertainty over the current situation, in particular regarding the labour market, which will have boosted precautionary saving, and to households' perception of the need to redress their financial position. Only having regard to these considerations can an explanation be given for the rapid increase in the saving ratio, which stood at 18.7% of disposable income in 2009 Q3, in cumulative four-quarter terms, a figure 8.3 pp up on the low recorded in 2007 Q3 and which marks a new historical high.

Residential investment fell once more in Q4, posting a year-on-year rate of decline of almost 25%, although signs the contractionary trend is slowing are also beginning to be perceptible

FINANCIAL INDICATORS OF THE SPANISH ECONOMY

CHART 4



SOURCE: Banco de España.

a. Owing to changes in statistical requirements for data compilation, there is a break in the series of bank lending rates in January 2003.
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.

in this case. While many of the factors depressing the demand for housing remain in place (in particular, worsening income and uncertainty over the labour market), affordability continues to improve. That might boost the demand for housing and contribute to accelerating the absorption of excess capacity that the sector needs for activity to pick up.

Against this background of weak spending and with scarcely no changes in lending standards, which overall remain restrictive, household debt continued to contract. It did so at a year-on-year rate of 0.3% in November, although it is expected to have posted slightly positive increases compared with the previous quarter. Given this development, along with the stagnation of income, the debt ratio will foreseeably steady somewhat in Q4 at levels below the peak reached at end-2008. Other indicators of the household financial position showed signs of improvement, particularly the financial burden, which continued to decrease, and household saving net of debt servicing, which stood at the highest level since the mid-1990s. As a result of these developments, the worsening of the macroeconomic situation was manifest in fresh increases in the doubtful loans ratio.

There was some recovery in investment project implementation by firms, though it was centred strongly on the components of investment able to benefit from the government's stimulus plans (acquisition of transport equipment and participation in civil engineering projects). This was because the overall conditions for embarking on this kind of expense did not improve appreciably, against a background in which the outlook for the recovery of demand continued to be weak and profits seem to have declined further. A further rise in investment in capital equipment is expected for Q4, trimming the year-on-year fall in this type of investment to -18% (6 pp higher than in Q3).

In this setting, corporate debt continued to decelerate up to November, to the extent that the rate of change was practically zero in terms of its year-on-year behaviour, and negative (around -6%) if calculated taking into account the latest developments. As in the case of households, the signs provided by the financial position indicators of non-financial corporations are mixed. Owing to the weakness of corporate income, fresh falls in the debt ratio are not foreseeable in 2009 Q4, but financial expenses continue to decline, which, unlike in other recessions, is helping to cushion the fall in corporate profits and is drastically reducing borrowing. According to the non-financial accounts of the institutional sectors for Q3, borrowing by non-financial corporations is estimated to have stood at -3.6% of GDP in cumulative four-quarter terms (-7.6% of GDP in 2008).

General government activity continued to be markedly expansionary in the closing months of 2009, as a result of the effect of the aforementioned plans designed to support activity, of the tax cuts and of other measures introduced in 2008 and which continued in 2009. To all these factors should be added the effects of the cyclical weakness which activated the automatic stabilisers and the absence of extraordinary revenue following the collapse in the residential sector, giving rise to a drastic deterioration of public finances, which went from a deficit of 4.1% of GDP in 2008 to one which, according to the latest Stability Programme update (2009-2013) released on 29 January, may amount to 11.4% in 2009. The announcement of the Stability Programme was accompanied by the ratification of the commitment to meet the budgetary stability target within the time horizons set by the EU authorities, so as to conform to the Stability and Growth Pact in the current exceptional circumstances. Essentially, this requires the budget deficit to be reduced to 3% of GDP in 2013. To do this, the government has announced public spending cuts for general government as a whole of €50 billion over the period. Specifically, for 2010 it budgets additional spending cuts of 0.5% of GDP, to which can be added an increase in revenue due to reversal of the temporary effects of some of the expansionary measures taken in recent years and to the planned rises in personal income tax, VAT and tax on saving. Additionally, for the rest of the horizon of the Stability Programme, the Council of Ministers tabled an austerity plan for 2011-2013, which proposes general spending cuts equal to 2.6% of GDP for the period as a whole.

With regard to trade with the rest of the world, the as yet incomplete information available indicates that in the closing months of the year net external demand once again cushioned the impact of the contraction in domestic spending on activity. It made a positive contribution of 2 pp of GDP, a figure down in any event on that of previous quarters, against the background of recovering trade in goods and tourist services. Following this result, and in a year in which trade flows were subject to major turbulence, especially in the opening months of the year, the external sector acted as a buffer as it had in past recessions. As was then the case, the factor behind this improvement has been the reduction in imports, the outcome of the fall-off in domestic demand; however, in the current situation, the possibility that external demand may act in the immediate future as an underpinning of the recovery would require exports to be stronger. And in the absence of potential exchange rate adjustments, only an improvement in the competitiveness of Spanish firms may bring this about.

In the circumstances described, the nation's net borrowing is estimated to have continued declining in the closing months of the year, after having stood in Q3 at 5.8% of GDP in cumulative four-quarter terms. As a result, it is expected to stand at 4.7% of GDP for the year on average, 50% down on the related 2008 figure. Across the institutional sectors, the correction of the external imbalance was brought about by the increase (of around 12 pp for the year on average) in household and corporate net lending, since the deficit position of the general government sector widened (by somewhat over 7 pp).

On the supply side, there were declines in value added in all the market-economy productive branches in Q4. These were nonetheless lower than the declines in the previous quarter, except in market services, where for the second quarter running a moderate rise was recorded. The completion of some of the projects linked to the State Local Investment Fund slowed the rise in the non-residential construction segment, while residential building is expected to have held on its declining course in a setting in which over-capacity remains at high levels. Following the close of the year, the biggest falls in value added in 2009 were in industry (with an estimated decline of 14%) and in construction (-6%).

The pace of job destruction in the closing months of 2009 also lessened, chiefly as a result of the somewhat less negative behaviour of market services and, to a lesser extent, of industry, while the improvement observed in the two previous quarters in construction slowed for the above-mentioned reasons. For the year as a whole, the rate of job destruction reached unprecedented levels, with an estimated average decline of 6.7%, to which all branches of activity contributed. Against this background, the unemployment rate, according to the EPA, increased notably to 18% of the labour force (against 13.9% in 2008 Q4). This was despite the sharp change in the dynamics of labour supply, which was affected by the significant reduction in net inflows of immigrants and by the reduction in the participation rate owing to worsened labour market conditions. The contraction in employment was far greater than the decline in output, meaning there was a notable increase in apparent labour productivity; however, this recovery has a significant cyclical component, whereby it cannot be extrapolated to the future. Furthermore, the bulk of the adjustment in employment affected temporary contracts and hiring, as a result of which the ratio of temporary to total employees fell over the course of the year, reaching a rate of 25.1% in Q4.

Labour costs eased somewhat, albeit to an insufficient extent from the standpoint of the scale of the adjustment in employment and of the course of final prices. Collective bargaining agreements in 2009, which were entered into in the absence of an Interconfederal Collective Bargaining Agreement, for the first time in many years, incorporated an increase in wage rates of 2.6%. This figure was 1 pp down on the previous year and reflects the containment of inflation in the final months of 2008. The non-application of indexation clauses during 2009 had an effect along these same lines. All told, economy-wide compensation per employee increased at a rate of 4.1% for the year as a whole, marking a most substantial increase in real labour costs and running strongly counter to the serious economic recession and strong rise in unemployment the economy is undergoing. Nonetheless, the exceptional growth of productivity helped temper unit labour costs, which scarcely grew in 2009 (0.7% against 4.6% in 2008).

Inflation responded forcefully to the weakness of demand, adding to which was the disinflationary impact exerted by the decline in energy product prices compared with the levels of the previous year. This latter factor contributed to the CPI posting negative growth rates mid-year. Regarding the behaviour of prices in 2009, the correction of core inflation in particular is worth mentioning. This variable increased by only 0.8% on average during the year and, under this heading, the downward course of services prices, which had traditionally been relatively unresponsive to the cyclical situation, was noteworthy. It should also be highlighted that the easing in prices was greater than that in the euro area, meaning that price differentials were negative for most of the year (the gap stood at zero in December), for the first time since the start of the Monetary Union. With a view to the coming quarters, for which a rebound in consumer prices is expected, it would be very important to maintain inflation differentials favourable to the Spanish economy. That would contribute to securing the gains in competitiveness needed so that the economy may be underpinned by external demand and that the resources surplus to the real estate sector may be reallocated. For this to occur, reforms must be undertaken in the markets for factors, goods and services that allow this pattern of moderation to take root, along the lines laid down by the draft Sustainable Economy Bill, which stresses the importance of implementing supply-side and structural reform policies that enable a sustained long-term growth path to be resumed.

Structural reforms are, along with budgetary consolidation, the main instrument available to the economy to emerge from the crisis and restore growth and employment generation. The government has responded to this need: in addition to its commitment to austerity to ensure that the stability of public finances is redressed, it has outlined proposed reforms which will be specified in the immediate future. Of particular importance among these will be first, those relating to the sustainability of the pension system, where a gradual increase in the retirement age has been announced which may contribute significantly to the financial equilibrium of the public pensions system; and further, those relating to the functioning of the labour market.

Financial markets and activity continued to recover during 2009 Q4 and in early 2010, at the same time as there was an ongoing improvement in the economic outlook. However, this recovery process can increasingly be seen to be moving at different rates, both between countries and regions (where the most buoyant areas are emerging Asia, at the global level, and the United States, among the main industrialised economies) and between segments of private-sector financing insofar as the sharp deceleration of bank credit counters the buoyancy of corporate debt issues. This is against a backdrop of a sharp rise in inflation rates due to the base effects which compressed year-on-year rates until summer. Despite the improvement in the economic and financial situation, exiting the crisis is still surrounded by uncertainty since the recovery of activity was boosted by temporary factors, such as the change in the stock-building cycle and fiscal stimulus programmes. Furthermore, the necessary vigour of private-sector demand continues to be weighed down by the weak labour market and sluggish bank lending. In this context, the deterioration in developed economies' public finances has increasingly been perceived in recent months to pose a risk for recovery and financial stability.

The backdrop of a better economic outlook contributed to the favourable performance of financial markets in Q4, although certain events triggered a degree of instability and temporary losses on stock markets, such as the debt restructuring of certain publicly-owned firms in Dubai. More recently, action taken by the Chinese authorities to curb credit growth and moderate the strong recovery in the Chinese economy, announcements about changes in the US financial and regulatory policy framework which, if implemented, could have far-reaching consequences for how its financial system is structured, and the perception of a striking deterioration in Greece's fiscal situation, which has spread to other European countries, were reflected in greater risk aversion. Another factor which has conditioned financial developments has been the incipient process of withdrawing government support measures for the financial sector (which to date has been proceeding in an orderly fashion, as detailed, for the case of the United States in Box 1). More generally, despite the above-mentioned risks concerning the sustainability of public finances, the moderate rise in long-term interest rates in the United States, the United Kingdom and Japan from December would appear to be more closely linked to the improved outlook for activity. Noteworthy on the foreign exchange markets was the dollar, which mid-Q4 began to appreciate against the main currencies of developed economies, in particular against the euro.

Emerging economies' markets also held on a rising trend for most of the quarter, arising from their improved economic outlook and the low interest rates in developed economies. In general, these two factors coupled with increased appetite for risk and, in some cases, expectations of an appreciation of exchange rates, have stimulated sharp capital inflows (which have led some countries to adopt or reintroduce measures to counter them) at the same time as their sovereign spreads continued to drop until mid-January. As for raw materials, the price of Brent oil fluctuated slightly around $75 per barrel throughout Q4, whereas the price of gold reached a record high, although it moderated somewhat at the end of the quarter.

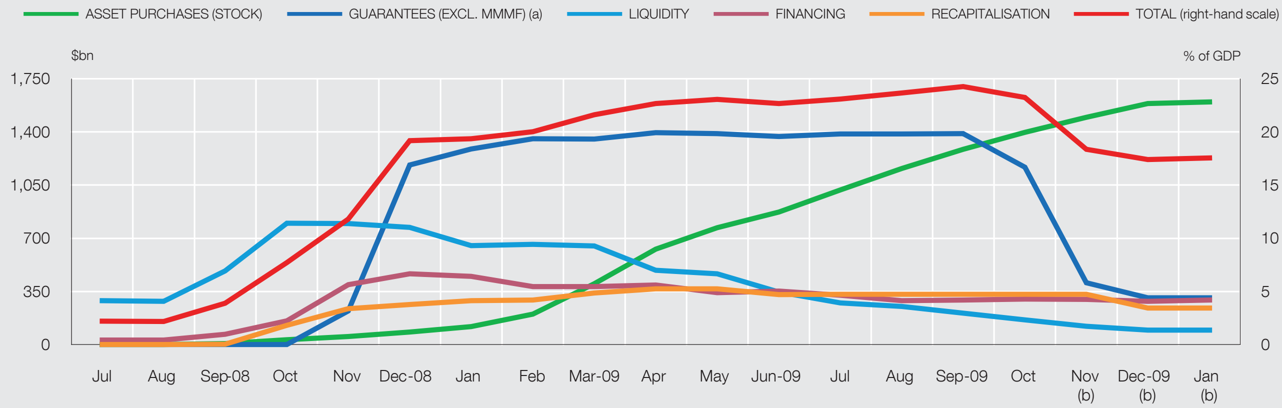
In the United States, the initial estimate of GDP in Q4 showed growth of 1.4% in quarter-on-quarter terms (5.7% in annualised terms), which is higher than the 0.6% increase in Q3, arising mainly from the favourable movements in inventories and the effect of the fiscal stimuli on aggregate demand. Thus, in 2009 as a whole the US economy contracted by 2.4% with respect to the previous year. This initial estimate of GDP for Q4 confirms the favourable higher fre-

THE GRADUAL WITHDRAWAL OF FINANCIAL SECTOR SUPPORT MEASURES IN THE UNITED STATES

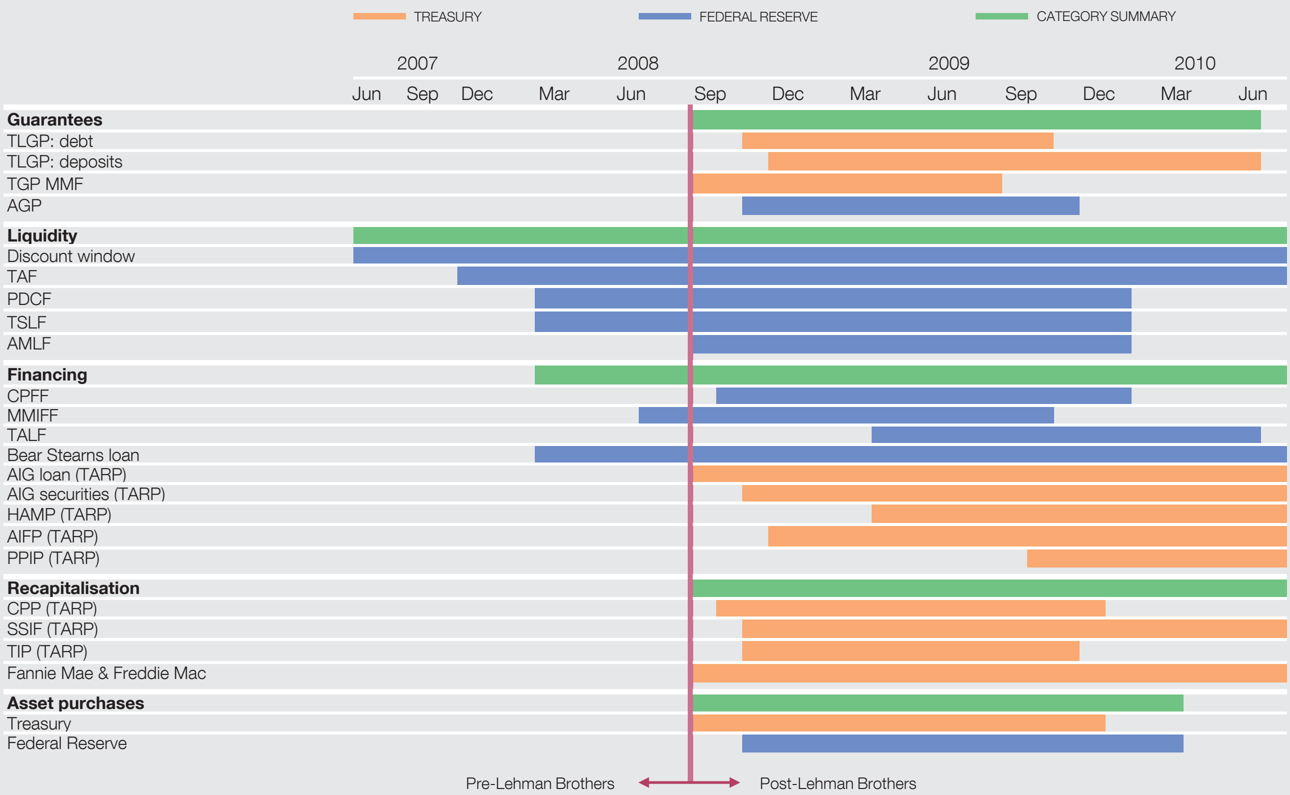
International financial markets have gradually recovered from their slump following the collapse of Lehman Brothers in September 2008. The turning point was seen around March last year and their favourable performance has gained strength (with some fluctuations) following the gradual improvement in the world economic outlook and the better-than-expected results achieved by financial and non-financial institutions from 2009 Q2.

The massive support given by authorities in the early stages of the crisis has played a pivotal role in the process of stabilising markets and improving confidence. This support was in the form of a very broad range of measures whose basic features were: i) the provision of practically limitless liquidity to financial institutions by central banks; ii) abundant financing for the financial and non-financial segments most affected by the crisis; iii) the recapitalisation of beleaguered in-

1 FUNDS COMMITTED BY US AUTHORITIES BETWEEN JULY 2008 AND JANUARY 2010



2 DURATION OF PUBLIC SUPPORT MEASURES IN THE UNITED STATES



SOURCES: Federal Reserve, US Treasury and Banco de España.

a. Guarantees exclude those granted to Money Market Mutual Funds.
b. Due to the delay in the publication of some reports, the November to January data are supported by certain assumptions.

stitutions; iv) the provision of public backing for bank debt issues and, subsequently, for part of certain institutions' asset portfolios, and v) the purchase of impaired assets and government bonds in order to reduce long-term financing costs. The panels in this box group these measures into the five categories identified and show the duration, use and scale of such support in the United States.

Although, even before September 2008, the Federal Reserve's liquidity facilities had been extended and there had been ad hoc cases of financial support (Bear Stearns in March 2008), it was after the collapse of Lehman Brothers that the bulk of the above-mentioned measures were instrumented. As shown in Panel 2,[1] which includes the duration of the measures adopted by the Treasury and the Federal Reserve, between September and October 2008 most of the measures were already in force, although they were implemented gradually and others were added at a much slower pace. Initially, the liquidity facilities represented the most substantial support and led to strong growth of the Federal Reserve's balance sheet; the guarantees were called swiftly following the crisis and the recapitalisation of institutions became very important – although the amount involved was relatively small – with the implementation of TARP (Troubled Asset Relief Program) by the Treasury and other specific support in 2009 Q1, whereas the Federal Reserve's and the Treasury's financing programmes were gradually used throughout that year. Lastly, asset purchases, in which both institutions also participated, have grown in relative and absolute terms from February 2009.

In the context of the recovery of many financial market segments, the use of the support stabilised from April 2009 – when the total funds deployed exceeded $3.5 bn (approximately 25% of GDP) – and gradually decreased from November. The sequence of the withdrawal of the measures has generally been similar to that of their implementation, although at a much more restrained pace: thus, the stabilisation of the financial situation resulted in less use of short-term liquidity facilities, whose cost began to be higher than that provided by less tight markets. Thus, although the US authorities have scheduled the expiry of the liquidity measures for February 2010, much of the emergency aid practically ceased to be used during summer 2009. Publicly-guaranteed bank debt issues lost momentum as early as the end of 2008 and were no longer used in October when the programme expired, although other types of guarantees (transaction accounts and asset guarantees) continued to be used intensely until 2009 Q4. At present, most of them have expired, as seen in Panel 2. Demand for some funding facilities (several of which expire in February 2010) has fallen in recent months. The recapitalisation funds have been returned by some financial institutions - in particular the major banks - as they gained access to financing from the market; however, many smaller institutions have held onto them. On the contrary, other funding and recapitalisation facilities remain in force and are important such as the mortgage modification and refinancing programme, the recapitalisation of the mortgage securitisation agencies, Fannie Mae and Freddie Mac, and the capital injection into AIG, the insurance company. Lastly, asset purchases (which are calculated in cumulative terms or as stock in Panel 1) continued apace until the end of last year, although some facilities have already expired and others are about to. For example, in the United States the Treasury has ended its purchase programme of Fannie Mae and Freddie Mac's mortgage backed securities (MBS) and the Federal Reserve plans to end purchases of these assets in March and has already completed purchases of Treasury bonds. However, the assets will foreseeably remain for some time in the public sector, which will mean, among other things, that the Federal Reserve's balance sheet will continue to be considerably oversized compared with before the crisis.

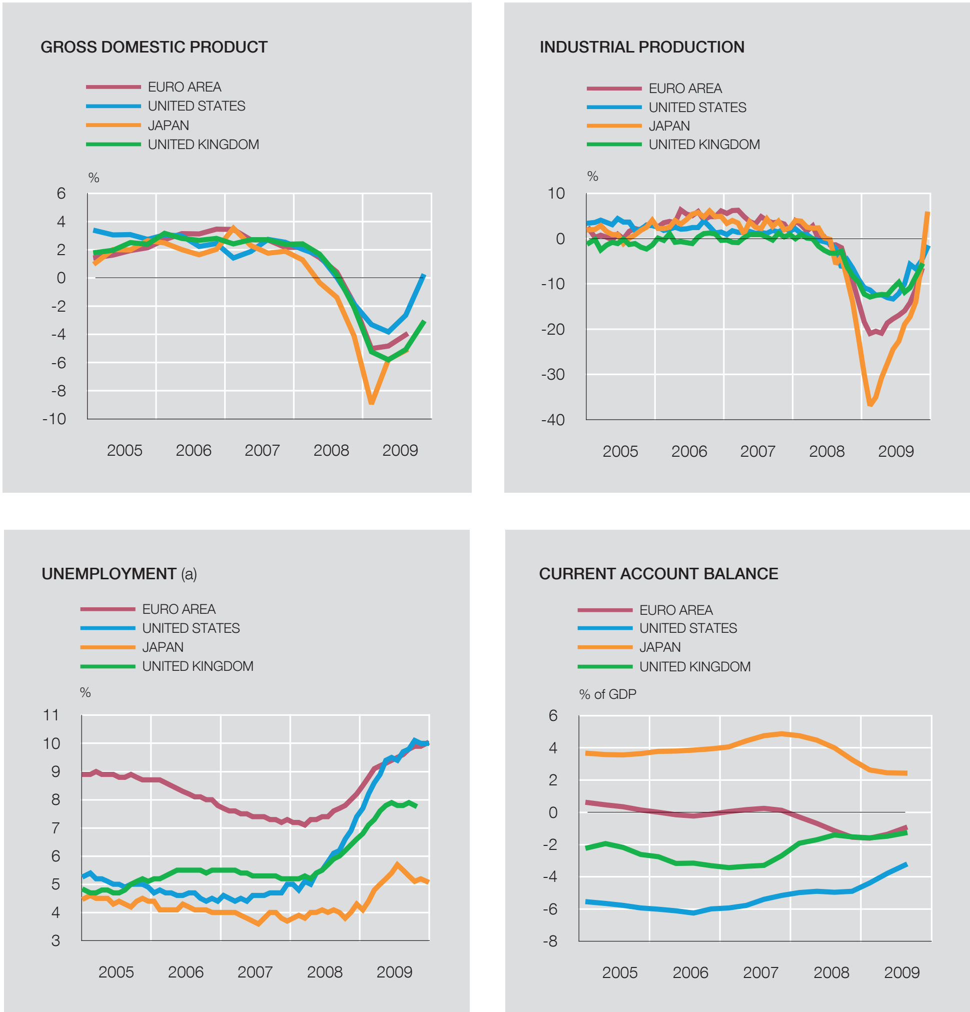
In short, support measures for markets and financial institutions are being wound down in an orderly and selective fashion and at different speeds by market segment at the same time as markets are beginning to function better and as demand for such measures decreases. However, the amount of the funds used still stood at the end of last year at approximately $2.5 bn, more than 17% of GDP. Although support is being wound down, some of these measures continue to be used quite intensely in specific areas (for example, the US mortgage securitisation segment). And this, given the underlying fragility in the financial system, calls for notable caution and prudence in managing their withdrawal.

1. The rows of the table correspond to the programmes instrumented in each area of action. A detailed explanation is beyond the scope of a box. For more detailed information see the US Treasury Department Troubled Asset Relief Program Monthly Congressional Report (January 2010), Federal Reserve System Monthly Report on Credit and Liquidity Programs and the Balance Sheet (January 2010) and the FDIC Quarterly Banking Profile (September 2009).

quency data published until January. Supply indicators showed significant progress, whereas the performance of demand indicators (personal consumption and consumer confidence) was also positive, albeit weak. Real estate market indicators indicated a slight fragility in the incipient recovery. Turning to the labour market, job destruction was lower than in previous quarters, despite which the unemployment rate increased to 10% in December. As for prices, the CPI went from posting negative year-on-year growth rates in October to a positive year-on-year rate of 2.7% in December, whereas core inflation remained relatively stable. Against this backdrop, at its January meeting the Federal Reserve left official interest rates and its asset purchase target unchanged. With regard to extraordinary financial support measures, as de-

MAIN MACROECONOMIC INDICATORS
Year-on-year rate of change

CHART 5



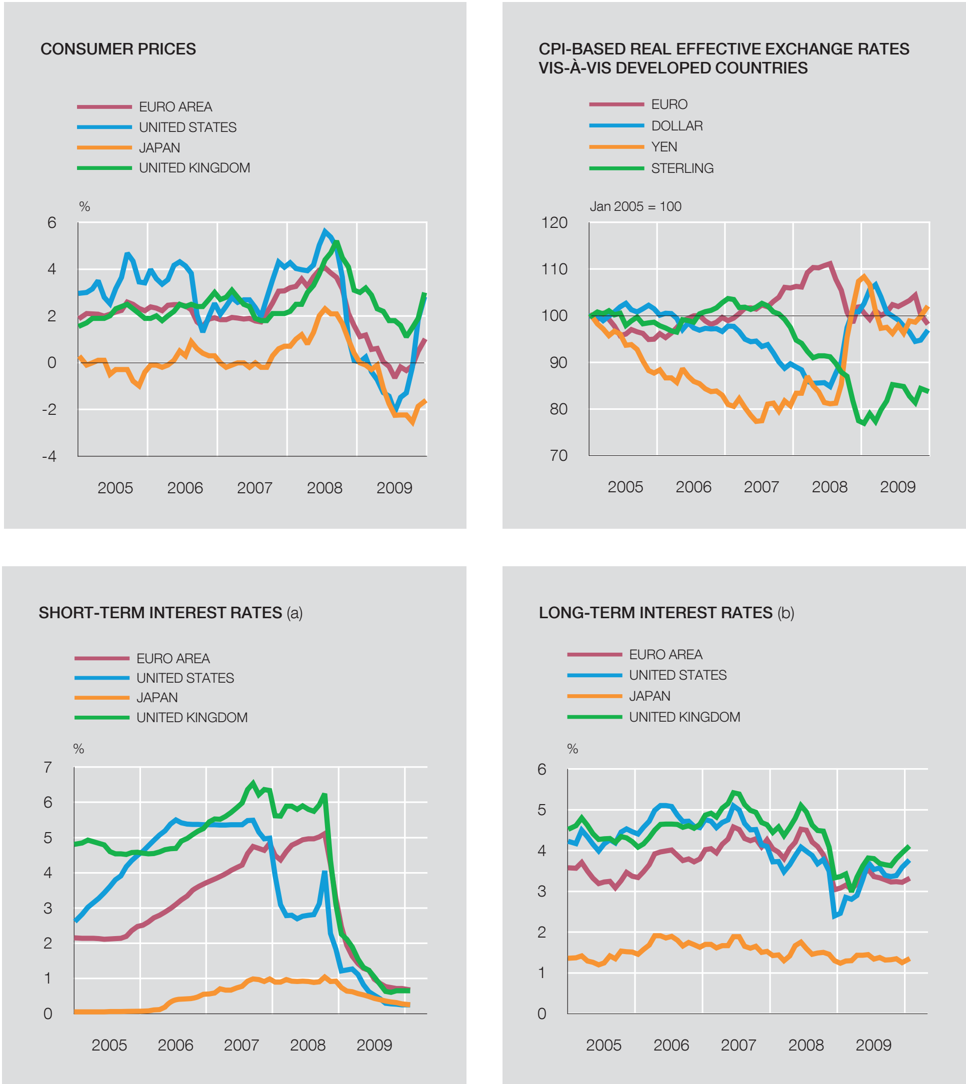
SOURCES: Banco de España, national statistics and Eurostat.

a. Percentage of labour force.

scribed in Box 1, most of them remain in place, although demand for them has fallen, some expired and large institutions returned the money used for their recapitalisation.

In Japan GDP for Q3 expanded by 0.3% quarter-on-quarter (-5.1% year-on-year), which is lower than the 0.7% growth posted in the previous quarter, and was essentially underpinned by favourable developments in external demand. In Q4 the lag remained in the economy between buoyant external demand and weak domestic demand, with the result that exports continued to improve, whereas consumption and private investment indicators failed to fully firm up. Furthermore, the process of improvement in supply indicators showed a slight restraint, which was also seen in the deterioration of large firms' expectations. That said, in December unemployment decreased by 0.2 pp with respect to September, to 5.1%. Consumer and wholesale prices continued to fall in year-on-year terms, albeit less sharply. In this setting, the Bank of Japan left interest rates unchanged but decided to create a new collateralised loan facility for the equivalent of 2% of GDP. Additionally, the Government announced new fiscal stimulus measures (with an estimated impact of approximately 1.5% of GDP) aimed, among other purposes, at boosting employment and encouraging the use of greener technologies, although they include the reallocation of funds from previous plans.

PRICES, REAL EXCHANGE RATE AND INTEREST RATES CHART 6



SOURCE: Banco de España.

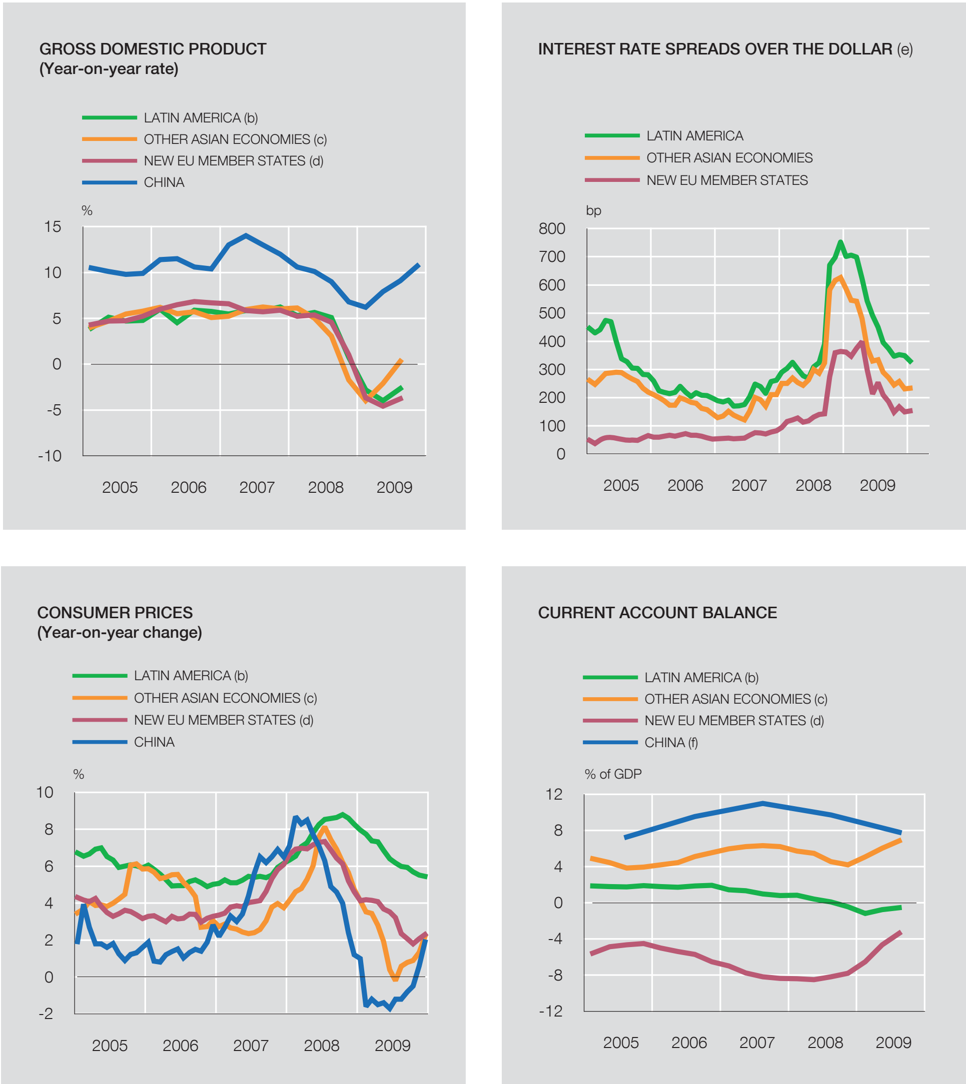
a. Three-month interbank market interest rates.
b. Ten-year government debt yields.

In the United Kingdom, according to the preliminary estimate, GDP for Q4 grew 0.1% quarter-on-quarter (-3.2% year-on-year) in comparison with the 0.2% decline in Q3. Thus, in 2009 as a whole, GDP contracted by 4.8% with respect to 2008. The change in trend in Q4 reflects the slight recovery indicated by the higher frequency indicators published until the end of January. However, the labour market showed a slight weakness and the unemployment rate held at 7.8% in the three months to November. In addition, bank lending was slack, especially to small and medium-sized enterprises and households, except for housing loans which reflect the stabilisation seen in the real estate market. The inflation rate rose by 1.8 pp in Q4 to 2.9% in year-on-year terms in December, which was considerably higher than the official target of 2%, although this increase is considered temporary. Against this backdrop, at its January meeting, the Bank of England kept official interest rates at 0.5% and left its asset purchase programme unchanged.

In the new EU Member States not belonging to the euro area, GDP for Q3 moderated its fall in comparison with the previous quarter from -4.5% to -3.6% year-on-year, on aver-

EMERGING ECONOMIES:
MAIN MACROECONOMIC INDICATORS (a)

CHART 7



SOURCES: National statistics and JP Morgan.

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

age, due to the larger contribution from the external sector, whereas domestic demand remained depressed in most cases, especially in the Baltic states. However, GDP performance continued to differ greatly from country to country, ranging from growth of 1.7% year-on-year in Poland to a decline of -19% in Latvia. Q4 indicators show an export-driven rise in industrial production with the consequent improvement of trade and current account balances. The inflation rate changed trend during Q4 and rose from an average of 2.7% in year-on-year terms in October to 3.1% in December, due in particular to higher fuel prices. Turning to monetary policy, official interest rates continued to fall in those countries where they were still at high levels, such as Romania and Hungary, and, unexpectedly, in the Czech Republic where they were cut by 25 bp in December to 1%, a new all-time low.

In China GDP for Q4 rebounded strongly to 10.7% year-on-year (8.7% for 2009 as a whole) based essentially on economic policy stimuli. Throughout Q4 industrial production quickened considerably and business confidence continued at very high levels, at the same time as demand indicators remained robust, especially investment. The trade surplus widened considerably in the quarter against a background of recovery in international trade. The build-up of international reserves (which amounted to $2.4 billion at the end of 2009) was vigorous, underpinned by higher inflows of foreign direct investment and short-term capital. Year-on-year CPI inflation increased gradually to 1.9% in December against a setting of loose monetary and credit conditions. Faced with this situation, the central bank increased the bank reserve requirement by 50 bp in January, marking the start of the withdrawal of the monetary impulse. In the rest of emerging Asia, GDP growth in Q3 increased to 3.9% year-on-year, confirming that it is the most buoyant region worldwide. This momentum extended into Q4, as shown by industrial production growth and the striking recovery of exports. Prices increased gradually following some months of negative inflation and monetary policies left interest rates unchanged, although measures were taken to discourage capital inflows.

In Latin America GDP growth quickened in Q3 to 1.3% quarter-on-quarter (-2.7% year-on-year), in comparison with 0.5% in the previous quarter (-4% year-on-year). The recovery was mixed with significant growth in Mexico, Peru and Brazil, stagnation in Argentina and declines in Venezuela. In Q4 the higher frequency indicators seemingly indicated, in general, that the path of recovery would continue. Inflation continued to ease to an average of 5.3% year-on-year in December, the lowest rate in more than two years. In this setting the region's central banks left interest rates unchanged except for Uruguay which cut them. As for public finances, the region's primary balances deteriorated across the board, due to the fall in revenue and the increase in expenditure. Additionally, there was an episode of institutional instability in Argentina as a result of the central bank's opposition to using part of the foreign exchange reserves for debt service. Lastly, Venezuela introduced a dual exchange scheme involving the devaluation of the bolivar against the dollar and setting a preferential rate for food and machinery imports.

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

In the second half of 2009 the euro area again posted positive GDP growth rates and thus overcame the sharp recession which had begun in 2008 Q2. The gradual stabilisation of the financial markets (not exempt from some bouts of localised turmoil) and a gradual improvement in foreign trade helped to stimulate activity in the area. However, this recovery relied largely on temporary factors, such as changes in inventories and the vigorous pursuit of economic policies.

The available forecasts coincide in pointing to a gradual economic recovery with weak domestic demand and growth rates which, as the influence of the temporary factors driving them progressively dissipates, will initially be more moderate than at end-2009. The high excess capacity will tend to delay the need for new investment, while the required downsizing in some productive sectors may continue to weigh negatively on employment. This unfavourable outlook for the labour market and the cumulative loss of wealth will debilitate private consumption. All this is, moreover, set against a backdrop in which the financial sector is still immersed in a process of deleverage and the public sector has less room for manoeuvre due to budget deterioration and faces, in a large number of countries, the need to take ambitious fiscal consolidation measures.

Euro area inflation also returned to positive values in November and rose to 1% in January, according to the Eurostat preliminary estimate. The rise is largely explained by the base effect associated with the past behaviour of energy prices and all forecasts point to euro area inflation remaining at moderate rates for a prolonged period. Against this background, the ECB's Governing Council has held the official interest rates for main refinancing operations at 1% since May 2009. Furthermore, in December it announced the first steps of a gradual withdrawal of the measures introduced during the crisis, which, given the progressive stabilisation of financial markets, were no longer as necessary as they were before. In any event, the Eurosystem continues to provide the liquidity needed by the system on favourable terms, thus making for the smoother financing of euro area households and firms.

Noteworthy in the fiscal area is the considerable deterioration in public finances. Thirteen euro area countries have an excessive deficit and have to adopt measures to comply with the fiscal adjustment recommendations prepared by the ECOFIN in November. These recommendations are set out in Box 2. The ECOFIN expressed its opinions within the framework of the agreement reached by the ministers to ensure that the exit strategy from the fiscal stimulus and financial sector support plans in the European Union is coordinated and does not hinder the incipient economic recovery. The work to remedy budgetary imbalances will still be compatible with an expansionary fiscal policy in 2010 for the area as a whole, and all countries will have to make considerable consolidation efforts from 2011 at the latest. It will be vital to meet commitments within the EU fiscal framework in order not to weaken agents' confidence and to promote sustained growth of the economy.

Against the background described above, structural reforms have taken on even greater importance, and this should be reflected in the next update of the Lisbon strategy in 2010, known as the EU 2020 strategy. Its implementation will be decisive in counteracting the effects of the crisis on potential output and in generating economic growth which also contributes to fiscal consolidation.

The design of a budgetary consolidation strategy allowing public finances to be put on a sound footing in the medium term, as agreed in the EU summit of finance ministers (ECOFIN) on 20 October 2009, is one of the main challenges facing current economic policy. The Stability and Growth Pact (SGP) is an essential instrument because it provides a means of adequately signalling the commitment to budgetary stability.

In this respect, as prescribed under the Pact, on 2 December 2009, the ECOFIN Council decided to initiate the excessive deficit procedure against eight euro area countries (Belgium, Germany, Italy, the Netherlands, Austria, Portugal, Slovenia and Slovakia) and to review the recommendations and time periods set for those countries with a procedure already open against them since April, namely Greece, France, Spain and Ireland. Consequently, at present 13 of the 16 Member States are subject to this procedure and, on the latest estimates of the Commission, Cyprus will also exceed the threshold of 3% of GDP in 2009.

The excessive deficit procedure is one of the basic pillars on which the SGP rests. The final aim of the Pact is for the euro area Member States to achieve «close-to-balance or in-surplus budgetary positions over the medium term", as this is indispensable for the monetary union to function properly. To ensure that the various Member States conform to these parameters of budgetary discipline, it was agreed that the Treaty on European Union (the current Lisbon Treaty) should include Article 104 regulating the excessive deficit procedure. This procedure establishes the obligation of euro area Member States to avoid excessive deficits and to set reference values determining when a deficit exists. Thus there is generally considered to be an excessive deficit if the government deficit exceeds 3% of GDP, unless it remains near the reference value and is of an exceptional and temporary nature (caused by a severe crisis). Furthermore, the public debt ratio may not exceed 60% of GDP unless it is on a downward path. In addition, the EDP sets the time periods and supervision procedure applicable to countries incurring an excessive deficit. The process also envisages fines if the measures required to reverse that situation are not taken.

The recommendations made in the EDPs currently open are summarised in Table 1. With regard to time periods, the EDP stipulates that an excessive deficit must be corrected in the year subsequent to that in which it was detected, except in situations of severe economic crisis such as the present one. Therefore the EU finance ministers agreed that consolidation should generally commence in 2011, although, in cases of greater deterioration of public finances, it should

FISCAL INDICATORS AND EXCESSIVE DEFICIT PROCEDURE IN THE EURO AREA

	BUDGETARY POSITION INDICATORS						EXCESSIVE DEFICIT PROCEDURE	
	2009 budget deficit (a)		2011 budget deficit (a)	Expenditure increase associated with ageing (2010-2060) (b)	Sustainability indicators (c)		Time period for correction	Required structural adjustment (% of GDP)
	Total	Cyclically adjusted			S2 indicator	Risk		
Germany	-3.4	-1.9	79.7	5.1	4.2	medium	2011-2013	0.50
Austria	-4.3	-3.3	77.0	3.3	4.7	medium	2011-2013	0.75
Netherlands	-4.7	-3.2	69.7	9.4	6.9	high	2011-2013	0.75
Italy	-5.3	-3.5	117.8	1.6	1.4	medium	2010-2012	At least 0.5
Belgium	-5.9	-4.6	104.0	6.6	5.3	medium	2010-2012	0.75
Slovenia	-6.3	-4.8	48.2	12.7	12.2	high	2010-2013	At least 0.75
Slovakia	-6.3	-6.0	42.7	5.5	7.4	high	2010-2013	1.00
Portugal	-8.0	-6.6	91.1	2.9	5.5	medium	2010-2013	1.25
France	-8.3	-7.0	87.6	2.2	5.6	medium	2010-2013	> 1
Spain	-11.2	-10.0	74.9	8.3	11.8	high	2010-2013	> 1.5
Ireland	-12.5	-9.6	96.2	8.7	15.0	high	2010-2014	2.00
Malta (d)	-4.5	-4.2	72.5	9.2	7.0	high	2009-2011	0.75
Greece	-12.7	-12.6	135.4	16.0	14.1	high	Not yet defined in 2010	
Euro area	-6.4	-5.0	88.2	5.1	5.8	—	—	—
UK	-12.1	-10.5	88.2	4.8	12.4	high	2010/2011-2014/2015	1.75

SOURCES: European Commission and Banco de España.

a. European Commission autumn 2009 forecasts. Percentage of GDP.
b. European Commission 2009 ageing report. Percentage of GDP.
c. European Commission 2009 sustainability report. The indicator S2 measures the size of the structural or permanent adjustment needed to ensure that the government's intertemporal constraint is met, i.e. that the sum of future revenue ensures repayment of the current debt plus the payment of all future expenditure, including that associated with ageing. Based on this indicator and on other more judgmental items, the European Commission classified the countries into three groups according to whether the risk to sustainability of public finances was low, medium or high (right-hand column).
d. January 2010 recommendation of the European Commission.

commence in 2010. The deadline for most countries to correct their excessive deficits has been set at 2013, except for Ireland (2014) and Belgium and Italy (2012).

As regards the annual structural adjustment which on average must be made by each country in the stipulated correction period, the amount is determined by each country based not only on its level of debt and deficit, but also on its current account balance, the contingent liabilities of the financial system, interest payments, risk premia and expected increases in expenditure associated with population ageing. The EDPs currently open put this adjustment between the 0.5 pp required of Germany and Italy and the 2 pp needed in Ireland.

Greece is an exception, since the Commission concluded that it had not adopted the measures needed to correct its excessive deficit. However, the situation of instability of this economy made it appropriate to introduce budgetary trimming measures in December, and these represent a step in the right direction to avoid the initiation of disciplinary proceedings.

Lastly, the EDPs open also include "invitations" to reform pension and public health systems aimed at ensuring sustainable public finances, especially in those cases in which the Commission considers there is higher risk according to the results of the sustainability report recently prepared by it.

Lastly, the Treaty of Lisbon came into force on 1 December. This treaty endows the European Union with a new legal framework which, among other things, introduces a more efficient decision-making process and will allow the EU to play a greater role in the international sphere.

3.1 Economic developments

In 2009 Q3 euro area GDP grew by 0.4% quarter-on-quarter, after five consecutive periods of decline (see Table 1). This improvement was largely driven by the slower rate of decrease of inventories and by the growth of exports and government consumption, while private-sector spending acted to reduce the momentum of activity. Despite the improved confidence, private consumption contracted and investment also declined, albeit less sharply than in previous quarters due to the recovery of capital goods (see Chart 8). All things considered, the contribution of domestic demand to GDP growth (excluding inventories) was slightly negative and, against a background of import strength, that of net external demand was nil. In year-on-year terms, GDP decreased by 4.1%. The breakdown by branch of activity shows a sizeable increase in the value added of industry, which was up by 2.2% with respect to the previous quarter, and, albeit to a lesser extent, increases in those of wholesale and retail trade and of agriculture.

The recovery of activity was apparent in most EU member countries in Q3. The pattern of growth, however, was mixed. Improved exports and investment and, above all, the positive contribution from inventories, allowed the German economy to grow at a quarter-on-quarter rate of 0.7%. In contrast, private consumption slipped significantly, largely reflecting the fewer registrations following the exhaustion of the funds for the German car purchase stimulation plan. The GDP of France again increased at a quarter-on-quarter rate of 0.3%, thanks to the positive contribution of the external sector and government consumption. Lastly, the GDP of Italy grew by 0.6% with respect to Q2 as a result of the recovery of investment in capital goods and of private consumption, linked to government incentives to stimulate car purchases.

Employment contracted further in Q3. The fall of 0.5%, similar to that of the previous quarter, took the year-on-year rate to -2%. The sharpest decreases were again seen in industry and in construction, and amounted to 1.6% and 2% with respect to the previous quarter, respectively. Job losses and the lower rate of contraction of GDP reduced the year-on-year fall of apparent labour productivity, which eased by 0.9% to -2.1%. This behaviour and the wage restraint brought a slowdown in unit labour costs, the year-on-year growth rate of which was 3.5%. At the same time, the fall-off in business margins slackened (see Chart 8).

EURO AREA ECONOMIC INDICATORS (a) TABLE 1

	2008			2009				2010
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
NATIONAL ACCOUNTS (quarter-on-quarter growth, unless otherwise indicated)								
GDP	-0.3	-0.4	-1.9	-2.5	-0.1	0.4		
Private consumption	-0.4	0.0	-0.5	-0.4	0.1	-0.1		
Public consumption	0.7	0.5	0.6	0.6	0.6	0.6		
GFCF	-1.4	-1.2	-4.0	-5.4	-1.6	-0.8		
Imports	-1.0	0.0	-4.8	-7.4	-2.8	3.0		
Exports	-0.5	-1.3	-7.2	-8.6	-1.2	3.1		
Contributions to quarter-on-quarter GDP growth (pp)								
Domestic demand (excl. stocks)	*-0.4*	*-0.2*	*-1.0*	*-1.2*	*-0.1*	*-0.1*		
Change in stocks	*-0.2*	*0.3*	*0.2*	*-0.8*	*-0.6*	*0.5*		
Net external demand	*0.2*	*-0.5*	*-1.1*	*-0.5*	*0.5*	*0.0*		
GDP (year-on-year rate of change)	*1.4*	0.4	-1.8	-5.0	-4.8	-4.0		
ACTIVITY INDICATORS (quarterly average)								
IPI seasonally and working-day adjusted	-1.1	-1.6	-8.2	-8.4	-1.2	2.3	*0.9*	
Economic sentiment	99.2	92.4	80.0	71.5	75.6	84.1	91.9	95.7
Composite PMI	50.8	47.6	40.2	37.6	43.2	49.5	53.6	53.6
Employment	0.1	-0.2	-0.4	-0.7	-0.5	-0.5		
Unemployment rate	7.4	7.6	8.0	8.8	9.3	9.6	*9.9*	
PRICE INDICATORS (y-o-y change in end-period data)								
HICP	4.0	3.6	1.6	0.6	-0.1	-0.3	0.9	
PPI	7.9	7.7	1.2	-3.2	-6.5	-7.6	*-2.9*	
Oil price (USD value)	132.0	98.1	40.5	46.8	68.8	67.7	74.4	*72.1*
FINANCIAL INDICATORS (end-period data)								
Euro area ten-year bond yield	4.9	4.5	3.8	4.1	4.2	3.8	4.0	*4.1*
US-euro area ten-year bond spread	-0.88	-0.88	-1.76	-1.31	-0.63	-0.47	-0.17	*-0.45*
Dollar/euro exchange rate	1.576	1.430	1.392	1.331	1.413	1.464	1.441	*1.391*
Appreciation/ depreciation of the NEER-21 (b)	2.9	-1.0	2.5	-0.6	-0.9	0.2	-1.0	*-2.5*
Dow Jones EURO STOXX 50 index (b)	-23.8	-30.9	-44.3	-15.5	-2.0	17.2	21.0	*-5.8*

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

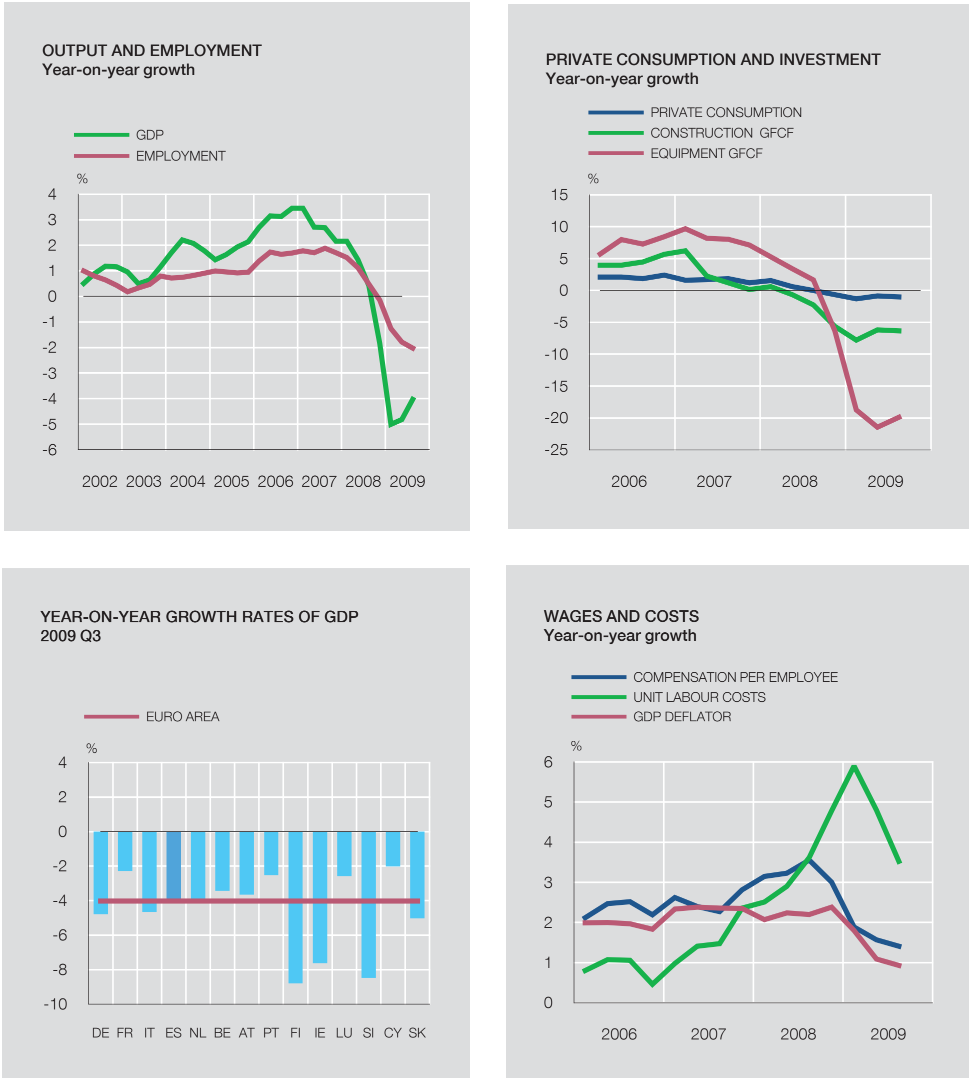
a. Information available up to 01 February 2010. Figures in italics are not full quarters.
b. Percentage change over the year.

The latest information suggests that euro area activity recouped a positive rate of growth in the last quarter of the year (see Chart 9). On supply side data to November, industrial production and industrial orders increased with respect to the previous quarter, albeit at a weaker rate than in Q3. Confidence indicators held on their upward path and stood at levels compatible with increased activity, a trend which continued in January. Although the unemployment rate increased to 10% in December, the qualitative labour market indicators reversed their downward trend, holding at levels below their historical averages.

Turning to the demand side, despite the climate of greater confidence, household spending indicators were extremely sluggish. In Q4 the retail sales indicator fell more sharply and the termination of the car purchase incentive plans was reflected in a slowdown in registrations. As to investment in capital goods, the level of capacity utilisation increased slightly in the closing months of the year and in January, although it remained that levels well below its long-term average. The assessment of industrial order books in the European Commission's monthly survey, which can also be interpreted as another indicator of demand pressure, improved notably in Q4 and in January. The information for October and November reflects, on average, a moderate increase in sales abroad, while the outlook for exports and the assessment of foreign orders continue to improve. As explained in Box 3, the trade structure of the euro area

EURO AREA NATIONAL ACCOUNTS

CHART 8



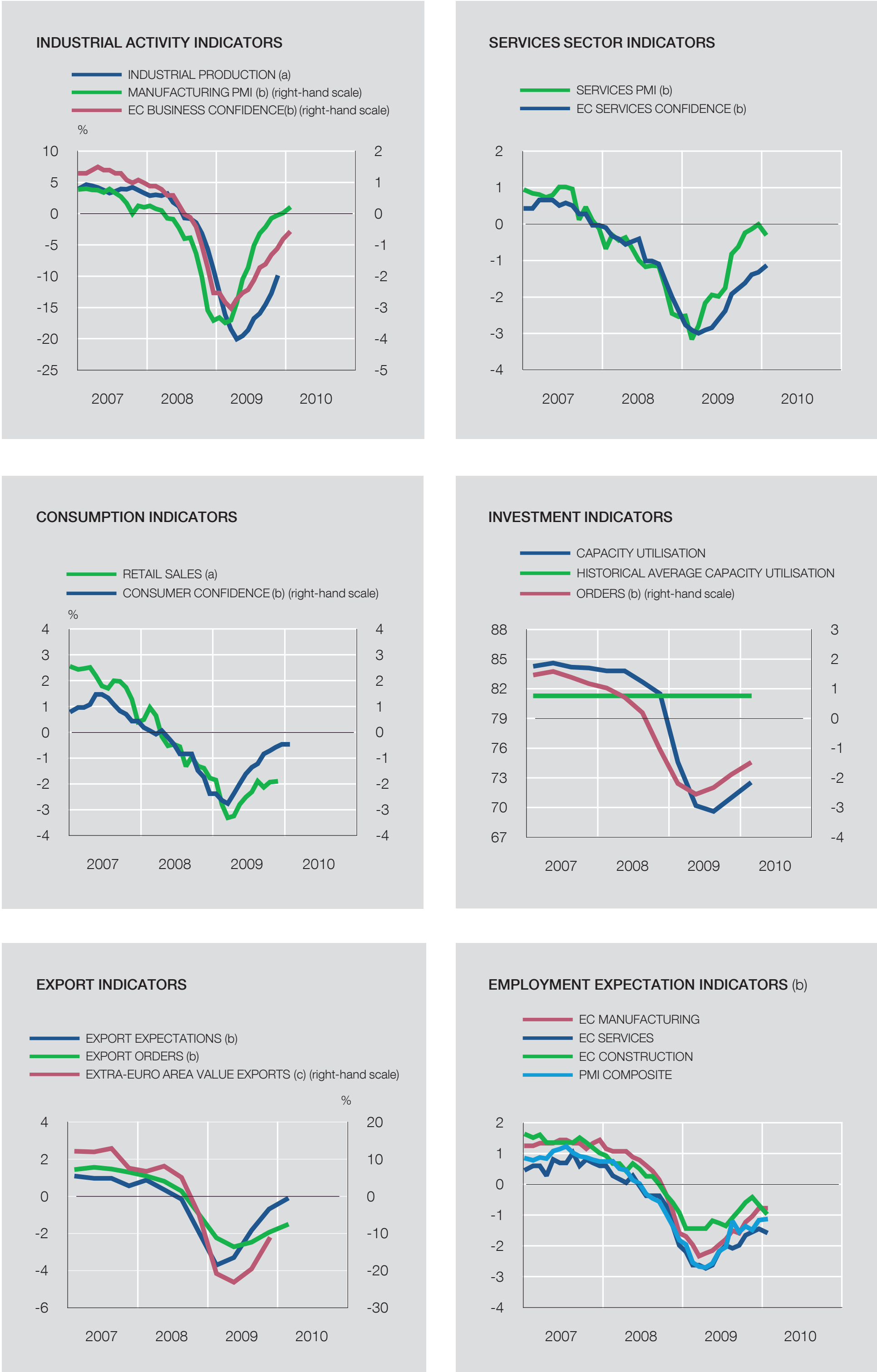
SOURCES: Eurostat and national statistics.

is somewhat biased towards less economically buoyant regions, so euro area exports will foreseeably grow more weakly than world trade. Lastly, the European Commission's stock assessment indicator suggests that, in the second half of the year, inventories will again contribute positively to GDP.

Despite the recovery of output in the second half of 2009, underpinned basically by factors of a temporary nature such as the contribution from fiscal and monetary policies and the moderation in the rate of destocking, the intensity of the crisis will undoubtedly mean that, as predicted by most international agencies, 2009 will close with a fall in GDP of nearly 4%. In the medium term, the latest forecasts of international agencies point to a slow economic recovery, with a growth rate this year which is more feeble than that at end-2009, as a reflection of the fading of the temporary stimuli and the weakness of domestic demand (see Table 2). Indeed, it is likely that the excess plant capacity and the fall in business profits will hold back investment, while private consumption is not expected to become strong, basically due to the high unemployment rate. This scenario of slow growth is also subject to downside risks derived from the scale of the financial system restructuring and from the intensity of the adjustment in employment. In addition, insufficient fiscal consolidation which does not allow countries to

EURO AREA. ACTIVITY, DEMAND AND EMPLOYMENT INDICATORS

CHART 9



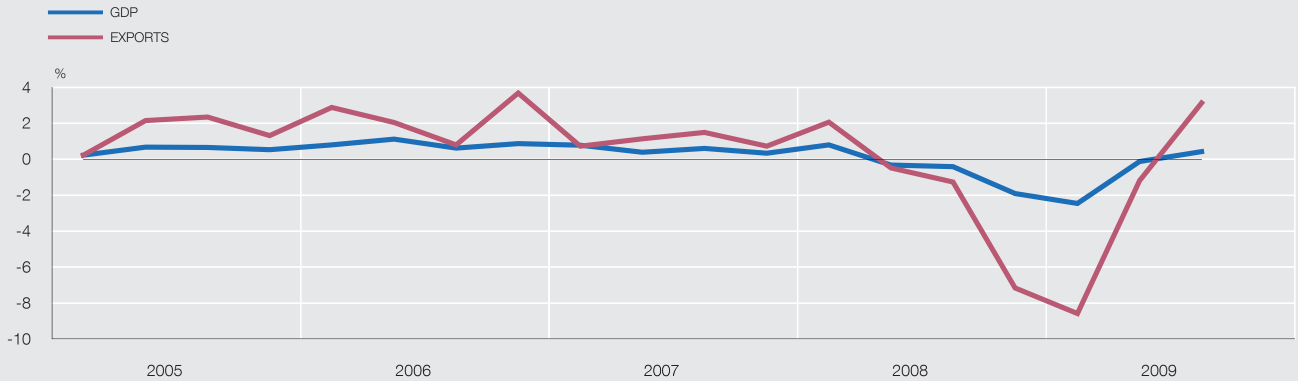
SOURCES: European Commission, Eurostat and Markit Economics.

a. Non-centred year-on-year rates, based on the quarterly moving average of the seasonally adjusted series.
b. Normalised series.
c. Year-on-year rates of the original series. Quarterly average

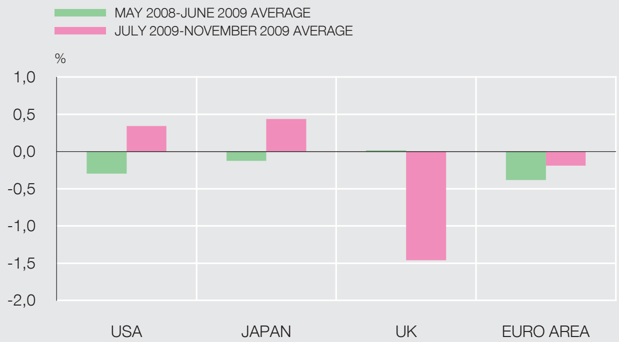
In 2009 Q3 euro area GDP increased for the first time since the beginning of 2008, partly due to the boost from exports (see Chart 1). Given that the growth of domestic demand remains subdued for the time being, the continued recovery of activity in the coming quarters will depend largely on how exports perform. Against a background in which the appreciation of the euro may hinder competitiveness, euro area exports will be strongly determined by world trade developments.

The geographical composition of euro area exports may affect the strength of the recovery of external demand and, ultimately, activity. Indeed, the economic recovery is not uniform in all regions of the world. Therefore, if the export structure of the euro area is biased towards more vigorous areas, the demand from abroad will be greater than if the euro area's export customers are slow in getting over the crisis. To assess the impact of export structure on the buoyancy of exports, a simple indicator of relative export demand for the euro area

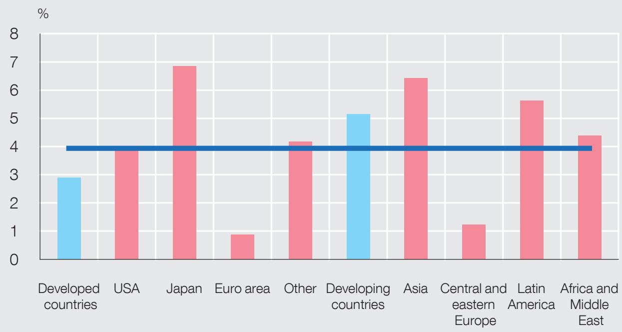
1 GDP AND EXPORTS
Quarter-on-quarter growth



2 EXPORT DEMAND INDICATOR.



3 IMPORT GROWTH BY REGION (a)
July-November average



GEOGRAPHICAL COMPOSITION OF NOMINAL EXPORTS. 2008

	WORLD	USA	JAPAN	UNITED KINGDOM	EURO AREA
ADVANCED ECONOMIES	66.2	59.1	57.7	79.5	45.8
USA	12.8	0.0	17.8	13.9	13.1
Japan	4.4	5.1	0.0	1.5	2.6
Euro area	28.5	15.6	10.5	50.8	0.0
Other	20.5	38.4	29.5	13.2	30.1
EMERGING ECONOMIES	33.8	40.9	42.3	20.5	54.2
Asia	12.9	10.3	27.4	5.1	9.3
Central and eastern Europe	9.3	3.0	4.1	6.5	26.7
Latin America	5.5	22.2	5.0	1.9	5.4
Africa and Middle East	6.0	5.5	5.8	7.0	12.7

SOURCES: Eurostat, Banco de España, IMF and CPB.

a. Past 3 months over previous 3 months, percentage change.

was built and compared with those obtained for the United States, Japan and the United Kingdom. The indicator is calculated as the sum of the differences between the total import growth of each region of destination and the world total, weighted by the share of each of these regions within the exports of the country. A positive value of the indicator indicates that the country is exporting to areas in which demand is more buoyant than that of average world trade.[1]

Chart 2 sets out the recent course of this indicator. It shows that in the period of contraction of world trade between May 2008 and June 2009, the demand for euro area exports fell more than world imports and that this difference has persisted during the recovery initiated in July. By contrast, in the United States and Japan external demand has been growing since last summer at slightly higher rates than world trade.

The breakdown of impact by area shows that in the current phase of recovery of world trade, the euro area's geographical bias towards central and eastern Europe, which is growing at rates below the world average, is resulting in a lower buoyancy of exports (see Chart 3 and the table below it). The negative contribution of this area was not offset by the slight positive effect of the higher relative growth of Asia and Latin America and, to a lesser extent, of Africa and the Middle East, which represent, respectively, 9.3%, 5.4% and 12.7% of its total exports.

By contrast, both the United States and Japan are counterbalancing the negative trade developments with the euro area (the import growth of which is 3.1 pp below that of the world) through exports to other more buoyant areas. Thus the United States has benefited from its strong commercial ties with Latin America and Asia, while Japan has basically taken advantage of its bias towards the Asian market. The high importance of European trade in UK exports explains why they are growing less than would have been determined by the trend of world trade recovery.

In short, the geographical specialisation of euro area exports does not, in principle, seem to be appropriate to fully exploit a world economic recovery with the significant foreseeable differences between countries. This contrasts with a more beneficial trade composition in the United States and Japan, where the greater weight of sales to Latin America and Asia is a key factor in boosting their exports.

1. The world trade data used were taken from the independent research Institute Netherlands Bureau for Economic Policy Analysis and extend up to November.

meet their commitments within the EU could weaken the agents' confidence and hinder the sustained growth of the economy in the medium term.

Euro area inflation turned positive again in the closing months of the year and, on preliminary Eurostat estimates, rose to 1% in January (see Chart 10). This earlier-than-expected pick-up in prices mainly reflects the base effect due to the marked falls in energy prices a year ago. Underlying inflation, as measured by the CPI excluding unprocessed food and energy, held steady at 1% in Q4, after having trended downwards since end-2008. By component, the moderate fall in services and non-energy industrial goods inflation was offset by the rise in processed food prices. Meanwhile, the year-on-year fall in industrial prices slackened to -4.4% in November, basically as a result of movements in the energy component.

The high level of slack in productive capacity, explained by the weak demand, makes it foreseeable that, in the coming months, inflation will continue to be low and positive. According to the Eurosystem December forecast, inflation will average between 0.9% and 1.7% in 2010 and between 0.8% and 2% in 2011. Possible upside risks to this scenario could arise from further commodity price rises and from increases in indirect taxes and administered prices to reduce the high government deficits reached during the crisis. On the other hand, the downward sensitivity of prices to the high degree of slack accumulated in the economy in the last few quarters may possibly be greater than anticipated.

On estimates published by the ECB, the euro area current account deficit amounted to €66 billion (0.8% of GDP) between January and November 2009, nearly half that in the same period of the previous year. Except for the services balance, on which the surplus decreased

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

	2010		2011	
	GDP	HICP	GDP	HICP
ECB (December 2009)	0.1-1.5	0.9-1.7	0.2-2.2	0.8-2.0
European Commission (November 2009)	0.7	1.1	1.5	1.5
IMF (January 2010)	1.0	—	1.6	—
OECD (November 2009)	0.9	0.9	1.7	0.7
Consensus Forecast (January 2010)	1.3	1.2	1.6	1.5
Eurobarometer (January 2010)	1.3	1.2	1.6	1.5

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

a. Annual rates of change.

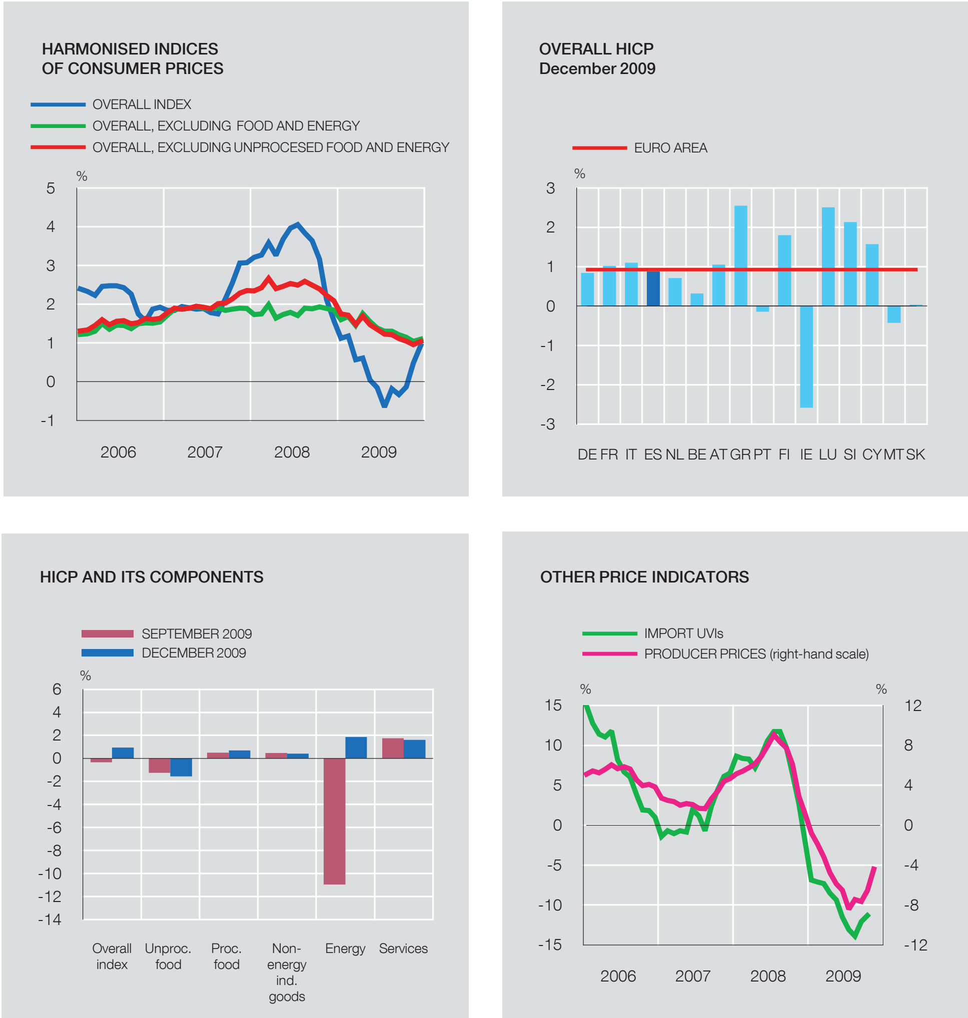
slightly, the other components performed more favourably. Thus the negative balance on trade in goods became a surplus as a result of exports falling by less than imports, while the income and current transfers deficit continued to decrease. As regards the financial account, between January and November the net outflows of capital in the form of direct investment amounted to €90 billion, compared with €187 billion in the same period of 2008, while net inflows of portfolio investment amounted to €298 billion, down on the €346 billion in the same period of 2008. Hence, in these eleven months of the year, the basic balance, which is the sum of the current account balance and these two types of investment, showed a surplus of €142 billion, up considerably on the surplus of €27 billion in the same period of 2008 (see Chart 11).

The European Commission's autumn forecasts reconfirmed a significant deterioration in fiscal balances. The euro area's general government deficit will stand at 6.4% of GDP in 2009, against 2% in 2008, and only two countries (Finland and Luxembourg) will comply with the deficit threshold of 3% of GDP (see Table 3). As a result, the December ECOFIN Council meeting initiated the excessive deficit procedure against eight euro area Member States. These events are described in detail in Box 2. For the countries in this situation since April, the Council positively assessed the measures adopted in the cases of Ireland, Spain and France, for whom new recommendations were approved which extend the time horizon for putting their public finances on a sound footing. By contrast, the Council considered that the actions of the Greek government had been insufficient and, furthermore, in January it required action to be taken to remedy the serious deficiencies revealed in its fiscal statistics following the examination by the European Commission. Consequently, Greece submitted a stability programme designed to reduce its budget deficit of 4 pp of GDP in 2010 to 3 pp in the following years, taking it to 2.8% of GDP in 2012. This budgetary programme prescribes a permanent increase in income tax and other extraordinary tax measures which, on the spending side, complement the containment of public-sector wages and the freezing of new recruitment. Meanwhile, Ireland also submitted a highly ambitious stability programme involving substantial cuts in government spending, particularly in government employees' wages.

The expansionary stance of fiscal policy is expected to continue in 2010, although the countries whose public finances have deteriorated most, such as Ireland, Greece and Spain, have begun to take fiscal consolidation measures. Overall, the forecasts of most international agencies indicate that the budget balance will remain practically steady at levels near 7% of GDP in 2010. According to European Commission forecasts, public debt will reach 84% of GDP in 2010, up from the 78.2% estimated for 2009 and the 69.3% in 2008. As

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

CHART 10



SOURCES: Eurostat and European Central Bank.

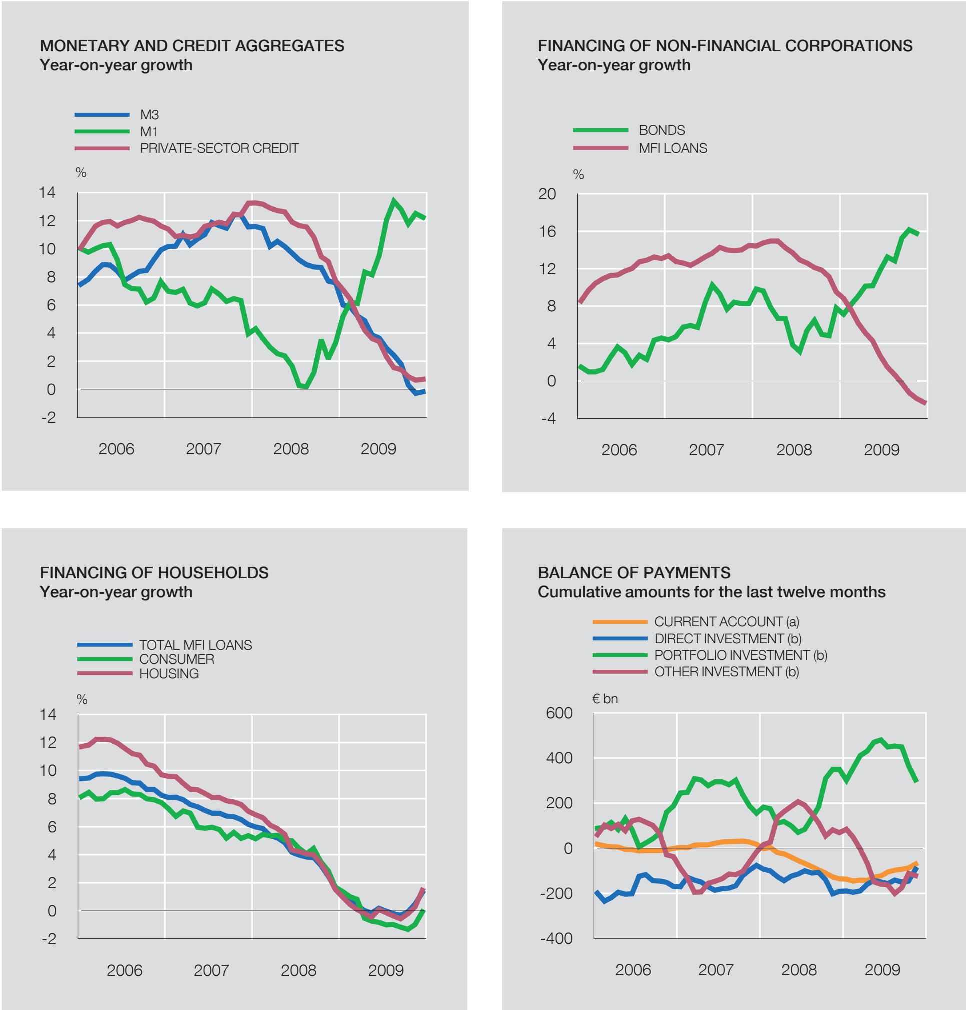
revealed by the European Commission's sustainability report in November, bearing on these figures are additional risks posed by population ageing and by the contingent liabilities acquired during the rescue of the banking system. Given this situation, it will not be possible to guarantee financial stability and economic growth if Member States do not adopt credible and ambitious consolidation strategies. They should start to define the details of these strategies in the stability programmes to be submitted in early 2010.

3.2 Monetary and financial developments

The stabilisation of the euro area's financial situation continued in 2009 Q4. Volatility and credit risk premia continued to fall (with exceptions in sovereign bonds) and the financial markets became more active, while banks resorted less and less to government guarantees and, in some cases, repaid the aid received in the form of capital.

Despite these improvements, there are still pockets of fragility in the financial situation which give rise to bouts of local instability, as exemplified by the case of World Dubai and the growing concern over the fiscal situation of Greece. According to the latest estimates of the ECB and the IMF, banks are still exposed to high losses on their balance sheets. In addition, the process of deleverage under way in the banking sector may pose an obstacle to the eventual recovery of lending activity once demand rises, although clear signs of this have yet to be observed, according to the latest bank lending survey.

MONETARY AND CREDIT AGGREGATES AND BALANCE OF PAYMENTS CHART 11



SOURCES: ECB and Banco de España.

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

The ECB pursued a policy of generous liquidity provision and, given the improvement in the funding markets, in December it announced the first steps towards a gradual withdrawal of some of the extraordinary measures introduced during the financial crisis. Thus the last one-year refinancing operation was in December and the six-month tenders will cease following that in March. Further, the ECB, acting in coordination with the central banks involved, announced the discontinuation of operations in Swiss francs and in US dollars from 31 January. In any event, the ECB will continue to provide euro-denominated liquidity on soft terms through the fixed-rate full-allotment procedure, which will continue during at least 2010 Q1. Meanwhile, under the covered bond acquisition programme under way since mid-2009, the Eurosystem has made outright purchases of more than 50% of the €60 billion planned.

The absence of inflationary pressures in the medium term, against a background in which the recovery promises to be timid, meant that, in its meetings up to February, the ECB Governing Council held official interest rates unchanged. Hence the rate on main refinancing operations has stood at 1% since May, while those on lending and deposit facilities were 1.7% and 0.25%, respectively (see Chart 12).

EURO AREA GENERAL GOVERNMENT.
BUDGET BALANCES AND PUBLIC DEBT

TABLE 3

% of GDP

	BUDGET BALANCES (a)					
	2007	2008	2009		2010	
			EC (b)	EDP (c)	EC (b)	IMF (d)
Belgium	-0.2	-1.2	-5.9	-5.9	-5.8	-6.3
Germany	0.2	0.0	-3.4	-3.7	-5.0	-4.6
Greece	-3.7	-7.7	-12.7	-12.5	-12.2	-7.1
Spain	1.9	-4.1	-11.2	-9.5	-10.1	-12.5
France	-2.7	-3.4	-8.3	-8.2	-8.2	-7.1
Ireland	0.3	-7.2	-12.5	-11.9	-14.7	-13.3
Italy	-1.5	-2.7	-5.3	-5.3	-5.3	-5.6
Luxembourg	3.7	2.5	-2.2	-2.2	-4.2	-4.4
Netherlands	0.2	0.7	-4.7	-4.8	-6.1	-5.7
Austria	-0.6	-0.4	-4.3	-3.9	-5.5	-5.6
Portugal	-2.6	-2.7	-8.0	-5.9	-8.0	-7.3
Finland	5.2	4.5	-2.8	-2.7	-4.5	-4.2
Slovenia	0.0	-1.8	-6.3	-5.9	-7.0	-5.6
Cyprus	3.4	0.9	-3.5	-2.9	-5.7	-6.3
Malta	-2.2	-4.7	-4.5	-3.8	-4.4	-4.4
Slovakia	-1.9	-2.3	-6.3	-6.3	-6.0	-4.4
PRO MEMORIA: Euro area (including Cyprus, Slovakia and Malta)						
Primary balance	2.4	1.0	-3.4		-3.7	
Total balance	-0.6	-2.0	-6.4	-6.0	-6.9	-6.6
Public debt	66.0	69.3	78.2	78.4	84.0	

SOURCES: European Commission, Eurostat and IMF.

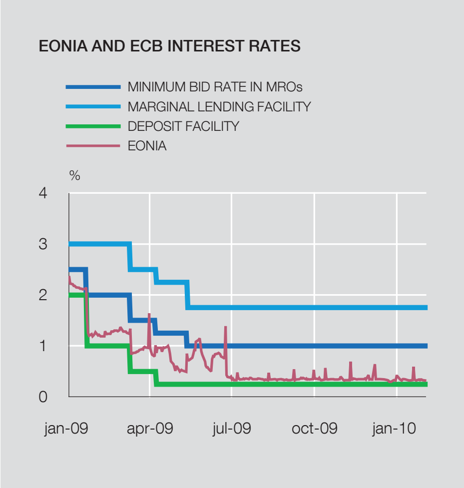
a. Deficit (–)/surplus (+). The deficits that exceed 3% of GDP have been shaded.
b. European Commission October 2009 forecasts.
c. Notification of Excessive Deficit Procedure, autumn 2009.
d. IMF October 2009 forecasts.

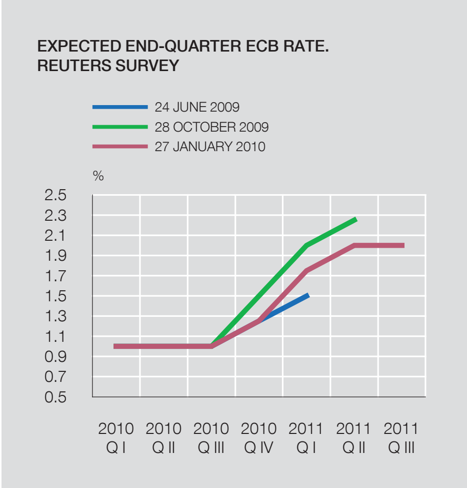
Interbank interest rates held steady at low levels in 2009 Q4. The average levels of three-month and one-year EURIBOR have remained at 0.7% and 1.2%, respectively, since the beginning of the year. In the debt markets, long-term yields saw a slight rise which continued in January, with the euro area 10-year index moving up to average levels of nearly 4.1%. This increase largely reflected the higher risk premia on the sovereign bonds of some Member States and the consequent widening of spreads vis-à-vis the German bund (see Chart 13). The yields on Greek debt increased particularly sharply due to the worrying fiscal situation. This was also reflected in rating downgrades by the three main credit quality rating agencies, in two cases to BBB+. These developments were exacerbated by the revelation of serious deficiencies in Greek fiscal statistics. The warnings about heightened sovereign risk also affected other euro area countries, which saw rises in the cost of their public debt, although to a much lesser extent.

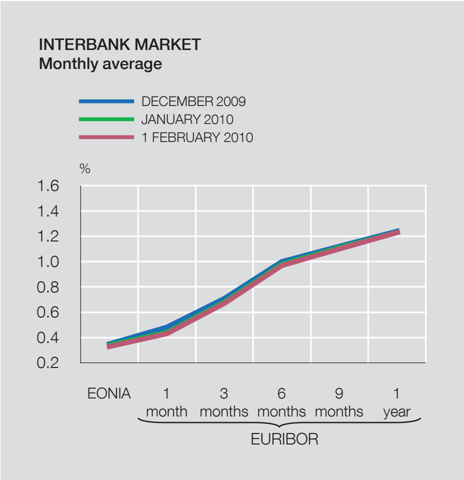
The improvement in confidence again became apparent as the risk premia in a private fixed-income markets narrowed in Q4, most notably in lower credit quality securities. Meanwhile, the cost of bank loans tended to steady around the levels reached at the end of summer, with slight decreases in the case of household credit. According to the January bank lending survey, in Q4 the demand for credit continued to be extremely weak, although a timid increase was observed in house purchase lending. Credit standards underwent no substantial change. In line with these results, lending to households improved in 2009 Q4 and its year-on-year growth, at 1.3% in December, returned to positive territory. The fall in bank lending to firms

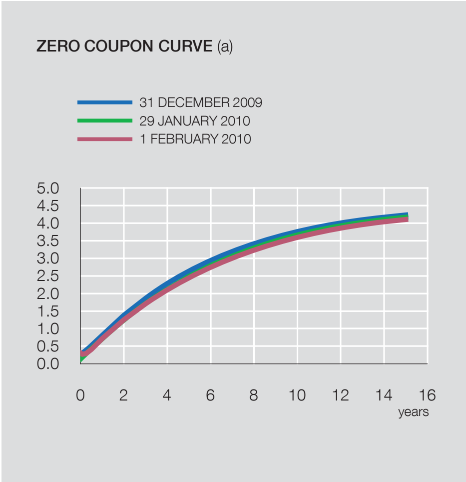
EURO AREA INTEREST RATES

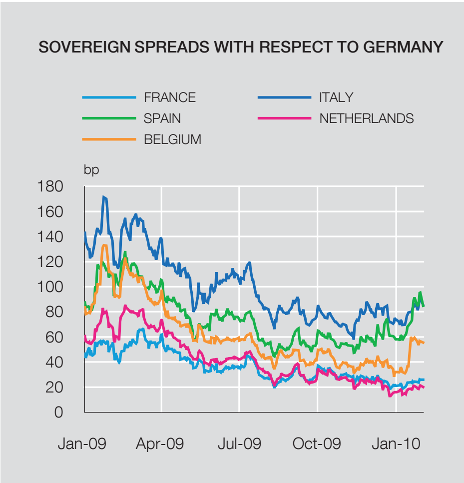
CHART 12

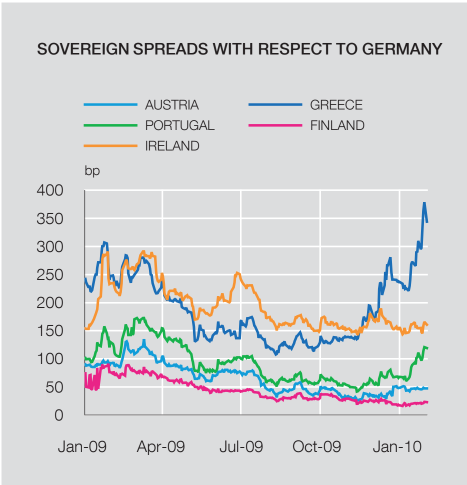










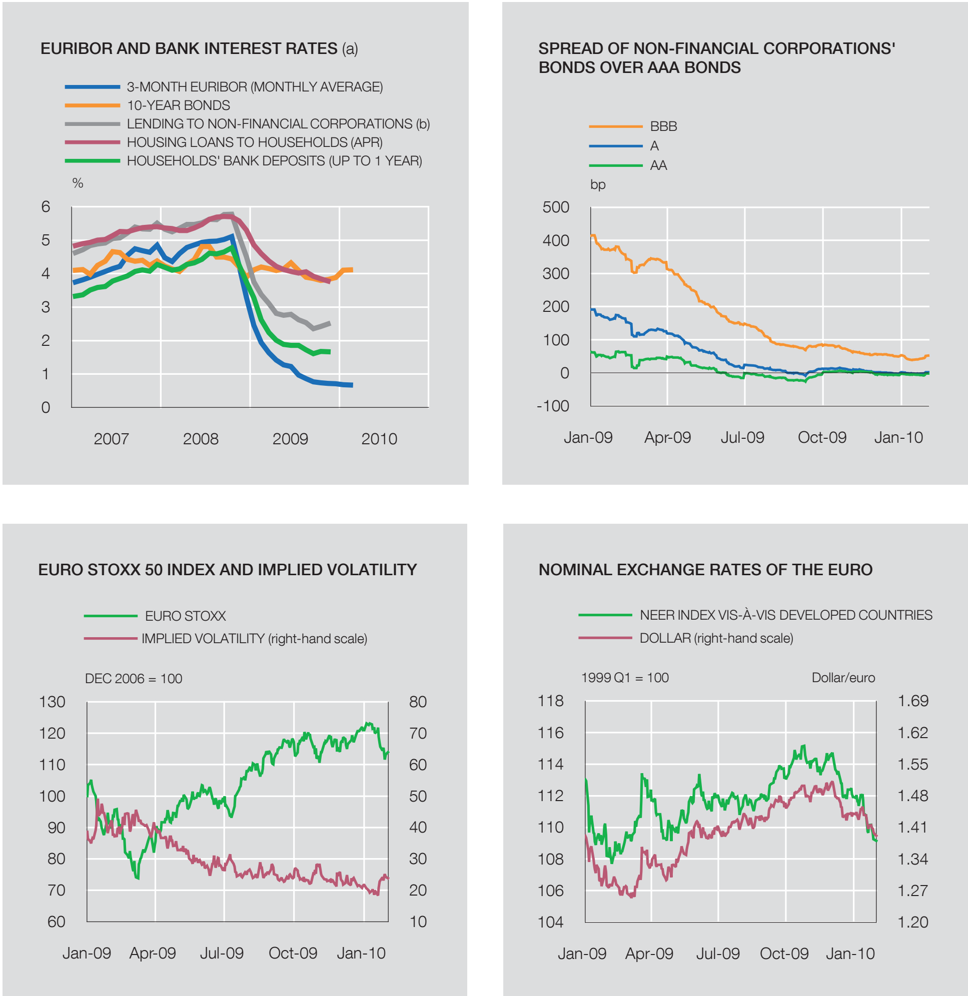


SOURCES: ECB and Banco de España.

a. ECB estimate using swap market data.

EURO AREA INTEREST RATES, STOCK MARKET INDEX AND EXCHANGE RATE

CHART 13



SOURCES: ECB and Banco de España.

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

sharpened in late 2009, declining by 2.3% in the year as a whole. This decrease masks high negative flows in shorter-term contracts and a notable slowdown in overdrafts, since long-term loans showed growth of nearly 4% in the year. To take advantage of the fall in the cost of market funding, firms, particularly large ones, continued to issue bonds profusely. Although they are not the major source of borrowing by European firms, long-term issues grew year-on-year by more than 25% in November.

Equity market prices held on their upward path in 2009 Q4, although rising more moderately than in the previous months. The EURO STOXX 50 index was up by 21% in the year as a whole, with rises of more than 50% in the metals and banking sectors. This path was interrupted in mid-January when international prices plunged as a result of the announcement of possible regulatory changes in the US banking sector. In January to date, the EURO STOXX 50 index has lost more than 5% against a background of heightened volatility.

In the foreign-exchange markets, the euro exchange rate appreciated until end-November, when it was trading at more than $1.50 per euro. It then underwent a sharp downward correction against the major currencies which extended into January, and has depreciated in nominal effective terms by nearly 2.5% so far in the year.

Lastly, the broad monetary aggregate M3 continued to lose momentum and for the first time it posted a negative year-on-year growth rate of -0.2% in December. The low interest rates, the slope of the yield curve and the stock market gains continued to drive a shift in investment towards non-monetary assets in search of higher returns. At the same time, the fall in opportunity costs also encouraged the substitution of M3 assets by those of M1 (cash and deposits), which are growing at year-on-year rates above 12%. This partly reflects the base effects of their behaviour as the financial crisis worsened at the end of 2008.

4 The Spanish economy

On QNA estimates, the pace at which the Spanish economy had been worsening eased off notably in 2009 Q3, as GDP posted a quarter-on-quarter decline of 0.3% in real terms (compared with -1.1% in Q2). The year-on-year rate of GDP, which is subject to greater inertia, fell by 0.2 pp less than the previous quarter, taking it to -4%. Contributing to this lesser contraction in activity was the behaviour of national demand, which declined by 6.2% year-on-year (0.8 pp less than in the previous quarter). Conversely, the contribution of external demand turned down by 0.7 pp to 2.5 pp, in a setting in which both exports and imports saw their annual rates of decline cut significantly. The pace of job destruction virtually stabilised, with a year-on-year change of -7.2%, meaning that productivity continued to show a high growth rate.

On the conjunctural information available, the decline in GDP continued to slacken in Q4. Specifically, it is estimated that the quarter-on-quarter change in GDP was -0.1% (compared with -0.3% in Q3), while the fall in output in year-on-year terms was 3.1%, 0.9 pp less than in the previous quarter (see Chart 14). This performance would testify to the fact that the fall-off in national demand has become less pronounced, standing at -4.8%, although this would partly be the consequence of the effects of certain public measures with a temporary effect (such as the Plan 2000E, which offers incentives for new car purchases, and the State Local Investment Fund). The positive contribution of the external sector remained high (2 pp), but down on the preceding quarter.

The fall in employment also slowed in Q4 to an estimated rate of decline of 6.1% year-on-year, 1.1 pp down on the previous quarter. The growth of apparent labour productivity is expected to have remained sharp, allowing unit labour costs to fall, despite the fact that compensation per employee continued to post high growth, far outpacing that of inflation. As a result, the labour market adjustment continued to fall heavily on employment, in marked contrast to developments in other European countries. Finally, the CPI rose in Q4, meaning that year-on-year inflation turned positive from November and stood at 0.8% in December. The determining factor here was the energy component while, on the contrary, the growth of the CPI excluding energy and unprocessed food prices remained very modest (averaging 0.2% in Q4), testifying to the notable response of inflation to the weakness of demand.

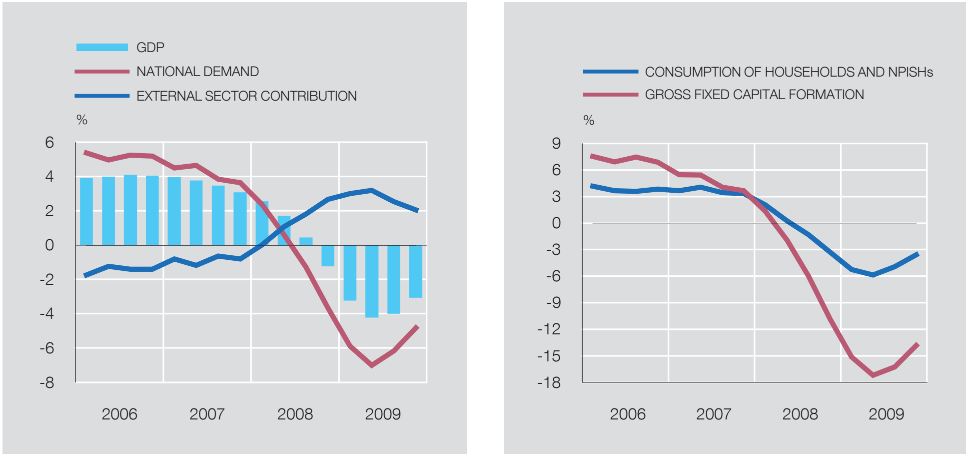
4.1 Demand

In 2009 Q4, final consumption spending by households and NPISHs remained on the sluggish course of the previous quarters (see Chart 15), although in quarter-on-quarter terms it may have posted a slightly positive rate, following seven quarters of decline. Among the quantitative indicators, there was sharp growth in new car registrations in the closing months of the year, boosted by the above-mentioned Plan 2000E, although this might have entailed some bringing forward of household spending and, therefore, it might detract from the demand for these durable goods in the future. Among the qualitative indicators, consumer confidence and retail trade confidence held virtually unchanged in Q4, although they rebounded more clearly in January 2010.

As was the case throughout 2009, household consumption spending during Q4 was affected by the uncertainty associated with the labour market deterioration and by the adverse effect of job destruction on wage income. Further unfavourable contributing factors were the maintenance of tight credit standards and the fall in wealth arising from the declining trend in house prices (a trend which nevertheless progressively slowed during the year). These factors tended to depress consumption, despite the fact that other elements had a positive bearing on house-

MAIN DEMAND AGGREGATES (a)

CHART 14

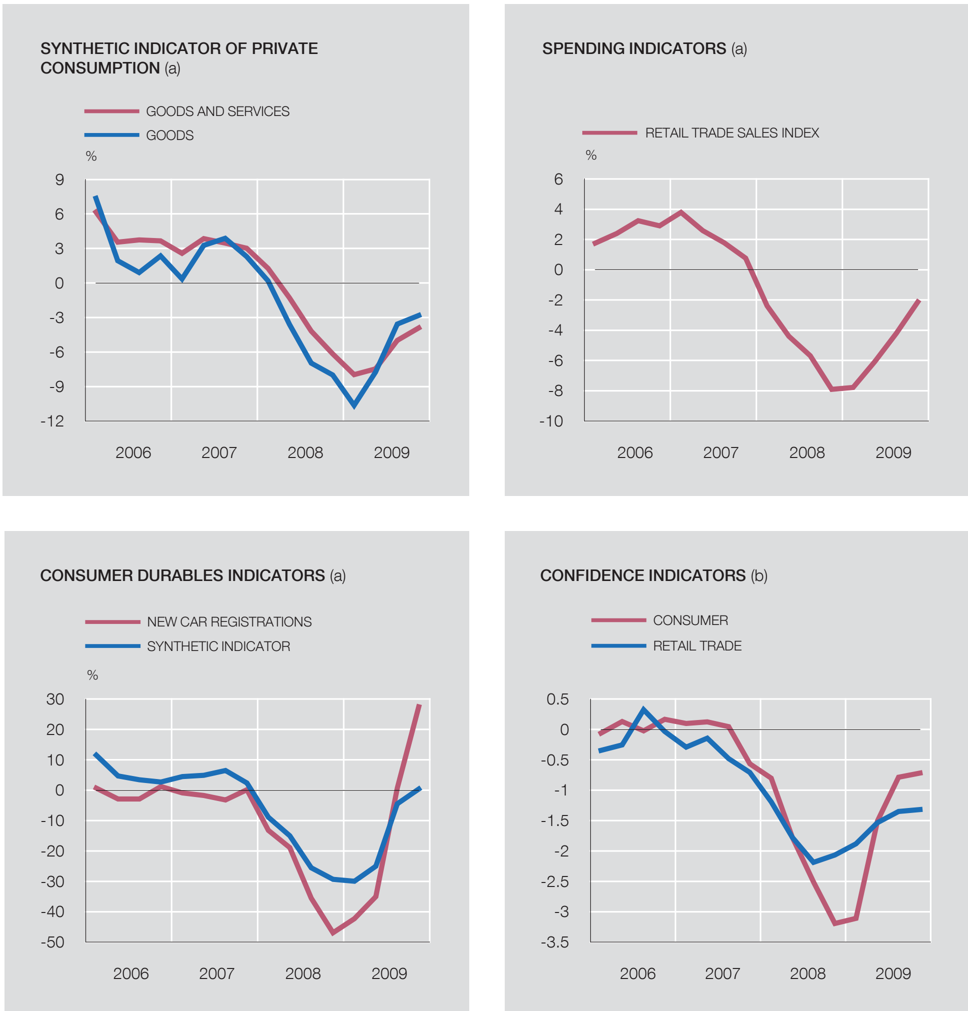


SOURCES: INE and Banco de España.

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

PRIVATE CONSUMPTION INDICATORS

CHART 15

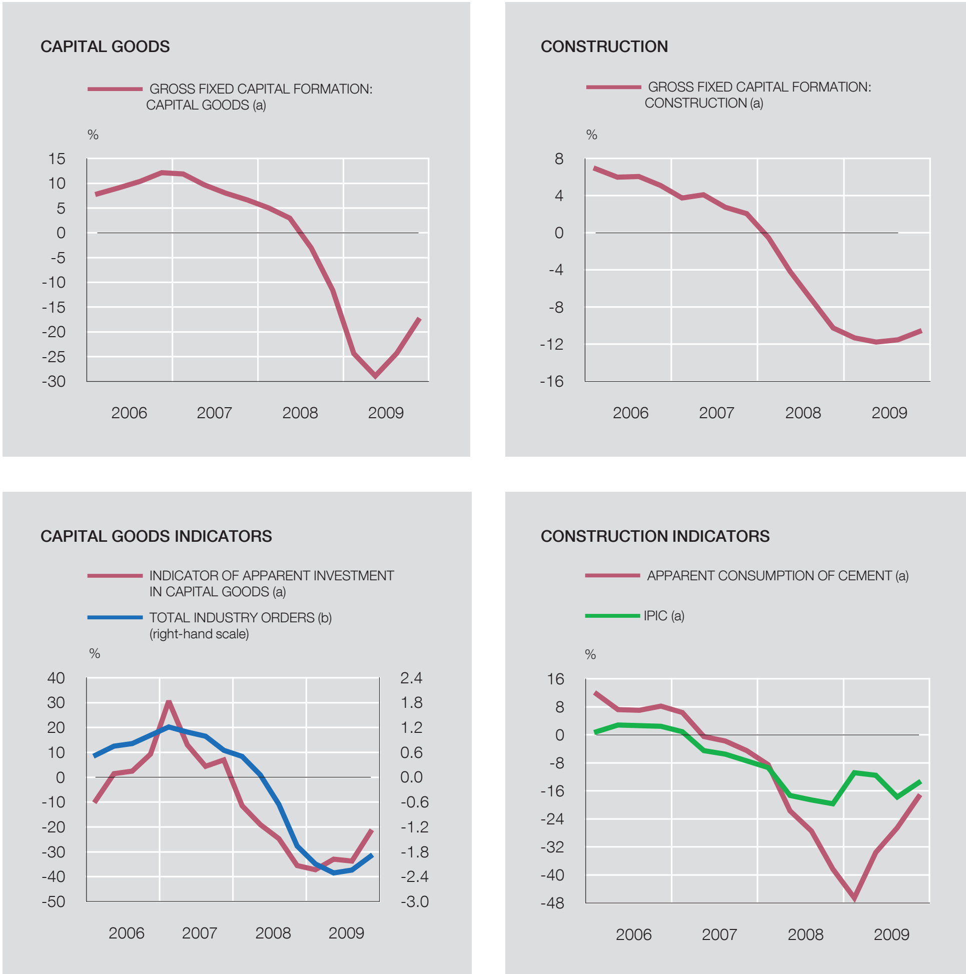


SOURCES: INE, European Commission, ANFAC and Banco de España.

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

GROSS FIXED CAPITAL FORMATION

CHART 16



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

a. Year-on-year percentage change based on the seasonally adjusted series.
b. Normalised indicator (difference between the indicator and its mean value, divided by the standard deviation).
c. Construction Industry Production Index (Eurostat). Year-on-year percentage change based on the seasonally adjusted series.

hold real income, such as low inflation, the moderation of bank interest rates (which mean that net interest payments translate positively into an increase in income) and the impulse provided by general government net transfers. As a result, the sluggishness of consumption was reflected in an increase in the household saving ratio which, on the latest data from the non-financial accounts of the institutional sectors for 2009 Q3, stood at 18.7% of disposable income, an all-time high and 1.1 pp up on the Q2 figure.

It is estimated that final general government consumption grew less, in year-on-year terms, in Q4. This was in line with employment developments in the sector and based on State budget outturn data on expenditure on wages and salaries and net purchases of goods and services.

On the information available, investment in equipment trended less negatively in 2009 Q4, furthering the pattern seen in Q3, when there was less of a downturn than one year earlier (see Chart 16). New commercial vehicle registrations (which, for the second quarter running, posted positive quarter-on-quarter growth, assisted by the Plan 2000E terms) and apparent investment in capital goods (where the strong year-on-year contractions recorded since early 2008 slackened) were both along these lines. Business confidence, both in industry as a whole and in capital-goods-producing branches, was somewhat more favourable in this period, with an improved perception as to order books. Furthermore, capacity utilisation rose slightly at the start of Q4 (the first increase in two years), although it remains far below its historical average. Nonetheless, the year-on-year decline in investment in equipment remained high, against a background of major uncertainty over the force of the recovery in national and external demand, and continuing tight bank credit standards. Further, as in the case of private consumption, some of the rise in recent months in investment in equipment might suggest vehicle-purchase decisions are being brought forward, as a result of the public stimulus plans, which would tend to reduce investment in the future. According to information from the non-financial accounts of the institutional sectors, the slide in business investment was reflected in a fresh decline in the sector's net borrowing in 2009 Q3 to 3.6% of GDP in four-quarter terms (1.5 pp less than in Q2). Also contributing to this was the increase in business saving, driven by the reduction in interest and in tax payments, which offset the decline in the gross operating surplus.

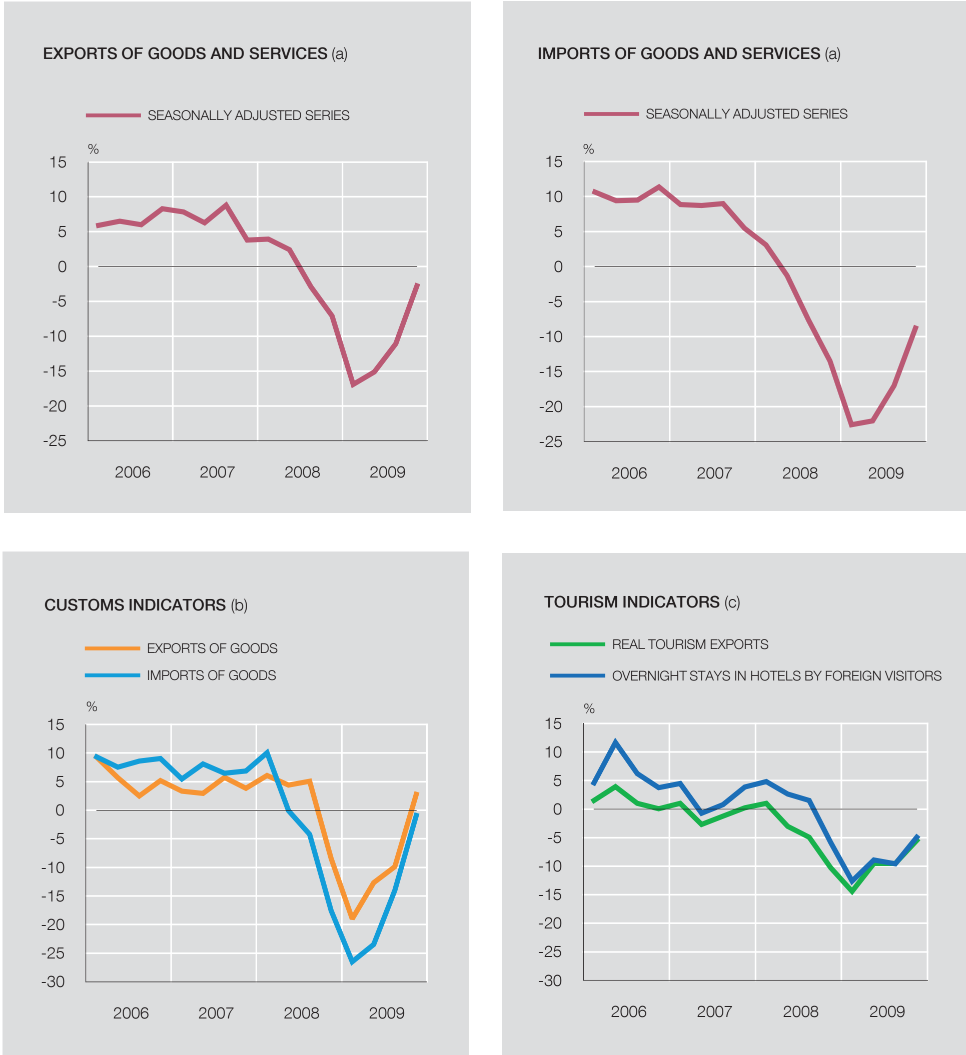
The contractionary behaviour of investment in construction eased in Q4, although this variable held at a very negative rate (see Chart 16). The indicators for the whole of the sector relating to inputs and employment showed a significant slowdown in the pace of the year-on-year downturn, compared with previous quarters. In addition, the indicator of construction business confidence evidenced a clear recovery in 2009 Q4, albeit against a background of some volatility which led it to fall back once more in January this year.

Looking at the different investment components, investment in residential building is expected to have fallen at a slightly lower year-on-year rate than that observed in the previous quarter, although the significant decline in the stock of housing under construction, drawing on the low figures for approvals for new works and for the completion of a still-high volume of projects begun in previous years, means that the prevailing tone continues to be one of sharp contraction in activity in the sector. On the housing demand side, there has been a visible check on the decline in sale transactions in recent months, according to the statistics on the transfer of property rights and to the number of new mortgages taken out. This somewhat less unfavourable picture might be related to the improvement in the affordability indicators which, in turn, is due to the cuts in interest rates and in house prices. However, as in previous quarters, the factors checking the demand for housing – such as the uncertainty over household income generated by the rising unemployment rate and continuing tight credit standards – remain in place. As regards the other components of investment in construction, non-residential building is expected to have severely lost steam in late 2009, according to the figures on approvals for new projects, while the momentum of civil engineering works, linked to the execution of works under the State Local Investment Fund, is estimated to have held up.

Turning to foreign trade, the latest information available suggests that the positive contribution of external demand will have remained high, though down on Q3, in a setting in which both exports and, to a lesser extent, imports continued to post year-on-year declines (see Chart 17). Nonetheless, the pace of the year-on-year decline in both flows was substantially checked. This meant that, in quarter-on-quarter terms, exports and imports posted a positive rate, as in the previous quarter, after their heavy declines in the first half of the year. This pick-up in foreign trade is in line first, with the less unfavourable international setting, as reflected in the emergence from recession of the main advanced economies during 2009 Q3; and further, with the lesser contraction in national demand and in industrial production in Spain. The appreciating trend of the euro in Q4 is expected to have led to a slight worsening in Spain's price-competitiveness indicators against the developed countries, compared with those observed in the same period a year earlier.

FOREIGN TRADE
Percentage change on year ago

CHART 17



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

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

On Customs data, real goods exports improved notably in Q4, posting an increase of 1.2% on average in October and November, in year-on-year terms, compared with a 9.6% decline in Q3. By type of product, this increase was attributable to sales of non-energy intermediate goods and of non-food consumer goods, which posted positive rates, while the weakness of sales of capital goods became more marked. Car exports performed favourably in the closing months of the year, following the sharp deterioration they showed during the first half of 2009, thanks to the recovery in the European demand for motor vehicles. This was a result of the direct assistance plans targeted on new car purchases that were set in place in some of the main European countries. By region, the downturn in exports to the EU was checked in the final months of 2009, in step with the incipient recovery in the main European economies, while the fall-off in sales to third markets – essentially Asian countries – eased.

As regards exports of tourist services, the Balance of Payments information available to November suggests their rate of decline will slow in the final stretch of 2009, in nominal terms.

Drawing on EGATUR (tourism spending survey) figures, nominal tourist expenditure fell by 3.3% in Q4, compared with the decline of 7.4% the previous quarter. Along these same lines are the real tourism indicators, such as tourists inflows into Spain and the number of overnight hotel stays, the year-on-year decline in which lessened in 2009 Q4. The rate of decline of real exports of non-tourist services is expected to have slackened in 2009 Q4, judging by the Balance of Payments data for October and November, in line with the less unfavourable trend of merchandise trade and of passenger traffic.

Turning to imports, and according to Customs data, goods imports stabilised in year-on-year terms in the October-November period, following the decline of 13.8% in Q3. By product group, consumer goods purchases were firm, increasing by 8.7% in this period, owing to the increases in both food and cars. The sluggishness of imports of intermediate goods and capital goods slackened, although imports of the latter continued to post a very severe contraction in the October-November period (16%, compared with the decline of 23% in Q3).

Finally, on balance of payments figures for October and November, the rate of decline of real services imports is estimated to have eased slightly in 2009 Q4, reflecting the somewhat less unfavourable trend of the travel heading, while purchases of non-tourist services remained weak.

4.2 Production and employment

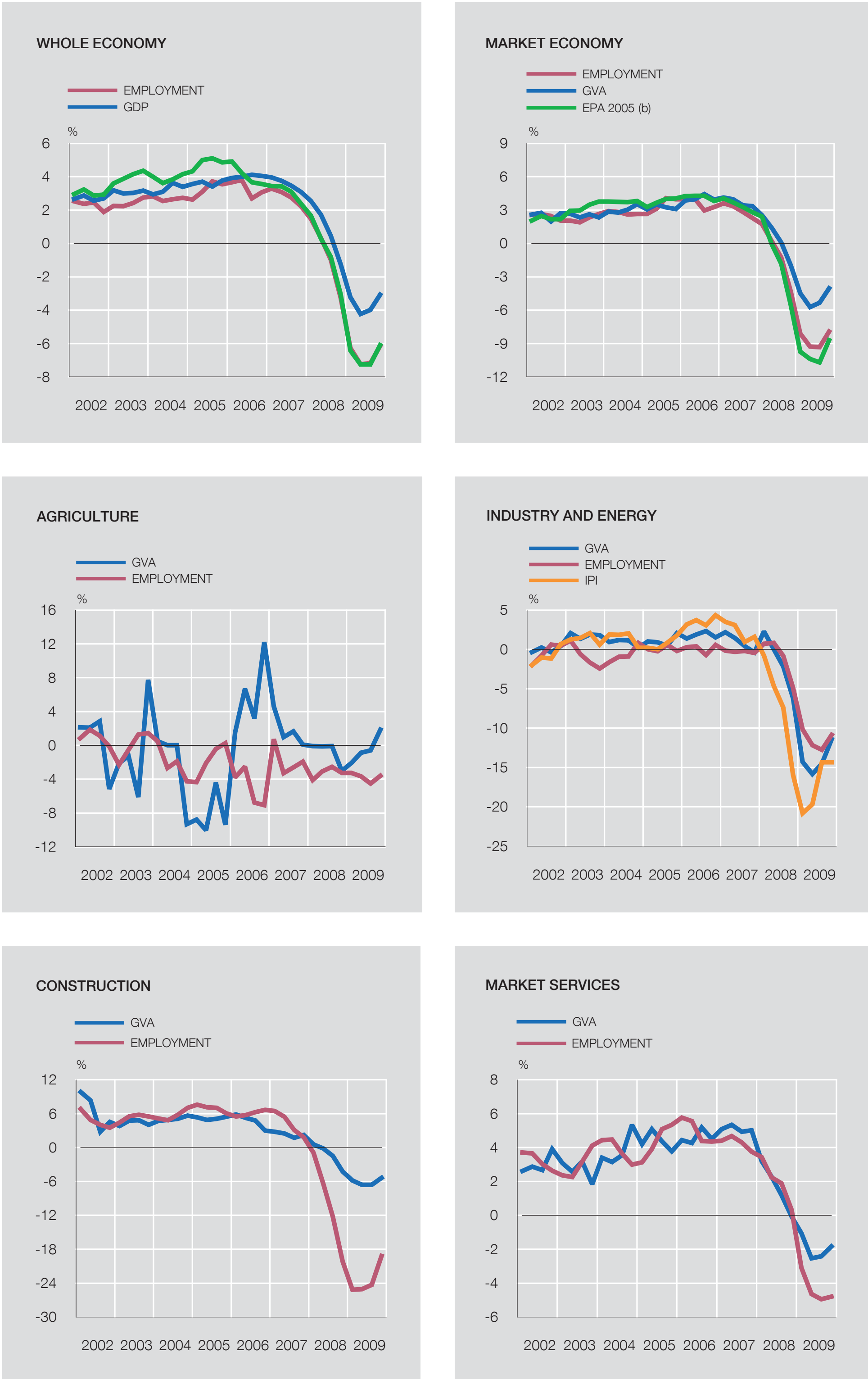
The information available points to a slowing in the year-on-year decline in market-economy gross value added to around 4% in 2009 Q4 (see Chart 18). In the case of the industrial branches, the industrial production index contracted in October and November to a much more moderate year-on-year rate than in Q3. The improvement was extensive to all types of products, with the exception of the energy branches. The growth rate of the production of food goods even turned positive in the October-November period compared with the same two months a year earlier. Finally, as regards the sector's opinion-based indicators, the confidence indicator continued improving gradually in Q4, and also in January 2010, moving progressively away from the lows of early 2009. Conversely, the PMI-manufacturing index fell slightly in the final quarter of the year.

The latest conjunctural information available on the market services sector likewise points to a year-on-year decline on a lesser scale in 2009 Q4 than in Q3. Among the quantitative indicators of the sector, the year-on-year rate of decline of turnover continued to diminish in November, while large corporations' sales of services posted, in real and calendar-adjusted terms, a reduction of 8% on average in October and November, 2.5 pp less than in Q3. As to the opinion-based indicators, an improvement was seen in Q4 in both services confidence and in the PMI, whose levels still remain in recessionary territory. Into January 2010, services confidence fell back notably.

As to the labour market, the information available suggests a slowing in the rate of deterioration of employment in 2009 Q4. Specifically, the average number of Social Security registrations fell by 4.6% in Q4, compared with the 6% decline in Q3. The year-on-year decline in INEM-registered hires was less marked in Q4 than in Q3, with positive year-on-year growth figures in the last two months of the year.

Finally, EPA figures for Q4 showed a 6.1% decline in employment compared with the same period a year earlier, 1.2 pp down on the previous quarter. This lesser decline in employment is estimated to have affected all the market economy branches, especially construction and industry, while there was a very similar fall in market services to that recorded the preceding quarter.

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



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

a. Year-on-year rates based on seasonally adjusted series, except for the EPA which is based on crude series. Employment in terms of full-time equivalent jobs. For incomplete quarters, the year-on-year rate for the period available within the quarter is taken.
b. Series linked by the Banco de España's DG Economics, Statistics and Research on the basis of the control survey conducted using the methodology applied up to 2004 Q4.

The slowdown in the rate of decline of employment was centred on wage-earners, whose numbers fell by 5%, compared with 6.5% the previous quarter, since numbers of self-employed fell by 11.1%, somewhat above the rate observed in the summer months. Job destruction was, as in recent quarters, more marked among foreign-nationality employees (-11.8%), while employment in the group of Spanish nationals fell by 5.1% (-6.8% in Q3). With regard to contract duration, the year-on-year rate of decline of temporary workers eased (-14.7%), though labour shedding continued to be far higher in this group than among those with permanent contracts (-1.3%, somewhat below the 1.7% decline in the previous quarter). As a result, the proportion of temporary to total employees stood at 25.1%, 2.8 pp down on a year earlier. Lastly, part-time hires fell slightly (-0.3%), set against the sharp reduction in full-time contracts, with the ratio of part-time to full-time workers rising once again, as in previous quarters, to 13.3%, compared with 12.5% a year earlier.

The labour force fell by 0.4% in 2009 Q4 compared with the same period in 2008, holding on the progressively slowing path observed throughout the year. This fall was a result of the slowdown in the population aged over 16, which increased by 0.2% (against 0.4% the previous quarter), and of a further year-on-year decline in the participation rate (-0.3 pp). As regards the breakdown by sex, the growth of the female labour force eased to 1% (2.6% in Q3), while the male labour force held on a similar decline to that recorded three months earlier (-1.5%). In terms of nationality, there was a 1.2% reduction in foreign nationals, for the first time in recent years, as a result both of lower immigrant inflows (0.4%, against 2.1% the previous quarter) and of the fall seen in their participation rate. Spanish nationals continued to show a similar year-on-year decline to that seen the previous quarter (-0.3%).

Finally, numbers unemployed increased by around 203,000 in 2009 Q4, despite the fall in the labour force. However, the year-on-year increase in unemployment eased to around 1.12 million, with the year-on-year rate of change of 34.9%, below the figure of 54.7% in Q3. The unemployment rate rose by almost 1 pp during the quarter to 18.8%, although there was a moderation in its increase in year-on-year terms. Official registered unemployment also showed a slowdown in the increase in numbers unemployed in the closing months of 2009, with a year-on-year increase of close to 30%, following a figure of 43.5% in Q3.

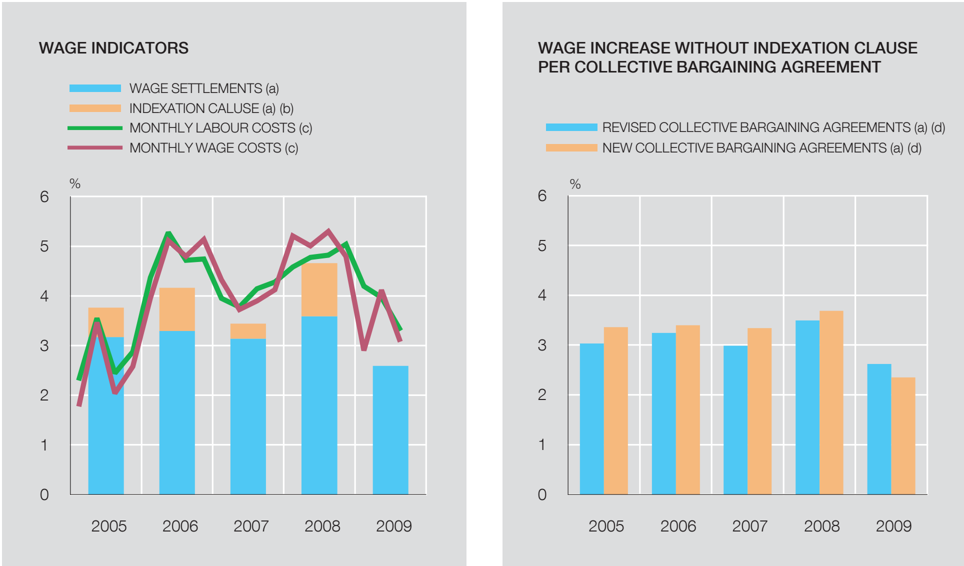
4.3 Costs and prices

Collective bargaining agreements entered into in 2009 affected more than 8.6 million workers (a very similar figure to 2008). The year concluded with an increase in wage rates of 2.6%, 1 pp below the related 2008 settlement. This slowdown, however, has not been in proportion to the intensity of the deflationary process and the downturn in the labour market witnessed last year. Further, wage settlements under newly signed agreements, which cover only slightly more than one million workers, were very similar (2.3%), which testifies to the scant sensitivity of wage bargaining to the adverse labour market conditions. Finally, the wage indexation clauses, which had a strong impact on wage costs in 2008, ceased to exert an influence in 2009 in view of the reduction in inflation (see Chart 19).

In QNA terms, the economy-wide growth of compensation per employee eased by 0.8 pp in 2009 Q3 to 3.9% (and by 0.2 pp in the market economy, to 3.8%). All told, this growth is notably higher than the wage increases agreed under collective bargaining, which reflects the possible drift associated with the composition effects habitually observed in periods of strong job destruction since, comparatively, more jobs with lower-than-average compensation are destroyed. A further easing in the rate of expansion of compensation per employee is expected for the close of the year, although this is estimated to have continued rising at a substantially higher rate than that of prices (see Chart 20). This somewhat lower National Accounts-terms wage growth, along with the stabilising of the rate of increase of productivity, is

WAGE INDICATORS AND LABOUR COSTS

CHART 19

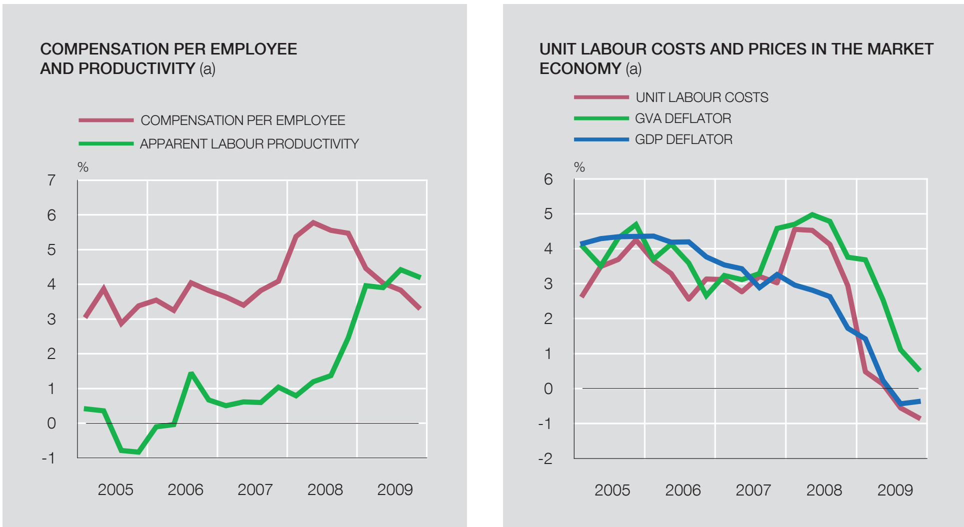


SOURCES: INE and Ministerio de Trabajo e Inmigración.

a. The last year, with information from collective bargaining agreements to October 2009.
b. Previous year's indexation clause.
c. ETCL (quarterly labour costs survey). Year-on-year rates of change.
d. Revised: collective bargaining agreements with economic effects in the year but which were signed in previous years and are in force for more than one year. New: collective bargaining agreements signed and with economic effects in the year, this being the first or only year they are in force.

PRICES AND LABOUR COSTS IN THE MARKET ECONOMY

CHART 20



SOURCES: INE and Banco de España.

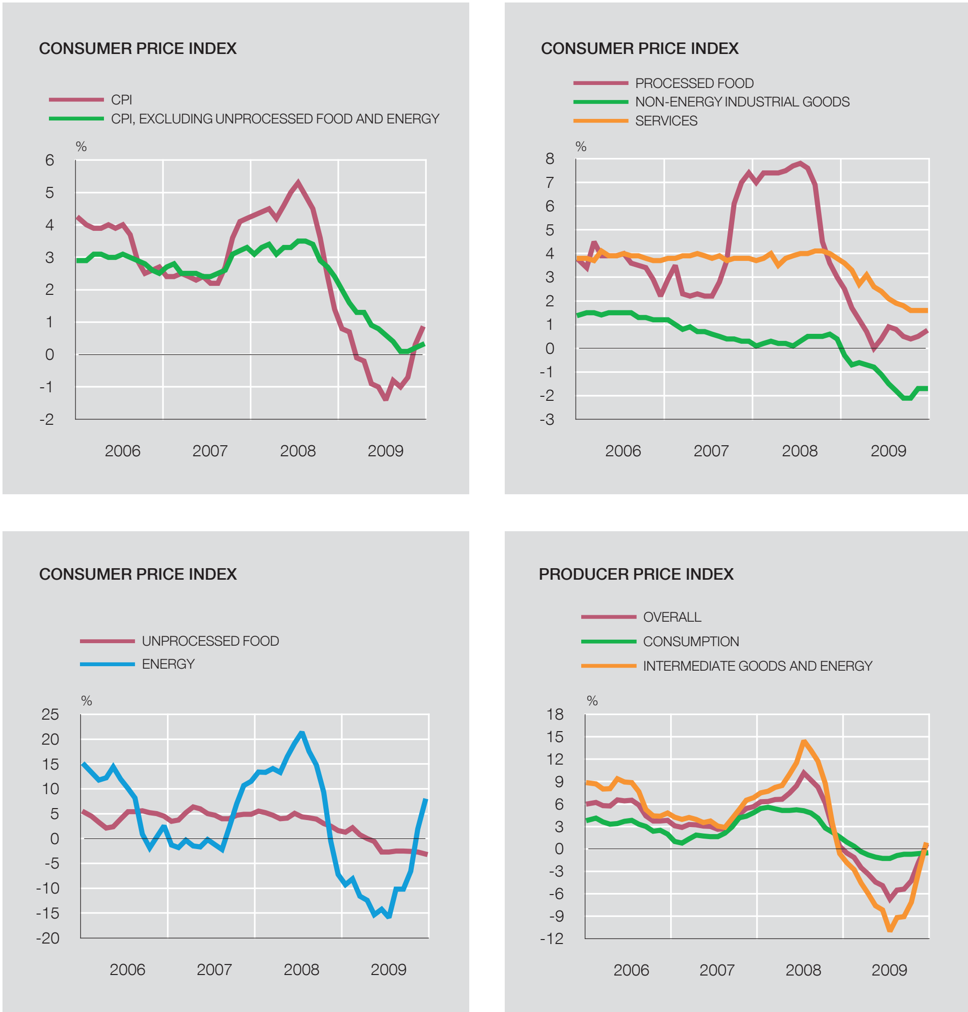
a. Year-on-year percentage change based on QNA seasonally adjusted series.

expected to have led in Q4 to a further slowdown in unit labour costs, whose rate of change will have been virtually zero.

For the final quarter of 2009, the domestic component of inflation (measured by the rate of change of the GDP deflator) is estimated to have fallen at a similar rate to that in Q3. At the same time, the fall in import prices will have moderated, as a result of oil price developments, which translated into a less pronounced reduction in the final demand deflator. Among the

PRICE INDICATORS (a)
Spain

CHART 21



SOURCE: INE

a. Year-on-year rate of change based on the original series.

components of this latter variable, it is estimated that the easing of the reductions in the deflators of goods exports and of those of the main national demand components was generalised in Q4.

In particular, the growth rates of the various indicators of consumer prices increased in Q4. The CPI, which had posted a decline of 1% in September, closed Q4 with positive growth of 0.8% (see Chart 21). On average for the quarter, the increase was 0.1%, compared with the decline of 1% in the previous period. The rise in the overall index in Q4 was essentially due to the reversal of the base effects in energy prices, which grew by 0.7%, following a 12.1% decline in Q3. This was the outcome of the rise in transport and heating fuel prices, in parallel with dearer oil on international markets compared with the same period a year earlier, which was offset only partially by the appreciation of the euro against the dollar. Conversely, the remaining CPI components continued to undergo the effects of the sluggishness of demand. Specifically, non-energy industrial goods prices fell at a similar rate to that in Q3 (-1.8%), with sharp falls in car prices as a result of the proliferation of offers and of the plan establishing direct incentives for car purchases. The growth rate of services prices continued declining to 1.6%, in contrast to the rate of close to 4% recorded a year earlier. Processed food prices slowed to

0.5%, 0.2 pp less than in Q3, and the decline in unprocessed food prices intensified, to 2.8%. As a result of the trend of its different components, the CPI excluding unprocessed food and energy remained on the declining course begun in late 2008, posting a year-on-year rate of 0.2% on average in Q4 (0.2 pp less than in Q3). Box 4 examines inflation developments in 2009, paying attention to certain goods and services whose prices eased most significantly.

The rise in HICP inflation in the closing months of the year was somewhat sharper in Spain than in the euro area. This meant that the negative differential, which had stood at 0.7 pp on average in Q3, narrowed to 0.2 pp on average in Q4, and was cancelled out in December (see Chart 22). The lower growth of prices in Spain is fairly extensive to all components, with the exception of energy and processed foods, which showed positive differentials in 2009 Q4. In terms of core inflation, the differential remained negative in Q4, standing at 0.7 pp, unchanged on Q3.

The producer price index rose in December to a year-on-year rate of 0.4%, following 11 months of continuous falls. As in the case of the CPI, this was due to the momentum of energy prices, which grew by 6%. The decline in the prices of intermediate goods also slackened, while the producer prices of both consumer and capital goods remained very moderate. Compared with the euro area, and on information to November, a positive differential remained in place for all the main components. Finally, the decline in the price indices for imports and exports of industrial products slackened, standing in November at respective rates of -3.1% and -1.7%. As with the other price indicators, the acceleration was caused by the rise in energy prices.

4.4 The State budget

On 29 January the government unveiled its latest Stability Programme Update (SPU), with macroeconomic and fiscal estimates and projections for the period 2009-2013. With regard to the State budget, the SPU kept estimated real GDP growth for the years 2009 and 2010 at -3.6% and -0.3%, respectively. The overall general government balance for 2009 has been revised downwards, and a deficit of 11.4% of GDP is now projected. In the following years, against a background of progressive recovery in the economy, the budget deficit is forecast to fall progressively to 3% in 2013, in compliance with the Stability and Growth Pact. In terms of the sub-sectors, the public finances figures for 2009 will be chiefly determined by the central government balance, for which a deficit of 9.5% of GDP is expected, while the social security system will post a surplus of 0.8% of GDP (see Box 5). It is also anticipated that the regional and local governments will end the year with deficits of 2.2% and of 0.5% of GDP, respectively.

The projected reduction in the budget deficit in the Stability Programme will be centred on central government, and in particular on public spending. In this connection, the government has announced a further cut in budgetary spending initially for this year, equivalent to 0.5% of GDP. In addition, over the rest of the Programme's horizon, the Council of Ministers agreed on an austerity plan spanning the years 2011 to 2013. The plan considers spending cuts equivalent to 2.6% of GDP over the period as a whole, affecting wages and salaries (-0.3% of GDP), operating expenses (-0.2%), investment (-0.5%) and transfers and other expenditure (-1.6%).

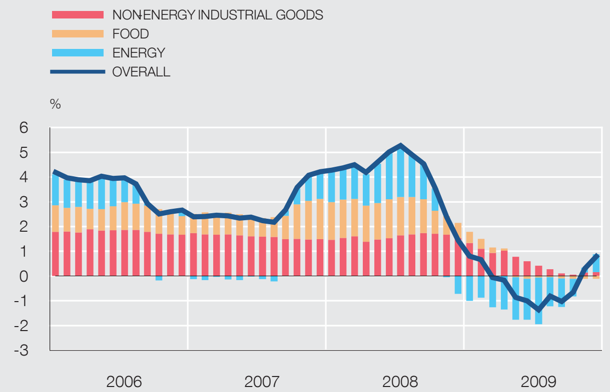
Pursuant to National Accounts methodology and on the information available to November 2009, the State budget outturn to November resulted in a deficit of €71.52 billion (6.8% of GDP), far higher than the deficit of €13.97 billion (1.3% of GDP) recorded in the same period in 2008. It should be borne in mind that the State balance presents high seasonality, and December is a month in which the balance achieved up to the previous month traditionally deteriorates, which suggests that the central government deficit recorded to November will be

Inflation in Spain, proxied by the growth rate of the consumer price index (CPI), posted a negative rate of change in 2009 for the first time since 1952. Specifically, the rate for last year averaged -0.3%, 4.4 pp down on the related 2008 figure. Furthermore, the inflation differential vis-à-vis the euro area countries [measured using the harmonised index of consumer prices (HICP)] turned negative (-0.5 pp) for the first time since the start of the Monetary Union, in which period it had scarcely moved from its average (0.9 pp). In any event, the strong reduction in inflation in Spain for the year as a whole was compatible with different developments from one half of the year to the next. The marked slowdown in inflation since the summer of 2008 continued during the first half of 2009, to the point where the CPI stood at -1.4% in July. Thereafter, the growth rate of the CPI has been gradually increasing, standing at 0.8% in December 2009. The inflation trajectory in the euro area as a whole has been similar, although the fluctuations in Spain have been much more marked. The inflation differential reached a low of -0.9 pp in July 2009, becoming increasingly less favourable to Spain thereafter until it was cancelled out in December.

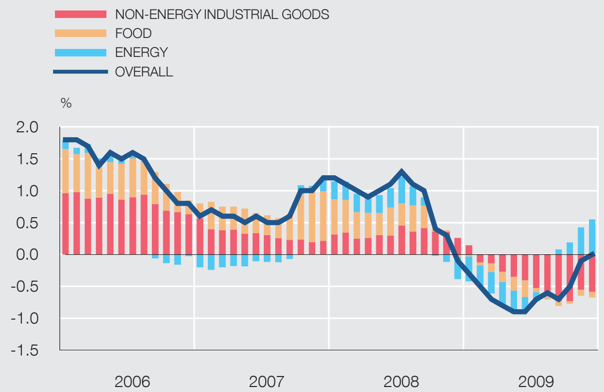
The trajectory of the inflation rate described was determined by two very different phenomena: on one hand, by purely statistical effects, of a temporary nature, which arise on comparing the course of inflation with that observed a year earlier; and on the other, the strongly recessionary background and, in particular, the sharp contraction in household consumption. Both factors contributed to reducing average inflation for the year. Further, the first factor led to the declining path of the first half of the year and the rising path of the second.

Indeed, taking the first of the two factors, the oscillations in aggregate inflation during 2009 were closely linked to the growth rate of energy product prices, whose contributions to the year-on-year growth rate of the CPI are depicted by the blue bars in Panel 1. The marked decline in the rate of change of prices of these goods during the first half of 2009 reflected temporary base effects. The greater relative weight of spending on oil derivatives in overall Spanish household expenditure relative to the euro area, the lesser burden of the excise duties levied on these products in Spain and the greater significance of the indirect and second-round effects in our country explain why the changes in oil prices should have a greater effect on Spanish prices than on those in the euro area. As a result, Spain's inflation differential with the euro area is significantly affected by fluctuations in oil prices (see Panel 2).

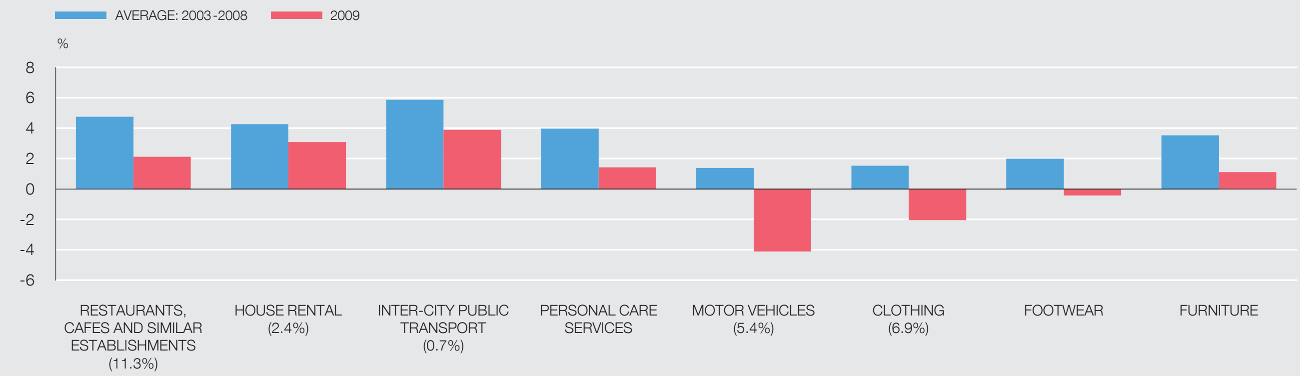
1 CONTRIBUTION TO THE CPI GROWTH RATE



2 CONTRIBUTIONS TO THE SPAIN-EURO AREA INFLATION DIFFERENTIAL



3 SELECTION OF SERVICES AND NON-ENERGY INDUSTRIAL GOODS SUB-CLASSES. RATES OF CHANGE (WEIGHT OF EACH ITEM IN THE OVERALL INDEX IN 2009 IN BRACKETS)



SOURCES: INE and Banco de España.

Secondly, the marked decline in household spending prompted a far greater easing in Spanish companies' prices than that observed in the past, through the contraction of business margins and the containment of unit labour costs. The latter came about by means of productivity gains being obtained, these in turn stemming from the employment adjustment, in a setting in which wage costs hardly adapted to the cyclical downturn. In terms of groups of goods, these effects were manifest essentially in services and in non-energy industrial goods, whose contribution to inflation during 2009 is depicted by the red bars in Panel 1. Moreover, the contraction in household spending was comparatively much more pronounced in Spain than in the euro area, which explains why the contribution of the inflation differential of these groups of goods to the total differential turned increasingly negative from early 2009 (see the red bars in Panel 2).

The case of services is particularly notable, since services prices, which had historically shown a high degree of stickiness, slowed markedly in 2009 further to the sharp decline in household spending. At the close of the year they stood at a rate of 1.4% in terms of the HICP, 2.4 pp down on the related December 2008 figure. Furthermore, as the decrease is much sharper than in the euro area, the differential narrowed to the extent of becoming favourable to Spain for the first time since the start of the Monetary Union (-0.2 pp in December 2009). The adjustment in non-energy industrial goods consumer prices was likewise notable, in a setting in which the producer prices of these types of goods eased gradually and their import prices moved on a declining trajectory, posting notable falls in the closing months of 2009. The HICP for these types of goods posted a decline of 1.2% in December, 1.6 pp down on the same month a year earlier. The moderation in these prices was sharper than in the euro area, with the negative differential widening to -1.5 pp.

Panel 3 analyses the sub-classes of non-energy industrial goods and services which most contributed to the slowdown in overall inflation last year, comparing the inflation rate observed in 2009 with average rates for the period 2003-2008. Notable under services were prices in the aggregate of restaurants, bars and cafeterias: the end-2009 growth rate in this case was 1.4%, far below the increases of close to 5% recorded in previous years. House rental services, which had traditionally shown very stable increases, slowed notably, no doubt in connection with the fact that the legislation on urban rentals links the updating of rental contract income to the CPI. Finally, there was also a notable reduction in the rate of change of transport services prices which, however, cannot be explained only by the contraction in spending, but also by the changes in the growth rate of fuel prices. Under non-energy industrial goods, some products, such as motor vehicles, saw a significant reduction in demand, which prompted the approval of subsidies for car purchases (Plan 2000 E), which were accompanied by price cuts by vehicle manufacturers and importers. Against this background, car prices in December 2009 were 5% lower than a year earlier. Other goods, such as clothing and footwear, also became cheaper as a result of lower demand, along – probably – with strong competitive pressures due to the growing weight of the new producer countries, particularly China.

The above-mentioned temporary base effects may possibly lead to something of a rising trend in the year-on-year rate of change in the CPI in the first half of 2010. That said, as it is expected that household spending will remain lacklustre, this rising trend of prices will be tempered. Into the second half of the year, increases in the standard and reduced rate of VAT will prompt a further increase in inflation rates, although their impact will depend on the strength shown by demand in that period.

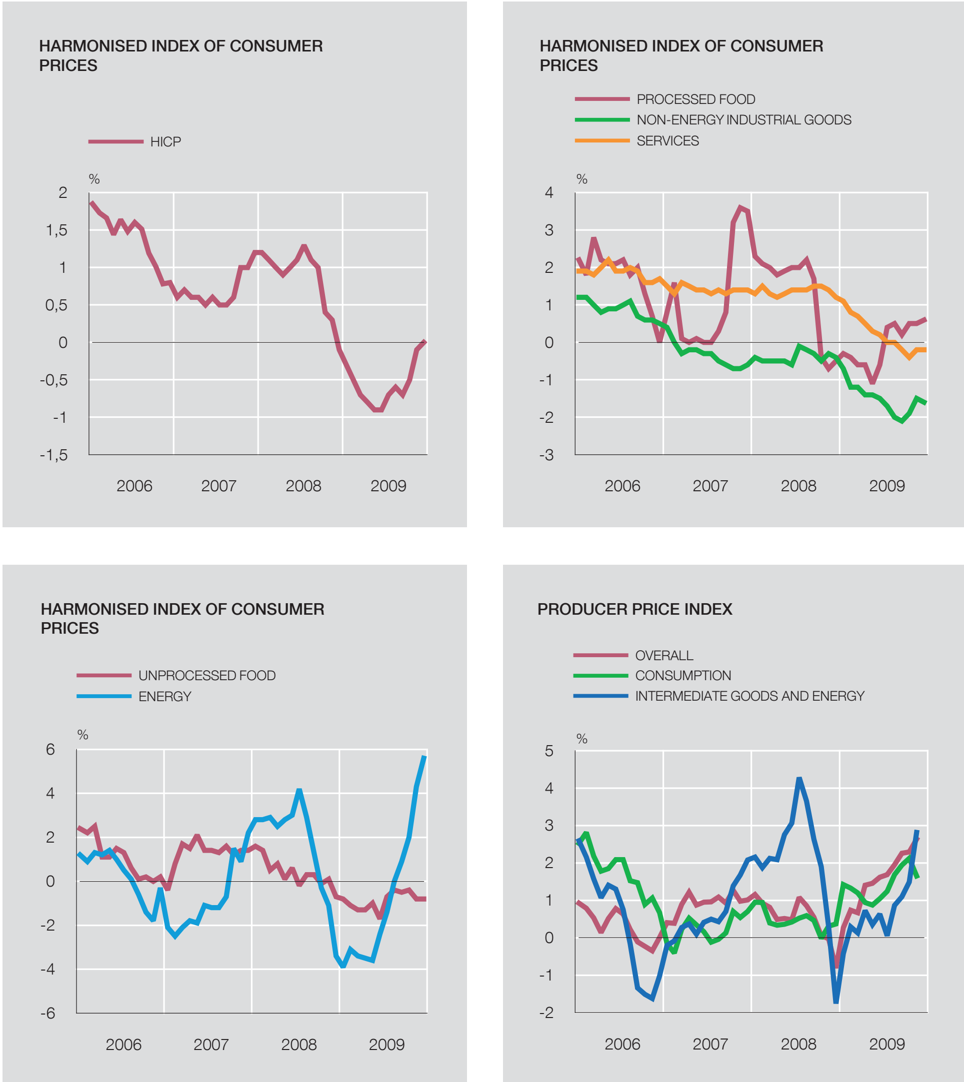
bigger at the close of the year. Along the same lines is the information on the cash-basis State accounts, which posted a deficit of €68.51 billion, compared with the deficit of €11.04 billion in November 2008. The discrepancies between both figures (National Accounts and cash-basis) are chiefly due, as is habitually the case, to adjustments for the different interest-imputation criterion and for the change in outstanding entitlements and obligations.

Likewise under the cash-basis convention, there was a fall in State receipts that seems compatible with that envisaged in the budget outturn projection. This reflects the impact of certain discretionary measures, particularly the residual impact on the closing months of 2009 of the personal income tax credit of up to €400 and the bringing forward of VAT refunds under the new monthly calendar. In particular, both the direct and indirect tax take showed a decline of over 25%.

For the analysis of public receipts, information is also available on total takings from the main taxes, both in the portion assigned to the State and in that relating to the ordinary-regime regional governments. According to this information, the downturn in receipts eased slightly in the closing months across the board. Overall, tax receipts have been affected both by the weak behaviour of tax bases, attributable to the impact of economic crisis, and to the effect of certain discretionary measures. In the case of personal income tax, withholdings on income

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

CHART 22



SOURCES: Eurostat and Banco de España.

a. Year-on-year rates based on the original series.

from work declined by 3.3%, influenced by the 2 pp reduction in the mortgage expense withholding rate for incomes below €30,000 introduced this year and by the residual impact of the tax credit of up to €400 introduced in the second half of 2008, which will not be fully offset until the end of the year, while the withholdings on investment fund gains decreased by 49.3%. As for corporate income tax, despite declining by 23.2% compared with the same period in 2008, its rate compared with the preceding quarter has improved owing to the second partial payment for the year. In any event, this positive performance is not representative of how business profits are trending, since their comparison is affected by the freedom in choosing how to calculate payment of corporate income tax relating to 2008.

Turning to indirect taxes, VAT continued to post the sharpest falls (29.7% on data to November); however, like other taxes, its rate of decline compared with the previous quarters eased. In addition to the decline in consumption and real estate transactions, VAT developments reflect the adverse effect on takings arising from the bringing forward of refunds and the new monthly refund schedule, owing to the regulations introduced this year. This effect was par-

The National Accounts sub-sector Social Security Funds includes all the public institutional units that provide social benefits. In Spain's case, these units comprise the Social Security System, the National Public Employment Service and the Wage Guarantee Fund. The periodic budget outturn information refers essentially to the first two institutions.

The provisional year-end data for the Social Security System gave a surplus of €8.50 billion in 2009, although the breakdown of all the headings is not yet known. The definitive data, given in the table below, refer to November 2009, when the non-financial surplus amounted to €14.41 billion. Non-financial revenue held at a rate of increase of virtually zero in the second half of the year, compared with declines of close to 5% in the opening months of 2009. This performance was due to the decrease in revenue relating to Social Security contributions during the year (which, however, has been moderating in recent months), in parallel with the trend of Social Security registrations (-3.9% in December, set against a maximum decline of 6.8% in April). Expenditure, in contrast, continued growing at a rate of around 5.6%, as in previous months. Spending on contributory pensions, which is the biggest item, has stabilised at around 6.6%. This heading constantly evidences considerable inertia, owing to the stability in the number of pensions, which rose by 1.7% to November, while the average pension, showing greater volatility, increased by 3.4% in the same month.

As regards the National Public Employment Service (SPEE, by its Spanish abbreviation), the provisional information to December 2009 points likewise to a surplus, slightly higher than €1.4 billion. However, the latest final figure is for September, when the surplus to that month amounted to €246 million. This balance is the outcome of lower receipts relating to contributions (-9.1% year-on-year to 2009 Q3), along with a very high increases in benefits-related spending (63.1% over the same period). The partial information available on some headings to December helps explain how the significant recovery in the balance to the end of the year is underpinned essentially by the strong increase in current transfers from the State and in the slowdown in unemployment-benefit expenditure, which increased by 54.2% in December (after posting highs of 68.5% in May and June). The latter show a similar trend to that relating to the registered unemployed to December, despite the rise in the coverage rate to around 80% in November.

SOCIAL SECURITY SYSTEM (a)

Current and capital transactions, in terms of recognised entitlements and obligations

€m and %

	Budget	Budget		Outturn in 11 months to November		
	2008	2009	% change	2008	2009	% change
	1	2	3 = 2/1	4	5	6 = 5/4
1 REVENUE	114,113	123,726	8.4	109,084	108,995	-0.1
1.1 Social security contributions	105,107	113,324	7.8	99,546	98,040	-1.5
1.2 Current transfers	6,796	7,439	9.5	6,428	7,608	18.4
Other	2,209	2,963	34.1	3,111	3,347	7.6
2 EXPENDITURE	106,080	114,476	7.9	89,538	94,585	5.6
2.1 Wages and salaries	2,390	2,453	2.7	2,078	2,145	3.2
2.2 Goods and services	1,996	1,995	-0.1	1,620	1,430	-11.8
2.3 Current transfers	101,095	109,465	8.3	85,525	90,479	5.8
Contributory pensions	86,041	93,339	8.5	72,341	77,119	6.6
Sickness benefits	7,716	8,144	5.6	6,558	5,597	-14.7
Other	7,339	7,982	8.8	6,626	7,763	17.2
2.4 Other	599	563	-6.0	314	532	69.3
3 BALANCE	8,033	9,250	15.2	19,546	14,410	-26.3

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

a. Only data relating to the system, not to the entire Social Security Funds sector, are given.

The regional (autonomous) governments have reached a very significant weight in general government in regard to revenue and, above all, expenditure. On the latest available figures, for 2008, the regional governments received 35.3% of tax revenues raised and managed 36.5% of total expenditure. Notable regarding this expenditure was that the regional governments were responsible for more than 90% of public spending on health and education. These figures highlight the need to pay attention to the budgetary conduct of the regional governments, in particular in relation to their necessary contribution to budgetary stability.

In this respect, after a deficit of 1.6% of GDP was posted for regional governments as a whole in 2008 (the latest year for which final figures are available), on 7 October 2009 the Fiscal and Financial Policy Council (FFPC) approved, within the framework of the budgetary stability legislation, the budgetary stability targets[1] for the regional governments for 2010-2012. These set limits for the balances of these governments at -2.5% of GDP in 2010, at -1.70% of GDP in 2011 and at -1.30% of GDP in 2012, provided that the corresponding economic and financial rebalancing plans are submitted. Nonetheless, owing to the current economic circumstances, the FFPC agreed that the regional governments which had held their deficit below 0.75% of GDP in 2008 would be exempt from submitting rebalancing plans.[2] Indeed, Spain's Updated Stability Programme, released in late January, foresees a deficit for the regional governments as a whole of 2.2% of GDP in 2009, which would fall to -1.1% over the horizon to 2013.

Within the framework of these stability targets, the regional governments have submitted their draft budgets for 2010, the main headings of which are in the accompanying table.[3] The budget projections point to a strong deterioration in the balance, to a deficit of 2.3% of GDP, when compared with the initial budget for 2009 (-1% of GDP), albeit in line with the targets agreed by the FFPC for 2010. This outcome arises from a strong decline in revenue (particularly marked in taxes), while there is a small increase in expenditure of 0.3%.

Notable on the revenue side are the strong declines in both direct and indirect taxes, more markedly so in the case of the former than is budgeted for the State, although certain circumstances worthy of mention will be brought to bear in 2010.

1. Note that these targets are set in National Accounts terms.

2. Galicia, Andalusia, Asturias, Aragon, the Canary Islands, Castile and Leon, and Madrid may avail themselves of this exemption. **3.** The table presents the aggregate figures of the initial budget of the regional governments and, in the last column, those of the State. They do not include, however, the budgets for the autonomous city enclaves of Ceuta and Melilla.

€m and %

	2008	2009	2010	Rate of change			State
				08/07	09/08	10/09	10/09
1 REVENUE	168,225	164,812	151,175	8.6	-2.0	-8.3	-13.8
— Current revenue	159,416	154,730	142,673	8.6	-2.9	-7.8	-14.5
— Direct taxes	32,202	38,400	30,161	18.3	19.2	-21.5	-13.3
— Indirect taxes	56,114	44,741	36,114	2.7	-20.3	-19.3	-18.9
— Charges, prices and other revenue	4,546	4,737	4,816	5.6	4.2	1.7	-15.7
— Current transfers	65,997	66,261	71,039	*9.5*	*0.4*	*7.2*	*-5.4*
— Interest and dividends	557	592	543	40.4	6.4	-8.4	8.3
Capital	8,808	10,081	8,503	8.6	14.5	-15.7	73.7
— Disposal of investments	630	633	518	*-2.2*	*0.4*	*-18.1*	*-10.5*
— Capital transfers	8,178	9,449	7,984	*9.6*	*15.5*	*-15.5*	*83.5*
2 EXPENDITURE	168,544	175,027	175,525	8.7	3.8	0.3	17.3
Current expenditure	136,373	142,599	145,649	8.7	4.6	2.1	18.1
— Wages and salaries	52,328	55,335	56,485	9.4	5.7	2.1	2.7
— Goods and services	28,033	28,924	29,448	11.0	3.2	1.8	0.4
— Interest payments	2,489	2,741	3,695	4.6	10.1	34.8	33.3
— Current transfers	53,347	55,391	55,810	7.0	3.8	0.8	20.1
— Contingency fund	175	209	212	11.7	19.2	1.4	29.6
Capital	32,171	32,428	29,875	8.7	0.8	-7.9	12.2
— Investment	16,381	15,975	13,254	6.5	-2.5	-17.0	-9.4
— Capital transfers	15,790	16,453	16,621	11.1	4.2	1.0	33.1
BALANCE	-319	-10,215	-24,350	—	—	—	—
% of GDP	0.0	-1.0	-2.3	—	—	—	—

SOURCES: Ministerio de Economía y Hacienda, Regional (Autonomous) Governments and Banco de España.

Firstly, the year 2010 will see the final settlement of the taxes managed by the State in 2008 in which the regional governments have a share: personal income tax, VAT and excise duties. Given that the actual tax-take for that year was below-budget, some regional governments received excessive amounts of prepayments, which they will have to return in 2010. However, regional governments in this situation will be allowed to defer the payments to subsequent years.

Secondly, mention should be made of the distortion arising owing to the approval of the new ordinary-regime regional government financing system in late 2009.[4] As the new system has not been incorporated into the budgeted figures, State transfers to the regional governments and the share of the latter in the above-mentioned assigned taxes have been calculated using the previous system (i.e. neither the new funds approved nor the raising of the tax assignment percentages have been taken into account). To palliate this shortfall to some extent, the State budget has included an item of €9.75 billion of current transfers to regional governments as a prepayment under the new system, which the regional governments have included in their budgets. Net of this payment, the heading of current transfers revenue would post a rate of -7.5%.

As regards expenditure, a slowdown on 2008 has been budgeted for, although as in previous years the rate of change remains above the projection for nominal GDP.[5] Under wages and salaries, the State budget determines wage growth for the entire general government sector. However, the budgeted increases in personnel expenses have traditionally been higher in the regional governments than in the State sector, although there is a departure from this circumstance in the 2010 budget, where the regional governments project an increase in personnel expenses of 2.1%, somewhat below the State projection of 2.7%. Expenditure on purchases and current transfers is very closely linked to the functions of healthcare and education in the case of regional government. In both items a slowdown is budgeted for 2010, although their projected growth rates remain above that of nominal GDP. The interest burden is expected to rise forcefully in 2010 (by 34.8%), similar to that of the State sector, as a result of the increase in regional government debt issues.

Finally, the increase in current expenditure is in contrast to the sharp adjustment of capital expenditure in regional government budgets, which project slowdowns in real investment (to a rate of -17%) and capital transfers (21%), both below the projected increases in the State sector.

4. Regulation published in the Official State Gazette of 19 December 2009.

5. Both the European Commission's autumn projections and those included in the State budget point to a slight decline in GDP In 2010, in nominal terms. Specifically, the State budget establishes the rate of change of nominal GDP in 2010 at 0.3%.

ticularly sharp in November. Excise duties fell off by -1.5%, compared with -4.9% in the previous six-month period, due in part to the higher rates for taxes on hydrocarbons and tobacco approved mid-year. Finally, the items under the heading of other receipts showed high growth to November, owing partly to the fees earned by the State for guarantees on funds lent under the framework of Royal Decree-Law 7/2008 of 13 October 2008 (on urgent economic and financial measures relating to the Concerted Action Plan of Euro Area Countries), and to the issue premia on public debt issued at a discount (which have proved positive in light of the downtrend in interest rates).

State cash-basis expenditure increased by 24.7% to November, slowing slightly on Q3. The vigorous growth of spending is essentially due to certain transfers from the State to other general government sectors. Thus, current transfers include that made to the National Public Employment Service to finance unemployment benefits, and capital transfers include those to local government by the State Fund for Local Investment. As regards other headings, the growth of wages and salaries quickened to 5.3%, while the increase in interest payments stood at 10.4%. Finally, investment trended somewhat more buoyantly.

4.5 Balance of payments

In the first 11 months of 2009, the combined current and capital account balance was a deficit of €47.3 billion, half that observed in the same period a year earlier (see Table 5). The decrease in this deficit is due essentially to the lower trade deficit and, to a lesser extent, to the correction of the income and current transfers balances, since the balances on services and on capital account worsened.

STATE BUDGET OUTTURN TABLE 4

€m and %

	Outturn 2008	Percentage change 2008/2007	Outturn projection 2009	Percentage change 2009/2008	Outtun JAN-SEP Percentage change 2009/2008	Outturn		
						2008 JAN-NOV	2009 JAN-NOV	Percentage change
	1	2	3	4 = 3/1	5	6	7	8 = 7/6
1 REVENUE	129,335	-19.1	100,682	-22.2	-24.4	120,150	95,092	-20.9
Direct taxes	74,096	-23.6	57,979	-21.8	-29.8	70,128	51,955	-25.9
Personal income tax	*43,413*	*-10.7*	*32,309*	*-25.6*	*-32.2*	*41,155*	*28,826*	*-30.0*
Corporate income tax	*27,301*	*-39.1*	*22,300*	*-18.3*	*-30.4*	*25,958*	*19,947*	*-23.2*
Other (a)	*3,382*	*-4.2*	*3,370*	*-0.3*	*2.4*	*3,015*	*3,182*	*5.5*
Indirect taxes	39,229	-19.0	25,471	-35.1	-31.1	37,925	27,900	-26.4
VAT	*24,923*	*-26.2*	*11,491*	*-53.9*	*-41.6*	*24,676*	*16,081*	*-34.8*
Excise duties	*11,220*	*-2.2*	*11,242*	*0.2*	*-13.7*	*10,398*	*9,297*	*-10.6*
Other (b)	*3,086*	*-4.3*	*2,738*	*-11.3*	*-12.3*	*2,850*	*2,522*	*-11.5*
Other net revenue	16,011	11.1	17,232	7.6	22.3	12,097	15,237	26.0
2 EXPENDITURE	148,082	6.0	184,012	24.3	25.3	131,188	163,601	24.7
Wages and salaries	25,231	6.6	26,873	6.5	4.8	21,796	22,952	5.3
Goods and services	4,538	1.9	4,803	5.8	1.7	3,565	4,009	12.4
Interest payments	15,929	9.6	17,434	9.4	10.1	15,708	17,342	10.4
Current transfers	82,797	6.6	106,067	28.1	28.1	74,431	95,657	28.5
Investment	10,648	5.4	11,172	4.9	2.8	8,637	8,902	3.1
Capital transfers	8,940	-3.3	17,663	97.6	155.2	7,051	14,738	109.0
3 CASH-BASIS BALANCE (3 = 1 - 2)	-18,747	—	-83,330	—	—	-11,038	-68,508	—
MEMORANDUM ITEM: TOTAL TAXES (State plus share of regional and local governments)								
Personal income tax	71,341	-1.8	65,734	-7.9	-10.9	67,109	59,809	-10.9
VAT	48,015	-14.0	29,281	-39.0	-33.9	45,965	32,299	-29.7
Excise duties	19,570	-1.1	20,450	4.5	-2.5	18,020	17,758	-1.5

SOURCE: Ministerio de Economía y Hacienda.

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

In the period from January to November 2009, the trade deficit fell by 49% on year-on-year terms to €41.73 billion. This rate of decline is appreciably more pronounced than a year earlier. In the first 11 months of 2009, both exports and, in particular, imports of goods fell off substantially in real terms. The improvement in the terms of trade widened the difference in decline in nominal terms between imports and exports, which were down 27% and 17%, respectively. The energy bill fell substantially, against a background of decline in real terms in net imports of energy products and a marked decline in oil prices on international markets compared with the same period a year earlier. The non-energy trade imbalance decreased significantly, especially during the summer months, falling more sharply than the energy balance.

The services balance showed a surplus of €24.17 billion in the first 11 months of 2009, 5% down on the same period in 2008. This reduction is explained by the fall of 7% in the tourism surplus, to €25.03 billion, while the non-tourism services deficit was corrected to the tune of 41%, to €861 million. Nominal tourism receipts fell by 9% in the first 11 months of 2009, a decline in step with the negative course of the tourism indicators in this period (such as numbers of foreign tourists or their overnight hotel stays) but one which has eased partially in 2009 Q4. Tourism payments fell by 14%, in line with developments in their main determinants and

BALANCE OF PAYMENTS: MAIN COMPONENTS (a) TABLE 5

€m

		January-October		% change
		2008	2009	2009/2008 (b)
CREDITS	Current account	311,105	264,389	-15.0
	Goods	*165,654*	*134,403*	*-18.9*
	Services	*83,179*	*75,288*	*-9.5*
	— Tourism	37,287	33,704	-9.6
	— Other services	45,891	41,584	-9.4
	Income	*50,417*	*43,003*	*-14.7*
	Current transfers	*11,855*	*11,695*	*-1.3*
	Capital account	6,147	4,580	-25.5
	Current + capital accounts	317,251	268,969	-15.2
DEBITS	Current account	400,335	310,314	-22.5
	Goods	*241,208*	*171,731*	*-28.8*
	Services	*59,444*	*52,480*	*-11.7*
	— Tourism	11,872	10,103	-14.9
	— Other services	47,571	42,377	-10.9
	Income	*78,284*	*65,318*	*-16.6*
	Current transfers	*21,399*	*20,786*	*-2.9*
	Capital account	1,101	1,809	64.4
	Current + capital accounts	401,436	312,123	-22.2
BALANCES	Current account	-89,231	-45,925	43,306
	Goods	*-75,554*	*-37,328*	*38,226*
	Services	*23,735*	*22,808*	*-927*
	— Tourism	25,415	23,601	-1,814
	— Other services	-1,680	-793	887
	Income	*-27,867*	*-22,315*	*5,552*
	Current transfers	*-9,545*	*-9,090*	*454*
	Capital account	5,046	2,771	-2,275
	Current + capital accounts	-84,184	-43,154	41,031

SOURCE: Banco de España.

a. Provisional data.
b. Absolute changes for balances.

the recessionary situation of the Spanish economy. As regards other services, both receipts and payments fell in the first 11 months of 2009 (by 10.3% and 11.2%, respectively).

The deficit on the income balance narrowed by 22% year-on-year on the January-November 2009 period, thanks to the correction witnessed since April, which exceeded the cumulative deterioration in the first quarter of the year. As a result, the income deficit stood at €24.65 billion, against the background of a more marked fall in payments than receipts (18% and 16%, respectively). This development reflects the impact of the reduction in interest rates, which offset the payment of extraordinary dividends in the first four months of 2009.

The current transfers deficit decreased by 22% year-on-year on the first 11 months of 2009 to €8.37 billion. This took place against the background of a moderate decline in payments (1%) and a notable increase in receipts (16%). Finally, in the first 11 months of 2009 the capital account surplus stood at €3.16 billion, 40% down on the same period a year earlier. This decline was fairly generalised across the various capital account headings, reflecting mainly the decrease in general government receipts from the various Community funds.

5.1 Overview

In line with the trends in other world markets, in general there were no major changes in prices in Spanish financial markets in 2009 Q4. Thus, at year-end, the IBEX 35 was up 1.1% on the September close, while in the same period the EURO STOXX 50 index of euro area companies was up 2.5% and the S&P 500 for US companies was up 5.8% (see Chart 23), resulting in cumulative gains in the year of 29.3%, 20.2% and 23.8%, respectively. Volatility diminished in all three indices in the last stretch of the year. On the interbank markets, interest rates showed little movement, with 12-month EURIBOR at end-2009 unchanged on end-September at 1.24%. In turn, Spanish long-term government bond yields rose slightly, in the case of 10-year bonds from 3.72% to 3.96%. This increase was similar to that recorded by the German bund, meaning that the yield spread remained at around 60 bp. By contrast, the credit risk premia of Spanish non-financial corporations traded on derivatives markets declined on average in the period by 20 bp, to 73 bp.

In 2010 to date, the main financial stress indicators have risen, both in the Spanish and the world markets, in contrast to the stability of the previous months. Thus, stock indices have fallen, volatility has increased, credit risk premia have risen moderately and, against a backdrop of growing concern regarding the sustainability of Greece's public finances, long-term sovereign spreads in the euro area have widened with respect to Germany. At the date of this report going to press, the IBEX 35 was down 7.9% on the 2009 close (the EURO STOXX 50 was down 5.8% and the S&P 500 down 2.3%) and the yield spread between Spanish 10-year government bonds and the German bund stood at 85 bp.

On the real estate market, the price of unsubsidised housing continued to fall in 2009 Q4, according to the latest Ministry of Housing data, although once again at a slower pace than in previous months. Thus, the quarter-on-quarter and year-on-year rates of decline stood at 0.6% and 6.3%, respectively, in December, in comparison with the declines of 0.9% and 8% at-end September.

The cost of borrowing for households and firms continued to decline, in general, throughout 2009 Q4 (see Chart 23). In addition, according to the January Bank Lending Survey (BLS), loan approval criteria were unchanged for the third consecutive quarter.[1] Nevertheless, these criteria are seemingly still tighter than at the onset of the financial crisis, as a result of the tightening accumulated in previous months. Financial institutions foresee no major changes in credit standards, neither for 2010 Q1 nor for 2010 as a whole.

The latest available data on credit to the private sector (relating to November) continue to show further declines – once again somewhat sharper in the case of corporations – in the year-on-year rates of growth, which stood at close to zero both for firms (-0.2%) and households (-0.3%). Annualised seasonally-adjusted quarter-on-quarter rates of growth of household indebtedness at the same date were marginally positive (0.2%); in contrast, corporations recorded negative figures in the order of 2%. In the case of corporate borrowing, different instruments performed differently. Thus, while lending by resident institutions fell once again, posting a more negative rate than in Q3, other sources of financing, used primarily by large corporations, continued to show positive growth, with fixed-income instruments recording particularly

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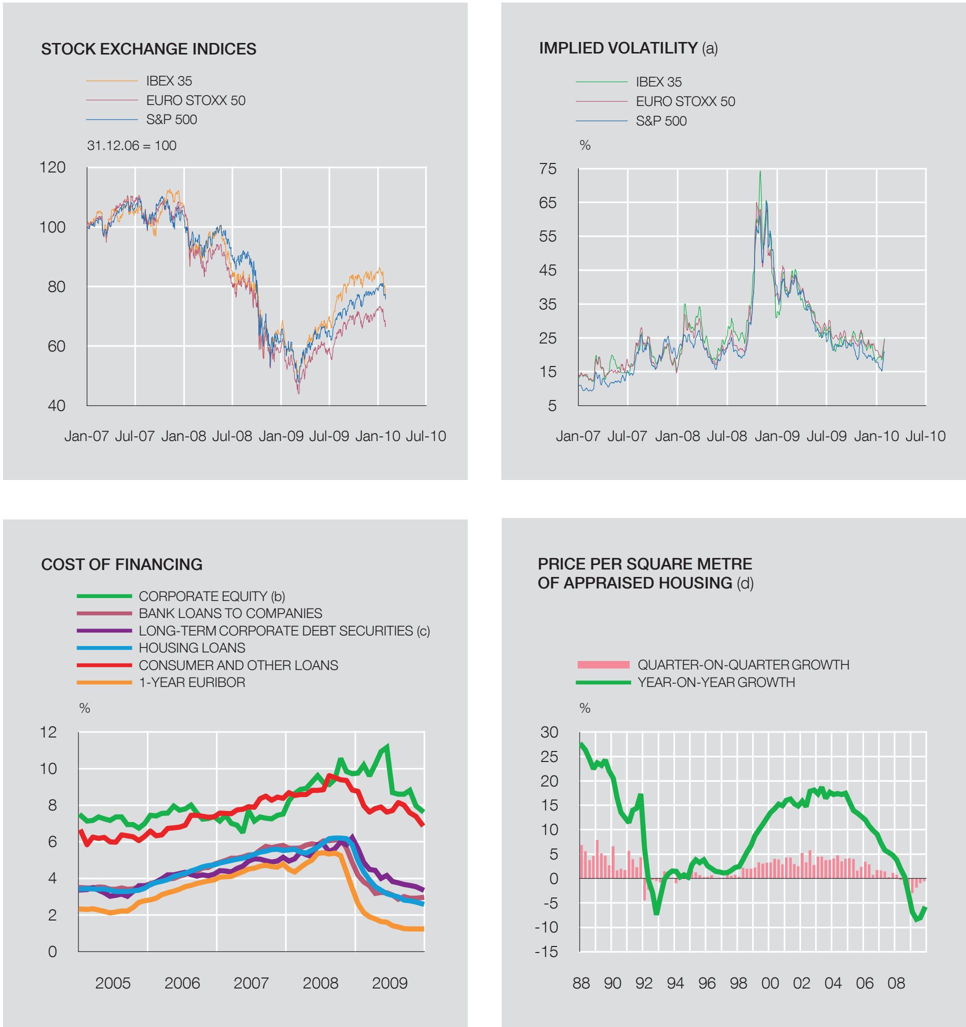
1. For more details, see the article entitled "Encuesta sobre Préstamos bancarios en España: enero de 2010", by Jorge Martínez Pagés, in the Banco de España's *Boletín Económico,* January 2010.

FINANCING CONDITIONS AND ASSET PRICES

CHART 23



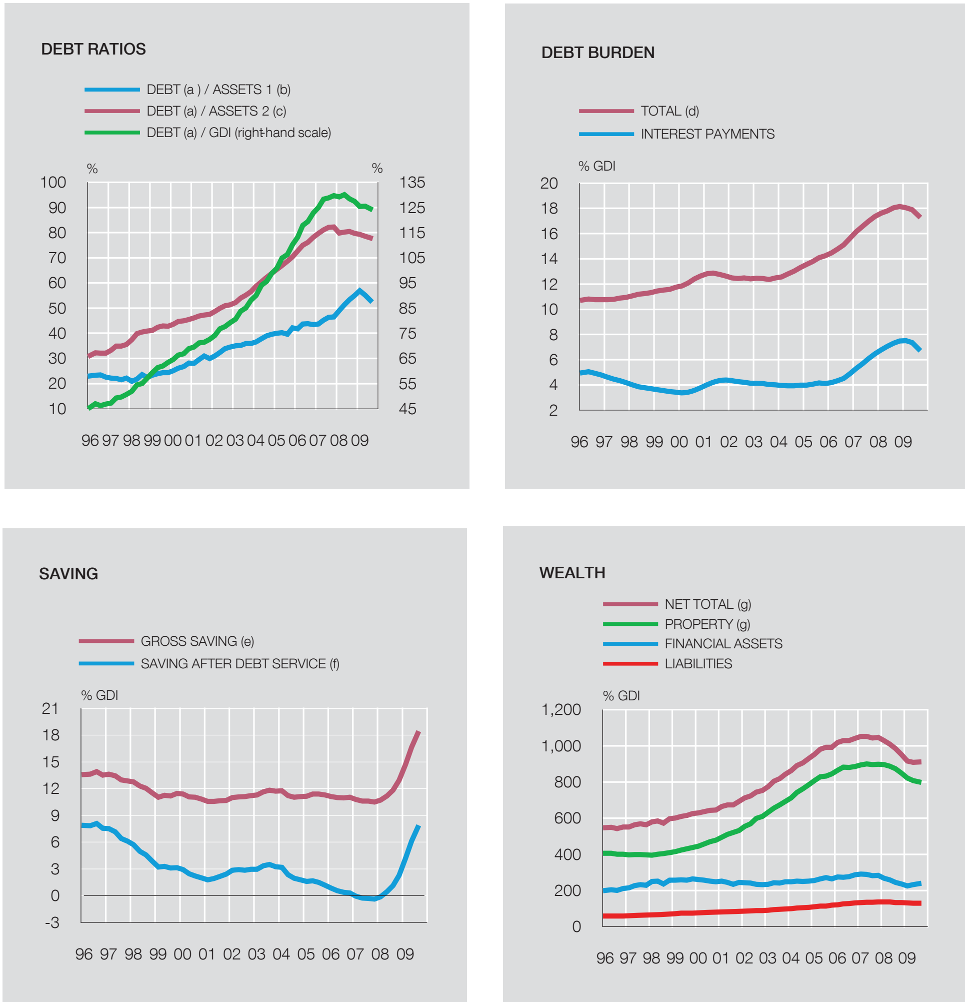
SOURCES: Bloomberg, Credit Trade, Datastream, MSCI Blue Book, Ministerio de Vivienda and Banco de España.

a. Five-day moving averages.
b. The cost of equity is based on a three-stage Gordon dividend discount model.
c. The cost of long-term debt is proxied as the sum of the 5-year euro swap rate and a weighted average of the 5-year CDS premia for Spanish non-financial corporations.
d. Base 2001 to December 2004; base 2005 thereafter.

strong advances. The provisional data as at December indicate that these trends are likely to continue. The latest data on lending by purpose, relating to September 2009, show that bank credit has decelerated across all sectors, but especially in industry. The minor contraction in household credit in 2009 Q3, combined with household income stability, led to a certain decrease in the ratio of debt to gross disposable income (GDI) (see Chart 24). This, together with the decline in the cost of borrowing, meant that the debt burden continued to fall in the period, while the increase in the gross saving ratio gave a further boost to the ability to save after debt servicing. In line with these developments, the latest Financial Accounts data record an increase in household net lending in the period. In turn, household net wealth was virtually unchanged, as the drop in the value of real estate assets was offset by the increase in the value of financial assets. The provisional data relating to the last months of 2009 point to little change in the household debt ratio and to a further decline in the debt burden ratio.

Turning to firms, the latest National Accounts profit estimates (for 2009 Q3) reflect year-on-year declines, leading to lower corporate returns. This profit performance drove the debt ratio

INDICATORS OF THE FINANCIAL POSITION OF HOUSEHOLDS AND NPISHs CHART 24



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

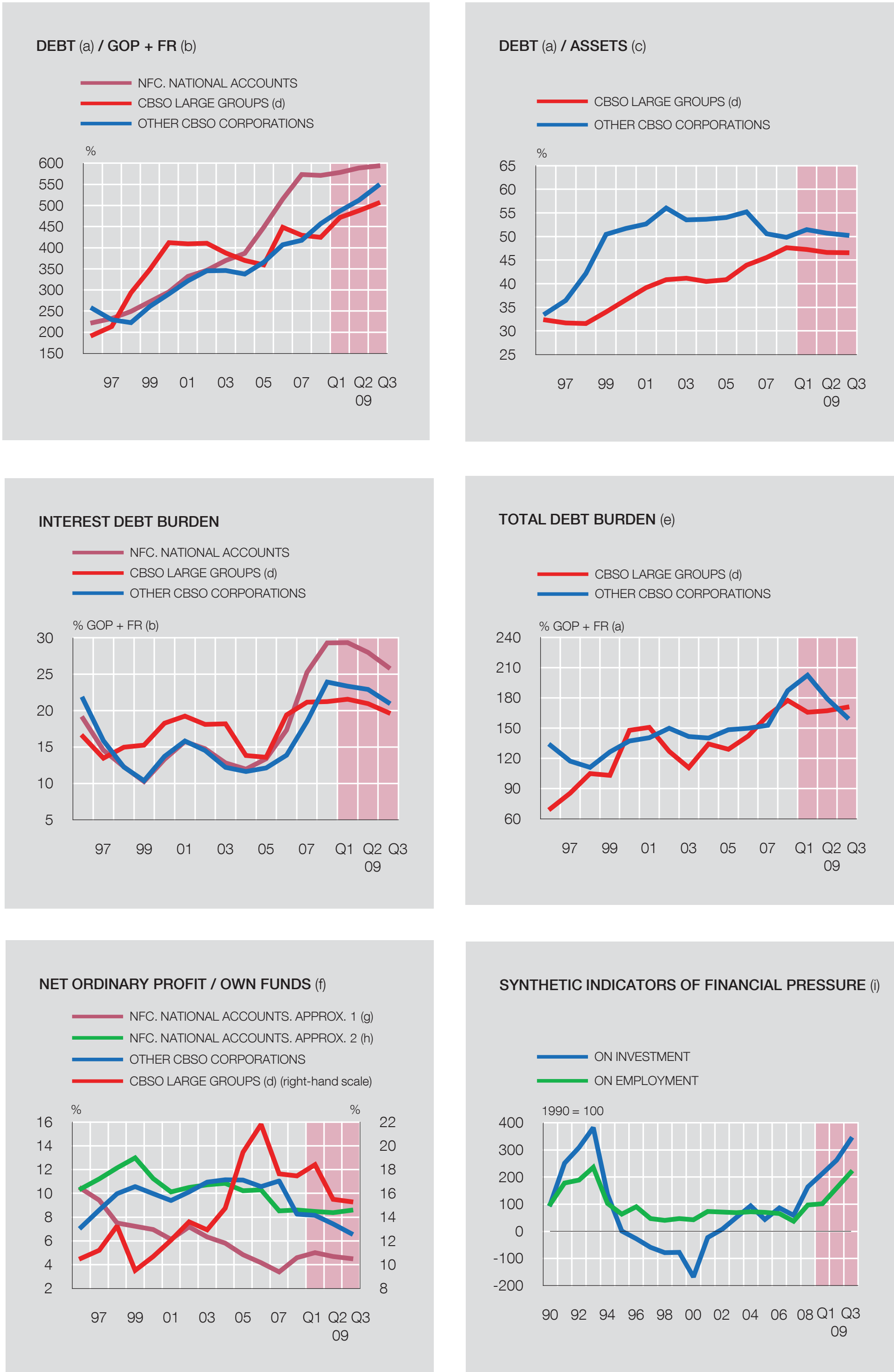
a. Includes bank credit and off-balance-sheet securitised loans.
b. Assets 1 = Total financial assets less "Other".
c. Assets 2 = Assets 1 less shares less holdings in mutual funds.
d. Estimated interest payments plus debt repayments.
e. Balance of households' use of disposable income account.
f. Gross saving less estimated debt repayments.
g. Calculated on the basis of the estimated changes in the stock of housing, in the average area per housing unit and in the price per square metre.

up again (see Chart 25), despite the slight dip in borrowing, but the debt burden ratio fell once more, due to lower financing costs. In turn, the contraction in corporate spending led to a further decrease in net borrowing, despite the decline in corporate earnings. The data on firms contributing to the Central Balance Sheet Data Office Quarterly Survey (CBQ), which are predominantly large corporations, also record a contraction in corporate profits in 2009 Q3, albeit higher than that reflected in the National Accounts figures, together with an increase in the debt ratio and a decline in the debt burden ratio. As a result of all the above, the indicators of financial pressure on investment and employment rose, to levels close to those seen in the 1992-1993 recession. The provisional data relating to the final months of 2009 point to a further increase in the debt ratio and to a decline in the debt burden ratio.

The growing level of financial pressure borne by certain segments of the private sector was reflected in further increases in doubtful loans ratios, which for other resident sectors (which

INDICATORS OF THE FINANCIAL POSITION OF NON-FINANCIAL CORPORATIONS

CHART 25



SOURCES: INE and Banco de España.

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

NET FINANCIAL TRANSACTIONS
Four-quarter data

TABLE 6

% GDP	2004	2005	2006	2007	2008		2009		
					Q3	Q4	Q1	Q2	Q3
National economy	-4.8	-6.5	-8.4	-9.6	-9.5	-9.1	-8.1	-6.9	-5.8
Non-financial corporations and households and NPISHs	-5.1	-8.4	-11.1	-13.5	-9.7	-7.0	-4.5	-0.8	1.9
Non-financial corporations	*-4.5*	*-7.1*	*-9.5*	*-11.6*	*-8.2*	*-7.4*	*-6.2*	*-4.6*	*-2.6*
Households and NPISHs	*-0.6*	*-1.3*	*-1.7*	*-1.9*	*-1.5*	*0.4*	*1.7*	*3.8*	*4.5*
Financial institutions	0.6	0.9	0.7	2.1	2.1	2.0	2.0	1.9	1.6
General government	-0.4	1.0	2.0	1.9	-1.9	-4.1	-5.6	-8.0	-9.4
MEMORANDUM ITEM:									
Financing gap of non-financial corporations (a)	-8.7	-11.4	-17.8	-15.9	-14.4	-11.1	-9.2	-6.7	-3.9

SOURCE: Banco de España.

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

include households, firms and financial intermediaries other than credit institutions) as a whole stood at 5.1% in November, 0.2 pp above the September figure.

The latest Financial Accounts data, corresponding to 2009 Q3, reflect a decline in the nation's net borrowing, down to 5.8% of GDP in cumulative 12-month terms (1.1 pp below the June level; see Table 6). This was the result of the increased net lending capacity both of households and non-financial corporations, which was partially offset by the rise in the general government deficit (which stood at close to 9.5% of GDP) and the marginal decline in financial institutions' savings.

The rising government deficit, together with the need to fund general government's growing financial investments, has led to a significant increase in the volume of outstanding debt, which records year-on-year rates of growth in excess of 30%. This, together with the decline in GDP, has been reflected in a rapid rise in the debt-to-GDP ratio, and in an increase in the associated debt burden. Consistent with the extent of general government borrowing, in recent months this sector has accounted for the bulk of the net funds obtained by the Spanish economy abroad (4.7% of GDP in cumulative 12-month terms on data to September 2009).

In short, the lower financing costs of the last few months of the year again helped drive down the debt burden. But the worsening of the macroeconomic situation continued to raise the financial pressure borne by certain segments, especially those with most debt and those most affected by the cyclical position. In addition, despite the deceleration in private sector borrowing in recent quarters, the less favourable profit performance has halted the decline in households' and firms' debt ratios, which remain high, making the possibility of a Spanish economic recovery based on significant credit expansion less likely. The rapid increase in general government debt represents a growing burden that may pose a threat to the sustainability of public finances in the long term.

5.2 Households

Interest rates on new loans declined again in 2009 Q4: rates slipped by 20 bp in the case of home loans and by 1.3 pp in the case of consumer and other loans which are more changeable. According to the latest BLS, as the cost of borrowing has declined, credit standards for home loans have remained unchanged, while those for consumer and other loans have eased slightly. However, respondents to the BLS discern a further decrease in credit demand in 2009 Q4, both for home loans and consumer and other loans.

In this setting, household debt contracted by 0.3% year-on-year in November, in comparison with a decline of 0.1% in September, as the result of a slight dip in the year-on-year rates of growth of home loans and of consumer and other loans (which stood at -0.1% and -1.1%, 0.3 pp and 0.2 pp, respectively, below the Q3 close). By contrast, the annualised quarter-on-quarter rates were marginally positive in both cases, although below the September levels.

According to the latest Financial Accounts data, household investment in financial assets stood at 3.5% of GDP (in cumulative 12-month terms) in September, almost 1 pp above the June level (see Table 7). The breakdown by instrument reflects a recovery in investment fund flows, which recorded their highest level since mid-2007, growing by more than 1 pp in cumulative four-quarter terms to -0.5% of GDP. Among the most liquid assets, there was a restructuring in favour of cash and cash equivalents, to the detriment of time deposits.

The debt ratio as a percentage of GDI fell moderately in 2009 Q3, to just under 125% (see Chart 24), as a result of the modest decline in debt in quarter-on-quarter terms and household income stability. This, combined with the lower financing costs, led to a further decline in the debt burden, while the increase in the household gross saving ratio again boosted the ability to save after debt servicing. Similarly, the Financial Accounts reflect an increase in household net lending capacity in the period, to 4.5% of GDP in comparison with 3.8% in June. In turn, household net wealth was stable in Q3, as the increase in the financial component, driven by stock market appreciation, offset the reduction in housing wealth.

Despite the lower debt burden, in recent months the level of financial pressure borne by households has continued to rise, due to the worsening macroeconomic situation and, in particular, to the mounting unemployment rate. This continued to be reflected in rising doubtful loans ratios, with the sharpest growth continuing to be seen in lending for consumption and other purposes. Thus, in 2009 Q3 this indicator rose by 0.39 pp in the case of consumer and other loans, to 7.13%, but by scarcely 0.04 pp, to 3.05%, in the case of house purchase and refurbishment loans.

5.3 Non-financial corporations

Interest rates on new loans of less than €1 million to corporations fell by 36 bp (to 4.24%) in 2009 Q4, while those on loans of over €1 million, which had fallen more sharply in the previous period, rose by 20 bp to 2.47%. The issuance cost of shares and long-term securities also fell, by 90 bp and 25 bp, respectively, while the cost of issuing short-term securities rose slightly (by 9 bp).

According to the January BLS, financial institutions tightened their loan approval criteria very slightly in Q4. In the same vein, the information provided by the Chambers of Commerce Survey on SME access to financing for the quarter reflects no significant changes in the percentage of these firms that have had difficulties accessing borrowed funds. At the same time, and also according to the BLS, the decline in corporate loan demand would seem to have halted in the last stretch of 2009, for the first time since June 2007.

In this setting, the rate of growth of corporate debt continued to decelerate, to around zero (-0.2%) in year-on-year terms in November, 0.6 pp below the September figure. The annualised quarter-on-quarter rates of growth reflect less momentum (-2%), which would seem to indicate a further decline in year-on-year rates in coming months. This contraction in lending

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

TABLE 7

% GDP	2006	2007	2008	2009		
				Q1	Q2	Q3
HOUSEHOLDS AND NPISHs:						
Financial transactions (assets)	10.8	7.1	2.7	1.8	2.6	3.5
Cash and cash equivalents	3.1	-1.0	-0.5	0.3	2.5	3.5
Other deposits and fixed-income securities (a)	5.8	7.5	7.0	4.1	1.5	-0.1
Shares and other equity (b)	-1.3	0.4	-0.6	-0.2	0.0	0.5
Mutual funds	0.2	-1.1	-3.4	-2.7	-1.7	-0.5
Insurance technical reserves	1.8	0.9	0.4	0.5	0.5	0.5
Of which:						
Life assurance	*0.6*	*0.2*	*-0.1*	*0.0*	*0.1*	*0.1*
Retirement	*1.0*	*0.4*	*0.5*	*0.4*	*0.4*	*0.4*
Other	1.1	0.4	-0.2	-0.2	-0.3	-0.4
Financial transactions (liabilities)	12.5	9.0	2.4	0.2	-1.2	-1.1
Credit from resident financial institutions (c)	13.0	9.4	3.4	1.6	0.1	-0.3
Housing purchase credit (c)	*10.0*	*7.1*	*2.7*	*1.6*	*0.7*	*0.2*
Consumer and other credit (c)	*3.0*	*2.1*	*0.8*	*0.2*	*-0.3*	*-0.3*
Other	-0.4	-0.4	-1.0	-1.5	-1.3	-0.7
NON-FINANCIAL CORPORATIONS:						
Financial transactions (assets)	23.4	14.0	4.4	3.0	-3.4	-8.2
Cash and cash equivalents	2.3	-0.4	-1.1	-0.7	-0.9	-0.8
Other deposits and fixed-income securities (a)	1.9	2.0	1.9	1.1	0.6	0.9
Shares and other equity	11.5	8.2	3.1	2.6	1.6	0.9
Of which:						
Vis-à-vis the rest of the world	*8.3*	*6.7*	*3.4*	*2.8*	*1.8*	*1.4*
Trade and intercompany credit	6.6	2.7	-0.2	-0.4	-5.0	-8.6
Other	1.1	1.5	0.7	0.5	0.4	-0.5
Financial transactions (liabilities)	32.9	25.7	11.8	9.2	1.2	-5.6
Credit from resident financial institutions (c)	17.6	13.9	5.5	3.7	1.2	-1.6
Foreign loans	3.3	2.8	2.2	2.4	2.4	1.3
Fixed-income securities (d)	1.8	0.5	0.3	0.7	0.3	0.9
Shares and other equity	2.9	5.3	2.3	1.9	1.4	1.5
Trade and intercompany credit	7.0	3.2	0.0	-0.3	-4.9	-8.6
Other	0.3	0.0	1.3	0.7	0.8	1.0
MEMORANDUM ITEM: YEAR-ON-YEAR GROWTH RATES (%):						
Financing (e)	24.2	15.5	6.1	4.5	2.1	0.2
Households and NPISHs	19.6	12.5	4.4	2.2	0.5	-0.1
Non-financial corporations	27.9	17.7	7.4	6.2	3.3	0.4

SOURCE: Banco de España.

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

volume masks different patterns by instrument and company size. Thus, credit extended by resident institutions fell, in annualised quarter-on-quarter terms, by 6%, while funds obtained from other financing sources, used primarily by large corporations, continued to post positive rates of growth, especially in the case of fixed-income instruments. In turn, disaggregated information on credit extended by resident institutions shows the highest rate of growth among funds granted to companies with most debt, and thus, a priori, larger companies, excluding construction and real estate service firms (for which credit buoyancy is not a function of company size).

The latest information on credit breakdown by productive activity, relating to September 2009, shows a slowdown across all sectors, but most particularly in industry where the growth rate was negative (-1.3%, almost 9 pp below the June figure). Real-estate and non-real-estate services posted a more moderate slowdown, with a year-on-year rate of growth around 3%, while bank credit extended by resident institutions to the construction sector continued to record very negative growth rates (-14.3%, adding 1.1 pp to the decline seen in Q2).

In turn, according to the Financial Accounts, between September 2008 and September 2009 (latest data available), the balance on trade and intercompany credit (both owed by and extended to the sector) fell back significantly, resulting in associated negative flows of funds in the period equivalent to 8.6% of GDP (see Table 7). This was foreseeably a result of the downturn in economic activity and of firms' greater reluctance to grant this type of credit.

The contraction in corporate spending meant that net borrowing fell again, to 2.6% of GDP, that is, 2 pp below the June figure. The financing gap, an indicator that approximates the funds needed to cover the difference between firms' gross saving and gross capital formation plus foreign investment of a permanent nature, fell rather more sharply (by almost 3 pp), as a result of the lower investment in foreign equity and lower intragroup financing, nearing 4% of GDP.

The latest National Accounts profit estimates (for 2009 Q3) reflect year-on-year declines that would indicate a fall-off in corporate returns. As a result of this profit performance, the debt ratio rose slightly in the period (see Chart 25), despite the minor contraction in borrowing, although the associated debt burden ratio headed down as financing costs also declined. The data on firms contributing to the Central Balance Sheet Data Office Quarterly Survey (CBQ), which are predominantly large corporations, also record a drop in corporate profits. Specifically, both gross operating profit and ordinary net profit at these firms fell by 22% in the first three quarters of 2009 with respect to the same period of 2008, resulting in a sharp decline in returns and in an increase in the debt ratio vis-à-vis the gross operating surplus and financial revenue. Nevertheless, thanks to the lower interest rates, the interest burden related to revenue obtained on ordinary activity decreased, save in the industrial sector; in fact, among the sectors with most representation in the CBQ, industry is the one whose financial position has deteriorated most in recent quarters, and the one that currently has the highest interest burden ratio. The decline in corporate returns and the increase in indebtedness drove the indicators of financial pressure on investment and employment up again, to levels close to those seen in the 1992-1993 recession.

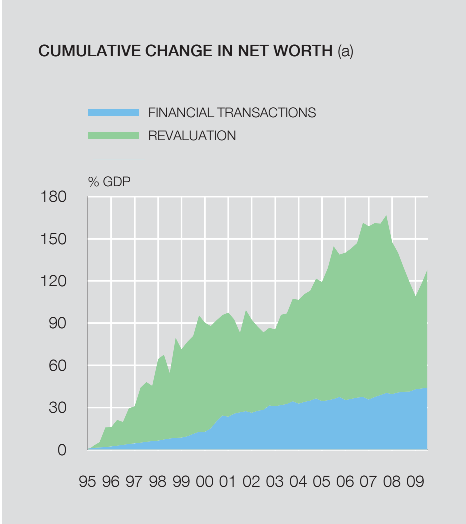
The poor profit performance was also reflected in the non-financial corporations' doubtful loans ratio, which rose again, to stand at 5.7% in September, 0.4 pp above the June level. Construction and real estate service sector companies continued to experience the most difficulties in servicing their debts. The combined doubtful loans ratio for these firms rose from 8.1% to 8.5% in the period, and slightly less (by 0.3 pp to 3.3%) in all other branches of activity.

The latest data on firms' financial statements point to significant differences in their financial performance, depending not only on sector but also on company size. Thus, according to the CBB database (which includes data from companies reporting to the CBA and mercantile register data), ordinary net profit at smaller companies (with fewer than 50 employees) fell by more than 50% in 2008, in comparison with a drop of 21% for their larger peers.

At the end of 2009, analysts continued to expect profits to continue to decline at listed non-financial corporations in coming quarters, although at a slightly lower rate than previously en-

OTHER FINANCIAL INDICATORS OF NON-FINANCIAL CORPORATIONS

CHART 26

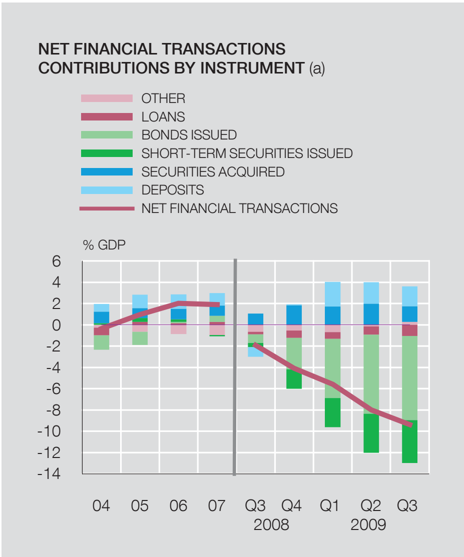


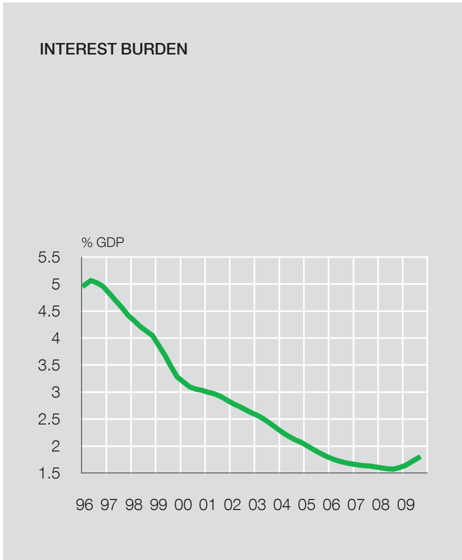
SOURCES: I/B/E/S and Banco de España.

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

GENERAL GOVERNMENT
Four-quarter data

CHART 27





SOURCE: Banco de España.

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

visaged (see Chart 26). These forecasts were accompanied by some downgrades in profit growth expectations for these same companies for the longer term.

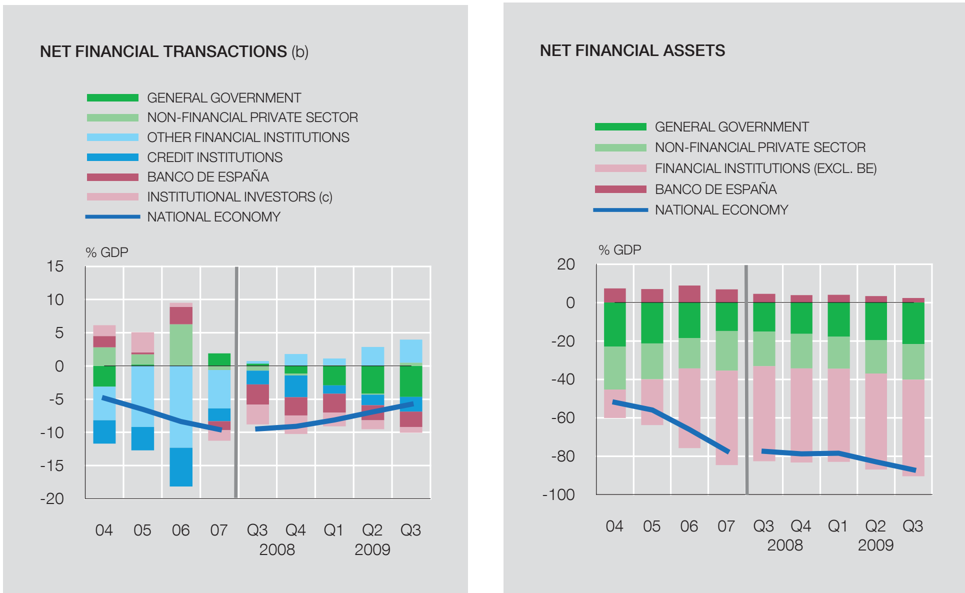
5.4 General government

Against a backdrop of rising public spending and declining revenues, general government net borrowing grew again in 2009 Q3, to 9.4% of GDP in cumulative four-quarter terms, 1.4 pp above the June figure (see Table 6).

In 2009 Q3 the issuance of fixed-income securities was once more the main tool used by general government to finance the deficit. However, the funds raised through this channel were

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

CHART 28



SOURCE: Banco de España.

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

lower than those thus raised in the previous quarter, as a result of the decline in funds obtained via medium and long-term securities (maturity of more than 12 months), which nevertheless continue to be the main source of general government financing, while those obtained from issuance of short-term securities remained flat. In cumulative four-quarter terms, the funds obtained through fixed-income securities amounted to the equivalent of 12% of GDP, 0.85 pp above the June level (see Chart 27). The funds obtained through loans also increased, representing the equivalent of 1% of GDP in net terms while, between September 2008 and September 2009, acquisitions of financial assets amounted to the equivalent of 3.6% of GDP, somewhat lower than at June 2009.

The surge in general government debt in recent months (year-on-year rate of growth in excess of 30%), together with the decline in GDP, has led to a marked increase in the debt-to-GDP ratio, which neared 50% of GDP in September, 13 pp above the September 2008 figure. As a result of all the above, the associated debt burden rose again in 2009 Q3, to 1.8% of GDP.

5.5 The rest of the world

In 2009 Q3, the nation's net borrowing stood at 5.8% of GDP in cumulative 12-month terms, around 1 pp below the June level and 3.3 pp below the figure for 2008 as a whole. By sector, this was due to households' increased net lending capacity and to firms' lower debit balance, which offset the rise in the general government deficit and the decline in financial institutions' savings (see Table 6). The decrease in the nation's net borrowing is lower than that which would be warranted by rationalisation of the private sector, as a result of the sharp increase in general government borrowing.

The breakdown of financial transactions vis-à-vis the rest of the world by sector shows that, in line with the increase in the government deficit, the net funds obtained from abroad via general government issuance rose by 0.5 pp, in cumulative 12-month terms, to 4.7% of GDP (see

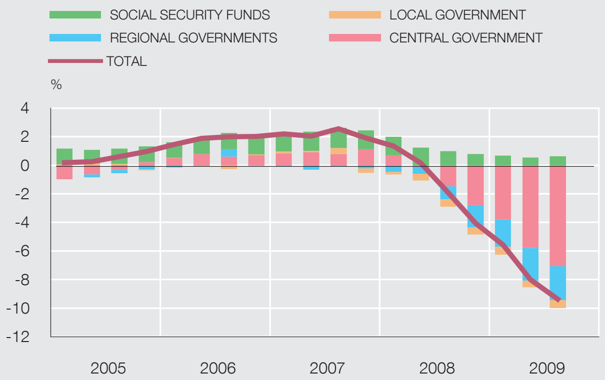
The economic crisis has led to higher public spending and lower revenues. As a result, since 2008 Q3 the general government has been running a growing deficit, after running a surplus for the previous three years. The breakdown by subsector (see Panel 1) shows widespread deterioration in public finances, although most particularly at central government level, and also, albeit to a lesser extent, among the regional (autonomous) governments. In fact, the social security system is the only subsector that continues to show a surplus, albeit a smaller one than in previous years. Against this backdrop, this Box explores how the increase in general government net borrowing is being financed, broken down by instrument and by counterpart sector.

The rapid deterioration in public finances, together with the need to fund the growing investment in financial assets (related, in part, to the financial system support programmes), has resulted in a significant increase in general government debt, which has risen at year-on-year rates of growth in excess of 30% since mid-2009 (see Panel 2). Accordingly, government debt, which represented less than 35% of GDP in March 2008, had risen to almost 50% of GDP by November 2009. The breakdown by instrument shows that general government has primarily relied on the issuance of securities (short-term, and especially medium and long-term securities); it has also used loans, albeit to a lesser extent. In terms of the balance outstanding, at November 2009 securities accounted for 84% of the total (of which 82% with maturity of more than one year), with loans granted by financial institutions making up the other 16%.

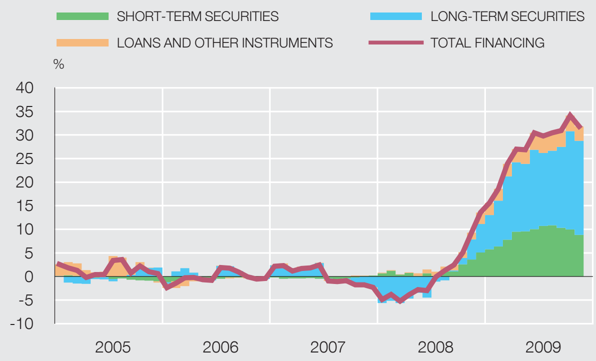
The breakdown by counterpart sector shows that Spanish credit institutions are the agents that have made the most contribution to general government financing since mid-2008. Specifically, between March 2008 and September 2009, these intermediaries provided general government with net funds totalling €74 billion, between loans and asset purchases, equivalent to 48% of all funds raised by general government in that period (see Panel 3). In turn, over the same period, net funds raised abroad amounted to €55 billion (35% of the total), with the remainder coming mainly from Spanish institutional investors. However, in terms of the balance outstanding, at September 2009 (latest data available) non-residents continued to be the main holders of public debt (45%), ahead of credit institutions (34%).

Various factors may have been behind the latest momentum in purchases of government debt (not only of Spanish public debt but also

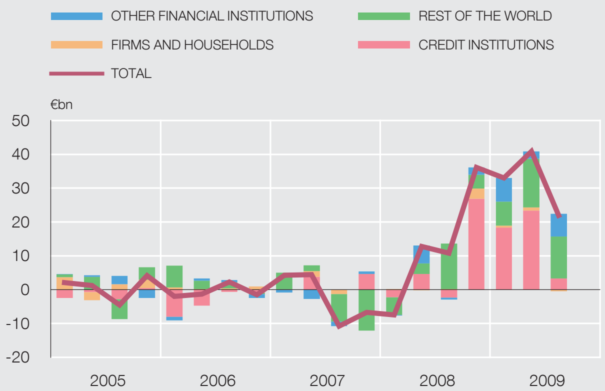
1 GENERAL GOVERNMENT LENDING (+) OR BORROWING (-)
AS % OF GDP



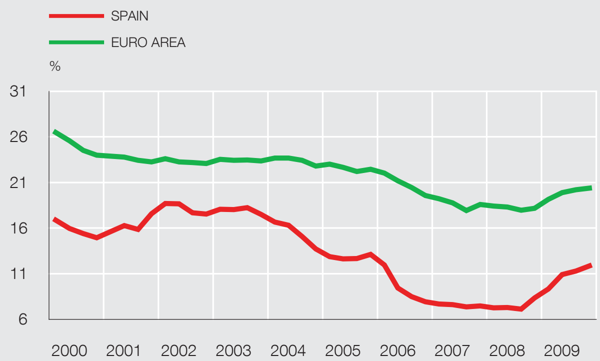
2 YEAR-ON-YEAR GROWTH OF GENERAL GOVERNMENT FINANCING
(Contribution by instrument)



3 GENERAL GOVERNMENT NET DEBT ACQUISITIONS



4 MFI EXPOSURE TO GENERAL GOVERNMENT (a)



SOURCES: ECB and Banco de España.

a. As a percentage of non-financial private sector and public sector financing.

of that issued in other parts of the world) by Spanish credit institutions. Moreover, this is a phenomenon that has also been seen in other euro area countries. Higher net borrowing by general government, in Spain and in other countries, has amplified this investment opportunity. In addition, the singular features of government debt make these instruments especially attractive in the present climate: they are highly liquid, as the securities (which represent the bulk of the funds raised) are traded on secondary markets (meaning that the sum invested may be recovered relatively easily and within a short period), and they are low credit risk in comparison with instruments issued by private agents. There was considerable margin for Spanish intermediaries to raise their exposure to the public sector, as in previous years this had fallen to levels that were low, not only historically but also in comparison with the euro area (see Panel 4). Accordingly, it should be no surprise that, in these circumstances, these instruments have risen as a percentage of the portfolio slightly more in Spain than in the euro area overall.

The 2009 Q3 figures reflect a slowdown in the funds granted by credit institutions to the public sector; on the latest provisional data available, this trend would seem to have continued in subsequent months. Thus, between July and September 2009, net investment by these intermediaries in securities issued by general government totalled €3.3 million, equivalent to 15% of all funds raised by general government, in comparison with a net inflow from non-residents of €12.4 million (56% of the total). Accordingly, government debt securities are becoming the main source of external financing for the Spanish economy.

Chart 28). In fact, in 2009 Q3, resident credit institutions ceased to be the main purchasers of public sector debt, being overtaken by external agents (see Box 7). In turn, in net terms, credit institutions continued to raise more funds from abroad than in the previous quarter, while in comparison with a year earlier institutional investors unwound positions in the rest of the world. The Banco de España's financial assets vis-à-vis the rest of the world also declined, while, in contrast, the capital flows associated with the net liabilities issued by other financial institutions represented a capital outflow equivalent to 3.5% of GDP.

Financial flows of assets and liabilities vis-à-vis the rest of the world were negative or very low between September 2008 and September 2009, against an international backdrop that was quite unfavourable for these transactions (see Table 8). During this period, capital inflows represented the equivalent of 2.9% of GDP, against 4.2% in June. Deposits posted the highest rates of decline, specifically interbank deposits which contracted sharply, bringing the cumulative 12-month flow into negative territory (-0.2% of GDP), together with non-trade credit which was also marginally negative in Q3 (1.6% in cumulative annual terms, 0.9 pp below the mid-2009 figure). Trade credit also fell back significantly, in the case of both asset and especially debt transactions that are booked net under "Other, net" financial transactions and have recorded negative flows since mid-2008. By contrast, investment by non-residents in equity instruments issued by Spanish agents rose, but foreign direct investment in Spain fell slightly, to 2.2% as a percentage of GDP.

Asset-side flows vis-à-vis the rest of the world were negative, in cumulative 12-month terms, at -2.8%, slightly below the June level. Loans, which amounted to 0.3% of GDP, in comparison with 1% in Q2, recorded the sharpest contraction, together with acquisitions of shares and holdings by non-financial corporations, which fell by 0.4 pp as a percentage of GDP to 1.4%. In line with these decreases, Spanish direct investment abroad fell by 0.8 pp to 3.2% of GDP. Net purchases abroad of equity instruments by institutional investors (and total net purchases abroad) were positive, as in the previous quarter, although in cumulative 12-month terms the numbers were once again negative (-0.2% of GDP).

As a result of changes in cross-border financial flows, asset prices and the exchange rate, the Spanish economy's accumulated net debt rose by 4.2 pp to 87.2% of GDP (see Chart 28). By

FINANCIAL TRANSACTIONS OF THE NATION
Four-quarter data

TABLE 8

% GDP

	2006	2007	2008	2009 Q1	2009 Q2	2009 Q3
NET FINANCIAL TRANSACTIONS	-8.4	-9.6	-9.1	-8.1	-6.9	-5.8
FINANCIAL TRANSACTIONS (ASSETS)	18.0	14.3	3.2	0.6	-2.7	-2.8
Gold and SDRs	0.0	0.0	0.0	0.0	0.0	0.0
Cash and deposits	5.2	2.1	-0.3	-2.1	-5.8	-5.6
Of which:						
Interbank (a)	*3.4*	*4.2*	*-0.5*	*-2.3*	*-5.6*	-5.6
Securities other than shares	-1.2	1.6	1.3	-0.2	0.5	0.5
Of which:						
Credit institutions	*-2.0*	*1.8*	*1.5*	*0.7*	*1.5*	1.3
Institutional investors (b)	*0.6*	*0.2*	*-0.9*	*-1.5*	*-1.5*	-1.7
Shares and other equity	10.8	8.9	2.1	2.7	2.3	2.5
Of which:						
Non-financial corporations	*8.3*	*6.7*	*3.4*	*2.8*	*1.8*	1.4
Institutional investors (b)	*1.2*	*-1.1*	*-1.6*	*-0.8*	*-0.5*	-0.2
Loans	2.1	1.2	0.7	0.9	1.0	0.3
FINANCIAL TRANSACTIONS (LIABILITIES)	26.4	23.8	12.3	8.8	4.2	2.9
Deposits	0.3	7.3	9.0	4.3	1.9	1.4
Of which:						
Interbank (a)	*0.6*	*6.7*	*6.2*	*1.9*	*0.9*	-0.2
Securities other than shares	21.3	8.1	-2.4	0.3	-0.8	-1.1
Of which:						
General government	*1.0*	*-1.4*	*1.3*	*2.4*	*3.4*	3.2
Credit institutions	*8.0*	*3.6*	*-1.9*	*-1.1*	*-1.3*	-0.8
Other non-monetary financial institutions	*12.3*	*5.8*	*-1.8*	*-1.0*	*-2.9*	-3.5
Shares and other equity	0.5	4.8	3.6	2.1	1.5	2.3
Of which:						
Non-financial corporations	*0.1*	*4.9*	*2.7*	*1.4*	*0.7*	1.1
Loans	3.5	3.1	2.2	2.5	2.5	1.6
Other, net (c)	-0.4	0.2	0.6	0.1	-0.1	-0.8
MEMORANDUM ITEMS:						
Spanish direct investment abroad	8.4	9.6	5.0	4.9	4.0	3.2
Foreign direct investment in Spain	2.5	4.8	4.4	2.8	2.4	2.2

SOURCE: Banco de España.

a. Correspond only to credit institutions. Include repos.
b. Insurance corporations and collective investment institutions.
c. Includes, in addition to other items, the asset-side caption reflecting insurance technical reserves and the net flow of trade credit.

institutional sector, this rise was essentially due to the increase in general government's and the non-financial private sector's debit positions vis-à-vis non-residents, and to the decrease in the credit balance of the Banco de España. The debit position of financial institutions excluding the Banco de España vis-à-vis the rest of the world remained virtually unchanged.

1.2.2010.

RESULTS OF NON-FINANCIAL CORPORATIONS IN 2008 AND IN THE FIRST THREE QUARTERS OF 2009

Results of non-financial corporations in 2008 and in the first three quarters of 2009

Overview[1]

Following the practice of previous years, this edition of the Banco de España's *Economic Bulletin* gives the results for 2008 of the non-financial corporations contributing to the Central Balance Sheet Data Office Annual Survey (CBA), and those for 2009 Q1-Q3 of the corporations contributing to the Central Balance Sheet Data Office Quarterly Survey (CBQ). The latter are a preliminary indicator of the results for the full year, which will be released in April 2010 and will subsequently be completed with the presentation of the CBA results in November of that year.

The CBA 2008 data (see Table 1 and Chart 1) broadly confirm the data previously released by the CBQ for that period. Thus productive activity, as measured by the change in gross value added (GVA), fell at a rate of 2.9%, in contrast with the growth of 6.4% of this surplus in 2007. This contraction affected virtually all sectors of activity, as a result of the severe adjustment of consumption and investment, especially in the second half of the year. Particularly noteworthy were the decreases in the GVA of firms in industry (-10%), in wholesale and retail trade and accommodation and food service activities (-1.5%) and in the aggregate "Other activities" (-3.1%), which includes construction and real estate firms.[2] By contrast, the energy sector, with GVA up by 2.9% in 2008, was the only one in which GVA performed similarly to the previous year.

This contractionary trend, which progressively intensified over the course of 2008, remained in place in the first nine months of 2009, when the rate of contraction of GVA reached -13.1% (see Table 1 and Chart 1) and spread to all sectors of activity, without exception. Within this general pattern, the industrial sector (see Box 1) again posted the largest falls in GVA (-30.7%), against a background of worsening capital goods investment and falling construction that directly affect demand at the industrial firms. The rate of contraction of GVA eased somewhat over the first three quarters of 2009, in contrast to 2008. Thus, in Q3, GVA decreased by 8.9%, compared with declines of 13.4% and 16.4% in the preceding quarters. Meanwhile, the contribution of external activity to GDP remained positive, as imports fell off by more than exports.

Personnel costs moderated notably in 2008 (a rise of 3.2%, less than half that observed in 2007) and decreased by 1.1% in the first three quarters of 2009, in both periods as a result of lower wage growth and the progressive worsening of the employment figures. Employment growth was virtually flat in 2008 at 0.4%, well below the increase of 3.1% seen in 2007 (see

1. This article provides information on the results obtained by the non-financial corporations reporting to the annual database (CBA) to 2008 and to the quarterly database (CBQ) to 2009 Q3. The annual information used is a summary of that included in the Banco de España publication *Central de Balances. Resultados anuales de las empresas no financieras, 2008,* released to the press on 4 December 2009. The annual survey, to which 6,853 corporations reported in 2008, represents 25.4% of the total activity of the non-financial corporations sector, while the quarterly survey, which contains information on the 724 corporations that, on average, reported their data to 2008 Q3, accounts in terms of GVA for 12% of the sector total. **2.** The sectoral information in all the CBSO databases and publications has been adapted to the new Spanish National Classification of Economic Activities (CNAE 2009). This work involved the sectorisation of all the firms in the time series, which began in 1984, in accordance with the new CNAE 2009, by application of conversion tables and ad hoc revision in specific cases. From now on, this article includes a modified presentation of the breakdown by activity (see Tables 2.A and 5). This basically affects the appearance of the sectoral aggregates «Wholesale and retail trade and accommodation and food service activities» and «Information and communication» and entails, inter alia, the incorporation of transportation (previously included in "Transport and communications") in an "Other activities" aggregate. For the time being, no substantial change has been made to the "Industry" and "Energy" aggregates, for the sake of comparison with the National Accounts data which will continue to use the old classification until 2011.

PROFIT AND LOSS ACCOUNT. YEAR-ON-YEAR CHANGES AND PROFIT RATIOS TABLE 1
Growth rates of the same corporations on the same period a year earlier

	CBA STRUCTURE	CBA		CBQ (a)		
DATABASES	2008	2007	2008	08 Q1-Q4/ 07 Q1-Q4	08 Q1-Q3/ 07 Q1-Q3	09 Q1-Q3/ 08 Q1-Q3
Number of corporations		9,243	6,853	800	819	724
Total national coverage		33.7%	25.2%	12.6%	13.6%	12.0%
PROFIT AND LOSS ACCOUNT						
1 VALUE OF OUTPUT (including subsidies)	100.0	8.0	0.3	2.0	7.3	-17.8
Of which:						
— Net amount of turnover and other operating income	*148.2*	*5.9*	*1.7*	*0.2*	*4.4*	*-17.2*
2 INPUTS (including taxes)	67.7	8.7	1.9	4.6	10.6	-20.3
Of which:						
— Net purchases	*94.8*	*4.4*	*1.4*	*2.9*	*14.5*	*-29.9*
— Other operating costs	*21.0*	*8.9*	*1.5*	*6.7*	*7.1*	*-4.3*
S.1 GROSS VALUE ADDED AT FACTOR COST [1 – 2]	32.3	6.4	-2.9	-2.7	1.5	-13.1
3 Personnel costs	17.6	6.9	3.2	3.5	4.7	-1.1
S.2 GROSS OPERATING PROFIT [S.1 – 3]	14.7	5.9	-9.4	-7.3	-0.8	-22.0
4 Financial revenue	6.1	19.4	12.6	2.3	18.0	-10.6
5 Financial costs	5.4	38.1	15.8	16.7	19.8	-28.6
6 Net depreciation, impairment and operating provisions	6.6	-0.2	16.2	1.9	-2.8	-2.4
S.3 ORDINARY NET PROFIT [S.2 + 4 – 5 – 6]	8.8	4.2	-22.1	-17.0	-1.3	-21.8
7 Gains (losses) from disposals and impairment (c)	-2.2	(b)	-36.8	(b)	19.5	-42.4
7' As a percentage of GVA (7 / S.1)		-2.9	-6.8	-8.2	8.7	6.5
8 Changes in fair value and other gains (losses) (c)	-1.1	(b)	(b)	64.7	62.8	-31.7
8' As a percentage of GVA (8 / S.1)		4.0	-3.5	-3.2	-2.3	-2.3
9 Corporate income tax	0.6	-15.3	-68.9	-86.3	8.8	-19.0
S.4 NET PROFIT [S.3 + 7 + 8 – 9]	4.8	8.6	-48.2	-39.1	12.7	-29.7
S. 4'. As a percentage of GVA (S.4 / S.1)		25.5	15.0	23.0	38.0	30.8
PROFIT RATIOS	Formulas (d)					
R.1 Return on investment (before taxes)	(S.3+5.1) / NA	8.9	7.5	7.9	7.3	5.6
R.2 Interest on borrowed funds / interest-bearing borrowing	5.1 / IBB	4.8	5.1	5.0	5.0	3.5
R.3 Ordinary return on equity (before taxes)	S.3 / E	12.5	9.8	10.4	9.3	7.4
R.4 ROI - cost of debt (R.1 – R.2)	R.1–R.2	4.1	2.5	2.9	2.3	2.1

SOURCE: Banco de España.

a. All the data in these columns have been calculated as the weighted average of the quarterly data.
b. Rate not significant or not calculable because the relevant figures are of opposite sign.
c. New P&L headings resulting from application of the new general chart of accounts (PGC 2007).
d. NA = Net Assets (net of non-interest-bearing borrowing); E = Equity; IBB = Interest-Bearing Borrowing; NA = E + IBB. The financial costs in the numerators of ratios R.1 and R.2 only include the portion of financial costs that is interest on borrowed funds (5.1) and not other financial costs (5.2).
NB: In calculating rates, internal accounting movements have been edited out of items 4, 5 and 7.

Table 2.A). In the first three quarters of 2009, the employment figures of the CBQ reporting corporations (a decline of 2.6%) reflect the severe workforce reductions made, mainly affecting temporary employees, in response to the sharp fall in productive activity. The workforce reductions progressively extended to an increasing number of firms and sectors, and ended up affecting all sectors of activity in both 2008 and the first three quarters of 2009. Of these, the industrial sector suffered the largest fall in its average labour force (-1.4%) in 2008, in line with the decline in its productive activity. However, also noteworthy in 2008 was the sharp drop in employment in "Wholesale and retail trade and accommodation and food service activities" (growth down from 4% in 2007 to 0.7% in 2008) and in "Other activities" (growth down from 4.4% in 2007 to 1.3% in 2008). As mentioned above, this latter sector includes construction and real estate firms, which saw particularly sharp falls in both productive activity and employ-

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

CHART 1

REPORTING NON-FINANCIAL CORPORATIONS		2004	2005	2006	2007	2008	2009
Number of corporations	CBA	9,056	9,135	9,286	9,243	6,853	—
	CBQ	830	811	829	847	800	724
% of GDP of the sector non-financial corporations	CBA	32.3	32.7	33.5	33.7	25.2	—
	CBQ	14.9	14.6	14.4	14.3	12.6	12.0

SOURCE: Banco de España.

a. 2004, 2005, 2006, 2007 and 2008 data drawn from corporations reporting to the annual survey (CBA), and average data of the four quarters of each year in relation to the previous year (CBQ).
b. Average for the first three quarters of 2009 in relation to the same period of 2008.

ment in 2008.[3] The data for the first three quarters of 2009 indicate a steeper fall in employment, sharper in some sectors such as industry and wholesale and retail trade, in which the number of workers decreased by 6.6% and 4.1%, respectively. Average compensation showed

3. Analysis of the data contained in the Mercantile Registries (CBB database) for 2008 yields the same conclusion: they reflect a fall in employment of 4.9% in small construction firms and of 6.5% in small real estate firms. The database referred to here is that kept by the Central Balance Sheet Data Office. It contains information filed by firms in Mercantile Registries (see Box 2 of this article) and has an adequate coverage of small firms, specifically in the services and construction sectors, which are those least represented in the annual CBA sample (see Annex of the CBSO Annual Report referred to above).

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

CHART 1

REPORTING NON-FINANCIAL CORPORATIONS		2004	2005	2006	2007	2008	2009
Number of corporations	CBA	9,056	9,135	9,286	9,243	6,853	—
	CBQ	830	811	829	847	800	724
% of GDP of the sector non-financial corporations	CBA	32.3	32.7	33.5	33.7	25.2	—
	CBQ	14.9	14.6	14.4	14.3	12.6	12.0

SOURCE: Banco de España.

a. 2004, 2005, 2006, 2007 and 2008 data drawn from corporations reporting to the annual survey (CBA), and average data of the four quarters of each year in relation to the previous year (CBQ).
b. Average for the first three quarters of 2009 in relation to the same period of 2008.

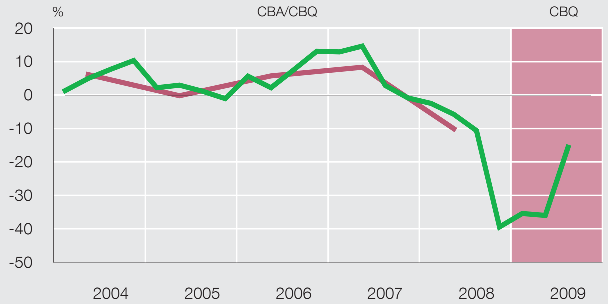
a marked moderation in both 2008 and the first nine months of 2009 (personnel costs per employee rose by 2.8% and 1.5%, respectively), against a backdrop in which the increases negotiated in collective labour agreements began to reflect the climate of lower prices and weaker labour demand.

The decrease in productive activity, only partly offset by the containment of personnel costs, caused corporate surpluses to worsen in both the periods analysed. Thus, gross operating profit (GOP) fell sharply in 2008 (-9.4%), and most especially in the first nine months of 2009 (-22%). In turn, financial revenue and costs also followed a declining trend, recording progressively smaller

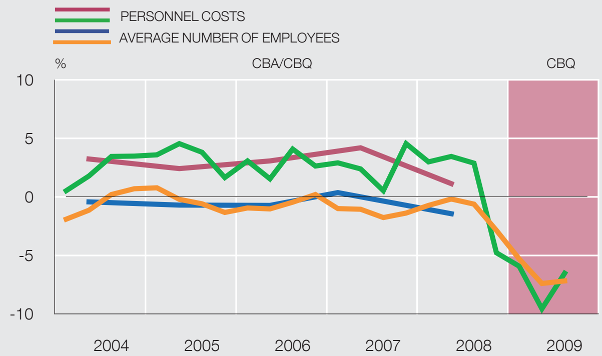
On Central Balance Sheet Data Office data, over the last two years the productive activity of the industrial sector has contracted sharply, leading to heavy falls in its GVA (-10% in 2008; -30.7% in the first nine months of 2009). This is due to the adverse impact the decline in investment in capital goods has had on this sector, and to the impact the construction sector crisis has had on some industrial sub-sectors whose activity is closely linked to construction. However, as occurs in the total sample, the quarterly GVA figures are less negative in 2009 Q3 (-15.6%) than in the first two quarters of the year (-35.4% in Q1; -36.1% in Q2). Although this decline in activity extended to all industrial sub-sectors, those most affected, in 2008, were manufacture of mineral and metal products and manufacture of transport equipment, where GVA fell by 20.9% and by 14.7%, respectively. In the first three quarters of 2009, GVA fell substantially again in manufacture of mineral and metal products (-64.4%), and also in manufacture of computer and electronic products and electrical equipment (-34.7%) and in the chemical industry (-34%). In turn, personnel costs at industrial corporations in the sample progressively moderated, growing by 1.1% in 2008, before falling by 7.4% in the first three quarters of 2009. This was due, on the one hand, to increasingly severe cuts in employment (-1.4% in 2008; -6.6% to September 2009) and, on the other, to growing moderation in wage costs, which rose by 2.6% in 2008 (as opposed to 3.8% in 2007) and fell by 0.9% in the first nine months of 2009. The sharp cut in performance-related variable compensation at some large corporations, together with the lower wage rises negotiated in the latest collective bargaining agreements, played a significant part in this moderation. However, although the rate of growth of personnel costs moderated, and even turned negative in 2009, the deterioration in productive activity passed through both to gross operating profit (GOP) and ordinary net profit (ONP). Thus, GOP posted strong negative growth in both the periods analysed (-23.3% in 2008; -61% in the first nine months of 2009), as did ONP in 2008 (-37.7%) and, most especially, in the first three quarters of 2009 (-90.5%). This ordinary profit performance passed through directly to rates of return, so that, in 2008, return on investment fell by 4 pp in comparison with the previous year, to 6.8%, before sliding further, to 2.2%, in the first three quarters of 2009. In view of all the above, and despite the positive performance of financial costs, favourably influenced by the impact of the successive interest rate cuts, the difference between the rate of return and the cost of debt progressively narrowed, recording negative values in 2009 (-1.6%), summing up the difficult situation facing the Spanish industrial sector.

PERFORMANCE OF THE INDUSTRIAL CORPORATIONS REPORTING TO THE CBSO

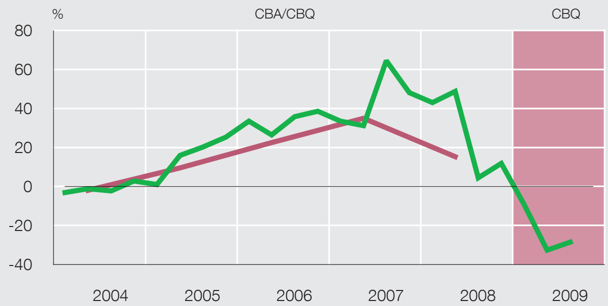
GROSS VALUE ADDED AT FACTOR COST
Rate of change



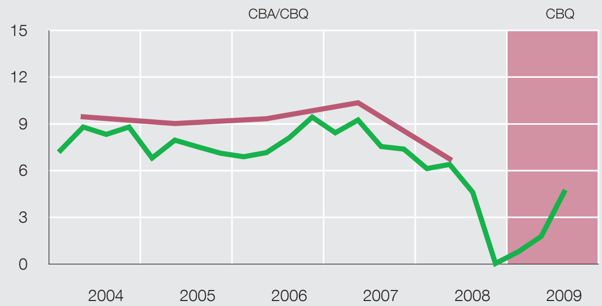
EMPLOYMENT AND WAGES
Rate of change



FINANCIAL COSTS
Rate of change



RETURN ON INVESTMENT
Ratios



REPORTING INDUSTRIAL CORPORATIONS		2004	2005	2006	2007	2008	2009
Number of corporations	CBA	2,472	2,410	2,397	2,356	1,723	—
	CBQ	347 337 330 328	320 309 302 294	315 300 288 279	309 299 285 280	282 271 258 244	240 232 192 —
% of GDP of the sub-sector industrial corporations	CBA	28.7	28.7	31.1	33.6	21.6	—
	CBQ	19.7 19.8 18.1 19.3	19.1 19.6 16.9 17.1	18.5 17.5 16.3 17.4	19.4 19.6 16.6 17.0	16.2 16.2 12.8 8.5	10.2 10.3 8.7 —

SOURCE: Banco de España.

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

TABLE 2.A

	GROSS VALUE ADDED AT FACTOR COST				EMPLOYEES (AVERAGE FOR PERIOD)				PERSONNEL COSTS				COMPENSATION PER EMPLOYEE			
	CBA	CBQ (a)			CBA	CBQ (a)			CBA	CBQ (a)			CBA	CBQ (a)		
	2008	08 Q1 -Q4	08 Q1 -Q3	09 Q1 -Q3	2008	08 Q1 -Q4	08 Q1 -Q3	09 Q1 -Q3	2008	08 Q1 -Q4	08 Q1 -Q3	09 Q1 -Q3	2008	08 Q1 -Q4	08 Q1 -Q3	09 Q1 -Q3
Total	-2.9	-2.7	1.5	-13.1	0.4	0.7	1.1	-2.6	3.2	3.5	4.7	-1.1	2.8	2.8	3.5	1.5
SIZE																
Small	-8.4	—	—	—	-3.8	—	—	—	2.2	—	—	—	6.2	—	—	—
Medium	-2.5	-0.8	0.7	-12.8	-1.1	-2.4	-1.8	-5.9	4.1	2.2	3.9	-5.0	5.3	4.7	5.8	0.9
Large	-2.8	-2.8	1.5	-13.1	0.8	0.9	1.3	-2.4	3.2	3.6	4.7	-0.9	2.4	2.6	3.4	1.5
BREAKDOWN BY ACTIVITY																
Energy	2.9	3.0	10.4	-15.2	1.8	2.3	2.5	-0.2	6.4	4.4	5.9	1.3	4.5	2.1	3.3	1.5
Industry	-10.0	-13.2	-6.0	-30.7	-1.4	-1.0	-0.5	-6.6	1.1	1.2	3.1	-7.4	2.6	2.3	3.6	-0.9
Wholesale & retail trade and accommodation & food service activities	-1.5	-4.4	-2.4	-9.2	0.7	1.9	2.8	-4.1	3.5	4.3	5.2	-4.8	2.8	2.3	2.3	-0.7
Information and communication	0.7	-1.2	-0.7	-9.1	-1.5	-2.7	-3.1	-0.5	1.4	-0.3	-0.5	1.9	2.9	2.4	2.7	2.4
Other activities	-3.1	-1.2	2.5	-7.3	1.3	1.2	1.4	-0.4	4.1	5.1	6.3	2.2	2.8	3.9	4.8	2.6

SOURCE: Banco de España.

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

EMPLOYMENT AND PERSONNEL COSTS
Details based on changes in staff levels

TABLE 2.B

		TOTAL CBQ CORPORATIONS 2009 Q1-Q3	CORPORATIONS INCREASING (OR NOT CHANGING) STAFF LEVELS	CORPORATIONS REDUCING STAFF LEVELS
Number of corporations		724	293	431
PERSONNEL COSTS				
Initial situation 08 Q1-Q3 (€m)		21,065.1	8,008.4	13,056.7
Rate 09 Q1-Q3 / 08 Q1-Q3		-1.1	5.5	-5.1
AVERAGE COMPENSATION				
Initial situation 08 Q1-Q3 (€)		33,022.7	34,946.8	31,993.7
Rate 09 Q1-Q3 / 08 Q1-Q3		1.5	0.0	2.1
NUMBER OF EMPLOYEES				
Initial situation 08 Q1-Q3 (000s)		637	229	408
Rate 09 Q1-Q3 / 08 Q1-Q3		-2.6	5.5	-7.1
Permanent	Initial situation 08 Q1-Q3 (000s)	538	191	347
	Rate 09 Q1-Q3 / 08 Q1-Q3	-0.2	4.1	-2.6
Non-permanent	Initial situation 08 Q1-Q3 (000s)	100	38	62
	Rate 09 Q1-Q3 / 08 Q1-Q3	-15.1	12.9	-32.6

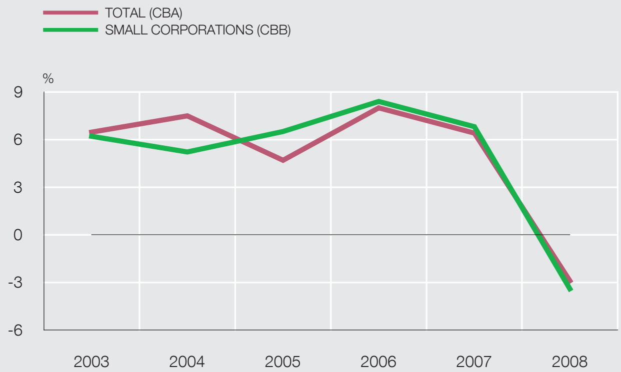
SOURCE: Banco de España.

Large Spanish non-financial corporations are readily studied using the CBA and CBQ databases, as they are a segment of the population that is well represented in their samples. However, it is useful to supplement this with analysis of smaller firms (fewer than 50 employees) and with a more detailed study of the behaviour of certain sectors of activity that are more highly segmented (such as the services or construction sectors) whose analysis using CBA and CBQ data may, in some cases, prove incomplete. For this purpose, the Central Balance Sheet Data Office (CBSO) has an agreement with the Mercantile Registries that enables it to maintain a database (CBBE/RM or CBB) using the accounts lodged with them. This database permits, inter alia, inclusion of an Annex to the CBSO's Annual Report presenting the aggregated data of Spain's small corporations. Based on a summary of these data, this box provides a brief analysis of how these smaller firms have performed. This information only becomes available with a certain time-lag vis-à-vis the CBQ and CBA data, but this shortcoming is offset by its exhaustive nature, as it covers more than 600,000 firms in 2007 and 100,000 firms in 2008, with data still being received for this period (see panel). Together, the CBA data (on large and medium-sized corporations) and the CBB data (on small corporations) provide extensive cover of all the different population segments; in 2007 they covered almost 54% of the total GVA of the non-financial sector (33.8% in the case of the CBA and 20.1% in the case of the CBB).

According to the results of the CBB, the activity of small Spanish corporations contracted in 2008, reflected in a decline of 3.4% in their GVA, in contrast to the growth of 6.8% recorded in 2007. This adverse performance, very similar to that of the CBA corporations for

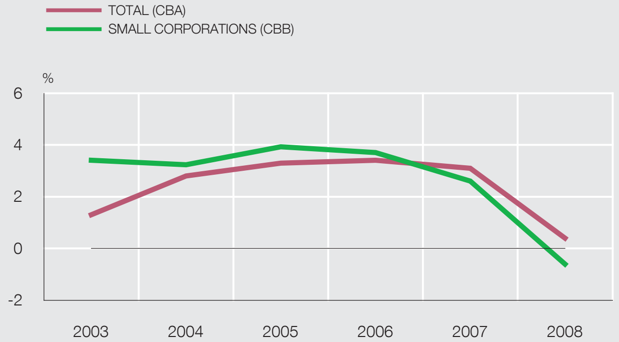
RESULTS OF SMALL CORPORATIONS

GROSS VALUE ADDED AT FACTOR COST
Rate of change

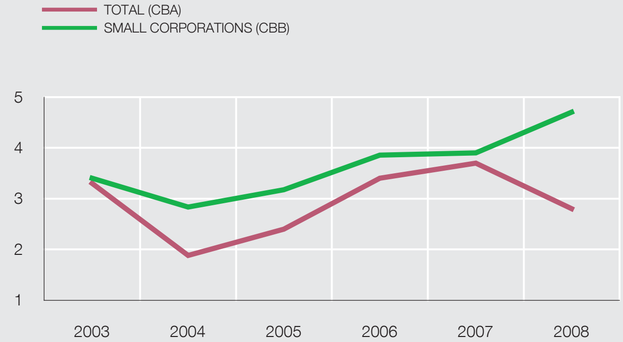


FINANCIAL COSTS
Rate of change

EMPLOYMENT
Rate of change



COMPENSATION PER EMPLOYEE
Rate of change



		2003	2004	2005	2006	2007	2008
Number of corporations	CBA	8,830	9,056	9,135	9,286	9,243	6,853
	CBB (a)	481,757	442,004	522,502	559,165	604,912	104,725
% of GDP of the sector non-financial corporations	CBA	30.0	32.3	32.7	33.5	33.7	25.2
	CBB (a)	20.7	16.2	18.4	19.2	20.1	3.0

SOURCE: Banco de España.

a. In the case of the "Employment" and "Compensation per Employee" panels, the data relate to the sub-set of corporations with consistent employment figures (65% of the CBB total).

the same period, extended to almost all sectors of activity, with the sole exception of the electricity supply sector (also coinciding with the CBA data) whose positive behaviour was due to the extraordinary growth of the small renewable energy firms. There was a clear slowdown in activity in all other sectors, but especially in the construction and real estate aggregates where the impact of the economic downturn was most marked. In these two sub-sectors, GVA fell at a rate of 8.4% and 5.9%, respectively, and together they account for more than half the decline in activity in the sample as a whole. In turn, personnel costs rose more moderately in 2008 (at a rate of 4.4%, almost 3 pp lower than in 2007), fundamentally due to the poor employment performance, as average employment fell by 0.6%, in comparison with growth of 2.6% a year earlier. Workforce reductions were concentrated, in particular, in the sectors recording the greatest deterioration in activity. As a result of the contraction in productive activity, and despite the lower rate of growth of personnel costs, GOP fell sharply (-27.8%). Financial costs also grew more moderately (15.9%) in 2008, virtually half the rate of growth recorded a year earlier (33.5%), but this did not prevent ONP from falling sharply (-55.4%). Return on equity (the only ratio that can be calculated using CBB information) reflected this deterioration in ordinary profit, with a brusque drop, from 7.8% in 2007 to 3.8% in 2008, affecting all sectors of the sample, without exception.

In short, there was a severe contraction in 2008 in the productive activity of the aggregate of small corporations that make up the CBB, which severely limited their capacity to generate surpluses and create new jobs and prompted a notable decline in their rates of return. This performance, which was seen in the vast majority of productive sectors, was especially marked in construction and real estate.

increases in 2008 and then negative growth rates in 2009. This is due, first, to the lower interest rates, which affect revenue and, especially, costs. It is also due, on the revenue side, to the smaller dividend inflows, and, in respect of costs, to the lesser resort to new financial resources, against a background of deceleration in investment activity and decline in corporate acquisitions, which were significant in the preceding periods. Overall, the net effect of financial revenue and costs on ordinary net profit (ONP) was small in 2008, and slightly favourable in the first three quarters of 2009, given that in this period costs decreased more sharply than revenue. Meanwhile, the item reflecting operating depreciation and provisions grew by 16.2% in 2008, as a result of the considerable provisioning by construction and real estate firms recorded in that year to reflect the lower value of their stocks on their balance sheets. By contrast, the 2009 data do not reflect this phenomenon, although these firms have a lower level of representation in the CBQ so it will be necessary to wait until the 2009 CBA data are available to assess the possible impact of this provisioning on the corporate results for 2009. In short, the increase in operating provisions, together with the practically zero impact of financial revenue and costs, meant that ONP underwent a further decline with respect to GOP, falling by 22.1% in 2008. In the quarterly data for 2009, the absence of these provisions and the larger reduction in financial costs than in financial revenue did not result in any additional worsening of ONP, which fell by 21.8%, virtually unchanged on 2008 and similar to the fall in GOP for the first three quarters of 2009.

The fall in ONP resulted in a progressive worsening of the returns on ordinary activities, such that return on investment (R.1) stood at 7.5% in 2008, nearly 1.5 pp less than a year earlier, while, on the information available for 2009, this ratio fell further, to 5.6%. The decline in returns was seen in all sectors of activity, although it was sharpest in those recording the greatest fall-off in their productive activity. The ratio that measures the cost of debt (R.2) clearly changed trend in 2008, essentially as a result of the falling interest rates and their progressive pass-through to firms' costs, whose growth rate slowed as from mid-2008 and fell in 2009. Thus, the R.2 ratio rose slightly, to 5.1%, in 2008 as a whole, before dropping to 3.5% in the first nine months of 2009. The fact that financial costs rose in the first period analysed and declined in the second meant they had opposite effects on the difference between ROE and the cost of debt. In 2008, the rise in financial costs added to the effect of the decrease in returns, so the difference contracted notably, to 2.5, compared with 4.1 in 2007, while in the first three quarters of 2009 the decrease in the cost of debt cushioned the effect of the fall in returns and, as a result, this difference fell only a few tenths of a percentage point with respect to 2008, to stand at 2.1.

Lastly, an analysis of extraordinary results in 2008 shows a sharp decrease in gains from disposals and impairment. Accordingly, despite the substantial fall in income tax (-68.9%), profit for the year fell by 48.2%; this is a sharper fall than that seen in ONP, and is the most negative rate for this surplus since 2002. The first three quarters of 2009 also saw decreases in extraordinary results, mainly because the substantial gains on the sale of shareholdings in the first nine months of 2008 were not repeated in 2009, meaning that the cumulative result to 2009 Q3 fell by 29.7%, also exceeding the fall in ONP. Despite these decreases, corporate profits expressed as a proportion of GVA remained high, although on a downward path that was steeper in 2008 than in the first three quarters of 2009.

In short, information provided by the annual and quarterly databases for 2008 and the first three quarters of 2009 confirms a progressive worsening of productive activity, resulting in a notable deterioration in employment. This negative trend gradually extended to increasing numbers of firms and sectors, and had a particular impact on industry, on wholesale and retail trade and accommodation and food service activities, and on construction, all of which were severely hit by the contraction in consumption and investment. In this setting of economic slowdown, the decrease in employment, the smaller increase in wages and, in particular, the decline in financial costs (favoured by the lower interest rates) alleviated corporate costs, but they did not prevent a notable fall in firms' surpluses. Although the CBSO reporting firms continue to post profits overall, both these profits and their levels of return are decreasing.

Activity

The data compiled by the CBSO for 2008 and the first three quarters of 2009 confirm a progressive deterioration of productive activity in both periods, with decreases in GVA of 2.9% and 13.1%, respectively (see Table 1 and Chart 1). Notably however, the rate of contraction of GVA slowed in 2009 Q3 (-8.9%) compared with the previous quarters (-13.4% and -16.4%, respectively).

The fall-off in business activity extended to all sectors of activity (see Table 2.A), as a result of the contraction of consumption and investment, leading some sectors, such as wholesale and retail trade and accommodation and food service activities, and industry, to record their worst rates of change of GVA in the CBSO series. Thus, industrial firms went from GVA increases of 8.3% in 2007 to decreases of 10% in 2008, followed by falls of 30.7% in the first three quarters of 2009. However, the fall moderated in Q3 (-15.6%, compared with -35.4% and -36.1% in the preceding quarters). The contribution to GDP of the external activity of industry continued to be positive: net external demand of industry grew by 55.7% in 2009, while that of other firms amounted to 45.2%, due to the larger decrease in imports than in exports (see Table 3). The wholesale and retail trade and accommodation and food service activities sector also performed negatively, dropping from 7% in 2007 to -1.5% in 2008 and to -9.2% in the first three quarters of 2009, the downward trend becoming steeper in step with the weakness shown by private consumption throughout the period. The information and communication firms aggregate[4] also saw a fall-off in its productive activity, both in 2008, when GVA rose by 0.7%, in comparison with 7.6% a year earlier, and in the first three quarters of 2009, when it fell by 9.1%, largely as a result of the impact of declining consumption on the telecommunications companies. The "Other activities" aggregate also recorded a progressive deterioration in GVA, which fell by 3.1% in 2008 and by 7.3% in the first three quarters of 2009, mainly due to the

4. In line with the new sectoral classification indicated above (see footnote 1), for the first time this article contains data on information and communication sector companies separate from data on transport companies.

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

TABLE 3

		CBA		CBQ (a)	
		2007	2008	08 Q1-Q3	09 Q1-Q3
Total corporations		6,853	6,853	724	724
Corporations reporting source/destination		6,853	6,853	679	679
Percentage of net purchases according to source	Spain	65.7	64.9	80.4	83.9
	Total abroad	34.3	35.1	19.6	16.1
	EU countries	*18.7*	*17.1*	*13.3*	*11.3*
	Third countries	*15.7*	*18.0*	*6.3*	*4.7*
Percentage of turnover according to destination	Spain	84.8	84.4	91.0	91.9
	Total abroad	15.2	15.6	9.0	8.1
	EU countries	*10.6*	*10.4*	*6.9*	*6.1*
	Third countries	*4.6*	*5.2*	*2.1*	*2.1*
Change in net external demand (exports less imports), rate of change	*Industry*	*-11.5*	*-16.6*	*(b)*	*55.7*
	Other corporations	*-5.8*	*1.8*	*13.1*	*45.2*

SOURCE: Banco de España.

a. All the data in these columns have been calculated as the weighted average of the quarterly data.
b. Rate not significant or not calculable because the relevant figures are of opposite sign.

construction and real estate sector companies which form part of this aggregate. Lastly, the energy sector was the only one to record growth in GVA in 2008 (2.9%, 0.2 pp more than in 2007), due, above all, to the increase of 7.8% in GVA at the utility companies (electricity, gas and water). However, in 2009, GVA in the energy sector fell by 15.2%, due to the sharp drop at the refining companies (–57.6%), as a result of the contraction in their surpluses in view of the falling oil price (see Chart 2), and to the decrease at the utility companies, whose GVA declined by 3.8% as a result of the negative effect of the fall-off in demand.

To conclude, Chart 3, which depicts the distribution of corporations according to the rate of change in GVA, shows a shift towards the side that reflects reductions in GVA. Thus, GVA decreased at 63.5% of firms in the first three quarters of 2009, in contrast to 47.1% a year earlier. Moreover, in the first three quarters of 2009, 35.8% of corporations recorded a contraction in GVA in excess of 20%, up from 22.4% a year earlier.

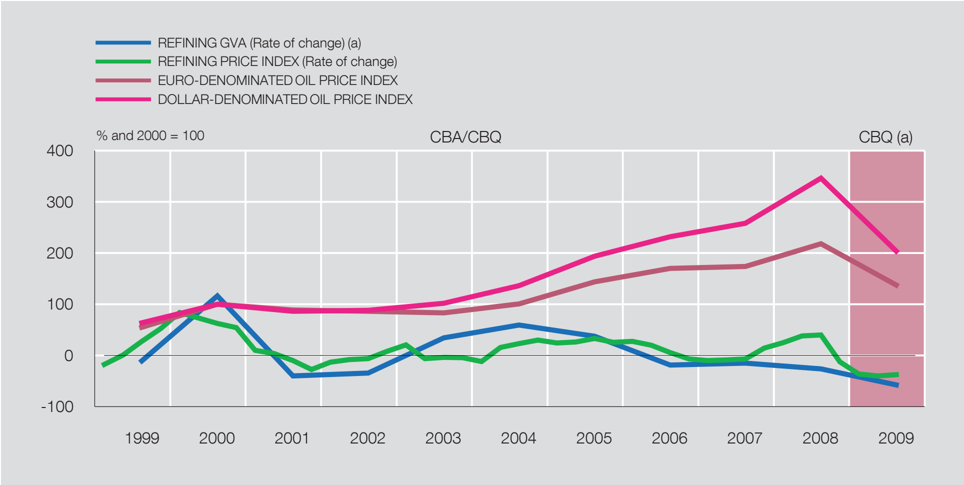
Employment and personnel costs

In 2008 and during the first nine months of 2009, personnel costs tended to become progressively contained, going from growth of 6.9% in 2007 to less than half that rate in 2008 (3.2%), to a decline of 1.1% in the first nine months of 2009. This containment was due to the greater moderation in average compensation growth and to progressive workforce reductions.

In effect, in 2008 average employment growth became progressively more moderate, closing the year virtually flat at 0.4%, down from 3.1% in 2007. This pattern intensified in 2009, so that over the first nine months, employment fell at a rate of 2.6%. As was the case in previous quarters, this decrease extended to all sectors of activity, affecting temporary employment (-15.1%) much more than permanent employment (-0.2%). As Table 4 shows, in the first three quarters of 2009, 62% of firms cut their workforces, as opposed to 44% a year earlier. By sec-

IMPACT OF OIL PRICES ON THE REFINING SECTOR

CHART 2

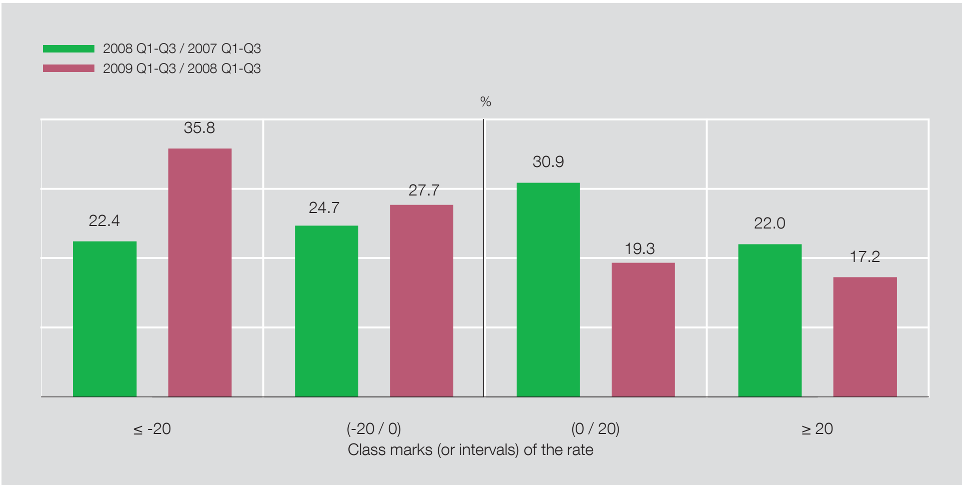


SOURCES: Banco de España and Ministerio de Industria, Turismo y Comercio (Informe mensual de precios).

a. 2009 data relate to the CBQ.

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

CHART 3



SOURCE: Banco de España.

tor of activity, employment in industry fell by 1.4% in 2008, and then by 6.6% to September 2009, while in wholesale and retail trade, average employment rose slightly (0.7%) in 2008, before falling by 4.1% in the first nine months of 2009. Lastly, the information and communication sector posted a negative employment performance in 2008 (-1.5%), but this was largely due to early retirement programmes at some corporations that were not directly connected to the present situation facing the sector companies. In the first three quarters of 2009, the sector performed somewhat more positively, with lower workforce reductions (-0.5%).

Average compensation growth moderated in 2008 and in 2009. Thus, in 2008, the ratio rose by 2.8%, almost 1 pp less than a year earlier, and then by just 1.5% in the first three quarters of 2009, as a result of the lower wage rises negotiated in the latest collective bargaining agreements,

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

TABLE 4

	CBA		CBQ (a)			
	2007	2008	07 Q1-Q4	08 Q1-Q4	08 Q1-Q3	09 Q1-Q3
Number of corporations	9,243	6,853	847	800	819	724
PERSONNEL COSTS	100	100	100	100	100	100
Falling	26.0	32.1	28.7	33.4	29.1	56.8
Constant or rising	74.0	67.9	71.3	66.6	70.9	43.2
AVERAGE NUMBER OF EMPLOYEES	100	100	100	100	100	100
Falling	31.4	41.2	38.8	46.1	44.0	62.0
Constant or rising	68.6	58.8	61.2	53.9	56.0	38.0

SOURCE: Banco de España.

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

against the backdrop of uncertainty and low inflation, and of the decline in performance-related variable compensation. This wage containment extended to all sectors of activity, without exception, and in fact some sectors, such as industry, or wholesale and retail trade and accommodation and food service activities, recorded negative rates of change (0.9% and 0.7%, respectively) in 2009. These falls are due to the cuts made in performance-related variable compensation at some big corporations. Lastly, Table 2.B shows how personnel costs have evolved in corporations that have increased or not changed their average staff levels and in those that have cut their average staff levels. As is customary, average compensation grew the least (in fact it was flat) at companies that created jobs, and it grew the most (2.1%) at companies that cut their workforce.

Profits, rates of return and debt

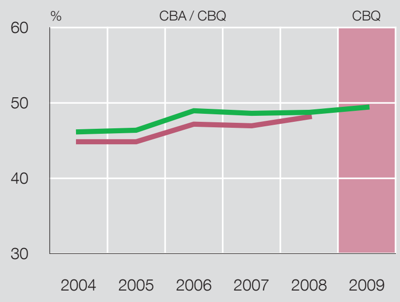
As a result of the contraction in productive activity, gross operating profit (GOP) fell significantly, both in 2008 (-9.4%) and in the first three quarters of 2009 (-22%). In turn, financial revenue also declined notably in both periods, going from growth of 19.4% in 2007 to growth of 12.6% in 2008 and to negative growth of -10.6% in the first three quarters of 2009. This was primarily due to the lower dividends received from foreign subsidiaries and to the progressive fall in interest rates, which has reduced the revenue from interest received as consideration for loans and deposits. The lower interest rate scenario explains almost all the decline in financial costs which, after years of strong growth, began to moderate in 2008, rising by 15.8%, and then fell, in the first nine months of 2009, by 28.6%. The following table outlines the components (financing costs and the cost of debt) behind this change:

	2008/2007	*09 Q1-Q3/08 Q1-Q3*
Change in financial costs (%)	**15.8**	**–28.6**
A Interest on borrowed funds	*16.4*	*–29.0*
1 Change due to cost (interest rate)	+4.9	–30.1
2 Change due to the amount of interest-bearing debt	+11.5	+1.1
B Commissions and cash discounts	*–0.6*	*+0.4*

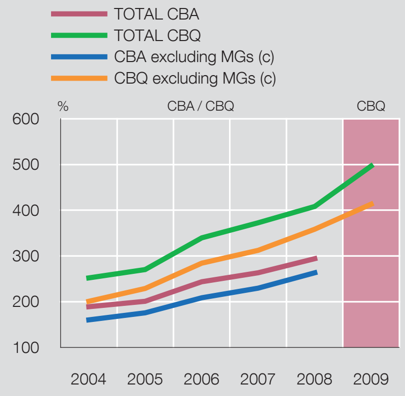
As the table shows, the reasons for the lower growth of financial costs in 2008 and for their significant decline in 2009 are twofold. On the one hand, companies have reduced their resort to new credit, so the impact of new debt on financial costs in 2009 was just 1.1%, compared with more than 20 pp in 2006 and 2007, and on the other, the lower interest rates have gradually passed through to companies' financial costs, resulting in their sharp decline in 2009. The ratio that measures the interest burden vis-à-vis ordinary income (see Chart 4), which tracks a downward path in 2009, also reflects this drop in financial costs.

DEBT RATIOS

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



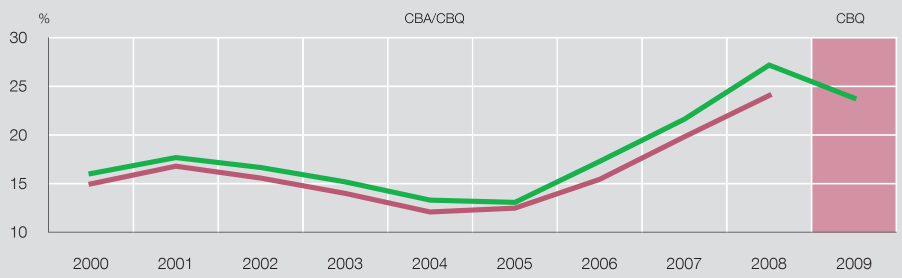
E2. INTEREST-BEARING BORROWING / GVA (b)
Ratios



	2004	2005	2006	2007	2008	2009
CBA	44.8	44.8	47.2	47.0	48.2	
CBQ	46.2	46.4	48.9	48.6	48.8	49.4

	2004	2005	2006	2007	2008	2009
CBA	188.6	200.7	243.5	263.5	293.9	
CBQ	251.9	270.2	339.7	372.5	408.4	496.6
CBA excl. MGs	160.5	175.8	208.6	229.2	263.4	
CBQ excl. MGs	201.1	228.8	284.0	312.1	358.7	413.4

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



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CBA	15.0	16.8	15.6	14.0	12.1	12.5	15.4	19.8	24.1	
CBQ	16.0	17.7	16.7	15.2	13.3	13.1	17.3	21.6	27.2	23.8

SOURCE: Banco de España.

a. Ratio calculated from final balance sheet figures. Net assets include an adjustment to current prices.
b. Ratio calculated from final balance sheet figures. Interest-bearing borrowing includes an adjustment to eliminate intragroup debt (approximation of consolidated debt).
c. MGs: sample corporations belonging to the main reporting multinational groups. These do not include the large construction sector companies.

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

TABLE 5

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

	GROSS OPERATING PROFIT				ORDINARY NET PROFIT				RETURN ON INVESTMENT (R.1)				ROI-COST OF DEBT (R.1-R.2)			
	CBA	CBQ (a)			CBA	CBQ (a)			CBA	CBQ (a)			CBA	CBQ (a)		
	2008	08 Q1 -Q4	08 Q1 -Q3	09 Q1 -Q3	2008	08 Q1 -Q4	08 Q1 -Q3	09 Q1 -Q3	2008	08 Q1 -Q4	08 Q1 -Q3	09 Q1 -Q3	2008	08 Q1 -Q4	08 Q1 -Q3	09 Q1 -Q3
Total	-9.4	-7.3	-0.8	-22.0	-22.1	-17.0	-1.3	-21.8	7.5	7.9	7.3	5.6	2.5	2.9	2.3	2.1
SIZE																
Small	-27.0	—	—	—	-50.7	—	—	—	4.1	—	—	—	0.0	—	—	—
Medium	-11.6	-4.5	-3.3	-23.0	-26.6	-5.1	1.0	-33.2	6.1	7.0	7.2	4.3	1.2	0.9	2.3	0.8
Large	-8.9	-7.3	-0.7	-21.9	-21.4	-17.4	-1.3	-21.5	7.6	7.9	7.3	5.6	2.6	3.0	2.3	2.1
BREAKDOWN BY ACTIVITY																
Energy	1.4	2.7	11.6	-19.2	-2.4	-2.8	13.5	-14.5	7.7	8.0	8.1	6.2	2.8	3.2	3.3	2.7
Industry	-23.3	-30.0	-16.0	-61.0	-37.7	-54.9	-38.8	-90.5	6.8	5.1	6.2	2.2	1.6	0.2	1.2	-1.6
Wholesale & retail trade and accommodation & food service activities	-8.3	-15.5	-12.0	-16.5	-18.5	-16.2	-6.5	-33.7	8.7	6.3	6.7	5.3	3.4	1.6	2.1	1.3
Information and communication	0.4	-1.4	-0.7	-11.9	6.4	3.3	5.8	-18.3	23.8	43.9	44.2	41.4	18.3	38.2	38.5	35.9
Other activities	-19.0	-12.4	-4.1	-24.8	-62.6	-61.5	-13.4	(b)	5.8	6.4	5.0	4.0	0.8	1.5	0.0	0.7

SOURCE: Banco de España.

a. All the data in these columns have been calculated as the weighted average of the quarterly data.
b. Rate not significant or not calculable because the relevant figures are of opposite sign.

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

TABLE 6

		CBQ (a)			
		RETURN ON INVESTMENT (R.1)		ORDINARY RETURN ON EQUITY (R.3)	
		08 Q1-Q3	09 Q1-Q3	08 Q1-Q3	09 Q1-Q3
Number of corporations		819	724	819	724
Percentage of corporations by profitability bracket	R <= 0	24.7	34.3	32.6	39.0
	0 < R <= 5	22.6	24.7	14.6	18.0
	5 < R <= 10	17.3	14.0	12.7	9.9
	10 < R <= 15	9.5	6.8	8.1	6.6
	15 < R	25.9	20.1	31.9	26.5
MEMORANDUM ITEM: Average return		7.3	5.6	9.3	7.4

SOURCE: Banco de España.

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

The entry into force of the new chart of accounts (PGC 2007) meant that the Central Balance Sheet Data Office's annual (CBA) and quarterly (CBQ) surveys had to be revised. As part of this process, the key headings of both questionnaires were streamlined (making the annual and quarterly databases more uniform) and the questionnaires were adapted, insofar as possible, to the official formats for filing of annual accounts with the Mercantile Registries (reducing the reporting burden for corporations). Before launching the new quarterly questionnaire, a survey was conducted among the reporting corporations on the appropriate level of detail, asking them whether they would prefer a more aggregate questionnaire, similar to that used to date, or a more detailed questionnaire coinciding with the filing format. Most corporations opted for the latter, as it entails a lower reporting burden and streamlines their responses to different information demands.

However, despite the advantage described above, the new chart of accounts also presents several analytical limitations on extraordinary items.[1] Under the PGC 2007, extraordinary revenue and expenses are recorded net. This represents a significant loss in analytical terms and increases the volatility of the rates of change vis-à-vis the information available previously, which distinguished between revenue and expenses. Extraordinary revenue and expenses are aggregated under two headings:

Heading "7. Gains (losses) from disposals and impairment" includes gains or losses from the sale of fixed assets (both tangible, including investment property, and intangible fixed assets) and financial instruments, and valuation adjustments made at the end of the period for reversible deterioration in these balances. These adjustments do not include changes in the fair value of the trading portfolio and the available-for-sale portfolio, which fall under heading 8.

Heading "8. Changes in fair value and other gains (losses)", as shown in the accompanying table, includes provision excess, exchange differences, severance pay, other extraordinary gains (losses) not included under other headings and, as the key new feature under the PGC 2007, changes in the fair value of the financial assets that form part of the trading portfolio, and of those that form part of the available-for-sale portfolio, once sold.

An analysis of the extraordinary items for 2008 and the first three quarters of 2009 (see the accompanying table) shows that:

— Sub-heading 7.2, "Gains (losses) from disposals and impairment of financial instruments", records the highest figures, with a decline of almost 7% in 2008 as a percentage of GVA (primarily due to impairment losses on financial assets), and of 5.2% in the first three quarters of 2009, although in this case, the Q4 data will be essential to determine the final trend, as impairment losses tend to concentrate in the fourth quarter.

— Sub-heading 8.1, which reflects the effect of changes in fair value, had a relatively small but negative impact in both the periods analysed (-1.5% as a percentage of GVA in 2008; -1.1% in 2009), confirming the scant repercussion that the adoption of fair value criteria for valuation of financial assets has had, to date, on the aggregate of non-financial corporations.

— Lastly, sub-heading 8.5, which records other extraordinary gains (losses), was also noteworthy in 2008 (-2.8% as a percentage of GVA), primarily due to restatement of certain asset values. However, in the 2009 quarterly data, the impact of this sub-heading is negligible (-0.2% as a percentage of GVA in the period).

1. Box 2 of the article on 2009 Q1 contained the first information on this issue; this box updates these data and adds the data available in the CBA database.

BREAKDOWN OF EXTRAORDINARY GAINS (LOSSES)

€m and %

	CBA		CBQ	
	2008	% GVA	09 Q1-Q3	% GVA
7 Gains (losses) from disposals and impairment	-8,905	-6.8	2,820	6.6
7.1 Of fixed assets	185	0.1	610	1.4
7.2 Of financial instruments	-9,090	-6.9	2,211	5.2
8 Changes in fair value and other gains (losses)	-4,526	-3.5	-1,004	-2.4
8.1 Change in fair value of financial instruments	-1,971	-1.5	-486	-1.1
8.2 Provision excess	2,471	1.9	347	0.8
8.3 Exchange differences	-174	-0.1	-375	-0.9
8.4 Severance pay	1,196	0.9	404	0.9
8.5 Other extraordinary gains (losses)	-3,656	-2.8	-86	-0.2

SOURCE: Banco de España.

Lastly, the E1 and E2 ratios complement the analysis of the debt position which was marked, in both 2008 and 2009, by the notable decrease in mergers and acquisitions in comparison with previous years and by the freeze on investment decisions, which has extended to all sectors of activity, with the exception of transport, reaching -19.5% in 2009 across the entire sample. Thus, in the wake of a minor increase in debt levels in 2008, as a result of limited inflows of borrowed funds and, above all, of a drop in the weight of own funds, the E1 ratio remained virtually unchanged in 2009, as companies froze their resort to new external financing. In turn, the E2 ratio continued to rise as a result of the decline in GVA (the ratio denominator) in both the periods analysed.

Overall, the net impact of financial revenue and costs on ONP was small in 2008, as the changes recorded virtually cancelled each other out. However, the decline in ONP was considerably greater than that in GOP (-22.1%, as opposed to -9.4%), due to the adverse impact of the sharp increase (16.2%) in operating depreciation and provisions. The growth in this expense item in the 2008 CBA data is a result of the provisioning by construction and real estate firms for the lower value of their stocks. By contrast, in the first three quarters of 2009, the sharp fall in financial costs cushioned the impact on ONP, so that the decline, although very severe (-21.8%), was similar to that in GOP for the same period. In any case, the sharp drop in ONP in both periods prompted a deterioration in the rates of return. Thus, return on investment fell to 7.5% in 2008, 1.5 pp less than in 2007, while the CBQ data to September 2009 place it at 5.6%, a drop of almost 2 pp. In turn, the ratio that approximates the cost of debt performed differently in the two periods, as interest rates first rose in 2008, before falling back as from the end of the year. Thus, the cost of borrowing continued to rise in 2008, albeit marginally, to reach a high in the recent time series (peaking at 5.1%, 0.3 pp more than in 2007), and then fell off quickly, to reach 3.5% in 2009, 1.5 pp lower than in the first nine months of 2008. Thanks to this decline in the cost of debt, the difference between the rate of return and the cost of debt, which had narrowed considerably, from 4.1 in 2007 to 2.5 in 2008, narrowed again, but to a much lesser extent (to 2.1) in 2009, even though the rate of return fell more sharply in this period.

Lastly, extraordinary items recorded a similar performance in 2008 and in the first three quarters of 2009 (see Box 3), falling in both cases as a result of the decline in gains obtained on sales of subsidiaries made in previous years. Accordingly, profit for the period fell more sharply than ONP, at a rate of -48.2% in 2008 and of -29.7% in the first three quarters of 2009. Expressed as a percentage of GVA, profit for the period stood at 15% in 2008, well short of the 2007 figure (25.5%), and at 30.8% on 2009 CBQ data, more than 7 pp below the figure recorded a year earlier by the same quarterly sample.

23.11.2009.

A COMPARISON OF RECENT REAL ESTATE CYCLES IN SPAIN, THE UNITED STATES AND THE UNITED KINGDOM

A comparison of recent real estate cycles in Spain, the United States and the United Kingdom.

The authors of this article are José Manuel Marqués, Luis Ángel Maza and Margarita Rubio of the Associate Directorate General International Affairs and of the Directorate General Economics, Statistics and Research.

Introduction

The real estate sector experienced a very dynamic cycle from the second half of the nineties until very recently in many countries, which was reflected in striking increases in house prices and a growing importance of the construction sector in the economy. This boom phase of residential markets has been followed by a phase of decline during which prices and activity have fallen off. Although prices and amounts have performed similarly in the various countries, in certain cases, movements have been comparatively more pronounced. Also, although the features of the property cycle were relatively widespread, certain areas were unaffected. Chart 1 illustrates the dimension of this cycle in terms of prices. Thus, between 1998 and 2006, the strong momentum of housing markets in the United States, the United Kingdom and Spain, among other countries, resulted in considerable year-on-year price growth – in many cases above 10% in real terms – a phase which has been followed by a notable correction. By contrast, in other economies such as Germany and Japan, there has not been an upward cycle.

Since the upswing in the property cycle (and its subsequent correction) coincided in many economies, the analysis of the property sector in one specific country is frequently extrapolated to other areas. To a certain extent, this extrapolation is justified by the existence of several global factors which contributed to the sharp upturn in housing markets. However, there are also other idiosyncratic factors which are highly relevant for characterising developments in the property sector in each country.

This article investigates the relative importance of the shared features and those specific to the three economies which have experienced a very pronounced property cycle: Spain and the two main English-speaking countries (the United States and the United Kingdom). As a first step, certain important analytical considerations regarding the property sector are briefly addressed. Next, how the property boom phase evolved in the three countries and the factors influencing it are described. The two following sections focus on the adjustment process and its macroeconomic implications. Lastly, the conclusions underline how the idiosyncratic features of the residential property cycle in these economies condition differences in the intensity and duration of the adjustment process.

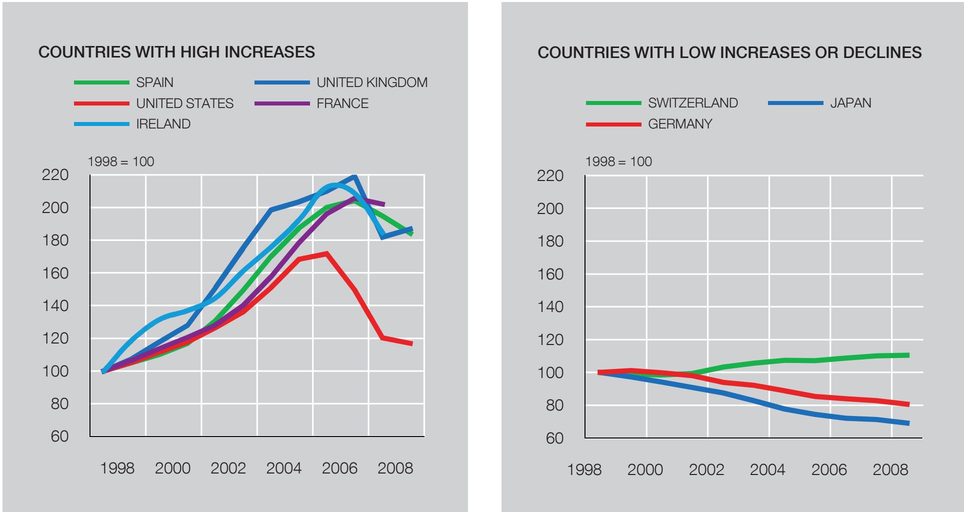
Certain analytical issues about the housing market

In spite of the importance that the real estate sector has had in many economies, there is no widely applicable approach for analysing it. This is attributable to the fact that acquiring a property involves factors relating to the consumption of real estate services and those inherent to a decision to buy a financial asset, which makes it difficult to study.

The acquisition of a residential property is equivalent to consumer spending on a durable good which provides a flow of services. Therefore, as in the market for any consumption good, price and amount depend on supply and demand factors. Important housing demand variables mainly include demographic trends, household size, migratory flows, the pace of economic growth, job creation and taxation. Supply is governed by factors such as the cost of the inputs used in construction, the level of competition between construction companies and existing legislation to reclassify land for residential development pur-

HOUSE PRICES BY COUNTRY (IN REAL TERMS)

CHART 1



SOURCES: OECD and national statistics.

poses.[1] Given the long housing production period, supply responds with a considerable delay to changes in demand and its determinants which explains why mismatches between supply and demand are protracted and that, therefore, property cycles last longer than other sectors' cycles.

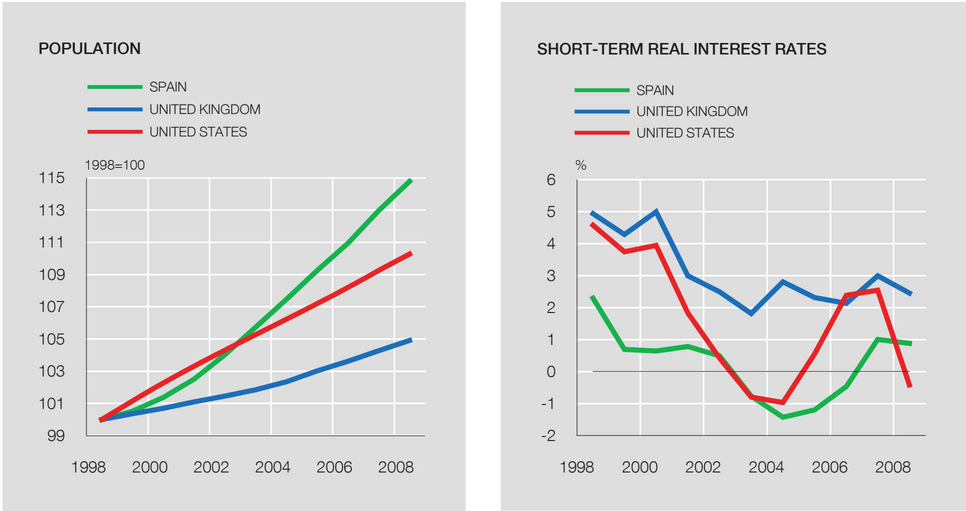
Furthermore, there are other factors of a financial nature which also influence movements in the residential market. The acquisition and construction of housing units is usually highly geared, that is, they are bought or built with a small contribution of funds from the purchaser or builder and the remainder is financed by a credit institution. Consequently, the terms and methods of financing housing and the criteria for granting mortgages have a significant impact on the supply of and demand for residential assets. In recent years, for example, credit institutions' capacity to finance this sector was notably increased by the development of securitisation markets and other products (covered bonds, inter alia), which provided them with more possibilities to expand their balance sheets, even in certain cases of lax regulation, without the need sometimes to increase their capital by the same proportion. Many of these variables are structural and hardly vary over time, thus making it difficult to quantify their effects empirically. Therefore, measuring the importance that the level of competition, the degree of specialisation and financial system regulation might have had in the property boom in certain countries is not straightforward. Other factors in addition to financial ones, which are also markedly structural, relate to cultural features, such as, for example the preference for owner-occupied over rental housing.

As discussed above, there are some characteristics of purchasing a housing unit which may be similar to purchasing financial assets, with the result that price-setting and the construction of new housing units may also be determined by expectations of house price appreciation. However, it is very difficult to determine the impact of this factor due to two types of characteristics which are specific to this sector. Firstly, housing units are not very liquid assets (they have high transaction costs) and are highly segmented – since housing units in different locations are non-substitutable. Secondly, the difficulties of compiling data on housing supply and stock, at any given time, and on prices and the different qualitative characteristics (in addition to size and location), make information available on prices and the volume of transactions incomplete.

1. In the property market, location is a fundamental factor which distinguishes some properties from others. accordingly, it is a clearly segmented market. This segmentation, coupled with legal real estate development requirements, enables certain construction firms to behave in a slightly monopolistic fashion in some areas.

DETERMINANTS OF RESIDENTIAL CYCLES

CHART 2



SOURCE: European Commission (AMECO).

These aspects, in conjunction with the inertia of many factors inherent to real estate supply and demand explain why (unlike financial asset prices which move erratically as a result of the immediate correction of arbitrage opportunities) protracted trends can be seen in house prices which tend to feed on themselves and delay a change of direction. Nor is it surprising that patterns of behaviour such as herding arise, involving investors attributing scant importance to their own information or assessments and paying more attention to other agents' actions, creating what is known as "rational bubbles",[2] or, in short, that the housing market is prone to protracted episodes of overvaluation.

One final factor which must be taken into account stems from the macroeconomic importance of the real estate sector, since its performance conditions household wealth and residential activity is the focus for a sizeable volume of a country's productive resources. Accordingly, variables such as GDP, net household wealth or employment, which are frequently used to explain the supply of and demand for real estate assets, are not completely independent from the number of housing units built or the latter's value for households. In addition to this accounting ratio, there is another type of interrelationships between economic activity and the property cycle which must be considered, such as the fact that housing sector activity has implications for other residential property-related branches of the economy or that changes in house prices are one of the main sources for generating wealth effects on private consumption.

Characterisation of the boom phase of the real estate market

As discussed in the introduction, the recent upturn in the real estate cycle was characterised by the simultaneous strong growth of activity in housing markets and of residential asset prices in many countries. Nevertheless, in spite of this high synchronisation at the international level, the responses in terms of prices and amounts were not uniform by country.

The expansionary cycle of the real estate market was partly underpinned by global factors. Thus, keeping interest rates at low levels for a prolonged period of time increased agents' capacity to borrow, since it decreased the interest burden associated with mortgage debt. As can be seen in the right-hand panel of Chart 2, short-term real interest rates dropped markedly

2. A recent review of the influence of this type of behaviour on house prices in the various countries can be seen in Hott (2009).

during the 1998-2005 period in Spain, the United Kingdom and the United States. In Spain this decline was in addition to the decrease that had been observed since the beginning of the nineties as a result of its prospects of joining the Economic and Monetary Union.

Other global factors which also influenced agents' mortgage borrowing capacity were the development of international securitisation markets and the higher degree of competition in the banking sector which stimulated innovation in the mortgage lending segment. In the case of Spain, these phenomena combined with the process of joining the Economic and Monetary Union, which further boosted agents' borrowing capacity, since they contributed to a more stable macroeconomic environment and greater international financial integration.

As a result of these factors, financing was accessible to a broader group of households although, as with monetary conditions, such factors were not of the same strength nor of the same nature in the three countries. Thus, for example, existing regulations in the United States led securitisation markets to be used not only as a source of obtaining additional liquidity for institutions (as in the case of Spain)[3], but also as a means for the latter to remove those loans from their balance sheets, an operation permitting the release of regulatory capital which institutions had to hold in relation to the risk entailed by the loans they granted. Furthermore, in the United States (and, to a lesser degree, in the United Kingdom) there was a proliferation of institutions specialising in the mortgage business, that were not subject to banking supervision and were covered by laxer risk and reporting controls than deposit institutions,[4] which gave rise to a notable relaxation of the credit standards for mortgage loans. In this way, mortgage finance became affordable to a group of households with a high probability of default, who could only meet their mortgage payments (included in the subprime category) through the continuous refinancing of their debts, against a backdrop of rising house prices.[5] The foregoing triggered a notable increase in the volume of mortgage lending not intermediated by the banking sector. Thus, for example, in the United States in 2009 Q3, only a quarter of mortgages were held by deposit institutions, a figure which is 30 pp lower than that recorded in 1985.[6]

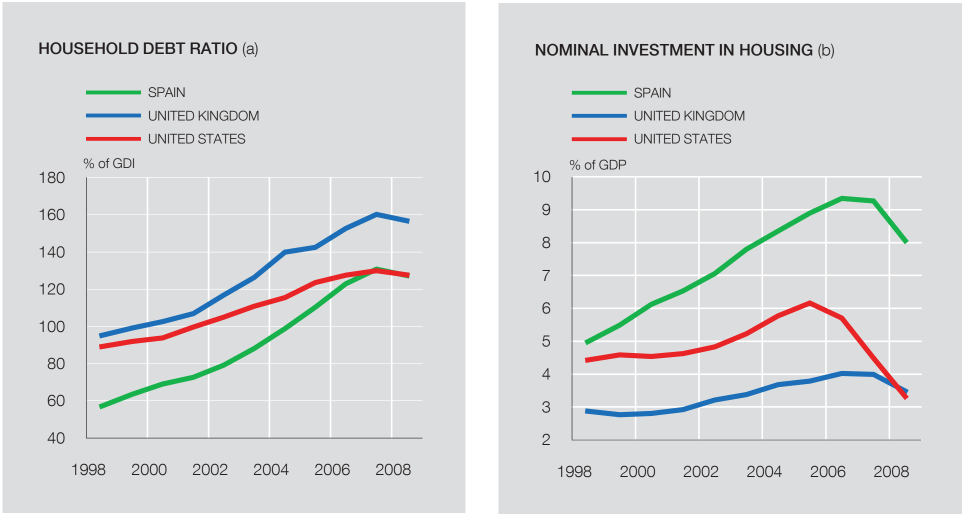
In Spain, however, other factors played an essential role. Thus, the beginning of the upturn in the real estate cycle was associated with a boom in housing demand which was underpinned by changes in its fundamentals. Specifically, there was striking demographic dynamism, which was stronger than in the other countries, accounted for by high migratory flows (see Chart 2) also accompanied by other important structural changes such as a reduction in the average household size. Similarly, the high growth of household disposable income and the gradual reduction of unemployment rates had a higher impact in Spain and determined a significant improvement in the affordability of residential assets. All of these aspects were reflected in a very significant rise in the household debt ratio, which was especially steep in the case of Spain where it doubled in less than ten years (see Chart 3).

As a result of the factors discussed, there was a substantial increase in housing demand in the three economies analysed, which gave rise to a supply-side reaction of varying intensity in each economy, since the response of building new housing units to an increase in demand is usually influenced by the legal and structural characteristics of each market. Thus, at the peak

3. See Martín-Oliver and Saurina (2007). **4.** These types of institutions were not only not subject to capital requirements as strict as those for banks; nor did they have customer-safeguard rules as strict as those for banks. Accordingly, several points of the financial reforms under passage in the legislative process in the United States and the United Kingdom are aimed at improving this protection. **5.** A review of this process can be found in the speech of the Federal Reserve Governor, E. Duke (2009) or in the speech of the FDIC Chairman, S. Bair (2010). **6.** See Bair (2010).

HOUSEHOLD DEBT RATIO AND HOUSING INVESTMENT

CHART 3



SOURCES: National statistics and European Commission (AMECO).

a. Data as a percentage of Gross Disposable Income (GDI).
b. Data as a percentage of GDP.

of the cycle (2006-2007 for Spain and the United Kingdom), the ratio of residential investment to nominal GDP stood at 9.3% in Spain (almost 5 pp above the previous low), whereas in the United Kingdom it was 4%, around 1 pp above the previous low (see the right-hand panel of Chart 3), underlining the considerable planning restrictions existing there. In the case of the United States, the maximum value of this ratio stood at an intermediate point of 6.1% of GDP in 2005, 2.7 pp higher than the previous low. These data seemingly indicate, therefore, that in the United States and, especially in Spain, the supply-side response was much larger than in the United Kingdom.

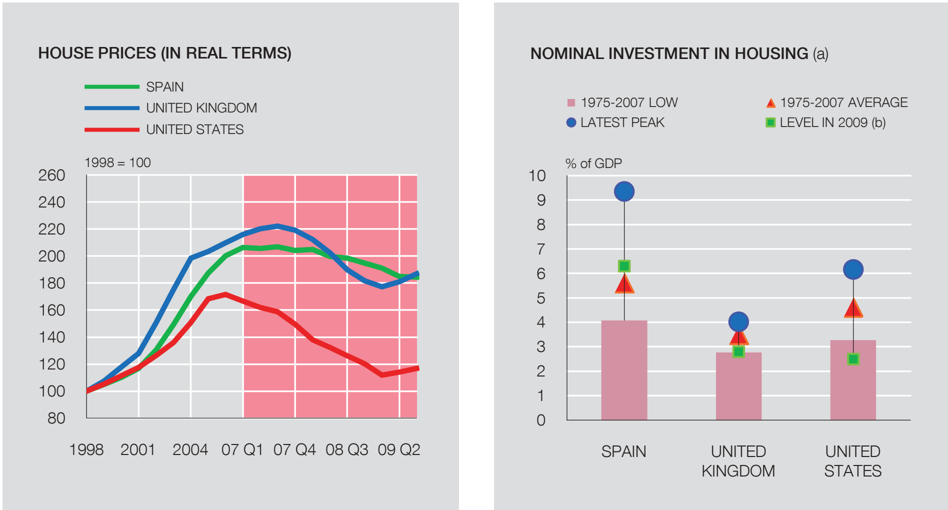
These differences were also reflected in residential investment's contribution to GDP growth, which was different in each country. Whereas housing investment contributed 0.5 pp to average GDP growth in the case of Spain during the 1998-2007 period, the latter only amounted to 0.1 pp in the United Kingdom and to 0.3 pp in the United States. In terms of the construction sector's contribution of employment to total job creation, average contributions during the expansionary phase amounted to 0.8 pp in Spain and 0.2 pp in the United Kingdom and in the United States.

The movements in supply and demand, and their possible mismatch, ultimately fed through into price growth, albeit also to a different degree in the three economies. In Spain and the United Kingdom real house prices increased by 114% and 134% between 1997 and 2007, respectively, at the same time as real estate prices in the US market rose by 80% (see Chart 4). Although on the basis of macroeconomic fundamentals a slight rise in house prices can be justified, there is evidence that the increases recorded also contained a component of overreaction.[7]

7. For instance, in relation to prices, the International Monetary Fund estimated that at end-2007 the overvaluation of house prices in the residential market in the United Kingdom and in Spain amounted in real terms to 28% and 17%, respectively, whereas in the case of the United States, in 2006, at the peak of the boom, the level of overvaluation stood at approximately 20%. Relative to other countries, the United Kingdom was in the upper range of overvaluation, behind Ireland and the Netherlands, whereas the United States and Spain were in an intermediate position. The International Monetary Fund uses vector autoregressive modelling which relates house prices to different macroeconomic variables. See also, for the case of Spain for a pervious period, Ayuso and Restoy (2003).

HOUSE PRICES (IN REAL TERMS) AND NOMINAL INVESTMENT IN HOUSING

CHART 4



SOURCES: National statistics, Datastream, European Commission (AMECO) and Bureau of Economic Analysis (BEA).

a. Data as a percentage of GDP.
b. Projections for United Kingdom and annualised 2009 Q3 data for Spain and the United States.

There was also an excessive reaction to the contribution of housing to productive activity, which can be appreciated by comparing the ratios of housing investment to GDP at the height of the cycle with average ratios over a longer period of time (see Chart 4). This exercise must be interpreted, nonetheless, with due caution since other variables (such as migratory changes) or structural changes (such as Spain joining the Economic and Monetary Union) during that period were not considered, which may distort intertemporal comparisons.

The adjustment process

The commencement and intensity of the correction of housing markets in the United States, the United Kingdom and Spain, in the most recent period, were influenced by changes in the determinants of the boom and the amount of excesses built up during that phase. The adjustment process began during 2006 when the maturation of the economic cycle and the application of tighter monetary policies led to an increase in financing conditions and a weakening of appreciation expectations, which underlined the fragility of certain elements that had driven the expansion of real estate demand in recent years. This adjustment process began earlier and more sharply in the United States where, as mentioned above, excesses had occurred in the expansion of mortgage financing facilitated by highly permissive regulations which were underpinned by the assumption that housing could continue to appreciate.

By mid-2007 it became evident that the change in monetary conditions in the United States and the beginning of a downward adjustment in real estate asset prices were resulting in a higher-than-expected rise in the mortgage delinquency rate, especially in subprime loans, and an inadequate valuation of the financial products which had been used to securitise these loans. The marked decline in the credit rating of subprime mortgages, coupled with the complex nature of the instruments associated with them (which spread risk in a non-transparent fashion among a broad spectrum of investors) triggered a spiral of uncertainty and a brusque change in the situation of abundant liquidity which had dominated international financial markets, generating considerable losses for international investors and paving the way for the unprecedentedly virulent outbreak of the global financial crisis in September 2008. In this setting, the funds available for acquiring housing units dropped considerably, affecting not only US institutions but also the majority of financial systems worldwide. Real estate markets in other countries, such as the United Kingdom, were affected and there was a price adjustment which corrected, to a greater or lesser degree, the excess appreciation which had built up. In the case of the Spanish market, where house prices had already embarked upon a correction phase, the international crisis led to a swift decline in residential market activity and a sharp worsening of employment which accelerated the real estate adjustment process. Thus, house prices ultimately posted sizeable falls in the three countries. According to the price statistics used, the most abrupt declines from the peak seemingly occurred in the United States and the United Kingdom (with falls of 33%[8] and 16%, in real terms, to 2009 Q3), whereas in Spain the drop was more moderate, of approximately 12% to 2009 Q4.

The adjustment also impacted residential investment differently in the three economies, depending on the supply overhang that had built up. For instance, in Spain the ratio of residential investment to nominal GDP fell by 3.6 pp from its peak in 2006 until 2009 Q3. In the United States, where the adjustment began earlier, the fall from the peak in 2005 until 2009 Q3 was also approximately 3.6 pp. In the United Kingdom (where, as mentioned, supply had not expanded as much) this ratio dropped by around 1 pp in the same period. The European Commission's projections for the next few years for these three economies[9] can be used to evaluate the adjustment pending for investment. According to this exercise, in the case of the adjustment in Spain, a reduction of 1.2 pp still had to be made in 2010, although the contraction could continue into the following year. In the United Kingdom, scant growth in housing investment in the boom phase explains the need for a smaller adjustment. In fact, until 2011 it is estimated that the ratio of residential investment to GDP would only fall by a further 0.1 pp. In the United States, the adjustment is apparently also nearly over.[10]

Macroeconomic implications

A real estate adjustment process has, firstly, a direct macroeconomic effect, arising from the effect of the fall in housing investment (and in the construction sector's GVA) on GDP and on employment in this sector. As has just been shown, this direct effect may be more significant in Spain, in cumulative terms, than in the United Kingdom and the United States, given that the larger expansion of supply during the boom period pushed the weight of residential construction in activity and in employment considerably higher, contributing to the emergence of a supply overhang.

Furthermore, the drop in real estate activity has negative implications for other productive sectors, since it curbs demand for industrial intermediate goods for construction, demand for real estate services and the purchase of durable goods linked to housing, etc. These carryover effects are difficult to measure, but it seems reasonable to assume that countries where activity must be readjusted to a greater degree, will also be those most affected by these indirect effects, which depress other productive sectors' output and employment.

A third important factor is related to the trajectory of house prices and their dual impact on private consumption, through the wealth effects: on one hand, the fall in house prices reduces the value of the mortgage loan collateral which could be requested to finance consumer spending ("housing equity withdrawal"); on the other, the drop in value of household housing wealth could depress their confidence and increase precautionary saving.

8. According to the S&P Case-Shiller index. **9.** Data from the European Commission's projection exercise for autumn 2009 were used. **10.** A decisive factor in the real estate market adjustment process is the unsold housing stock which has built up due to the decoupling of residential supply and demand. The abrupt change in the macroeconomic setting has led to a build-up of a high stock of unsold housing, given the inertia shown by the supply of housing due to its protracted production period.

RECENT STUDIES ON THE IMPACT OF CHANGES IN HOUSING WEALTH ON CONSUMPTION. PROPENSITY TO CONSUME VIS-À-VIS VARIATIONS IN HOUSE PRICES

TABLE 1

	Methodology	Spain	United Kingdom	United States
Catte et al. (2004)	Micro data	0.01-0.02	0.05-0.08	0.05-0.08
Bover (2005)	Micro data	0.02	-	-
Carroll (2004)	Macro data	-	-	0.09
Barrell and Kirby (2008)	Macro data	0.02	0.02	0.03
Slacalek (2009)	Macro data	0.02	0.05	0.02

In the case of Spain, changes in housing wealth affect consumption, principally due to the latter factor, whereas the former factor could be more important in the cases of the United Kingdom and the United States, since in these countries households have used mortgage loans more intensely to directly finance consumption decisions. Table 1 shows the findings of several empirical studies which, using aggregate or microeconomic data, estimate the importance of housing wealth for determining the path of private consumption. As can be seen in this table, the elasticities (or the marginal propensities to consume due to changes in wealth) are higher in the cases of the United Kingdom and the United States, in comparison with Spain, and, consequently, it can be expected that the effects due to this reason are higher in those countries.

In short, the impact of the real estate adjustment should have a different effect on the three countries analysed. In the United States, the real estate adjustment is significant due to the contraction of activity and employment in the construction sector and in construction-related activities, and due to the decrease in consumer finance obtained by US households on the basis of house price appreciation. This last factor would have the greatest impact in the United Kingdom since the construction sector's contribution in this country is small and construction hardly reacted in the boom phase of the cycle. For its part, in Spain the adjustment seems to work more through a fall in investment and real estate activity, due to the need for the residential sector to complete the restructuring process, and through the carryover effects that this will have on other productive sectors. The impact of the wealth effect on consumption owing to the fall in house prices would affect Spanish household spending, especially as confidence deteriorates and precautionary saving is encouraged. Obviously, the real estate crisis may have substantial macroeconomic repercussions through its negative impact on the financial system, since it raises the delinquency of loans extended to households and firms in the sector, however, the analysis of this issue is beyond the scope of this article.

Conclusions

Since the mid-nineties, in a setting of global expansion, a group of developed countries has experienced very pronounced property cycles, marked by protracted rises in house prices and a subsequent sharp adjustment, especially from 2007, which was accentuated by the outbreak of the financial crisis. Noteworthy among the overall factors, which may have contributed to the expansive developments, are the low interest rates against a stable macroeconomic background and financial innovation processes. However, despite the synchronisation of international house prices, there are specific factors in each country which have introduced differences in the nature of the upward cycle and in the scale and implications of the adjustment in this sector. In this article characteristics specific to the real estate markets in the United States, the United Kingdom and Spain have been described. The features particular to each country are multi-faceted, but three specific aspects are especially significant: the adjustment of supply and residential investment, the role of financial innovation and the channels for and intensity of the impact of the real estate adjustment on activity.

Firstly, supply reacted differently to the pressure of demand for real estate assets in the three countries: for instance, at the peak of the property cycle, the weight of residential investment in relation to GDP increased substantially in the United States and in Spain, whereas in the United Kingdom this ratio only rose slightly during this period. In correlation to this, during the adjustment phase, this ratio has fallen less in the United Kingdom, whereas in the United States it corrected significantly in 2009 to a level that was even below its historical average. In Spain the correction is large and the ratio already stands at levels close to its historical average.

The effects of financial innovation have been very different in each country, depending, among other factors, on existing regulations. Thus, in the United Kingdom and, especially, in the United States, institutions' opportunities for transferring risk proved conducive to them providing mortgage financing to households who lacked sufficient revenue to bear such loans and who based repayment on the ongoing appreciation of their real estate assets. On the contrary, in Spain (although overall financial conditions were accommodative, linked to its membership of the euro area), existing regulations encouraged financial institutions to be more cautious as regards lending standards. These differences probably lie behind the different degree of intensity in the adjustment process, the United States being the country where the difficulty of certain households (included in the subprime segment) to meet their mortgage obligations was highlighted first. By contrast, in Spain the rise in the household debt ratio has been more contained and has been linked, in particular, to the worsening macroeconomic situation triggered by the crisis and, more especially, to the sharp rise in unemployment.

Lastly, the effects of the real estate adjustment on activity have also been different in the three countries. In the case of the United States, the effects have already been considerable, given the fall in residential investment, employment and consumption, as a result of the reliance of US household spending on mortgage financing and property appreciation. In the United Kingdom, the direct impact of the sector's restructuring on activity and employment seems to have been limited; the wealth effect (arising from the fall in house prices) was negative for British household consumption which is the main link between the real estate adjustment and the rest of the economy. The importance of this wealth effect in both countries may extend the impact of the real estate adjustment on consumption and activity in the coming quarters. In Spain, the adjustment is mainly resulting in lower investment and higher unemployment, as a consequence of the sharp restructuring of the construction sector and its implications for other branches related to it. Similarly, the loss in value of housing wealth, coupled with the effect of unemployment and the loss of confidence, is contributing to restraining private consumption and to the strong recovery of the household saving rate seen in recent quarters.

22.1.2010.

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A CONSTANT MARKET SHARE ANALYSIS OF THE EURO AREA
IN THE PERIOD 1994-2007

A constant market share analysis of the euro area in the period 1994-2007

The authors of this article are Noelia Jiménez and Esther Martín of the Directorate General Economics, Statistics and Research.

Introduction

A country's export market share and the changes in it over time are often used as measures of competitive capacity abroad. However, changes in market share can be influenced not only by actual movements in price- and non-price-competitiveness, but also by the composition of exports, whether in terms of geographical destination or of type of product. For example, if a country specialises in exports of goods (or towards areas) where demand is particularly buoyant, the market share will increase even though competitiveness does not improve.

This article analyses the extent to which changes in the market shares of the euro area and its member countries[1] between 1994 and 2007 have been determined by genuine changes in their competitiveness, or whether they are rather the outcome of the particular geographical and sectoral composition of their exports. For this purpose, we use the so-called "constant market share analysis" originally developed in Richardson (1971), which is described elsewhere in the article. The results obtained are compared with those for the United States and the United Kingdom.

The analysis uses the United Nations Comtrade database, which has annual information on bilateral trade flows in nominal terms for the period 1993-2007.[2] The one- and two-digit SITC classification is used for the sectoral breakdown, spanning 14 types of products (oil products and unclassifiable goods have been excluded) which, in turn, have been grouped into three categories, depending on their technological content: low, medium and high. At the same time, 14 regions have been considered as destinations.[3]

The article is structured as follows. Developments in world trade are first described having regard to sectors and importing regions, and this is compared with the composition of exports from the euro area and its member countries, the United States and the United Kingdom. Second, the methodology of the constant market share analysis is described. Third, the results of the constant market share analysis for the euro area and its member countries are reported and compared with those obtained for the United States and the United Kingdom. Finally, the main conclusions are drawn.

World trade and euro area exports

Global trade flows between 1994 and 2007 increased forcefully, growing on average at a rate of 9.8% year-on-year. The behaviour of trade was, however, heterogeneous, both in terms of products and of destination markets. As Table 1 shows, products in the high-technology bracket increased to a greater extent than those with a low-technology content (11.1% per annum against 9.2%), as a result of the different behaviour observed up to 2000. These developments gave rise to a 3 pp increase (to 29%) in the proportion of high-technology exports in world trade, and to a decline in the weight of low-technology goods, from 38.2% to 35.6%. The weight of medium-technology exports held relatively stable at 34%.

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1. Malta and Cyprus are excluded from the analysis in view of the scant information available for these two countries in the database used. Also, the data for Belgium and Luxembourg have been aggregated owing to database constraints. **2.** Given that the data are nominal and denominated in dollars, currency exchange rate movements may affect calculations of the share. For instance, if the euro area sets the price of its exports in euro, an appreciation of the dollar would entail an automatic reduction in the value of sales in dollars and, therefore, of the euro area market share in dollars. **3.** For a detailed description of how the data have been grouped by sector and by region, see the annex at the end of the article.

COMPOSITION OF WORLD TRADE

TABLE 1

	WORLD EXPORTS: AVERAGE ANNUAL GROWTH RATE		
	1994-2007	1994-2000	2001-2007
TOTAL	9.8	8.6	11.1
SECTOR			
Low	9.2	6.7	11.6
Medium	9.7	7.3	12.1
High	11.1	12.8	9.3
REGION OF DESTINATION			
Euro Area	7.1	8.6	5.5
Rest of EU	10.9	13.1	8.7
Rest of Europe	9.6	6.7	12.6
ASEAN	5.2	3.1	7.2
China	15.4	11.7	19.2
Japan	5.7	7.1	4.4
Rest of Asia	7.6	5.2	10.0
United States	7.6	10.1	5.2
Rest of the world	2.9	-0.6	6.3

SOURCE: Comtrade.

Turning to the destination regions, exports to emerging markets showed greater buoyancy than the world average, in line with the incorporation of these economies into international trade, thereby increasing their relative significance. Specifically, between 1994 and 2007, it is noteworthy how strong exports to China were, growing each year on average 5.6 pp above global exports (15.4%), and also, though to a lesser extent, exports to the rest of Asia (excluding Japan and ASEAN) and to non-EU European countries. Conversely, the demand in the euro area, the United States and Japan increased below the world rate over this period, with the worst behaviour concentrated in the period from 2001 onwards.

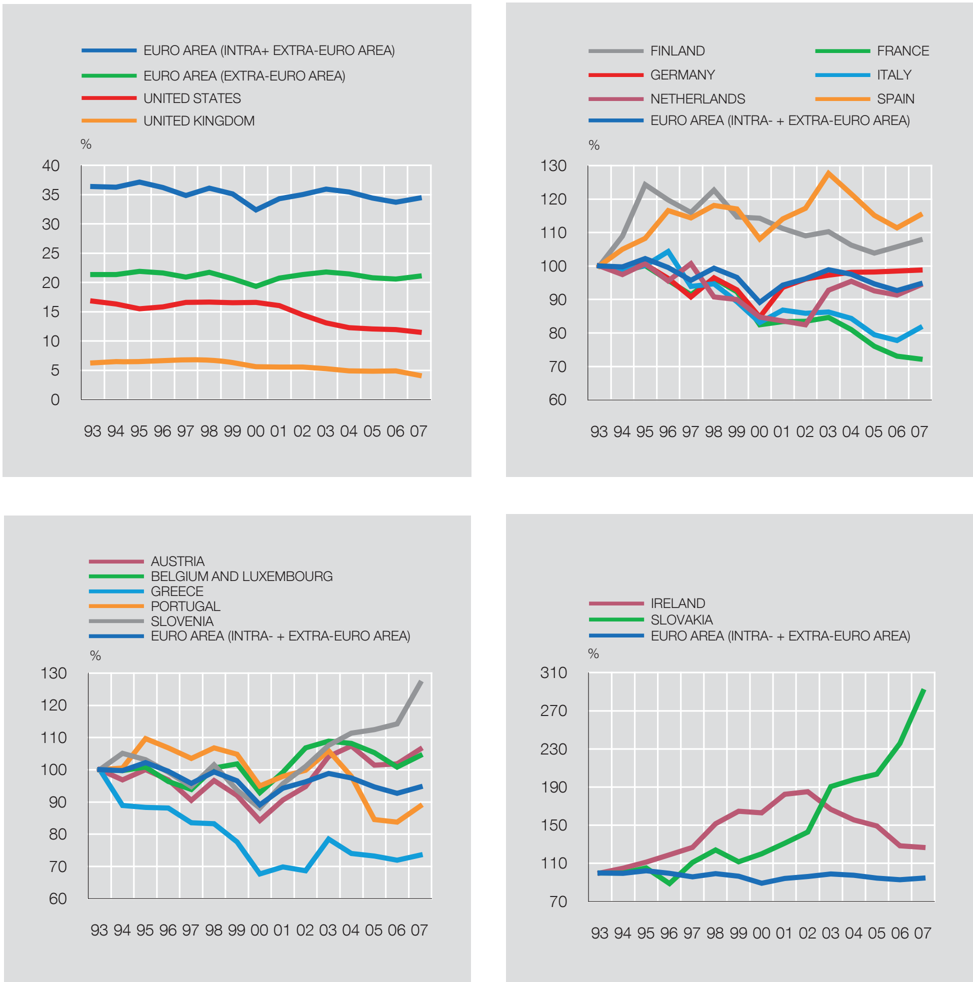
The euro area export market share held stable at around 21% from 1993, whereas those of the United States and the United Kingdom, after a period of relative stability until around 2000, did not cease to fall until 2007 (see Chart 1). As a result, US and UK exports, which accounted in 1993 for 16.8% and 6.3% of international flows, respectively, dipped to 11.5% and 4.1% in 2007.

In the period under study, medium-technology products were to the fore in euro area, US and UK exports, followed by high- and low-technology goods (see Chart 2). From a more dynamic perspective, the weight of low- and high-technology goods in the euro area tended to decline, and that of medium-technology goods to rise. This was also the case in the United States, whereas in the United Kingdom the decline in the weight of low-technology exports fed through to an increase in the weight of medium- and high-technology products. In any event, in comparison with world trends the three economies retained a bias throughout the period towards medium-technology goods. The United Kingdom and the United States also showed a bias – albeit less marked – towards products with a high technological content. And that, a priori, given the greater dynamism of these types of products, should have boosted their market shares. Accordingly, the sectoral composition would not alone seem to explain why the euro area market share held up, or why the US and UK shares declined.

As regards the geographical destination of exports, around half of euro area sales were targeted on other European regions, followed by those to the United States (just below 20%) (see Table 2). The United Kingdom evidences a similar export structure in geographical terms to

EXPORT SHARES

CHART 1



SOURCE: Comtrade.

that of the euro area, while the United States exports almost half its goods to the aggregate of countries which, in the table, is shown as “the rest of the world”, of which a sizeable portion – around 40% – goes to Latin America. The euro area is the recipient of somewhat more than 15% of US exports. The remaining regions of destination – including, therefore, the emerging countries – account for only a small proportion of total exports of the euro area, and also of the United States and the United Kingdom. One initial approach to assess whether the geographical composition of exports may have significantly influenced changes in market shares is to verify whether the weight of each region in the country’s exports is higher than the corresponding weight in the world aggregate in those regions which posted higher-than-average economic growth. In this respect, none of the three regions considered could have fully taken advantage of the buoyancy of demand in China and in the rest of Asia, given their lesser relative specialisation in these markets vis-à-vis global trade; however, this would have been offset in the case of the euro area by the greater role of growing markets from the rest of the EU and from the rest of Europe. The United States, for its part, would also have been adversely affected by the strong bias of its sales to the “rest of the world” aggregate and to Japan, whose demand fell during these years.

In the euro area, and taking into account, therefore, trade with other euro zone countries, changes in market share differed notably among member countries (see Chart 1). In particular, whereas in Spain, Slovenia and Finland the export share posted higher gains than the euro area aver-

SECTORAL COMPOSITION OF EXPORTS BY TECHNOLOGICAL LEVEL

CHART 2

SOURCE: Comtrade.

GEOGRAPHICAL COMPOSITION OF EXPORTS. 1993-2007

TABLE 2

ORIGIN	DESTINATION								
	Euro Area	Rest of EU	Rest of Europe	ASEAN	China	Japan	Rest of Asia	United States	Rest of the world
World	15.9	12.1	4.7	6.9	4.7	5.1	12.0	19.6	19.0
Euro Area	—	33.9	12.2	3.4	2.6	3.3	11.9	15.4	17.2
United States	15.5	6.1	1.7	6.3	2.7	8.1	9.9	—	49.7
United Kingdom	51.9	5.9	4.2	2.6	0.9	2.2	8.7	13.2	10.4
Austria	37.8	18.3	10.2	2.3	1.9	2.0	5.8	8.2	13.5
Belgium and Luxembourg	42.0	16.2	3.7	2.2	1.6	2.0	8.7	9.2	14.5
Finland	13.1	29.4	13.1	3.8	3.5	2.4	8.6	11.1	15.0
France	31.2	16.7	5.4	3.3	2.2	2.6	8.4	10.9	19.3
Germany	24.8	20.9	8.8	3.2	2.8	3.0	8.1	12.8	15.5
Greece	30.8	22.1	8.7	1.9	1.2	1.5	9.7	8.3	15.8
Ireland	21.1	27.3	4.8	3.5	1.3	3.9	5.4	18.8	13.8
Italy	28.2	15.7	7.9	2.9	2.2	2.7	10.5	11.8	18.2
Netherlands	40.1	19.2	5.1	2.6	1.5	1.9	6.6	8.2	14.7
Portugal	45.3	17.1	3.3	2.3	1.1	1.3	3.9	8.4	17.3
Slovakia	30.3	35.9	7.1	1.7	1.2	1.2	4.2	5.9	12.6
Slovenia	40.2	13.6	18.8	1.4	1.1	1.1	4.6	6.5	12.7
Spain	40.8	15.1	3.5	2.2	1.6	1.8	6.7	7.6	20.7

SOURCE: Comtrade.

age, in other countries such as France, Italy and Greece, it worsened. The weight of German exports relative to world trade behaved very similarly to that of the euro area average, and the market shares of Slovakia and Ireland grew very strongly, far outpacing the euro area. A sectoral and geographical analysis such as that in the foregoing paragraphs indicates that these divergences might be related, at least in part, to the geographical and product-based composition of exports. Thus the loss of share in countries such as Greece, Portugal and Italy might be linked, in principle, to their greater relative specialisation towards low-technology products, whose world demand grew in the period under study by a lesser extent than the demand for other goods of higher technological content. On the other hand, Finland and Ireland would have benefited from their greater bias towards high-technology products, which enjoyed strong world demand. As to their geographical structure, a large percentage of euro area countries' exports are targeted on other countries in the Monetary Union, a fact which, a priori, might have held back their market share, given that the demand for these exports trended less favourably than world trade. Nonetheless, the greater specialisation towards non-euro area EU countries and the tendency to correct the insufficient specialisation in the Asian markets might have alleviated, at least in part, this negative bias. In any event, the composition by country is very heterogeneous. Finland, for instance, has been favoured by its growing specialisation in the Asian markets and its targeting of non-euro area EU countries, where demand has proven particularly dynamic, whereas Austria, which also improved its market share, would have benefited from a greater bias towards trade with the rest of the EU. However, it can also be seen that Ireland increased its share despite the substantial weight in its exports of the US and UK markets, which grew below global flows on average from 2001, and that the presence of Italy and France fell off in world trade, although they increased their share in the Chinese market and in the non-euro area EU countries.

Constant market share analysis methodology

For a deeper analysis of the factors underlying the behaviour of the various countries' market shares, a constant market share analysis can be used. This methodology consists of an arithmetical breakdown of the growth of a country's market share over a period of time into two effects: a pure competitiveness effect and a so-called structural effect, which reflects the impact of the specialisation (by product or by area) of the country's exports. This method does not rely on a theoretical framework and nor does it provide any ultimate explanation for the changes in share. However, it is a simple instrument and very useful for determining to which factors a gain or loss in an economy's market share is attributable, and it allows for cross-country comparisons.

The basic idea underpinning this analysis is that changes in market share are essentially due to two factors: to changes in the competitive level and to a specialisation in particularly dynamic markets or industries. On one hand, the competitiveness effect captures the gain or loss in share that would come about if the export structure, whether in geographical or sectoral terms, were to remain unchanged. That is to say, this effect seeks to capture the extent to which changes in share have been due to changes in price and non-price competitiveness. On the other, the structural effect quantifies the extent to which the country is benefiting from an advantageous position in terms of the composition of its exports. In turn, the structural effect can be divided into a product effect, a market (or geographical) effect and a mixed effect. The first two show the gain in share arising, respectively, from exporting products and from exporting towards regions where demand has been more dynamic, while the mixed effect captures the interaction of both effects, given the impossibility of distinguishing perfectly between them. The mixed effect therefore does not have any direct interpretation like the other components of the structural effect. At the same time, it is also possible to quantify the contribution of each sector or region to the competitiveness effect by adding the growth differentials. The mathematical formulation of the constant market share analysis is as follows:

$$gX^p - gX^* = \underbrace{\sum_k \sum_j \left(\alpha_{kj}^p - \alpha_{kj}^*\right) gX_{kj}^*}_{\text{STRUCTURAL EFFECT}} + \underbrace{\sum_k \sum_j \alpha_{kj}^p \left(gX_{kj}^p - gX_{kj}^*\right)}_{\text{COMPETITIVENESS EFFECT}}$$

In turn, the structural effect can be broken down into another three elements:

$$\underbrace{\sum_k \left(\alpha_k^p - \alpha_k^*\right) gX_k^*}_{\text{PRODUCT EFFECT}} + \underbrace{\sum_j \left(\alpha_j^p - \alpha_j^*\right) gX_j^*}_{\text{MARKET EFFECT}} + \underbrace{\sum_k \sum_j \left[\left(\alpha_{kj}^p - \alpha_{kj}^*\right) - \left(\alpha_k^p - \alpha_k^*\right)\frac{\alpha_{kj}^*}{\alpha_k^*} - \left(\alpha_j^p - \alpha_j^*\right)\frac{\alpha_{kj}^*}{\alpha_j^*}\right] gX_{kj}^*}_{\text{STRUCTURAL MIXED EFFECT}}$$

where *gX* refers to export growth; α represents the weight of exports of a specific product and/or to a specific region relative to the country's total exports in the base period; the superscript *p* refers to the exporting country, and the asterisk, *, to the world; the subscript *k* denotes the sector, and *j* the region of destination of the exports.

Constant market share analysis has been refined since its initial postulation so as to avoid certain problems in its empirical implementation. Under the traditional formulation[4], the structural effect was divided only into the product and the region effects, with the mixed effect therefore blurred into one of those categories. Consequently, results would vary depending on the sequence in which each of these two effects was calculated. In this article, following the methodology used by the ECB (2005), this problem is avoided by distinguishing explicitly between these three components. However, it should be recalled that the results of the constant market share analysis depends on the level of disaggregation of products and sectors that is used.[5]

4. Richardson (1971). **5.** See Bowen and Pelzman (1984).

RESULTS OF THE CONSTANT MARKET SHARE ANALYSIS. 1994-2007 (a) (b) (c)

TABLE 3

	1994-2007					1994-2000					2001-2007				
	Total	Compet.	Structural effect			Total	Compet.	Structural effect			Total	Compet.	Structural effect		
			M. E.	P. E.	MIX. E.			M. E.	P. E.	MIX. E.			M. E.	P. E.	MIX. E.
Euro Area	1.5	-0.6	2.0	-0.0	0.1	-0.2	-1.0	1.1	-0.3	0.1	3.1	-0.1	2.9	0.3	0.0
United States	-0.8	-1.9	1.0	0.0	-0.0	2.1	0.4	1.5	0.2	0.1	-3.8	-4.1	0.5	-0.1	-0.1
United Kingdom	-0.7	-1.8	0.8	0.2	0.1	-1.0	-1.6	0.4	0.1	0.0	-0.4	-2.0	1.1	0.4	0.2
Euro Area (intra- + extra-Euro Area)	-0.4	-0.6	0.2	0.0	0.1	-1.7	-1.0	-0.5	-0.4	0.1	0.9	-0.2	0.8	0.4	-0.0
Austria	1.0	0.4	0.4	0.1	0.1	-2.3	-1.7	-0.5	-0.3	0.3	4.2	2.5	1.4	0.5	-0.2
Belgium and Luxembourg	0.4	-0.1	0.1	0.2	0.2	-1.1	-0.1	-0.7	-0.7	0.4	1.8	-0.1	0.8	1.1	-0.0
Finland	3.2	1.5	1.3	0.3	0.1	5.0	3.8	0.3	0.7	0.2	1.5	-0.8	2.3	-0.1	0.0
France	-2.1	-2.2	0.0	-0.0	0.1	-2.6	-1.8	-0.5	-0.5	0.1	-1.6	-2.6	0.6	0.4	-0.0
Germany	-0.1	-0.6	0.3	0.1	0.1	-2.6	-2.3	-0.4	-0.1	0.2	2.3	1.0	0.9	0.3	-0.0
Greece	-0.6	-0.3	0.5	-0.6	-0.2	-5.6	-2.8	-0.5	-2.0	-0.4	4.4	2.2	1.5	0.7	0.1
Ireland	2.4	2.2	-0.5	0.6	0.1	7.3	7.1	-0.3	0.7	-0.2	-2.6	-2.8	-0.6	0.5	0.3
Italy	-1.6	-1.5	0.2	-0.3	-0.0	-2.9	-1.6	-0.5	-0.9	-0.0	-0.2	-1.3	0.9	0.2	-0.1
Netherlands	3.8	4.1	-0.0	-0.1	-0.1	4.8	5.7	-0.6	-0.1	-0.2	2.9	2.5	0.5	-0.1	-0.1
Portugal	-0.2	0.5	0.1	-0.7	-0.1	1.2	2.8	-0.6	-0.8	-0.2	-1.6	-1.9	0.8	-0.6	0.1
Slovakia	17.6	14.9	2.7	0.0	-0.0	12.6	12.1	0.6	-0.3	0.2	20.2	15.7	4.3	0.4	-0.2
Slovenia	2.9	1.6	1.0	0.2	0.1	-1.5	-0.9	-0.6	-0.2	0.3	7.2	4.1	2.6	0.6	-0.1
Spain	1.5	1.6	0.1	-0.4	0.2	1.6	2.7	-0.5	2.7	0.5	1.5	0.5	0.7	0.3	-0.1

SOURCES: Own estimations using Comtrade data.

a. The overall effect is the average annual growth of the market share.
b. M.E., P.E. and MIX.E. represent the market effect, the product effect and the mixed effect, respectively.
c. The green cells indicate positive values, and the red ones, negative values.

Results of the constant market share analysis

This section shows, firstly, the results of the constant market share analysis for the euro area (excluding therefore internal trade among the member countries) for the period 1994-2007, and compares them with those obtained for the United States and the United Kingdom. Secondly, it reports the results for each of the euro area member countries. Furthermore, given the change in the trends of the shares around 2000 depicted in Chart 1, the results are also given distinguishing between two sub-periods: from 1994 to 2000, and from 2001 to 2007.

EURO AREA

As Table 3 shows, the increase in the euro area share from 1994 to 2007 (1.5% in annual average terms) was in response to favourable geographical specialisation, which offset the negative contribution of the competitiveness effect, while the impact of the sectoral composition and the mixed effect were marginal. The re-estimation of the results for the periods prior and subsequent to 2000 shows that the gain in the euro area share was concentrated in the latter period, thanks to a less negative contribution of competitiveness — which, after weighing on the market share, then had a practically zero effect — and to the geographical composition (the sectoral contribution contributed much less) of exports.

The loss of competitiveness in the period as a whole was due, in terms of product categories, to the poorer competitiveness of low-technology goods, which was concentrated between 2001 and 2007 (see the left-hand panel of Chart 3).[6] In terms of export destination, the right-hand panel of Chart 3 shows that the euro area lost competitiveness in all regions in the first period and that it only gained competitiveness in the second period in China.

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6. The contribution of each sector/region to the competitiveness effect is calculated as the sum of the competitiveness effect of the regions/sectors for each sector/region.

The breakdown of the product effect by category shows that the negative contributions of low- and, above all, high-technology goods offset the advantage in those of medium technological content (see Table 4). For a more detailed analysis, it should be recalled that, according to the definition of the sectoral effect, this depended on two factors: first, the growth of world trade in each product; and second, the specialisation of the country in each sector in relation to the world. Given that all products posted positive growth, the sign of the contribution of each sector depended on the relative significance of that sector in relation to the exports of each region, compared with that of world trade. As could be seen in Chart 2, the weight of low- and, especially, high-technology goods was, on average, lower than that of the world average for the period 1993-2007, while specialisation in intermediate-technology goods was more favourable. Once again, different patterns are detected when the sample is divided into two sub-periods, with improvements in the product effects thanks to the gains in the medium- and high-technology sectors.

As regards the market effect, the sign of the contribution of each area was determined by the regional specialisation of each country compared with world specialisation, given that all regions increased their demand. The size of the contribution, however, depended not only on this regional specialisation, but also on the growth rates of world exports to each area. As Chart 4 and Table 2 show, the euro area benefited from its strong bias towards European markets (the rest of the EU and the rest of Europe), which counterbalanced the negative contributions of the United States and the Asian countries. The results before and after 2000 indicate that the gains in the European markets, in the United States and in the rest of the world resulted in the second period in an increase in the market effect in the euro area.

Table 3 shows that the US and UK market shares diminished at a rate of approximately 0.8% per annum between 1994 and 2007, in contrast to the gain in the euro area. In both countries this development resulted from the strong deterioration in competitiveness (far greater than in the euro area), which offset the gains arising from the geographical structure of their trade and, in the case of the United Kingdom, also from the sectoral structure. As in the case of the euro area, the mixed effect was negligible. If the period is divided into two, the United Kingdom performed less negatively in the most recent period, as it benefited from a more favourable geographical and sectoral structure, whereas the US economy shifted from an annual average gain of 2.1% in market share between 1994 and 2000 to a loss of 3.8% in the subsequent years, owing to the strong deterioration in its competitive capacity and, to a lesser extent, in its export structure, too.

At a more detailed level, the competitiveness effect in the United States and the United Kingdom was more negative than in the euro area. Further, in the first two countries this effect was sharper in the second period, while in the euro area it was concentrated in the first period. The differences between the three economies can also be seen in the sectoral and geographical breakdown of competitiveness (see Chart 3). Thus, in the United Kingdom and the United States, the loss was due to medium- and high-category products (in the euro area it was due to low-technology goods), and was deeper in the period 2001-2007. Regarding the regions, US competitiveness was impaired until 2000 in all regions, with the exception of the rest of the world, the impact of which was positive; and, as from 2001, the negative contributions increased and exports to the rest of the world showed a loss in competitiveness. The United Kingdom underwent a considerable loss in its competitiveness in the euro area, which exceeded the gains obtained in the rest of Asia.

The sectoral composition was irrelevant in the behaviour of the US market share, but it benefited the UK share between 1993 and 2007. As in the euro area, low-technology goods in both

CONTRIBUTION OF PRODUCTS AND REGIONS
TO THE COMPETITIVENESS EFFECT (a)

CHART 3

SOURCE: Own calculations using Comtrade data.

a. In the calculations for the Euro Area, United States and United Kingdom, intra-Euro Area trade has been excluded.
b. Right-hand scale.

CONTRIBUTION OF EACH SECTOR TO THE PRODUCT EFFECT (a) TABLE 4

	FROM 1994 TO 2007				FROM 1994 TO 2000				FROM 2001 TO 2007			
	Total	Low	Medium	High	Total	Low	Medium	High	Total	Low	Medium	High
Euro Area	-0.0	-0.3	1.0	-0.7	-0.4	-0.0	0.7	-1.0	0.4	-0.5	1.3	-0.4
United States	0.0	-1.0	0.9	0.2	0.2	-0.7	0.5	0.4	-0.1	-1.3	1.2	-0.0
United Kingdom	0.3	-0.3	0.4	0.2	0.1	-0.3	0.2	0.2	0.4	-0.4	0.5	0.3
Euro Area (intra- + extra-Euro Area)	0.0	0.0	0.6	-0.7	-0.4	0.1	0.4	-0.9	0.4	-0.1	0.9	-0.4
Austria	0.1	0.8	0.3	-1.0	-0.3	0.8	0.1	-1.3	0.5	0.8	0.5	-0.8
Belgium and Luxembourg	0.2	0.6	0.5	-0.9	-0.7	0.6	0.4	-1.7	1.1	0.6	0.6	-0.1
Finland	0.3	1.1	-0.6	-0.2	0.7	1.4	-0.6	-0.1	-0.1	0.8	-0.7	-0.2
France	-0.0	-0.1	0.8	-0.7	-0.5	-0.1	0.5	-0.9	0.4	-0.1	1.1	-0.5
Germany	0.1	-0.7	1.4	-0.6	-0.1	-0.4	1.1	-0.8	0.3	-1.0	1.8	-0.5
Greece	-0.6	2.9	-1.9	-1.6	-2.0	2.1	-1.7	-2.3	0.7	3.7	-2.0	-1.0
Ireland	0.6	-1.3	-0.4	2.3	0.7	-0.4	-0.8	1.8	0.5	-2.2	-0.0	2.8
Italy	-0.3	0.9	0.2	-1.4	-0.9	0.8	-0.0	-1.6	0.2	1.0	0.5	-1.2
Netherlands	-0.1	0.0	-0.4	0.3	-0.1	0.1	-0.3	0.0	-0.1	-0.1	-0.5	0.5
Portugal	-0.7	1.4	-0.9	-1.2	-0.8	1.4	-0.9	-1.2	-0.6	1.5	-0.9	-1.2
Slovakia	0.0	1.2	0.2	-1.4	-0.3	1.5	-0.0	-1.9	0.4	1.0	0.4	-1.0
Slovenia	0.2	1.1	-0.4	-0.6	-0.2	1.2	-0.5	-0.9	0.6	1.1	-0.2	-0.2
Spain	-0.4	0.4	0.8	-1.6	-1.0	0.2	0.6	-1.8	0.3	0.6	1.0	-1.4

SOURCES: Own calculations using Comtrade data.

a. The green cells indicate positive values, and the red ones, negative values.

countries impaired the share given their lesser weight in total exports compared with the relative significance of this type of good in world trade, and the medium-technology goods boosted the share owing to their greater relative weight. However, unlike in the euro area, the positive impact of high technology was an additional factor thanks to a greater specialisation relative to the world trend (see Table 4 and Chart 2). On dividing the sample into two sub-periods, it can be seen that the United Kingdom, like the euro area, benefited from gains in the medium- and high-technology sectors, while in the United States the product effect worsened owing to the deterioration of the low- and high-technology sectors.

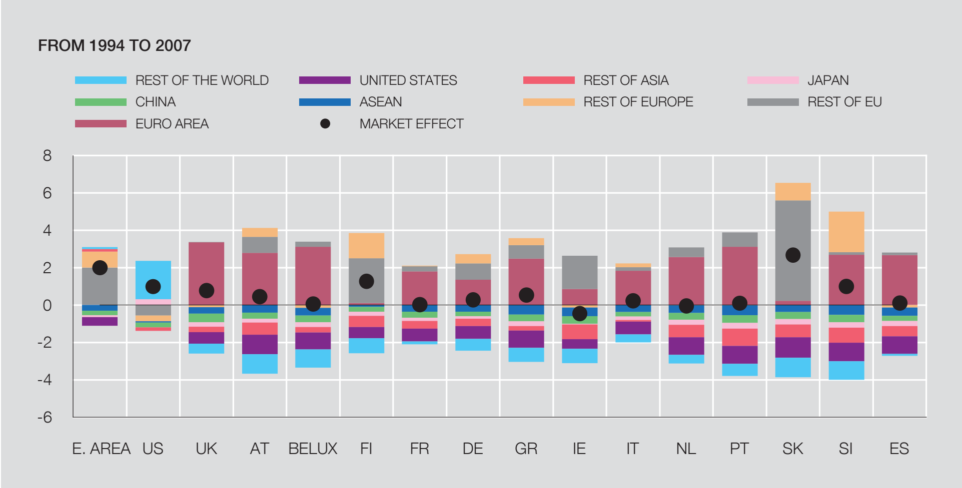
As in the euro area, the distribution of exports by geographical destination favoured the UK and US market share on average in the period 1993-2007. Their different geographical specialisation, in any event, led to the different impacts of the regions on each of these economies (see Chart 4). Hence the bias towards exports to the euro area above the world trend favoured the United Kingdom, despite the fact that this market was not among those that recorded the highest average growth in the period. The United States, meanwhile, benefited from the significant positive contribution of the rest of the world and of Japan (linked to the strong specialisation shown in these regions), which counterbalanced the loss in the Asian (excluding Japan) and European markets as a result of a lesser relative presence than that of global flows (see Table 2). If the sample is divided into two, it can be seen that, as in the euro area, the United Kingdom increased its market effect owing to gains in the European markets, in the United States and in the rest of the world, while the United States was impaired by the generalised losses it underwent throughout the world, and especially in Asia and Europe.

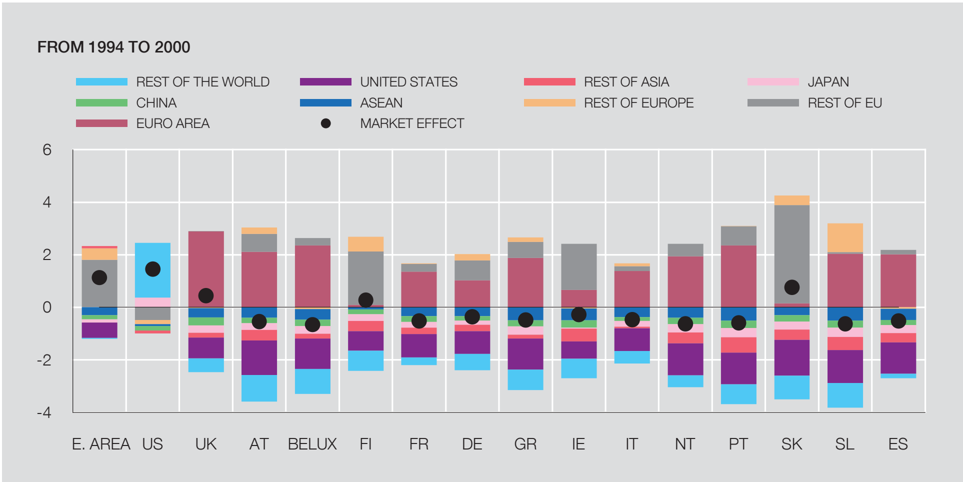
EURO AREA COUNTRIES

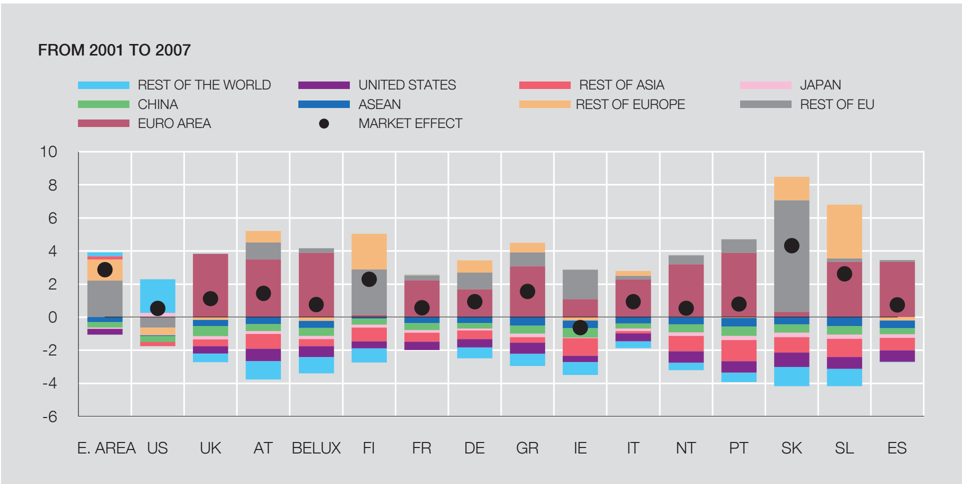
Contrary to what was found for euro area exports, in the vast majority of member countries the behaviour of their market share trended in the same direction as that of their competitiveness (Portugal and the aggregate of Belgium and Luxembourg are the only exceptions; see Table 3).

CONTRIBUTION OF REGIONS TO THE MARKET EFFECT (a)

CHART 4







SOURCE: Own calculations using Comtrade data.

a. In the calculations for the Euro Area, United States and United Kingdom, intra-Euro Area trade has been excluded.

Among those that have most improved their relative position in international trade are, in order of rank, Slovakia, the Netherlands, Finland, Slovenia, Ireland and Spain, where competitiveness had a strong positive impact. In the cases of Slovakia, Finland and Slovenia, a further contributing factor has been the bias of their sales to other European countries, and in Ireland, the specialisation in high-technology goods. Set against this, France, Italy, Greece and, to a lesser extent, Portugal and Germany saw their weight in world trade diminish. In addition to the deterioration in their competitive capacity (except in Portugal's case), this weight was also dragged down by their insufficient specialisation in high-technology goods (and, in the cases of Greece and Portugal, in medium-technology goods too), factors which offset the positive contribution of the market effect.

The breakdown of the effects indicates, firstly, that competitiveness had a very mixed effect on the euro area countries and that it is not possible to find a clear pattern regarding the influence of product categories and regions of destination,[7] beyond the general trend of the adverse impact of low-technology exports and the positive impact of China (see Table 4 and Chart 4). Secondly, although the size of the impact of the type of good and its sectoral composition have also been fairly heterogeneous, it is seen that lower specialisation relative to world trade in high-technology products has had an adverse impact in all the euro area countries, with the sole exceptions of the Netherlands and, above all, Ireland (see Chart 2). Finally, the geographical composition of exports has benefited the market share in all the euro area countries – except in Ireland and the Netherlands – with notably high effects in Slovakia, Finland and Slovenia, which are far above the average of the euro area countries. As to the impact that each region has had on the market effect, it may be concluded that this has been very uniform across the euro area countries, with positive contributions from European trade and negative contributions from the rest of the regions. For instance, exports to the rest of the EU and to the rest of Europe were particularly significant in Slovakia and Finland, and the former were also so in the case of Ireland.

Analysing the share in the years prior and subsequent to 2000, it can be seen that it improved in the latter period in all countries, except in Finland, Ireland and Portugal, where impaired competitiveness played a substantial role. The structure of exports was favourable to market shares in general in all the countries in the second period. Firstly, all countries benefited from a more favourable sectoral specialisation between 2001 and 2007 towards medium- and high-technology goods, the only exceptions being Finland and Ireland, which worsened, and the Netherlands, whose effect held unchanged. And, secondly, changes in the geographical composition in all the countries were positive, with the exception of Ireland. The main trends across regions were geared to reducing the negative effect of the United States and Japan, to deepening the negative contribution of China, ASEAN and the rest of Asia, and to improving the impact of intra-euro area and of the rest of the EU trade.

Conclusions

Changes in a country's market share depend not only on the behaviour of price- and non-price-competitiveness, but also on its export structure, i.e. on the extent to which the country is more or less specialised in specific regions or products. This article, based on the so-called "constant market share analysis", quantifies both effects for the euro area and its member countries for the period 1994-2007 and compares them with the results for the United Kingdom and the United States.

7. The contribution of each sector/region to the competitiveness effect is calculated as the sum of the competitiveness effect of the regions/sectors for each sector/region.

The analysis indicates that the gain in euro area market share in the reference period was boosted by the particular geographical structure of its exports (specifically, by their bias towards European markets). This favourable geographical composition neutralised the negative effects of a loss of competitiveness (a loss concentrated in low-technology goods and generalised in all the destination markets). Set against this, the weight of the United Kingdom and the United States in world trade diminished, dragged down by a deterioration in their competitive capacity far greater than that experienced by the euro area (the deterioration was concentrated in medium- and high-technology products and affected exports to all regions), which was only slightly countered by a favourable export structure in both geographical terms and by type of product. In particular, the United Kingdom benefited from its strong trade ties with European markets (especially with the euro area), but also from its specialisation in medium- and high-technology goods, while the United States drew benefit from its export bias towards regions such as Latin America.

Within the euro area there is sizeable heterogeneity both in the sign and the size of changes in market shares. Gains were observed in the Netherlands, Ireland, Slovakia, Slovenia, Finland and Spain, and losses in France and Italy. In any event, the analysis conducted indicates that, in general, market shares in the euro area member countries have been marked above all by changes in the competitiveness of exports. The effect of sectoral specialisation has been less significant and fairly variable across countries, although it is generally seen that lower relative specialisation in high-technology products has adversely affected all the euro area countries. Geographical specialisation, for its part, has proven beneficial in most euro area countries thanks to the bias towards intra-euro area trade and, to a lesser degree too, towards exports to the rest of the EU and to the rest of Europe, which have offset the losses in share associated with other regions.

11.1.2010

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ANNEX
The data

The data are from the United Nations Comtrade database, which has annual information on bilateral trade between countries in nominal terms from 1993 to 2007. The SITC at one and two digit levels is used for the sectoral disaggregation.[8]

Countries of origin: euro area (excluding Malta and Cyprus), France, Germany, Italy, Spain, the Netherlands, Belgium and Luxembourg, Finland, Austria, Slovenia[9], Slovakia[10], Portugal, Greece and Ireland.

Countries of destination of the exports: euro area, United Kingdom, rest of the EU 15, Switzerland, rest of Europe, Russia, ASEAN, China, Japan, rest of Asia, United States, Latin America, Africa and rest of the world. Grouped in the charts and tables are the rest of the EU (United Kingdom and the rest of the EU), the rest of Europe (Switzerland, Russia and the rest of Europe) and the rest of the world (Latin America, Africa and the rest of the world).

8. The missing values have been proxied by the average growth of the three previous or subsequent periods. **9.** In the case of Slovenia, there are no 1994 data. Accordingly, they have been calculated as the average of the prior and subsequent periods. **10.** The Slovakia series begins in 1994. Consequently, the analysis for Slovakia begins in 1995.

Classification by type of good:

PRODUCT CLASSIFICATION

TYPE OF PRODUCT	SITC CLASSIFICATION	TECHNOLOGICAL LEVEL
Food, beverages and tobacco	0 + 1	Low
Textiles, wearing apparel and leather industry	61 + 65 + 83 + 84 + 85	Low
Paper and paper products, printing and publishing	64	Low
Wood and wood products, including furniture	63 + 83	Low
Non-metal mineral products	66	Low
Basic metal industries	67 + 68	Low
Metallic products, except machinery and transport equipment	69	Low
Other	81 + 62 + 89	Low
Manufacture of agricultural and industrial machinery, except electrical machinery	71 + 72 + 73 + 74	Medium
Manufacture of transport equipment	78+79	Medium
Chemicals, rubber and plastic products	51 + 52 + 53 + 55 + 56 + 57 + 58 + 59	Medium
Manufacture of electrical machinery, appliances and accessories	76 + 77	High
Pharmaceutical products	54	High
Professional and scientific services, measuring, checking and precision instruments, photographic and optical appliances, office machinery and computers	75 + 87 + 88	High

Excluded from the analysis are the following SITC categories:

2. Inedible crude materials, except fuels.

3. Fuels and mineral lubricants and related products.

4. Animal and vegetable oils, fats and wax.

9. Goods and transactions not elsewhere classified.

INTERNATIONAL DEBT MARKETS AFTER THE FINANCIAL CRISIS

International debt markets after the financial crisis

The authors of this article are Adrian van Rixtel and Luna Romo González of the Associate Directorate General International Affairs.

Introduction

This article describes the changes in the international primary markets for debt in the period during which the 2007-2009 financial crisis broke out, gained momentum and spread, placing it in a longer time frame. These markets are very important for financing the public and private sectors throughout the world and have been severely affected by the crisis. International debt markets include many segments, the largest being the bond, syndicated loan and structured finance markets. Chart 1 shows that debt market issuance expanded strongly between 2000 and 2008, doubling in volume. Subsequently, they recorded a notable contraction, particularly in the higher-risk segments which practically disappeared. Particular attention is paid to the analysis of and developments in the international structured finance markets, since they have played a crucial role in the deepest financial crisis since the Great Depression of the 1930s, although space is also devoted to issuance on the international bond and syndicated loan markets.

The structured finance markets include asset-backed securities, credit derivatives and resecuritisations.[1] Among these products, mortgage securitisations, collateralised debt obligations (CDOs) and asset-backed commercial paper (ABCP) grew particularly strongly in the years leading up to the crisis. It was in these instruments where the problems brought by the crisis were incubated and took shape. It is no surprise that their activity has diminished so drastically in recent years. Subsequently, a moderate recovery has been seen in some segments with a relatively high risk level, such as leveraged loan markets, high-yield bonds and, in some places, securitisation markets.

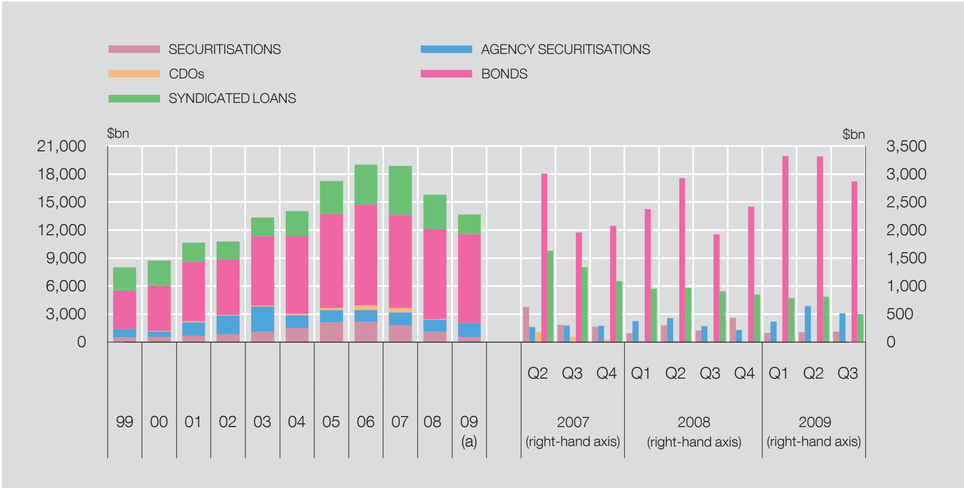
The next section briefly describes how the crisis developed and spread on debt markets. Then subsequent sections analyse each of the main markets, beginning with the structured finance market, given its importance in recent years. The last section presents the conclusions, which include most notably the drastic shift in the make-up of debt markets towards bonds, particularly government bonds, to the detriment of structured finance markets.

How the financial crisis developed and spread

The 2007-2009 financial crisis was preceded by a period of abundant liquidity worldwide, in a setting of exceptional macroeconomic stability (also known as the "Great Moderation") [Mizen (2008), Bernanke (2009) and IMF (2009)]. That helped to bring interest rates down to historically very low levels and to diminish agents' perception of risk or their caution regarding it. Both factors encouraged investors to increasingly seek out higher-return, albeit riskier, investment opportunities. This quest could not be satisfied by traditional investment opportunities. The consequence was growing financial innovation on debt and structured finance markets, where segments such as asset-backed securities (ABSs), collateralised debt obligations (CDOs) and other new financial instruments were developed [De Larosière Group (2009) and FSA (2009)]. A substantial portion of these was linked directly or indirectly to the US mortgage markets, which expanded considerably in parallel with the housing boom there. In particular, the US high-risk residential mortgage market grew very rapidly and subprime mortgages became an important source of underlying assets for many of the new complex financial instruments [Ashcraft and Schuermann (2007)].

1. Diagram 1 presents an exhaustive classification of structured finance instruments.

TOTAL ISSUANCE ON INTERNATIONAL DEBT MARKETS CHART 1



SOURCES: Dealogic, SIFMA, Freddie Mac, Fannie Mae and Ginnie Mae.

a. 2009 data to 30 September.

From the beginning of 2007, when the housing cycle changed in the United States and, as a result the subprime delinquency rate rose, agents began to question the sustainability of this situation and to consider possible deficiencies in risk pricing [Brunnermeier (2009)]. International financial market conditions deteriorated sharply in summer 2007 due to financial institutions' exposure to US subprime mortgage markets and the related financial instruments. It is worth highlighting that the US subprime mortgage markets were simply what triggered the crisis and that previously there had been a much more widespread credit boom which encouraged excessive indebtedness and risk mispricing on all international financial markets. As risk was repriced, the financial strains spread to other segments of the financial markets. This gave rise to a flight from risky assets throughout the world, particularly those linked to structured or opaque finance, in favour of safe-haven assets such as government debt. The turmoil also spread to short-term markets, as was underlined by the notable rise in risk aversion on the ABCP market and the unprecedented rises in interbank money market interest rates [BIS (2009)]. These events prompted central banks worldwide to inject substantial liquidity and to begin monetary easing. Consequently, the crisis seemed to stabilise and even moderate during 2008 H1, although the underlying risks remained.

This picture changed completely on 15 September 2008, when the collapse of Lehman Brothers prompted the most serious shock on international financial markets since the Great Depression. Confidence on international debt markets and, in particular, structured finance markets dropped to all-time lows and investors fled en masse from complex financial instruments, such as asset-backed securities and CDOs. Banks and other financial institutions suffered heavy losses and some had to be bailed out by governments. The intensification of the crisis led authorities to adopt emergency measures which committed large sums of public money to combating the financial crisis. Even so, international financial market conditions did not begin to stabilise until March 2009, although the foundations of this stabilisation remained shaky. Since then, markets have improved considerably and the appetite for risk has recovered. This took the form of a moderate recovery of issuance in relatively high-risk segments of these markets such as securitisations placed on the market, high-yield bonds and leveraged loans.

The right-hand side of Chart 1 shows the strong impact of the financial crisis on international debt markets in 2007 H2 and in 2008, especially on the issuance of securitisations, CDOs and syndicated loans, which stood at an all-time low. International debt markets recovered considerably during 2009, driven entirely by vigorous bond issuance. In fact, total issuance in these markets in 2009 Q1-Q3 has been the highest in their history. Consequently, in spite of the still low activity on securitisation, CDO and syndicated loan markets, worldwide debt market issuance in 2009 will possibly set a record high.

Structured finance markets

Structured finance is linked to a group of complex financial instruments and mechanisms and, although it is difficult to provide a straightforward universal definition, it could be described, in the broad sense of the term, as the restructuring of cash flows to transform the risk, return and liquidity characteristics of financial portfolios.[2] More specifically, structured finance consists of grouping assets together to subsequently sell them as securities in several "tranches", each with a different risk/return profile, in order to attract investors with different levels of appetite for risk [BIS (2005)]. Division into tranches is important, since by separating the securities into different risk categories, the securities can be adjusted to investors' specific needs and, therefore, can be sold more easily. At the same time, it also introduces an element of complexity into structured finance due to the difficulty involved in pricing and assessing risk to create these tranches.

Structured finance is characterised by the complexity of risk transfer instruments and the use (and abuse) of special purpose vehicles (SPVs) and special purpose entities (SPEs) by banks in off-balance sheet activities. Financial assets, such as residential mortgages, are transformed through these vehicles into asset-backed securities (ABSs) which are sold to investors. It should be underlined that covered bonds are not considered structured finance. The reason for this classification is that, unlike in asset-backed securities issued by banks, the underlying asset of covered bonds remains on institutions' balance sheets.

In structured finance, the process of division into tranches is a key feature, and, consequently, credit rating agencies play an essential role. The ratings provided by these agencies are an indicator of the credit (and other) risk associated with the instruments and depend on the solvency of the SPV and SPE issuers. In this context, it is customary to distinguish between investment grade (IG) rating and below investment grade (high-yield – HY) ratings. According to the credit ratings normally used in financial markets, investment-grade structured finance instruments are rated BBB or higher by Standard & Poor's and Fitch's rating services, and Baa or higher by Moody's Investors Service and are associated with lower returns, while below-investment-grade instruments are associated with relatively higher returns which compensate for the higher risk level.

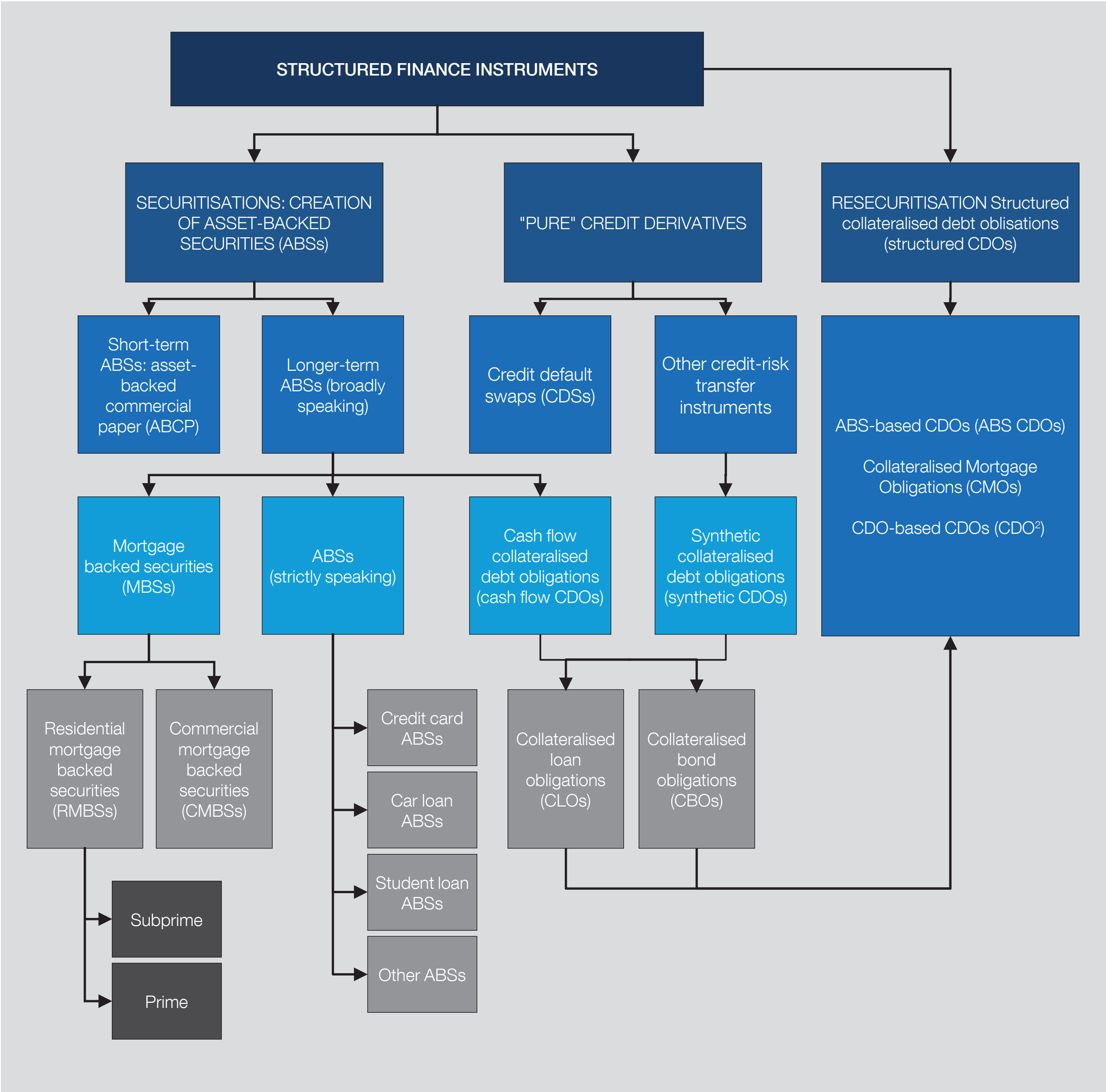
The financial crisis has raised strong doubts about the rating methodologies applied to structured financial products, in general, and about their soundness, in particular. A posteriori it has been seen that many complex instruments had high ratings which were far removed from their actual credit quality. Complex and opaque structured finance instruments, together with performance-bonus problems at originator institutions and deficiencies in the credit rating process, played a fundamental role in how the financial crisis began, developed and spread [IMF (2008), Caprio et al. (2008), Benmelech and Dlugosz (2009b), De Larosière Group (2009) and FSA (2009)].

Structured finance instruments can be classified into the two broad categories of securitisations and credit derivatives, although some times this separation is not clear-cut and depends

2. An extensive analysis of structured finance is presented in Criado and Van Rixtel (2008) and in Coval et al. (2009).

STUCTURED FINANCE INSTRUMENTS

DIAGRAM 1



SOURCE: Criado and Van Rixtel (2008).

on an arbitrary distinction. This difficulty is particularly patent in collateralised debt obligations (CDOs). In simple terms, securitisations are those transactions which consist solely of the transformation of cash flows; more complex structured finance instruments are deemed to be credit derivatives. Diagram 1 presents the main structured finance instruments, which are described in the following sections.[3]

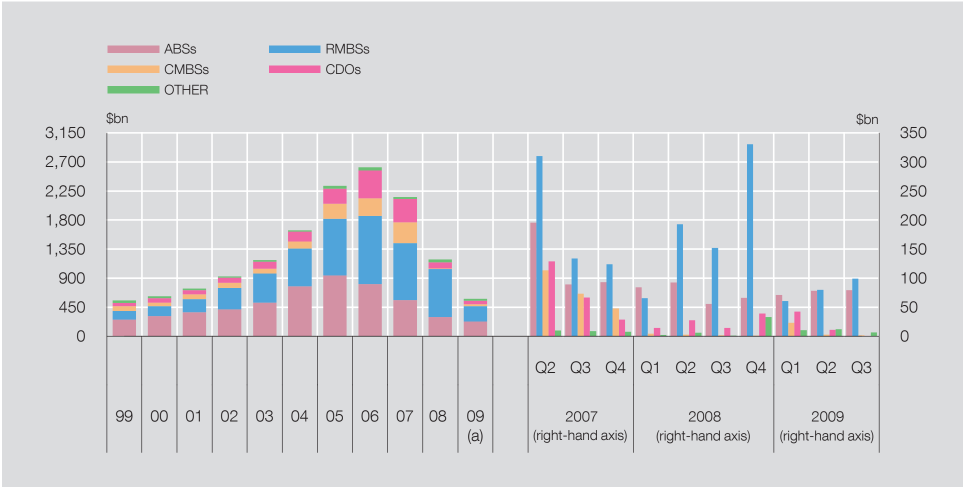
Structured finance securitisations

Securitisation markets comprise short-term asset-backed securities (short-term ABSs, essentially, asset-backed commercial paper — ABCP) and longer-term asset-backed securities (long-term ABSs) (see Diagram 1). Broadly speaking, asset-backed securities include three

3. This article will not address more specific credit derivatives, such as credit default swaps (CDSs), nor their role in the financial crisis. For example, CDSs played an important role in the insurance company, AIG's problems.

SECURITISATIONS WORLDWIDE (EXCLUDING US AGENCIES) BY UNDERLYING SECURITY

CHART 2



SOURCE: Dealogic.

a. 2009 data to 30 September.

main categories: mortgage-backed securities (MBSs), narrowly defined asset-backed securities (ABSs which are basically backed by all manner of assets, such as automobile loans, student loans, etc., except for mortgages) and cash flow collateralised debt obligations [Criado and Van Rixtel (2008)].[4]

In practice, when the term "asset-backed securities" or the abbreviation "ABSs" is used, the markets interpret them according to the narrow definition of the term which refers solely to asset-backed securities (ABSs) excluding mortgage-backed securities (MBSs) and cash flow CDOs. MBSs include commercial mortgage-backed securities (CMBSs) and residential mortgage-backed securities (RMBSs). The mortgages backing RMBSs issues may have high quality (prime) ratings or low quality (subprime) ratings, depending on the solvency of the respective borrowers.

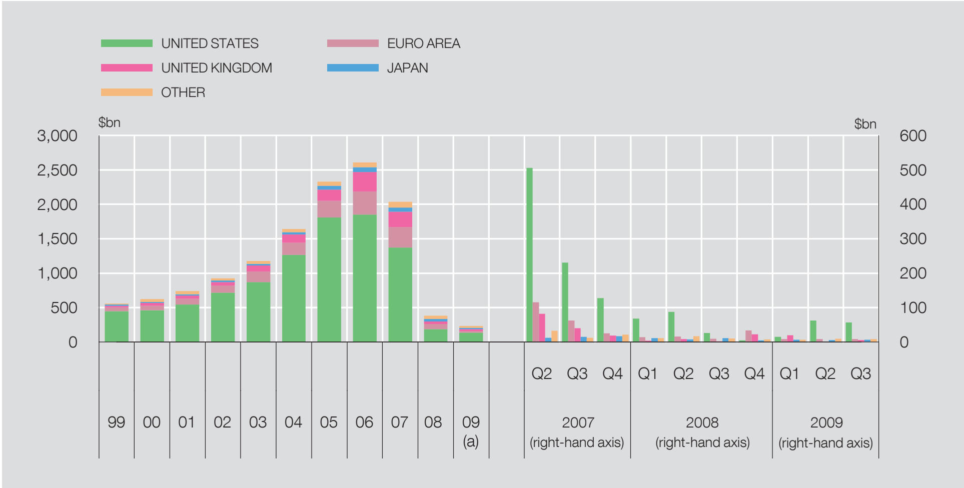
Chart 2 displays the changes in international securitisation market issuance, including the above-mentioned MBSs, ABSs and cash flow CDOs. Charts 3 and 4 provide information on securitisations placed on the market and securitisations retained. These charts exclude the mortgage securitisations of US agencies which, due to their size, are presented separately in Chart 5.

Chart 2 shows very rapid growth of gross issuance on international securitisation markets (excluding US agencies) in the last ten years from scarcely $500 bn to $2,617 bn and its fall in 2007 Q3, which steepened in 2008. In fact, issuance of securitisations in 2008 was less than half that in 2006. The main reason for this decline was the crisis of confidence which hit structured finance and securitisation when major deficiencies in the assessment (credit rating) and transparency of these financial instruments came to light. The chart shows that mortgages have clearly been the main underlying asset in securitisations worldwide and, among them, residential mortgages are the predominant individual asset.

---

4. Cash flow CDOs are included here as securitisations for two reasons: firstly their fundamental characteristic is the specific use of "securitisation techniques" to transform a set of assets into new securities; and secondly, several statistical sources include cash flow CDOs under asset-backed securities.

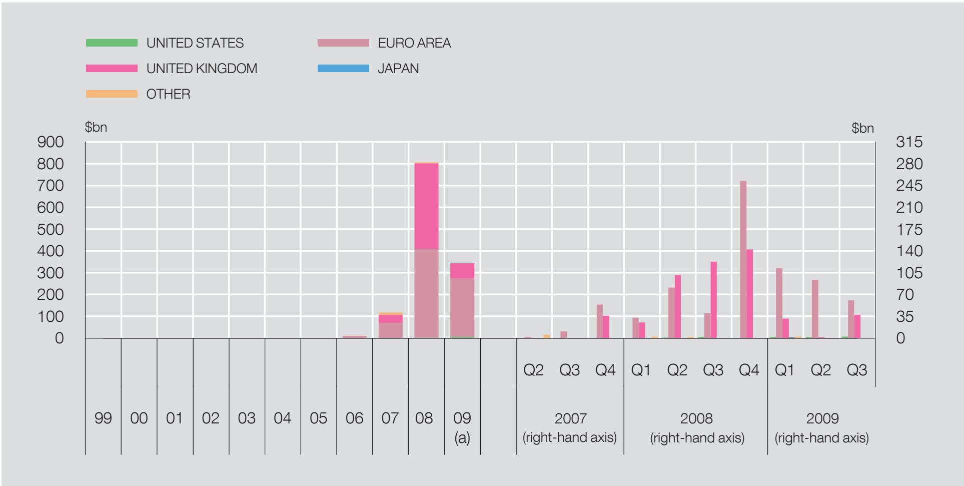
SECURITISATIONS PLACED ON INTERNATIONAL MARKETS (EXCLUDING US AGENCIES) BY REGION CHART 3



SOURCE: Dealogic.

a. 2009 data to 30 September.

RETAINED SECURITISATIONS WORLDWIDE (EXCLUDING US AGENCIES) BY REGION CHART 4



SOURCE: Dealogic.

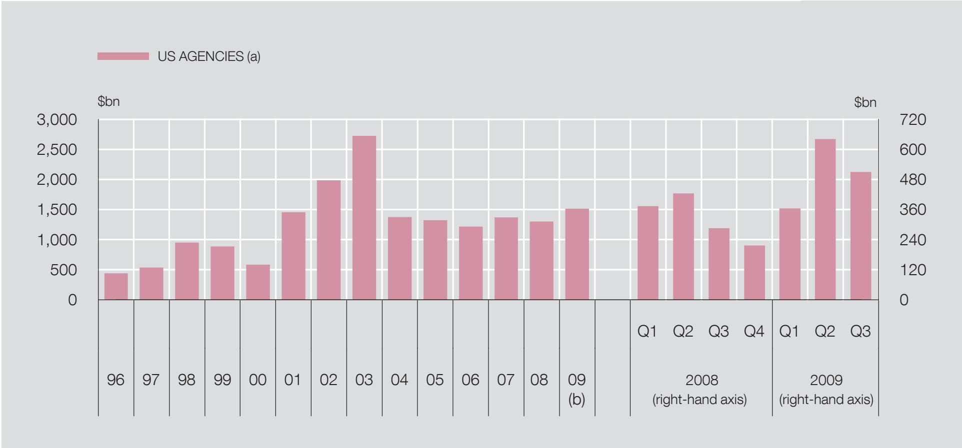
a. 2009 data to 30 September.

In the context of the financial crisis and the authorities' response to it, the distinction between securitisations placed on markets and securitisations retained by originators became important. As can be observed in Chart 3, the financial crisis especially affected public placement of securitisations in all countries, but particularly those originated in the United States. Retained securitisations have seen extraordinary growth in the last two years in the euro area and in the United Kingdom, due to their acceptance as collateral in central bank liquidity-providing operations, as a result of the financial crisis (see Chart 4). These developments represented a fundamental change in the structure of international securitisation markets.

Chart 5 shows changes in the volume of mortgage securitisations issued by US agencies (Fannie Mae and Freddie Mac). Although they fell due to the financial crisis by approximately

MORTGAGE SECURITISATIONS ISSUED BY US AGENCIES

CHART 5



SOURCE: SIFMA.

a. Includes issues by Ginnie Mae, Fannie Mae and Freddie Mac.
b. 2009 data to 30 September.

5% in 2008 to $1,300 bn in 2008, this figure is slightly higher than all other securitisations in the world, which amounted to $1,188 bn.

Lastly, the data underline that during 2009 Q2 and Q3 international securitisation activity recovered from its previous lows, due to the improvement of securitisations placed in the markets. Retained securitisations fell considerably in 2009 Q2 and stabilised in Q3, partly in response to lower collateral requirements in central bank liquidity providing operations. The recovery centred on the United States (see Chart 3) and was linked to the commencement of the Federal Reserve's credit support program called the Term Asset-Backed Securities Loan Facility (TALF). This programme was set up to provide liquidity for credit and consumer ABS issues and, subsequently, for certain CMBSs. Furthermore, the issuance of RMBSs in the United States (which are not included in TALF) was considerable in 2009 Q2 and Q3, due to the growth of issuance by agencies (see Chart 5). This increase was a consequence of sharp growth of mortgage securitisations originated under Federal Housing Administration (FHA) programmes and related to mortgage financing [SIFMA (2009)]. Issuance in the United States of private-label MBSs remained very weak.

Asset-backed commercial paper (ABCP)

Asset-backed commercial paper (ABCP) is a short-term secured fixed-income instrument (commercial paper or CP) issued via conduits (which include structured investment vehicles, or SIVs) to finance longer-term investments in securities, such as MBSs and CDOs. These securities can be considered the collateral underlying the ABCP issued. In other words, they are the "asset-backed" component of ABCP.

Chart 6 shows that the ABCP market grew rapidly from 2004 in the US and, similarly, in Europe. This growth was closely related to the boom in the mortgage markets in general and to that in the US mortgage market in particular. According to some estimates, the expansion of mortgage ABCP issuance has accounted for half of commercial paper market growth in recent years [Mizen (2008)].

The ABCP market was also at the epicentre of the financial crisis, since ABCP conduits had invested substantially in complex financial instruments such as ABSs and CDOs, and their exposure to complex mortgage-backed financial instruments grew rapidly to an estimated

US ABCP MARKET (OUTSTANDING BALANCES)

CHART 6

SOURCES: SIFMA and Federal Reserve System.

a. 2009 data to 30 September.

$300 bn [BIS (2007)]. In August 2007, when pressure from the US subprime mortgage markets spread to the structured finance products directly or indirectly related to those markets, it became increasingly difficult for ABCP issuers to find investors willing to buy these securities, even for short periods of time. Hence ABCP programmes faced significant financing problems and had to turn to banks for back-up credit lines, which subsequently caused liquidity constraints in the banking sector. Further into the crisis, banks had to rescue ABCP conduits and absorb their assets into their balance sheets, which fuelled the spread of the crisis from the structured finance markets to the banking sector. ABCP issuance in the United States in 2009 Q3 generally remained well below the record highs of 2006 (see Chart 6).

Credit derivatives in structured finance: complex collateralised debt obligations (CDOs)

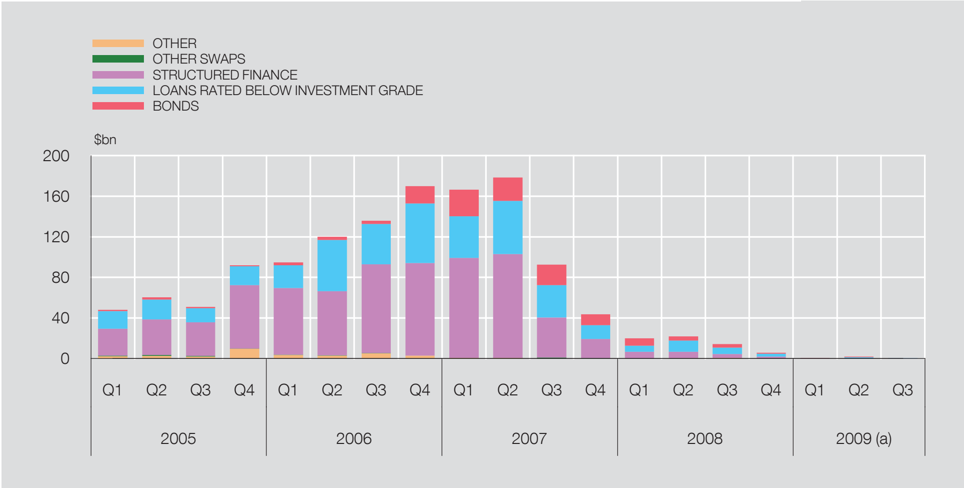
CDOs transform high-risk assets such as loans, mortgages, bonds and asset-backed securities into a new security. This is done as follows. A number of debt contracts are grouped together in a SPE/SPV (see preceding section). The CDO liabilities are divided into tranches of different credit quality and different levels of subordination, as in the case of asset-backed securities. The investors in the tranches of a CDO assume the ultimate exposure to the credit risk associated with the underlying reference entities.

Of the structured finance instruments, those most affected during the financial crisis were collateralised debt obligations (CDOs), and of these the hardest-hit segment was structured CDOs (which essentially consist in securitising other securitisations). For example, structured CDOs may be collateralised by an MBS (and then called collateralised mortgage obligations or CMOs) or even by other CDOs, and then denoted CDO^2.

Structured CDO issues ("structured finance" in Chart 7) increased rapidly between 2005 Q4 and 2007 Q2, in tandem with the rapid growth of the US subprime mortgage markets, since considerable volumes of subprime RMBSs were used to collateralise these CDOs. The estimates show that the collateral of nearly 50% of highly rated structured CDOs was, in fact, subprime mortgage-backed securities; in the case of lower rated asset-backed structured CDOs, this percentage was as high as 77% [BIS (2008a)]. When the financial crisis broke out, the issuance of structured CDOs collapsed and has not yet recovered. Indeed, many analysts do not expect this market segment to recover in the near future.

CDO ISSUANCE WORLDWIDE BY COLLATERAL

CHART 7

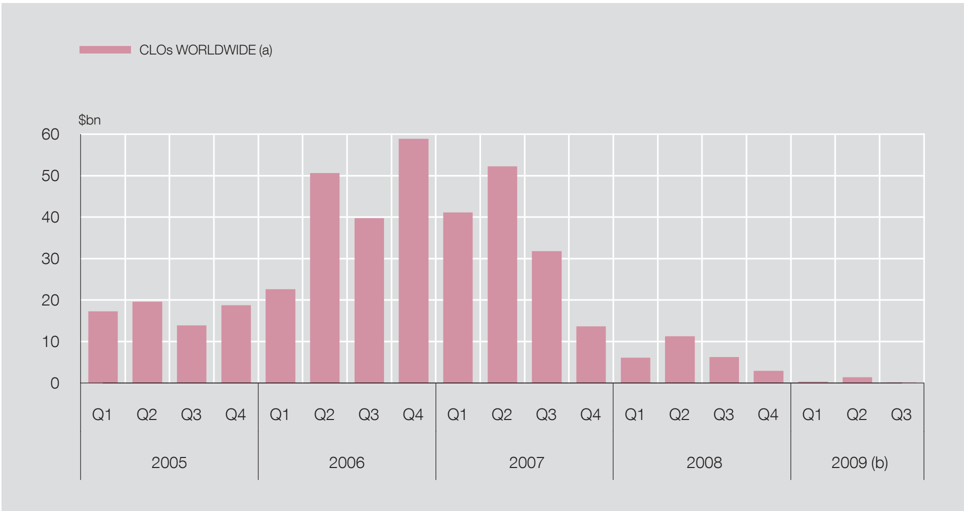


SOURCE: SIFMA.

a. 2009 data to 30 September.

CLO ISSUANCE WORLDWIDE

CHART 8



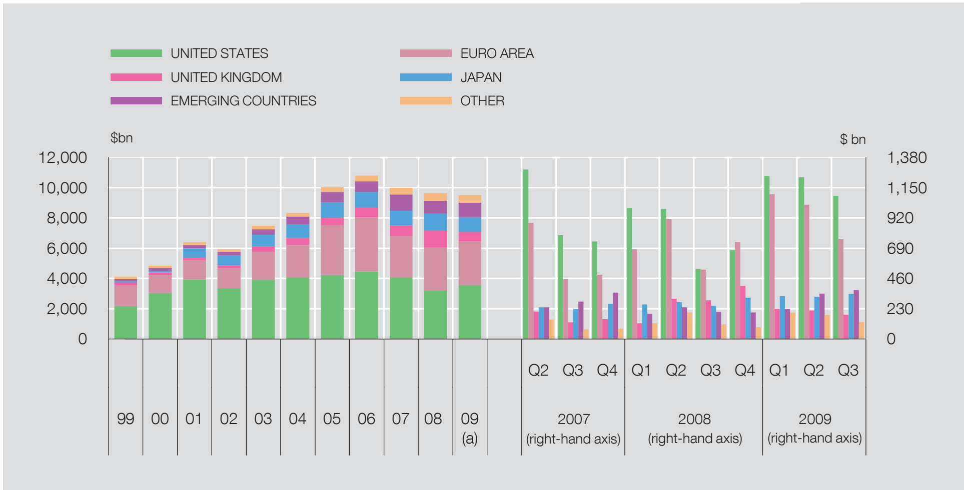
SOURCE: SIFMA.

a. Including CDOs collateralised by loans rated below investment grade.
b. 2009 data to 30 September.

When the problems started in the US subprime mortgage markets in 2007, the CDOs based on tranches of mortgage-backed securities linked to the subprime market were also negatively affected, and their credit spreads widened spectacularly, giving rise to enormous losses for investors. Among the investors were the main originators which had retained some of the more highly rated CDO tranches on their balance sheets. The subsequent seizing-up of the markets for these products made pricing even more difficult and investors could not calculate their losses. This added to the growing uncertainty in the international debt markets and caused the financial crisis to spread to other financial market segments. Thus CDO issuance came to a complete halt worldwide and at end-2008 the CDO market or, more specifically, that for structured CDOs, had practically ceased to exist.

BOND ISSUANCE WORLDWIDE BY REGION

CHART 9



SOURCE: Dealogic.

a. 2009 data to 30 September.

Another important segment of CDO markets worldwide is formed by collateralised leveraged obligations (CLOs), which are based on the transformation of loans, such as syndicated loans, into a new security. CLOs grew rapidly between 2004 and 2007 on the back of surging leveraged buy-outs by private equity firms in that period. CLOs played a key role in this trend by acting as financing instruments (see Chart 8): the loans rated below investment grade (frequently syndicated loans) used to finance the leveraged buy-outs were restructured into highly rated CLOs and could thus be placed with a much broader investor base [BIS (2008b), Benmelech and Dlugosz (2009a), Benmelech et al. (2009)]. In this respect, CLOs were also key to the growth of the syndicated loan market. As with structured CDOs, the issuance of CLOs declined considerably in 2007 and 2008, and has not yet recovered.

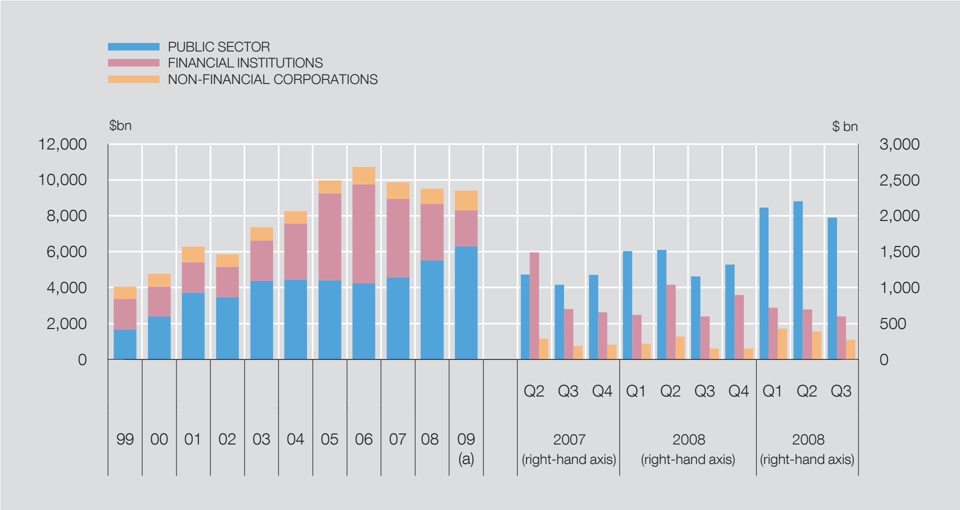
International bond markets versus structured finance markets

It is of interest to compare developments in the structured finance markets and in the more traditional bond markets. Total gross bond issuance worldwide increased gradually over the last 10 years to more than $10 trillion in 2006, but it declined in 2007 and 2008, albeit in a much lower proportion than securitisations did (see Chart 9). The breakdown by issuer shows that the financial crisis brought a reduction in issuance by non-financial corporations, particularly in 2008 Q3 and 2008 Q4 (see Chart 10). Access to the international private fixed-income markets became more difficult, particularly for riskier companies or those with rankings below investment grade. Issuance by financial institutions was very high in 2008 Q4 due to the adoption of government programmes to support fixed-income issues by credit institutions in various countries (see Chart 11).

Bond issues on the international markets rose sharply in the first nine months of 2009, posting record highs for similar periods of time ($9.5 trillion). This was due above all to vigorous issuance by government as a result of its increased borrowing. Gross issuance by non-financial corporations in the first nine months of 2009 was $1.1 trillion, an unprecedented figure nearly 1.6 times the amount issued in the same period of 2008, when the crisis hit private fixed-income markets. These issues were partly a consequence of the banking sector's restrictive lending policy worldwide and of a contraction in bank credit which was particularly marked in certain major economies in 2009 Q3. Moreover, investors' appetite for risk improved in 2009, stimulating a "search for returns" and spurring the issuance of private fixed-income securities to tap the strong investor demand. 2009 saw two major trends in securities issuance:

BOND ISSUANCE WORLDWIDE BY TYPE OF ISSUER

CHART 10

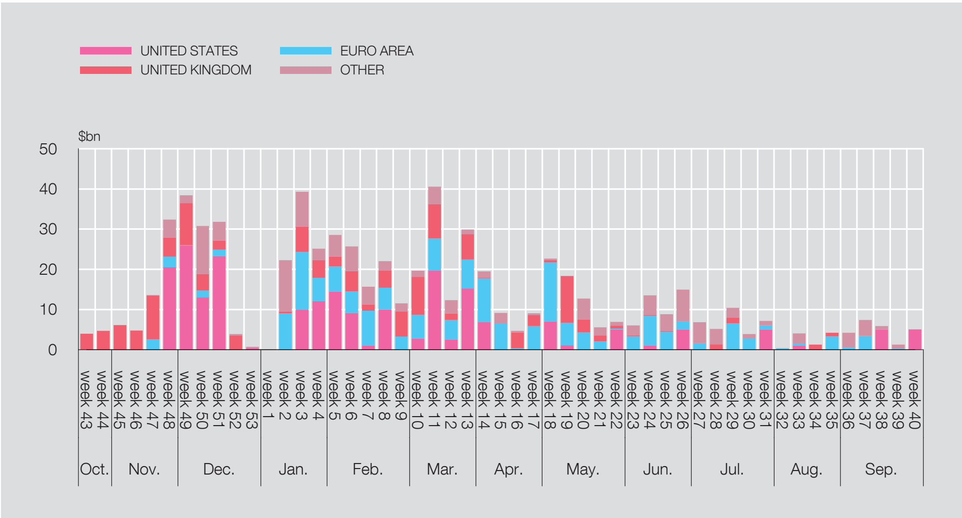


SOURCE: Dealogic.

a. 2009 data to 30 September.

WORLDWIDE ISSUANCE OF GOVERNMENT-GUARANTEED BANK DEBT

CHART 11



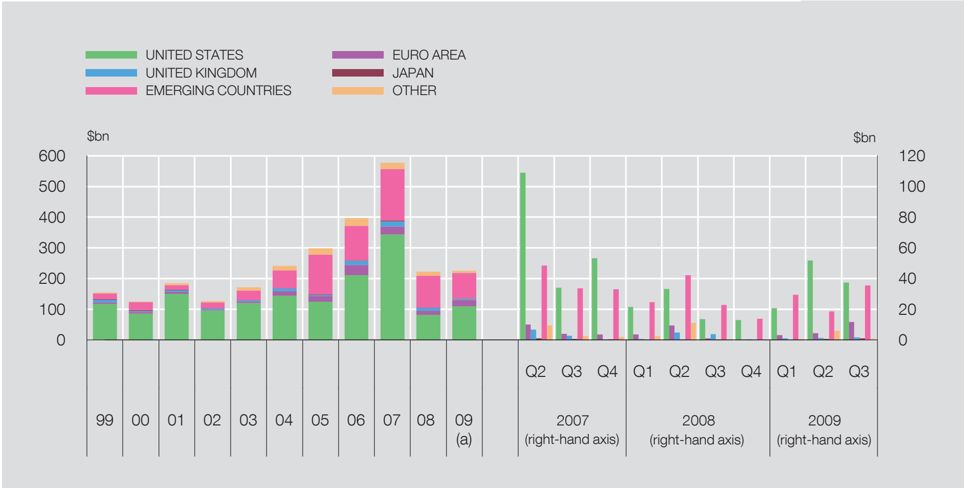
SOURCE: Dealogic.

— A marked recovery in issuance activity in the high-yield bond market (bonds rated below investment grade, or junk bonds), driven by the step-up in issuance seen particularly in the United States (see Chart 12).

— A sharp reduction in government guaranteed bank debt. Bank debt issued without a government guarantee grew substantially with respect to that guaranteed by the government, particularly in the United States. This converted the market for government-guaranteed issues into a niche market (see Chart 11). This was related to the Federal Reserve's criteria for decoupling from government financial support, under which banks are required to be able to demonstrate their ability to access the debt markets without assistance from the State.

HIGH-YIELD BOND ISSUANCE

CHART 12

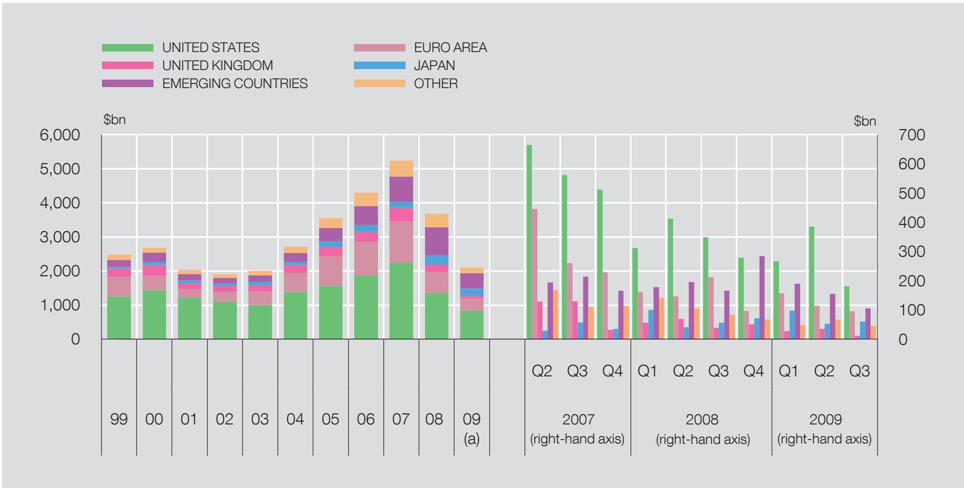


SOURCE: Dealogic.

a. 2009 data to 30 September.

SYNDICATED LOAN ISSUANCE WORLDWIDE BY REGION

CHART 13



SOURCE: Dialogic.

a. 2009 data to 30 September.

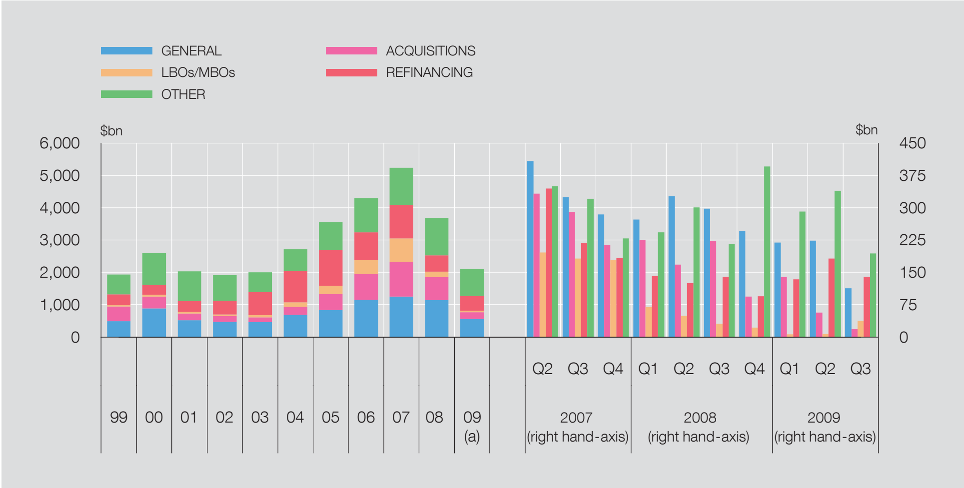
International syndicated loan markets

Syndicated loans are agreements between a group of banks to grant loans to a specific borrower [Gadanecz (2004)]. The syndicated loan market is one of the most international segments of credit markets and a highly significant source of financing in the world. Syndicated loans are commonly used as bridge financing, as interim financing in anticipation of large private fixed-income issues and in the financing of mergers and acquisitions and leveraged buy-outs (including the acquisition of firms by management, or MBOs). A major segment of international syndicated loan markets is the leveraged loan market. Leveraged loans are generally considered to be instruments with a rating below investment grade, although the specific definitions of the various data providers usually differ.

Syndicated loans have become a significant segment of the international debt markets in the last 10 years (see Chart 13). The grew particularly from 2004 because they played a basic role in financing the strong growth of M&As and of leveraged buy-outs (see Chart 14). The use of

SYNDICATED LOAN ISSUANCE WORLDWIDE BY PURPOSE

CHART 14

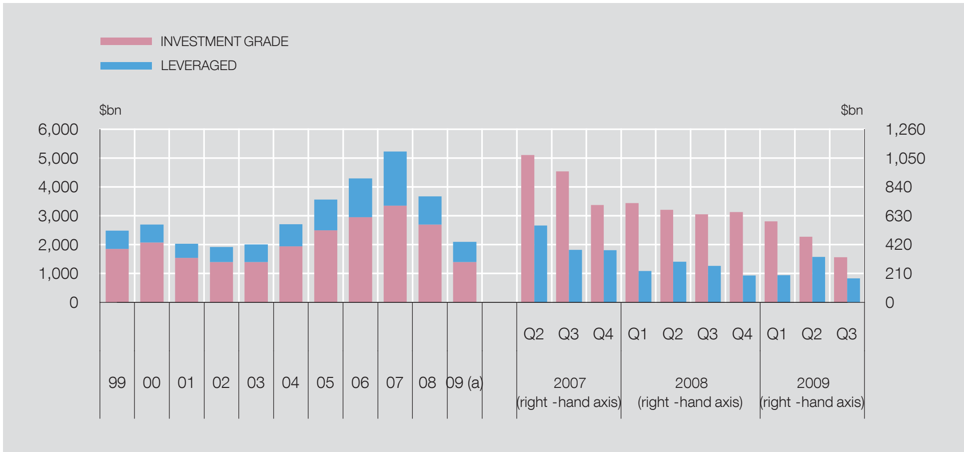


SOURCE: Dealogic.

a. 2009 data to 30 September.

SYNDICATED LOAN ISSUANCE WORLDWIDE BY RATING

CHART 15



SOURCE: Dealogic.

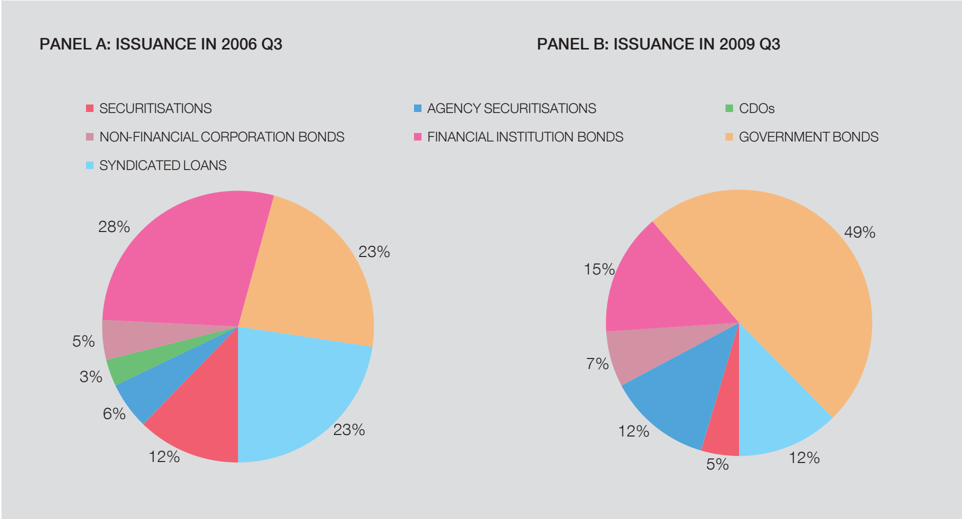
a. 2009 data to 30 September.

syndicated loans in leveraged buy-outs gave rise to strong growth of leveraged loans (see Chart 15), which provided the collateral for the rapidly growing CLO market (described elsewhere).

In these circumstances the international syndicated loan market was hit particularly hard by the financial crisis and issuance underwent a drastic fall which continued in 2009. Indeed, in 2009 Q3 the total number of syndicated loans granted worldwide dropped to the lowest level since 2004 Q1. The factors behind this fall were the restrictive credit standards applied by banks active in syndicated lending, the ongoing process of deleveraging in the world banking sector and the issuance of bonds by non-financial corporations insofar as these are an alternative fixed-income instrument to syndicated loans. Despite the scant issuance in syndicated loan markets, a significant development was the recovery in 2009 of issuance activity in the riskiest segment of the international syndicated loan markets, namely leveraged loans. This

SIZE AND COMPOSITION OF INTERNATIONAL DEBT MARKETS

CHART 16



SOURCES: Dealogic, SIFMA, Freddie Mac, Fannie Mae and Ginnie Mae.

recovery can be explained by the improvement in the general market climate and by the increasing appetite for risk, which had a beneficial effect on issuance in other segments of the international debt markets with a higher risk level.

Conclusions

The 2007-2009 financial crisis had a strong impact on issuance activity in the international debt markets and prompted significant adjustments in their structure. The financial instruments most closely related to the build-up and subsequent abrupt correction of some of the financial excesses, e.g. those related to the high-risk mortgage boom in the United States and those linked to corporate acquisitions with leveraged finance, were the ones hardest hit by the crisis and those where its effects have persisted most. These products include most notably CDOs, ABCP and syndicated loans.

By contrast, the impact of the crisis on the bond markets was much more moderate, although it depended strongly on the type of issuer. Thus issues by financial institutions dropped substantially despite government support in the form of guarantees, while non-financial corporations were more immune, partly because they were forced to issue bonds to compensate for the constraints on loan financing. Meanwhile, government bond issuance multiplied as a result of the sharp increase in borrowing needs and the high demand for low-risk securities.

These developments led to a shift in the issue structure in favour of the government bond markets and at the expense of the structured finance and syndicated loan markets. By way of a summary, Chart 16 shows the composition of international debt market issues in 2009 Q3 and in the same quarter of 2006, just before the crisis broke out in summer 2007. The percentage of bonds rose sharply from 56% in 2006 to 70% in 2009, basically due to higher government issuance, which represented nearly half of the total gross issuance on world debt markets. Also, the share accounted for by non-financial corporation bonds rose significantly (up from 5% to 7%), while that of financial institution bonds dropped markedly (down from 28% to 15%). Lastly, the percentages of securitisations and of syndicated loans decreased sharply from 12% to 5% and from 23% to 12%, respectively.

Contrary to what might be expected, the size of the world debt markets did not contract significantly. Despite the weakness of the structured finance markets, total debt market issuance recovered strongly to $13.5 trillion up to September, with an unprecedented level of issuance on the international bond markets. This recovery, however, does not reflect a normalisation of financial conditions, since the steep increase in issuance is highly influenced by the expansion of government bond offerings and the rerouting of corporate financing from bank credit to debt securities under circumstances which favour demand for both types of instrument.

Lastly, it bears repeating that the financial crisis was closely linked to the rapid growth of specific segments of the international structured finance markets and the subsequent loss of confidence in them. This serves as a reminder that, although financial innovation can improve the efficiency of services and of financial markets and the access to them, it can also pose risks, especially when applied at an ever-faster pace in an environment of abundant liquidity worldwide and without sufficient checks that it works properly. A fitting observation in this respect was made by Charles Calomiris, who noted that the deepest financial crises tend to occur when rapid growth of untested financial innovations coincides with financial markets in expansion [Calomiris (2008)].

19.11.2009.

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Introduction

In 2009 Q4, numerous financial provisions were enacted, as is usual in the last part of the year.

The European Central Bank (ECB) ordered three new measures. First, it renewed for one year the extraordinary measures adopted to improve the provision of liquidity to credit institutions; second, it updated the TARGET2 provisions to adapt them to the new version of the single shared platform; and, finally, it amended the provisions on collection of the statistical information needed for the performance of its functions.

In the credit institutions area, the adaptation of the regime governing qualifying holdings to Community legislation was completed and the law on contributions to the Savings Bank Deposit Guarantee Fund was amended.

The Banco de España promulgated three circulars. The first includes some new developments in the information to be reported by credit institutions on their capital structure, their operational offices and their senior officers. The other two update the information required of appraisal companies and currency-exchange bureaux to make it more consistent with that provided by other supervised institutions.

The payment services law transposing the directive on these services in the internal market to Spanish legislation was enacted.

In the European sphere, five Community provisions were amended. They were as follows: the regulation of electronic money institutions (EMIs), the law on certain undertakings for collective investment in transferable securities (UCITS), legislation on the taking-up and pursuit of the business of insurance and reinsurance, reporting requirements in the case of mergers and divisions, and the EU-wide harmonisation of rules for credit rating agencies.

There were also some changes in the regulation of securities markets. These changes consisted of rules governing listed real estate investment companies ("SOCIMIs" by their Spanish acronym), specific adaptation of provisions on investor compensation schemes, the procedure for notification of significant information by securities issuers, the criteria for preparing the yearly audit report on protection of assets of customers of entities providing investment services and, finally, the organisational requirements for internal control of management companies of collective investment institutions (CIIs) and of investment firms.

This article also analyses the new developments of a monetary, financial and fiscal nature contained in the State budget for 2010 and, finally, reports a specific amendment to the Spanish general chart of accounts.

European Central Bank: temporary changes to provisions on the eligibility of collateral

Guideline ECB/2009/24 of 10 December 2009 (OJ L of 16 December 2009) amending Guideline ECB/2008/18 of 21 November 2008[1] on temporary changes to the rules relating to eligibil-

1. See "Financial Regulation: 2008 Q4", *Economic Bulletin*, January 2009, Banco de España, pp. 119 and 120.

ity of collateral[2] was adopted, and the *Resolution of 23 December 2009* (BOE of 30 December 2009) of the Executive Commission of the Banco de España amending that of 26 November 2008[3] on temporary changes to the rules relating to eligibility of collateral in monetary policy operations was issued to adjust to the new Guideline. In both cases the purpose is to renew for twelve months the application of these temporary extraordinary criteria so as to improve the liquidity of credit institutions.

In the period from 1 December 2009 until 31 December 2010 (or until the maturity date of the last 12-month refinancing operation launched by 31 December 2010),[4] the ECB will continue to accept as collateral in Eurosystem monetary policy operations the following assets:

a) Marketable debt instruments if denominated in US dollars, pounds sterling or Japanese yen, provided that they are issued and held/settled in the euro area and the issuer is established in the European Economic Area. An additional haircut of 8% shall be imposed by the Eurosystem on all such marketable debt instruments.

b) Syndicated loans if they fulfil certain conditions established in Guideline ECB/2000/7.

c) Debt instruments issued by credit institutions, which are traded on certain non-regulated markets as specified by the ECB. An additional haircut of 5% shall be imposed by the Eurosystem on all such marketable debt instruments.

d) Subordinated assets with acceptable guarantees, provided that a financially sound guarantor provides an unconditional and irrevocable guarantee payable on first demand on these assets. An additional haircut of 10% shall be imposed by the Eurosystem on all such assets, with a further 5% valuation markdown in the event of a theoretical valuation.

e) Fixed-term remunerated deposits from eligible counterparties in the national central bank of the Member State in which the counterparty is established.

Also, the Eurosystem's minimum requirement for the assessment of the credit standard of assets eligible as collateral shall remain at a "BBB-" equivalent credit assessment by a specialised credit rating agency. This credit assessment requirement shall apply to both marketable and non-marketable assets, with the exception of asset-backed securities, for which the requirement for high credit standards (above "A") shall remain unchanged. An additional haircut of 5% shall be imposed by the Eurosystem on all eligible assets with a credit assessment below "A-".

The Guideline and the Resolution came into force on 18 December 2009 and 1 January 2009, respectively and will be applied from 1 December 2009 to 31 December 2010.

Update of TARGET2 legislation

Guideline ECB/2009/21 of 17 September 2009 (OJ L of 3 October 2009) amended Guideline ECB/2007/2 of 26 April 2008 on a Trans-European Automated Real-time Gross settlement

2. See Guideline ECB/2000/7 of 31 August 2000 on monetary policy instruments and procedures of the Eurosystem, which established, among other things, the criteria for determining the eligibility of collateral held by counterparties for obtaining Eurosystem liquidity. **3.** See "Financial Regulation: 2009 Q1", *Economic Bulletin*, April 2009, Banco de España, pp. 182 and 183. **4.** In view of the announcement by the ECB that it does not plan to conduct more 12-month tenders, the renewal of the temporary measures will effectively terminate on 31 December 2010, given that the last 12-month tender was conducted on 17 December 2009, with maturity on 23 December 2010.

Express Transfer system (TARGET2),[5] and the *Resolution of 7 October 2009* (BOE of 22 October 2009) of the Executive Commission of the Banco de España, amending that of 20 July 2007,[6] approved the general clauses on the harmonised conditions for participation in TARGET2-Banco de España (TARGET2-BE) in order to adapt them to that Guideline.

The Guideline adapts the TARGET2 rules to the new version of the single shared platform; clarifies the specific oversight location principles that entities offering services in euro are required to comply with; introduces a derogation in relation to bilateral arrangements with ancillary systems[7] which open Payments Module accounts and cannot be subject to pledge or set-off of claims; reflects a number of other technical and editorial improvements and clarifications; and deletes provisions relating to migration to TARGET2 which no longer apply.

The Resolution, in addition to incorporating the new developments of Guideline ECB/2009/21, takes the opportunity to make certain other changes.

The Guideline came into force on 22 September and, as regards the changes introduced by the Resolution, some will apply from 23 October and the remainder from 23 November.

European Central Bank: changes to the rules on collection of statistical information

Council Regulation 951/2009 of 9 October 2009 (OJ L of 14 October 2009) amending Council Regulation 2533/98 of 23 November 1998 concerning the collection of statistical information by the ECB revised the scope of the reporting requirements imposed by Council Regulation 2533/98 of 23 November 1998 in order to enable the ECB to carry out the statistical information collection tasks of the European System of Central Banks (ESCB).

The new Regulation specifies the range of statistical information which the ECB, assisted by the national central banks (NCBs), shall have the right to collect within the limits of the reporting population. Information may be collected in particular in the area of monetary and financial statistics, banknote statistics, payments and payment systems statistics, financial stability statistics, balance of payments statistics and international investment position statistics. When necessary to perform the tasks of the ESCB, additional information may be collected also in other areas in duly justified cases.

The reference reporting population is expanded to include financial corporations, and in particular insurance corporations and pension funds, which represent the second largest subsector of financial corporations in the euro area in terms of financial assets. Also added are legal and natural persons residing in a Member State, to the extent that they hold cross-border positions or have carried out cross-border transactions. In certain cases, such as for financial stability statistics, the ECB shall have the right to collect from legal and natural persons statistical information on a consolidated basis, including information on the entities controlled by such legal and natural persons.

Regarding the confidentiality regime, the Regulation revises the use of confidential statistical information to ensure a high level of protection. To this end, the ECB shall define common rules

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5. The TARGET2 system is a single shared platform used to make and process all payment orders. **6.** See "Financial Regulation: 2007 Q4", *Economic Bulletin*, January 2008, Banco de España, pp. 172 and 173. **7.** An "ancillary system" is a system managed by an entity established in the EEA that is subject to supervision and/or oversight by a competent authority and complies with the oversight requirements for the location of infrastructures offering services in euro, as published on the ECB website, in which payments and/or financial instruments are exchanged and/or cleared while the resulting monetary obligations are settled in TARGET2.

and implement minimum standards to prevent unlawful disclosure and unauthorised use of confidential statistical information. Furthermore, the Regulation provides for closer cooperation between the ESCB and the European Statistical System (ESS) and fosters the exchange of confidential statistical information between the two systems, which should not be used for purposes that are not exclusively statistical, such as for administrative or tax purposes or legal proceedings.

The Regulation came into force on 15 October 2009.

Amendment of the legal regime for qualifying holdings in financial institutions

Law 5/2009 of 29 June 2009[8] amended certain financial legislation[9] so as to reform the legal regime for qualifying holdings[10] in financial institutions. It was enacted to transpose partially to Spanish law Directive 2007/44/EC of the European Parliament and of the Council of 5 September 2007 amending certain EU directives[11] as regards procedural rules and evaluation criteria for the prudential assessment of acquisitions and increase of holdings in the financial sector.

Recently various provisions have been promulgated to complete the transposition of the aforementioned directive.

Table 1 is a summary comparison of the new and the previous provisions.

In the credit institutions area, *Royal Decree 1817/2009 of 27 November 2009* (BOE of 7 December 2009), amended Royal Decree 1245/1995 of 14 July 1995[12] on the creation of banks, cross-border activities and other matters related to the legal regime of credit institutions and Royal Decree 692/1996 of 26 April 1996[13] on the legal regime of specialised credit institutions.

In the collective investment institution (CII) area, *Royal Decree 1818/2009 of 27 November 2009* (BOE of 7 December 2009) amended the Regulations of CII Law 35/2003 of 4 November 2003 approved by Royal Decree 1309/2005 of 4 November 2005.[14]

As regards investment firms, *Royal Decree 1820/2009 of 27 November 2009* (BOE of 7 December 2009), amended Royal Decree 361/2007 of 16 March 2007 implementing Securities Market Law 24/1988 of 28 July 1988, in regard to investment in the capital of companies that manage secondary securities markets and companies that administer securities registration, clearing and settlement systems, and Royal Decree 217/2008 of 15 February 2008 on the legal regime of IFs and of other investment institutions, and partially amended the implementing regulations of CII Law 35/2003 of 4 November 2003 enacted by Royal Decree 1309/2005 of 4 November 2005.

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8. See "Financial Regulation: 2009 Q2", *Economic Bulletin*, July 2009, Banco de España, pp. 184-186. **9.** Law 26/1988 of 29 July 1988 on the discipline and intervention of credit institutions, Law 24/1988 on the securities market and the consolidated text of the Private Insurance Law enacted in Legislative Royal Decree 6/2004 of 29 October 2004. **10.** From a quantitative standpoint, a holding is deemed to be significant when it reaches 10% or more of the institution's capital or voting rights (previously this percentage was 5%), although the qualitative criterion, whereby there is deemed to be a qualifying holding if a notable influence can be exercised in the acquired entity, remains in place. **11.** Council Directive 92/49/EEC of 18 June 1992, Directive 2002/83/EC of the European Parliament and of the Council of 5 November 2002, Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004, Directive 2005/68/EC of the European Parliament and of the Council of 16 November 2005, and Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions (recast). **12.** See "Regulación financiera: tercer trimestre de 1995", *Boletín Económico*, October 1995, Banco de España, pp. 83-90. **13.** See "Regulación financiera: segundo trimestre de 1996", *Boletín Económico*, July-August 1996, Banco de España, pp. 64-66. **14.** See "Financial Regulation: 2005 Q4", *Economic Bulletin*, January 2006, Banco de España, pp. 112-116.

AMENDMENT OF THE LEGAL REGIME FOR QUALIFYING HOLDINGS IN FINANCIAL INSTITUTIONS (a) TABLE 1

PREVIOUS LEGAL REGIME (b)	CURRENT LEGAL REGIME (c)
Determination of qualitative limit of qualifying holding	
Except for credit institutions, in other financial institutions no provision was made for determining such limit, which had yet to be defined by law.	A qualifying holding is deemed to exist when, although it does not reach 10%, it makes it possible to exercise a significant influence over the institution, significant influence being defined as being able to appoint or dismiss any member of the board or similar body.
Calculation of holdings for the purpose of determining what is considered a qualifying holding	
a) Those acquired directly by a natural or legal person. b) Those acquired by controlled companies of a natural person or by his investees. c) Those acquired by companies in the same group as a legal person or by investees of group companies. d) Those acquired by other persons acting on their own behalf or in concert with the acquirer or with companies of the acquirer's group.	In addition, the following new cases are added: e) Those held by the proposed acquirer attaching to shares acquired through an interposed person. f) Voting rights which can be controlled, with an express declaration of the intention to exercise them, as a result of lodgement of the related shares as collateral. g) Those exercisable under agreements creating a right of usufruct of shares. h) Those attaching to shares deposited with the proposed acquirer, provided that the latter can exercise them at its discretion in the absence of specific instructions from the shareholders. i) Voting rights which the proposed acquirer may exercise as a proxy at its discretion in the absence of specific instructions from the shareholders
Not envisaged.	The following cases, among others, shall not be included in the calculation of a holding: a) Shares acquired for the sole purpose of clearing and settling within the usual short settlement cycle. b) Shares held to provide the underwriting or placing of financial instruments on the basis of a firm commitment, provided that the related voting rights are not exercised and are disposed of within one year of acquisition.
Not envisaged.	The supervisory authorities have to formulate and publish a list specifying the information to be provided by the proposed acquirer so the supervisor can evaluate the acquisition of a qualifying holding.

SOURCES: BOE and Banco de España.

a. Completion of the transposition of Directive 2007/44/EC of the European Parliament and of the Council of 5 September 2007 by Law 5/2009 of 29 June 2009.
b. Royal Decree 1245/1995 of 14 July 1995 (credit institutions); Royal Decree 1309/2005 of 4 November 2005 (CIIs); Royal Decree 361/2007 of 16 March 2007 (investment firms); and Royal Decree 2486/1998 of 20 November 1998 (insurance companies).
c. Royal Decree 1817/2009 of 27 November 2009 (credit institutions); Royal Decree 1818/2009 of 27 November 2009 (CIIs); Royal Decree 1820/2009 of 27 November 2009 (investment firms); and Royal Decree 1821/2009 of 27 November 2009 (insurance companies).

In the insurance company area, Royal Decree 1821/2009 of 27 November 2009 (BOE of 7 December 2009) amended the Regulation on the Ordering and Supervision of Private Insurance approved by Royal Decree 2486/1998 of 20 November 1998,[15] with regard to qualifying holdings.

All these royal decrees introduce similar new developments. Thus, for the purpose of determining whether there is a qualifying holding, the legal provisions establish that significant influence can be exercised over an institution when any member of its board or similar body can be appointed or dismissed.[16]

15. See "Financial Regulation: 1998 Q4", *Economic Bulletin*, January 1999, Banco de España, pp. 102-105. **16.** This same provision can be found in Royal Decree 1245/1995 of 14 July 1995 on the creation of banks, cross-border activities and other matters related to the legal regime of credit institutions.

The range of cases for the calculation of holdings (shares, contributions or voting rights) in an institution for the purposes of determining what is considered a qualifying holding is broadened. Thus, to the cases established in previous legislation (see Table 1), other new ones are added, as follows: voting rights held by the proposed acquirer attaching to shares acquired through an interposed person; those which can be controlled, with an express declaration of the intention to exercise them, as a result of lodgement of the related shares as collateral; those exercisable under agreements creating a right of usufruct of shares; those attaching to shares deposited with the proposed acquirer, provided that the latter can exercise them at its discretion in the absence of specific instructions from the shareholders; those which the proposed acquirer may exercise as a proxy at its discretion in the absence of specific instructions from the shareholders, etc.

Also described are the cases not to be included in the calculation of a holding, most notably as follows: shares acquired for the sole purpose of clearing and settling within the usual short settlement cycle, and those held to provide the underwriting or placing of financial instruments, provided that the related voting rights are not exercised to intervene in the management of the credit institution and are disposed of within one year of acquisition.

Further, the royal decrees envisage the formulation and publication of a list by the respective supervisory authorities.[17] The list will specify the information to be provided by the proposed acquirer so the supervisor can evaluate the acquisition of a qualifying holding and set out the basic points which have to be included, namely: the professional and commercial integrity of the proposed acquirer and, where appropriate, the shareholder structure, the composition of the board of directors or equivalent body and the financial position of the proposed acquirer; the purpose and amount of the acquisition; and the existence of any concerted action with third parties or with other shareholders of the acquiree.

If the qualifying holdings produce changes in the control of the institution, a description shall also be given, among other things, of the business plan and of the impact that the acquisition will have on corporate governance, on the structure and the available resources, on the internal control bodies and on the anti-money laundering procedures, including information about the strategic development of the acquisition, the financial statements and other similar data.

If there are no changes in the control of the institution, the proposed acquirer's policy on the acquisition and its intentions regarding the acquired institution, particularly as to its participation in governance of the institution, shall be reported.

Additionally, Royal Decree 1817/2009 makes changes to the legal regime of credit institutions established in Royal Decree 1245/1995 to bring it into line with Directive 2006/48/EC of 14 June 2006 of the European Parliament and of the Council relating to the taking up and pursuit of the business of credit institutions (recast).

The royal decrees came into force on 8 December 2009.

Savings bank Deposit Guarantee Fund: change in contributions

Ministerial Order EHA/3515/2009 of 29 December 2009 (BOE of 31 December 2009) amending contributions to the Savings Bank Deposit Guarantee Fund in application of the powers

17. The Banco de España for credit institutions; the CNMV for CIIs, investment firms, stock exchange operators and the companies operating the securities registration, clearing and settlement systems; and the Ministry of Economy and Finance, acting through the Directorate General of Insurance and Pension Funds, for insurance companies.

granted by Royal Decree 2606/1996 of 20 December 1996[18] to the Minister of Economy and Finance was promulgated.[19]

In view of the financial position of the Fund and the outlook for the sector, the calculation basis established in the aforementioned Royal Decree was reduced from 2 per mille to 1 per mille. The Ministerial Order came into force on 31 December 2009 and will apply to contributions made from that date.

Credit institutions: disclosures on capital structure, offices and senior officers

The Banco de España issued *Circular CBE 1/2009 of 18 December 2009* (BOE of 31 December 2009) on disclosure of the capital and of non-voting equity units of credit institutions, on their offices and on their senior officers to update its rules and harmonise the compulsory disclosures in order to facilitate computerised processing and management.[20]

DISCLOSURES ON CAPITAL STRUCTURE

Banks, credit cooperatives, specialised credit institutions (SCIs) and, for the first time, electronic money institutions (ELMIs)[21] will notify to the Banco de España the share purchases and disposals or contributions which cause the percentage of holdings or voting rights of a natural or physical person to reach, exceed or fall below the qualifying holdings set in Law 26/1988 of 29 July 1988 on the discipline and intervention of credit institutions, amended by Law 5/2009 of 29 June 2009,[22] as soon as that percentage becomes known to them and, at a maximum, within ten working days from when the entry is made in the register of shares or other equity contributions. Such qualifying holdings are 10%, 20%, 30% or 50% and those which, while not reaching 10%, enable a significant influence to be exercised over the institution.[23]

In addition, they have to continue notifying of increases or decreases in shares or contributions involving the acquisition by a natural or legal person, at one or more times, of 1% or more of the capital of the institution.

Further, they have to keep sending a quarterly list of all the holders of shares or other equity contributions deemed to be financial institutions[24] and of those which, although not financial institutions, are the registered holders of shares or equity contributions representing a percentage of the institution's capital equal to or exceeding 0.25% in the case of banks, 1% in the case of credit cooperatives or 2.5% in that of SCIs and ELMIs.

DISCLOSURES ON THE STRUCTURE OF EQUITY UNITS

The Circular regulates for the first time the disclosures which savings banks issuing equity units have to make pursuant to Royal Decree 302/2004 of 20 February 2004.[25] Thus, each quarter they have to send to the Banco de España a list of all unitholders deemed to be financial institutions and of those which, although not financial institutions, are the registered holders of equity units representing 0.5% or more of the total outstanding volume.

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18. See "Regulación financiera: cuarto trimestre de 1996", *Boletín Económico*, January 1997, Banco de España, pp. 106-109. **19.** The Ministry of Economy and Finance was empowered to reduce these contributions when the Fund reached a sufficient amount to achieve its purpose. **20.** Previously they were regulated, respectively, in CBE 6/1995 of 31 October 1995 on capital structure disclosures by credit insittutions; in CBE 13/1988 of 27 October 1988 on senior officers of credit institutions, now repealed; and, with regard to credit institution offices, in CBE 8/1990 of 7 September 1990 on transaction transparency and customer protection, partly repealed. **21.** The requirements for savings banks are described below in the following section. **22.** See "Financial Regulation: 2009 Q2", *Economic Bulletin*, July 2009, Banco de España, pp. 184-186. **23.** A "qualifying holding" means any holding which represents 10 % or more of the capital or of the voting rights of the institution, or which, while not reaching that percentage, makes it possible to exercise a significant influence over the institution, significant influence being defined as being able to appoint or dismiss any member of the board or similar body. **24.** Financial institutions comprise the following: credit institutions, investment firms, open-end investment companies, CII investment companies, securitisation SPE management companies, venture capital entities, insurance and re-insurance companies, and entities engaging primarily in the holding of shares or other equity, except mixed financial holding companies subject to supervision at the financial conglomerate level. **25.** See "Financial Regulation: 2004 Q1", *Economic Bulletin*, April 2004, Banco de España, p. 94.

DISCLOSURES ON CREDIT INSTITUTION OFFICES

Credit institutions have to continue notifying the Banco de España of the opening, assignment, transfer or closure of their offices in Spain, as soon as it takes place and within a maximum of fifteen calendar days.[26] The Circular provided for the first time that they must also inform of the operational offices in countries which have authorised the opening of any branch and the representative offices. The branches in Spain of foreign credit institutions are excluded from the latter two requirements. In accordance with the Circular, the list of offices open as at 30 June must be sent by 16 July.

DISCLOSURES ON SENIOR OFFICERS

The Circular extends the required disclosures on senior officers since, in addition to those on members of the board or equivalent body, general mangers or similar officers, and managers of the branches of foreign credit institutions in Spain,[27] such disclosures now have to be made, merely for information purposes, on those persons who, while meeting the general power-of-attorney and reporting requirements legally established for general managers and the like, limit their senior management functions to a specific area of activity, provided that they form part of a management structure entrusted at the highest level with the day-to-day operation of the institution. Should any of the directors be a legal person, the obligations set in place shall refer equally to the natural person acting as its representative.

Another new development introduced by the Circular is the modification of the submission rules for all the information, which, save in exceptional, duly justified cases, shall be lodged by electronic means.

Lastly, various clarifications are made on the regulation of electronic signatures in CBE 4/2004 of 22 December 2004 on public and confidential financial reporting rules and formats and in CBE 3/2008 of 22 May 2008 on determination and control of minimum own funds.

The Circular came into force on 20 January 2010, except Chapter III on senior officers which came into force on 30 June 2010.

Licensed appraisal companies and services: reporting to the Banco de España

CBE 2/2009 of 18 December 2009 (BOE of 31 December 2009) amending CBE 3/1998 of 27 January 1998[28] on the information to be sent to the Banco de España by licensed appraisal companies and services was issued to update and harmonise this information with that of other supervised institutions.

The confidential balance sheet and income statement formats are adapted to the accounting changes derived from Royal Decree 1514/2007 of 16 November 2007 approving the Spanish general chart of accounts or, where applicable, from Royal Decree 1515/2007[29] of 16 November 2007 approving the Spanish general chart of accounts for SMEs and the specific accounting criteria for microenterprises. These statements have to be sent each year to the Banco de España by 28 February (previously the deadline was 31 March).

Certain adjustments were made to the information required on shareholders. Thus, as soon as they become known and, at a maximum, within ten working days from when the entry is made in the share register, any share transfers (acquisitions and disposals) must be notified to the Banco de España if, as a result, the percentage of the holding or voting rights held by a natural or legal person or a group reaches or exceeds, either directly or indirectly, the threshold of

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26. Previously regulated in Rule 29 of CBE 8/1990 **27.** Pursuant to Article 1 of Law 26/1988 of 29 July 1988 on the discipline and intervention of credit institutions. **28.** See "Financial Regulation: 1998 Q1", *Economic Bulletin*, April 1998, Banco de España, p. 107. **29.** See "Financial Regulation: 2007 Q4", *Economic Bulletin*, January 2008, Banco de España, pp. 196-199.

10% (previously 20%) or, although that percentage is not reached, they enable a significant influence to be exercised over the appraisal company. This information must be updated each time the net changes in the holding represent at least 5% (previously there was no such threshold).

The Circular retains the requirement of annual remittance of a list of the registered shareholders with holdings of 5% or more of capital (previously 10%). This remittance must now be within the first month of the year (previously the deadline was 31 March).

Also, the Circular updates the submission rules for the information which, save in exceptional, duly justified cases, shall be lodged by electronic means.

Lastly, appraisal companies have until 16 July to submit the confidential balance sheets and income statements for 2008 and 2009, prepared according to the formats and criteria set out in the Circular, and a list of the qualifying holdings as at 30 June.

The Circular came into force on 20 January 2010.

Amendment of the legal provisions governing currency-exchange bureaux

CBE 3/2009 of 18 December 2009 (BOE of 31 December 2009) amending CBE 6/2001 of 29 October 2001[30] on owners of currency-exchange bureaux was issued. As with the previous circular, its purpose is to simplify and incorporate various technical improvements in the information required of currency-exchange bureaux and to endow it with a certain uniformity with that required of other supervised institutions.

The confidential balance sheet and income statement formats are adapted to the accounting changes derived from Royal Decree 1514/2007 of 16 November 2007 approving the Spanish general chart of accounts or, where applicable, from Royal Decree 1515/2007 of 16 November 2007[31] approving the Spanish general chart of accounts for SMEs and specific accounting criteria for microenterprises. These financial statements have to be sent to the Banco de España by those bureaux engaging in the purchase and sale of foreign banknotes or traveller's cheques and/or cross-border money transfers by 28 February each year (previously the deadline was 31 March).

There were some new developments regarding their capital structure. As soon as they become known and, at a maximum, within ten working days from when the entry is made in the share register, the owners of currency-exchange bureaux must notify to the Banco de España any share transfers (acquisitions and disposals) if, as a result, the percentage of the holding or voting rights held by a natural or legal person or a group reaches or exceeds, either directly or indirectly, the threshold of 10% or, although that percentage is not reached, they enable a significant influence to be exercised over the currency-exchange bureau (previously, whenever any of the following percentages was reached: 10%, 25% or 50%) . This information must be updated each time the net changes in the holding represent at least 5% (previously there was no such threshold).

The Circular retains the requirement of annual remittance of a list of the registered shareholders with holdings of 5% or more of capital (previously 10%). This remittance must now be within the first month of the year (previously the deadline was 31 March).

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30. See "Financial Regulation: 2001 Q4", *Economic Bulletin*, January 2002, Banco de España, pp. 90-93. **31.** See footnote 29.

Also, the Circular updates the submission rules for the information which, save in exceptional, duly justified cases, shall be lodged by electronic means and provides that the receipt of any information relating to currency-exchange bureau owners is to be centralised in the bureau's central offices.

Lastly, currency-exchange bureaux have until 16 July to submit the confidential balance sheets and income statements for 2008 and 2009, prepared according to the formats and criteria set out in the Circular, a summary statement of the transactions carried out by the bureau owner in all his bureaux, the offices open as at 30 June, and a list of the qualifying holdings as at 30 June.

The Circular came into force on 20 January 2010.

New legislation on payment services

Law 16/2009 of 13 November 2009 (BOE of 14 November 2009) on payment services incorporated into Spanish law Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market.[32] Also, Law 9/1999 of 12 April 1999 regulating the legal regime for transfers between EU Member States was repealed.

Table 2 summarises the main new developments of the Law.

SCOPE OF APPLICATION AND PURPOSE

The purpose of the Law is to regulate payment services provided in Spain and, in particular, the legal regime for the newly created "payment institutions" category. When the user is not a consumer or the instruments are for a small amount, the parties may agree not to apply certain aspects of the Law, as and when legally permitted.

Payment services are exhaustively enumerated in the Law. Among others, the following may be mentioned: a) services enabling cash to be placed on or withdrawn from a payment account as well as all the operations required for operating a payment account; b) execution of payment transactions such as direct debits, payment transactions through a payment card or a similar device, credit transfers, including standing orders; c) issuing and/or acquiring of payment instruments; and d) money remittance.

Also included are other ancillary activities linked to these services, such as ensuring the execution of payment transactions, foreign exchange services, safekeeping activities, the storage and processing of data, and the operation of payment systems. Furthermore, the activities falling outside the scope of application of the Law are listed.

The Law establishes that payment service providers may be credit institutions, ELMIs, the new payment institutions and Correos y Telégrafos (the Spanish State-owned postal company), as well as the Banco de España, central government, regional (autonomous) government and local government when not acting in their capacity as public authorities.

TRANSPARENCY OF CONDITIONS AND INFORMATION REQUIREMENTS

The payment service provider shall furnish to the user, at no charge and in easily accessible form, all the information and conditions relating to the provision of such services that may be set in the Law and its subsequent implementing regulations, both for single payment transactions and for payment transactions governed by framework contracts.[33]

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32. The aim of Directive 2007/64/EC is to ensure that payments at EU level can be made as easily, efficiently and safely as domestic payments in Member States, and to strengthen and protect the rights of the users of payment services. **33.** A framework contract is a payment service contract which governs the future execution of individual and successive payment transactions and which may contain the obligation and conditions for setting up a payment account.

SUMMARY OF PAYMENT SERVICES

TABLE 2

Regulated by Law 16/2009 of 13 November 2009 (BOE of 14 November 2009). Entry into force on 4 December 2009	
Scope and purpose of the Law	The regulation of payment services provided in Spain and, in particular, of the newly created "payment institutions" category. The purpose is to set uniform rules on the conditions and on the reporting requirements of payment services and to establish a common system of rights and obligations for payment service providers and users.
Provision and execution of payment services	
Payment services	Placement of cash on or withdrawn from a payment account; direct debits, payment transactions through a payment card, credit transfers, issuing and/or acquiring of payment instruments; and money remittance, among others.
Payment service providers	Credit institutions, ELMIs, payment institutions and Correos y Telégrafos, as well as the Banco de España and general government when not acting in their capacity as public authorities.
Transparency of conditions and information requirements	Applicable to single payment transactions, framework contracts and payment transactions affected by those contracts.
	The payment service provider shall furnish to the user all the information and conditions relating to such payment services at no charge and in easily accessible form. In some cases charges may be made, although they shall be in line with costs.
	The payment service user may terminate the framework contract at any time, unless the parties have agreed on a period of notice, which may not exceed one month.
Rights and obligations	In the provision of payment services, the payee shall pay the costs charged by his payment service supplier and the payer shall pay those charged by his payment service supplier. Where a payment transaction involves a currency conversion, this manner of allocating costs shall also apply, unless agreed otherwise.
	Obligations of the payment service user: to employ the payment instrument in accordance with the terms governing its issue and use, and to notify the payment service provider without delay in the event of loss or unauthorised use of the payment instrument.
	Obligations of the payment service provider: Among others, to make sure that the security features of the payment instrument are only accessible to the payment service user, and to ensure that appropriate means are available free of charge to enable the payment service user to make the required notification in the event of loss or unauthorised use of the payment instrument.
Execution of payment orders	The point in time of receipt of a payment order shall be the time when it is received by the payer's payment service provider. The debit value date for the payer's payment account shall be no earlier than the point in time at which the amount of the payment transaction is debited to that payment account.
	In payment transactions denominated in euro within the EU, the payer's payment service provider shall ensure that the funds are credited to the payee's payment service provider's account at the latest by the end of the next business day. The payment service provider of the payee shall ensure that the funds are at the payee's disposal immediately. The credit value date shall be the business day on which the amount of the payment transaction is credited to the payee's payment service provider's account
	The payment service providers and any intermediaries of the payment service providers must transfer the full amount of the payment transaction and not deduct charges from the amount transferred unless there is an express agreement to do so.
	In other payment transactions, the payment service user and his payment service provider may agree on a longer period, which, in the case of intra-Community payment transactions denominated in a currency other than the euro, shall not exceed four business days following the point in time of receipt of the order.
Legal regime for payment institutions	
Authorisation	The formation of payment institutions and the establishment in Spain of branches of payment institutions not authorised in an EU Member State shall require the authorisation of the Ministry for Economic Affairs and Finance.
Safeguarding requirements	Payment institutions have to safeguard funds which have been received from the payment service users or as a result of the execution of payment transactions. For this purpose, they shall be deposited in a separate account in a credit institution, invested in secure, liquid assets or covered by an insurance policy or some other comparable guarantee.
Capital and own funds	Payment institutions shall hold the minimum required capital and a sufficient volume of own funds in proportion to business indicators. A payment institution may, based on an assessment of its risk management processes and internal control mechanisms, be required to hold an amount of own funds which is up to 20% higher or lower than the minimum required capital.
Exercise of the right of establishment and freedom to provide services	Spanish payment institutions may operate in another EU Member State through the establishment of a branch or in exercise of the freedom to provide services, subject to prior notification to the Banco de España. Their activity in third countries is subject to authorisation by the Banco de España. Payment institutions authorised in another EU Member State may provide the same services in Spain either through the establishment of a branch or in exercise of the freedom to provide services, unless upon formation they availed themselves of any of the exceptions envisaged in Directive 2007/64/EC.
Supervision and sanctions	The control and inspection of payment institutions shall be the responsibility of the Banco de España. They shall be subject to the penalty regime established by Law 26/1988 of 29 July 1998 on the discipline and intervention of credit institutions, as adapted in accordance with law.

SOURCES: BOE and Banco de España.

The payment service user may terminate the framework contract at any time, unless the parties have agreed on a period of notice, which may not exceed one month. Termination of a framework contract concluded for a fixed period exceeding 12 months or for an indefinite period shall be free of charge for the payment service user after the expiry of 12 months. In all other cases charges for the termination shall be appropriate and in line with costs.

Any changes in the contractual conditions shall be proposed by the payment service provider on an individual basis and no later than two months before their proposed date of application. However, they may be applied immediately if the changes are more favourable for the user.

RIGHTS AND OBLIGATIONS IN RELATION TO THE PROVISION AND USE OF PAYMENT SERVICES

A new development under this Law is that, as a general rule, the payer and the payee of the transaction each have to bear the cost corresponding to them, which will be charged by their payment service providers (previously, unless otherwise provided, the transaction was free of charge for the payee). Where a payment transaction involves a currency conversion, this manner of allocating costs shall also apply, unless agreed otherwise. Conversion expenses will be paid by whoever requests the service, unless otherwise indicated by the parties.

The payment service user undertakes to employ the payment instrument in accordance with the terms governing the issue and use of the payment instrument, and to notify the payment service provider, or the entity specified by the latter, without undue delay on becoming aware of loss, theft or misappropriation of the payment instrument or of its unauthorised use.

The payment service provider, undertakes, among other things, to make sure that the personalised security features of the payment instrument are only accessible to the payment service user entitled to use the payment instrument, and to ensure that appropriate means are available at all times and free of charge to enable the payment service user to make the aforementioned notification in the event of loss, theft or misappropriation of the payment instrument or its unauthorised use.

It should be noted that, in the case of an unauthorised payment transaction, the payer's payment service provider must refund to the payer immediately the amount of the transaction. However, the payer shall bear the losses relating to any unauthorised payment transactions, up to a maximum of €150, resulting from the use of a lost or stolen payment instrument and shall bear all the losses relating to any unauthorised payment transactions if he incurred them by acting fraudulently or by failing to fulfil his obligations with intent or gross negligence.

EXECUTION OF PAYMENT ORDERS

The point in time of receipt of a payment order shall be the time when the payment order transmitted directly by the payer or indirectly by or through a payee is received by the payer's payment service provider. If the point in time of receipt is not on a business day for the payment service provider, the payment order shall be deemed to have been received on the following business day. The debit value date for the payer's payment account shall be no earlier than the point in time at which the amount of the payment transaction is debited to that payment account.

In payment transactions denominated in euro within the EU, the payer's payment service provider shall ensure that the amount of the payment transaction is credited to the payee's payment service provider's account at the latest by the end of the next business day.[34] This period

34. Nevertheless, until 1 January 2012, a payer and his payment service provider may agree on a period no longer than three business days and, in the case of transactions in which the funds are paid and received in Spain, no longer than two business days. These periods may be extended by a further business day for paper-initiated payment transactions.

may be extended by a further business day for paper-initiated payment transactions. The payment service provider of the payee shall ensure that the funds are at the payee's disposal immediately after they are credited to the payee's payment service provider's account. The credit value date shall be the business day on which the amount of the payment transaction is credited to the payee's payment service provider's account.[35]

As a general requirement, the payment service provider of the payer, the payment service provider of the payee and any intermediaries of the payment service providers must transfer the full amount of the payment transaction and refrain from deducting charges from the amount transferred. However, the payee and his payment service provider may agree that the payment service provider deduct its charges from the amount transferred before crediting it to the payee. Payment orders are generally irrevocable, except for certain exceptions provided by law.

In other payment transactions, the payment service user and his payment service provider may agree on a longer period, which, in the case of intra-Community payment transactions denominated in a currency other than the euro, shall not exceed four business days following the point in time of receipt of the order.

The Law covers numerous cases of non-execution or defective execution of payment transactions, and sets out the related indemnities.

OUT-OF-COURT COMPLAINT AND REDRESS PROCEDURES FOR THE SETTLEMENT OF DISPUTES

Payment service providers shall be subject to the mechanisms envisaged in the legislation on financial service customer protection and, specifically, in Law 44/2002 of 22 November 2002 on financial system reform measures. In this respect, payment service providers must have a customer service department to receive and resolve claims and complaints. In those cases in which the payment service users are consumers,[36] the parties may, when they so agree, take their dispute to consumer arbitration.

LEGAL REGIME FOR PAYMENT INSTITUTIONS

Payment institutions are legal persons that have been granted authorisation to provide and execute all or some of the aforementioned payment services throughout the Community. The name "entidad de pago" (payment institution) and its (Spanish) acronym "EP" are reserved to these institutions as may be provided by law.

The creation of payment institutions and the establishment in Spain of branches of payment institutions not authorised in an EU Member State shall be the responsibility of the Ministry for Economic Affairs and Finance, upon a report from the Banco de España and the Executive Service of the Commission for the Prevention of Money Laundering and Monetary Offences on such matters as fall within their competence. Payment institutions must meet certain requirements, such as sound administrative and accounting procedures, adequate internal control mechanisms, the suitability of the shareholders or members that have qualifying holdings, the professional and commercial integrity of its managers, and the regulatory minimum capital requirements.

Payment institutions shall not conduct the business of taking deposits or other repayable funds nor issue electronic money, and must provide payment services through certain ac-

35. This same period shall apply for the payment service provider to place the funds at the disposal of the payee when the latter does not have a payment account with the payment service provider. **36.** Within the meaning of the consolidated text of the General Consumer and User Protection Law and other supplementary laws, enacted by Legislative Royal Decree 1/2007 of 16 November 2007.

counts, termed payment accounts, subject to restrictive conditions regulated by law. However, they may engage in economic activities other than the provision of payment services. They may also grant credit related to payment services if certain conditions are met, e.g. it must be granted from funds other than those received for other payment transactions, and they must be repaid within a short period which shall in no case exceed twelve months

SAFEGUARDING REQUIREMENTS

Payment institutions have to safeguard funds which have been received from the payment service users or through another payment service provider for the execution of payment transactions. For this purpose, they shall be deposited in a separate account in a credit institution, invested in secure, liquid assets or covered by an insurance policy or some other comparable guarantee.

CAPITAL AND OWN FUNDS

Payment institutions shall hold at all times, in addition to the minimum required capital, a sufficient volume of own funds in proportion to certain business indicators, as provided by law. The Banco de España may, based on its assessment of the payment institution's risk management processes and internal control mechanisms, require a payment institution to hold an amount of own funds which is up to 20% higher or lower than the minimum required capital.

If the payment institution does not reach the required minimum levels of own funds, it must allocate to reserves such percentages of its net profit or surplus as may be provided by law; for this purpose, it must subject its profit distribution to prior authorisation by the Banco de España.

EXERCISE OF THE RIGHT OF ESTABLISHMENT AND FREEDOM TO PROVIDE SERVICES

Spanish payment institutions may operate in another EU Member State through the establishment of a branch or in exercise of the freedom to provide services, subject to prior notification to the Banco de España, accompanied by the documentation specified in the Law.[37] However, their activity in third countries, including through the formation or acquisition of subsidiaries, shall be subject to authorisation by the Banco de España as provided by law.

Payment institutions authorised in another EU Member State may operate in Spain either through the establishment of a branch or in exercise of the freedom to provide services, unless upon inception they availed themselves of any of the exceptions envisaged in Directive 2007/64/EC.

SUPERVISION AND SANCTIONS

The control and inspection of payment institutions shall be the responsibility of the Banco de España, within the framework established by Law 26/1988 of 29 July 1998 on the discipline and intervention of credit institutions, as adapted in accordance with law. The scope of this legal regime shall also include any natural and legal persons with a qualifying holding in a payment institution. Supervision may also cover the Spanish persons controlling payment institutions of other EU Member States, within the framework of cooperation with the authorities responsible for the supervision of these institutions.

The Banco de España will cooperate with, and may enter into cooperation agreements with, the authorities entrusted with similar functions in other Member States. If they do not belong to the EU, it will insist on reciprocity and on the competent authorities being bound by an obligation of professional secrecy the conditions of which are at least equivalent to those set by Spanish law.

37. Including a programme of activities, the names of those reponsible for management of the branch, its organisational structure and planned address, and the type of payment services it is intended to provide.

TRANSITIONAL REGIME FOR PAYMENT SERVICES

The Law establishes a transitional regime for authorised currency-exchange bureaux, at the end of which they must have converted themselves into a payment institution or have ceased to provide payment services.

Further, the contracts which credit institutions operating in Spain have with their customers must be adapted to the provisions of the Law within twelve months, or within eighteen months for those relating to credit or debit cards, from the date it came into force, which was 4 December. This is without prejudice to the immediate application to natural persons of any more advantageous conditions which may derive from the Law.

Electronic money institutions: new directive

Directive 2009/110/EC of the European Parliament and of the Council of 16 September 2009 (OJ L of 10 October 2009), which updates and replaces Directive 2000/46/EC of the European Parliament and of the Council of 18 September 2000,[38] relates to the taking up, pursuit and prudential supervision of the business of electronic money institutions (hereinafter, the Directive). It also amends Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing, and Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006[39] on the taking up and pursuit of the business of credit institutions (recast).

The Directive reviews the regulations governing electronic money institutions (ELMIs),[40] with a view to removing barriers to market entry and facilitating the taking up and pursuit of the business of electronic money issuance,[41] and to ensuring equal treatment for all payment service providers, consistent with the provisions of Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market,[42] many of whose articles apply.

Table 3 presents a summary of the key elements of the Directive as compared with the provisions of the one it replaces.

SCOPE OF APPLICATION

The Directive applies to payment service providers that issue electronic money, that is: electronic money institutions (ELMIs); credit institutions; post office giro institutions that are authorised to issue electronic money; the ECB; national central banks; and other public authorities when not acting in their capacity of public authorities.

The Directive shall not apply to monetary value stored on specific prepaid instruments, designed to meet specific needs and with limited use, either because the holder may only acquire goods or services in the premises of the issuer of these instruments, or because the instruments may only be used to acquire a limited range of goods or services within a limited network of service providers that have a direct commercial agreement with the respective issuer.

The Directive excludes ELMIs from the definition of credit institution set out in Directive 2006/48/EC, as they can neither receive deposits from the public nor grant credit from funds received from the public, including them, henceforth, in the group of financial institutions.

38. See "Financial Regulation: 2000 Q4", *Economic Bulletin*, January 2001, Banco de España, pp. 73-74. **39.** See "Financial Regulation: 2006 Q2", *Economic Bulletin*, July 2006, Banco de España, pp. 142-144. **40.** Legal persons granted authorisation to issue electronic money. **41.** The Directive defines electronic money as all electronically, including magnetically, stored monetary value as represented by a claim on the issuer which is issued on receipt of funds for the purpose of making payment transactions and which is accepted by a natural or legal person other than the electronic money issuer. **42.** Directive 2007/64/EC creates a modern and coherent legal framework for payment services, including the coordination of national provisions on prudential requirements for a new category of payment service providers, namely payment institutions. As indicated above, the Directive was transposed into Spanish law by Law 16/2009 of 13 November 2009 on payment services.

AMENDED RULES ON ELECTRONIC MONEY INSTITUTIONS (ELMIs) TABLE 3

DIRECTIVE 2000/46/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 18 SEPTEMBER 2000	DIRECTIVE 2009/110/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 16 SEPTEMBER 2009
Scope of application	
ELMIs and credit institutions that issue electronic money.	Plus post office giro institutions that are authorised to issue electronic money, the ECB and national central banks, and other public authorities when not acting in their capacity of public authorities.
Conditions for the taking up, pursuit and prudential supervision of the business of ELMIs	
Existence of business management methods and internal control mechanisms proportional to the operational and financial risks.	Plus a description of their structural organisation, together with the identity of persons with qualifying holdings and of those responsible for management of the ELMI.
Initial capital no less than €1,000,000.	Initial capital no less than €350,000.
Own funds representing no less than 2% of their outstanding financial liabilities deriving from the electronic money in circulation, or of the average of the overall amount of said liabilities in the previous six months, whichever is higher.	In addition, the funds required for provision of payment services, calculated in accordance with the rules established for payment institutions in Directive 2007/64/EC. Moreover, based on assessment of the risk management and internal control processes, the competent authorities may require that an ELMI's own funds amount to up to 20% more than the minimum figure.
Not envisaged.	The competent authorities must be informed in the event of any decision to acquire or sell, whether directly or indirectly, a qualifying holding, or to continue raising or reducing, whether directly or indirectly, any such qualifying holding to 20%, 30% or 50%, or in the event that the ELMI becomes or ceases to be a branch thereof.
Not envisaged.	Distribution and redemption of electronic money through natural or legal persons. Issue of electronic money through agents.
Not envisaged.	In addition to electronic money issuance, ELMIs shall be entitled to carry out other business activities, such as providing payment services, granting credit in connection with these payment services, providing operational and auxiliary services, and payment systems management.
Safeguarding requirements	
Not envisaged.	ELMIs shall safeguard funds received in exchange for electronic money issued, together with funds received from payment service users or from the performance of payment services, as envisaged for payment institutions in Directive 2007/64/EC. Nevertheless, regarding safeguarding of funds received for electronic money issuance, the Directive establishes the assets to be considered secure, low-risk assets.
Relations with third countries	
Not envisaged.	The rules applicable to branches of ELMIs that have their registered office outside the EU may not be more favourable than those envisaged for Community-based institutions. The EU may enter into agreements with third countries providing for application of rules granting branches of ELMIs in these countries the same treatment throughout the EU.
Issue and redemption of electronic money	
Holders of electronic money may, during the period of validity, ask the issuer to redeem it at par value, in coins and banknotes or by transfer to an account, free of charges other than those strictly necessary to carry out the transaction.	Electronic money shall be redeemed to the holder, whenever so requested by the holder, at par value. Redemption may be subject to a fee only in certain cases, and only if stated in the contract; moreover, any such fee shall be proportionate and commensurate with the actual costs incurred by the electronic money issuer.
Not envisaged.	The granting of interest or any other benefit related to the length of time during which the electronic money is held is prohibited. Holders of electronic money shall have access to out-of-court complaint and redress procedures for the settlement of disputes on the same terms as envisaged in Directive 2007/64/EC.

SOURCES: BOE and Banco de España.

CONDITIONS FOR THE TAKING UP, PURSUIT AND PRUDENTIAL SUPERVISION OF THE BUSINESS OF ELMIS

The procedures and requirements for application for, and granting of, authorisation are identical to those established in Directive 2007/64/EC for payment institutions. The conditions for being granted, and maintaining, authorisation as an electronic money institution include, therefore, having business management methods and internal control mechanisms proportional to the operational and financial risks assumed by institutions of this kind in the exercise of their business. They must also provide a description of their structural organisation, and the identity of persons with qualifying holdings and of the persons responsible for management of the ELMI.

Member States shall require ELMIs to hold, at the time of authorisation, initial capital of no less than €350,000 (previously €1,000,000). Moreover, the competent authorities must receive advance notice in the event that any natural or legal person decides to acquire or sell, whether directly or indirectly, a qualifying holding[43] in an ELMI, or to continue raising or reducing, whether directly or indirectly, a qualifying holding to 20%, 30% or 50%, or in the event that the ELMI becomes or ceases to be a branch thereof.

If the influence exerted by any persons that have acquired qualifying holdings is likely to be detrimental to the sound and prudent management of the institution, the competent authorities shall declare their objection or shall take other appropriate measures to terminate this situation.

Own funds are calculated as the sum required for electronic money issuance, representing no less than 2% of the average amount of electronic money in circulation in the previous six months, plus the funds required for provision of payment services, calculated in accordance with the rules established for payment institutions in Directive 2007/64/EC. Moreover, based on assessment of the risk management and internal control processes, the competent authorities may require that an ELMI have own funds of up to 20% more than the minimum figure.

In addition to electronic money issuance, ELMIs shall be entitled to carry out other business activities, including providing payment services (listed at Annex to Directive 2007/64/EC)[44] and granting credit in connection with the aforesaid services (provided this credit is not granted from funds received in exchange for electronic money).

Member States shall allow ELMIs to distribute and redeem electronic money through natural or legal persons acting on their behalf. Should they wish to distribute electronic money in another Member State by engaging a natural or legal person,[45] or through agents,[46] ELMIs shall follow the procedures established in Directive 2007/64/EC.

SAFEGUARDING REQUIREMENTS

ELMIs shall safeguard funds received in exchange for electronic money issued, together with funds received from payment service users or from the performance of payment services, as envisaged for payment institutions in Directive 2007/64/EC. Nevertheless,

43. A qualifying holding means a direct or indirect holding in an ELMI representing 10% or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the management of the institution. **44.** Including, in particular: services enabling cash deposits in and cash withdrawals from payment accounts, and all the operations required for operating a payment account; execution of payment transactions, including transfers of funds; execution of payment transactions where the funds are covered by a credit line for a payment service user; and money remittance. **45.** Specifically, they shall inform the competent authorities in their home Member State, which shall inform the competent authorities of the host Member State, indicating the name and address of the institution, the names of those responsible for management of the branch and details of its organisational structure and of the kind of payment services to be provided in the territory of the host Member State. **46.** They shall inform the competent authorities in their home Member State of the agent's details, including, inter alia, a description of the internal control mechanisms to be used relating to money laundering and terrorist financing, and the identity of those responsible for management. Once they have received this information, the competent authorities may then include the agent in a public register, as envisaged in Directive 2007/64/EC.

regarding safeguarding of funds received for electronic money issuance, the Directive establishes which assets are to be considered secure, low-risk assets, although it does not envisage the possibility of applying certain exemptions or discretion as is envisaged in Directive 2007/64/EC for funds received in connection with the provision of payment services.

RELATIONS WITH THIRD COUNTRIES

The rules applicable to branches of ELMIs that have their registered office outside the EU may not be more favourable than those envisaged for Community-based institutions. The EU may enter into agreements with third countries under which the branches of ELMIs from these countries receive the same treatment in the EU.

ISSUE AND REDEMPTION OF ELECTRONIC MONEY

Member States shall ensure that electronic money is issued at par value upon the receipt of funds and that it is redeemed, at the request of the holder, also at par value. Redemption may be subject to a fee only in certain cases, and only if stated in the contract; moreover, any such fee shall be proportionate and commensurate with the actual costs incurred by the electronic money issuer. Holders of electronic money shall have access to out-of-court complaint and redress procedures for the settlement of disputes on the same terms as envisaged in Directive 2007/64/EC.[47]

Member States shall adopt and apply the Directive by 30 April 2011, or by 30 October 2011 in the case of ELMIs that were operating before said date under the previous legislation.

Undertakings for collective investment in transferable securities (UCITS): new directive

*Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 (*OJ L of 17 November 2009) on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (recast)[48] replaces Council Directive 85/611/EEC of 20 December 1985 and its subsequent amendments.[49]

In general, the Directive follows the regulatory structure of its predecessor. The key changes include: the introduction of the master-feeder structure, both where the master and feeder are established in the same Member State and where they are established in different Member States; mergers of UCITS; and the introduction of new rules of conduct and of increased reporting requirements for UCITS, designed to enhance investor protection.

Table 4 presents a summary of the key elements of the Directive as compared with its predecessor.

OBJECT AND SCOPE OF APPLICATION

Similarly to its predecessor, the Directive applies to UCITS[50] established in the Member States, aiming to provide a set of common minimum rules for the authorisation, supervision, structure and activities of these undertakings and the information they are required to publish. UCITS may be organised as investment funds managed by a management company or as investment companies.

47. Member States shall ensure that procedures are set up to enable complaints to be submitted to the competent authorities with regard to alleged infringements by ELMIs, together with the corresponding penalties. **48.** Similar to Spain's "instituciones de inversión colectiva". **49.** Directive 85/611/EEC was amended by Directive 88/20/EEC of 22 March 1988, Directive 95/26/EC of 29 June 1995, Directive 2000/12/EC of 20 March 2000, Directive 2001/107/EC of 21 January 2002, Directive 2001/108/EC of 21 January 2002, Directive 2004/39/EC of 21 April 2004, Directive 2005/1/EC of 9 March 2005 and Directive 2008/18/EC of 11 March 2008. **50.** UCITS have, as their sole object, the collective investment of capital raised from the public in transferable securities or in other liquid financial assets. They operate on the principle of risk-spreading and their units are repurchased or redeemed, directly or indirectly, at the request of the unit holders, out of the undertakings' assets. UCITS shall be required to act so as to ensure that the stock exchange value of their units does not significantly vary from their net asset value.

UNDERTAKINGS FOR COLLECTIVE INVESTMENT IN TRANSFERABLE SECURITIES (UCITS)

TABLE 4

COUNCIL DIRECTIVE 85/611/EEC OF 20 DECEMBER 1985 (a)	DIRECTIVE 2009/65/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 13 JULY 2009
Object and scope of application	
Applicable to UCITS established in Member States, whose sole object consists of collective investment of capital raised from the public in transferable securities or in other liquid financial assets.	No significant changes.
Authorisation of UCITS	
Minimum initial capital: €125,000 (management companies) or €300,000 (investment companies), plus an additional amount according to the value of the portfolios held, up to a maximum of initial plus additional capital of €10 million.	No significant changes.
Programme of activity; identity of shareholders or members with qualifying holdings; good organisation and internal control procedures; management led by persons of sufficiently good repute and sufficiently experienced.	In addition, the conduct of the business must be managed by at least two persons.
Freedom of establishment and freedom to provide services	
UCITS authorised in their home Member States may conduct their business throughout the EU, by the establishment of branches or under the freedom to provide services.	No significant changes.
Investment policy	
UCITS may invest in: transferable securities and money market instruments admitted to or dealt in on a regulated market; units of UCITS; deposits with credit institutions payable on demand or maturing in no more than 12 months; financial derivative instruments; and OTC derivatives that meet certain conditions, inter alia.	No significant changes.
Limits on UCITS investments. UCITS shall invest no more than: a) 5% of their assets in transferable securities and money market instruments issued by the same body, save in the case of assets issued or guaranteed by a Member State or public body, in which case they may invest up to 100%; b) 20% of their assets in deposits made with the same body; c) The risk exposure to a UCITS counterparty in an OTC derivative transaction may not exceed certain percentage limits. d) 10% of their assets in units of other UCITS or other collective investment undertakings, save in certain cases when this limit may be raised to a maximum of 20%. Investments in collective investment undertakings other than UCITS may not exceed, on aggregate, 30% of UCITS assets.	No significant changes.
Master-feeder structure	
Not envisaged.	Master-feeder structures shall be authorised, both where the master and feeder are established in the same Member State and where they are established in different Member States.
	Feeder UCITS are UCITS (or investment compartments thereof) authorised to invest at least 85% of their assets in units of another UCITS, namely the master UCITS (or an investment compartment thereof). No feeder UCITS should be authorised to invest in more than one master UCITS.
Mergers	
Not envisaged.	Member States shall require merged UCITS to provide their respective unit-holders with appropriate and accurate information on the merger, to enable them to make an informed judgement of the impact of the merger on their investment and to exercise their rights.
Rules of conduct	
These include defending the interests managed and avoiding conflicts of interest.	In addition, where a UCITS is managed by a management company authorised in a Member State other than the UCITS home Member State, the management company shall adopt appropriate procedures and measures to deal with investor complaints.
Investor information	
UCITS shall publish a single prospectus, an annual report for each financial year and a half-yearly report covering the first six months of the financial year. These documents shall be provided free of charge to investors on request.	No significant changes (the distinction between a simplified and a complete prospectus disappears).
Not envisaged.	In addition, UCITS shall draw up “key investor information”, as a specific document to be provided to investors, in good time before the subscription of the UCITS, with information on the key features of the UCITS.
Supervision of UCITS	
Member States shall determine the system of penalties applicable to infringements of the national provisions adopted pursuant to the Directive.	In addition, it is specified that the system of penalties shall include a series of effective, proportionate and dissuasive measures.
The competent authorities shall cooperate with each other, and may request the cooperation of the competent authorities of another Member State, in supervisory activities or for the purpose of on-site monitoring or investigation in the territory of said other Member	No significant changes.

SOURCES: OJ L and Banco de España.

a. Consolidated version including subsequent amendments.

AUTHORISATION OF UCITS

The conditions of authorisation remain the same, with the addition that the conduct of the business must be managed by at least two persons who are of sufficiently good repute and sufficiently experienced. By virtue of the mutual recognition principle, the authorisation shall be valid for all the Member States.

FREEDOM OF ESTABLISHMENT AND FREEDOM TO PROVIDE SERVICES

Member States shall ensure that UCITS authorised in their home Member State may conduct their business throughout the EU, either by the establishment of a branch or under the freedom to provide services. The establishment of a branch or the provision of services may not be made subject to any authorisation requirement or to any requirement to provide capital.

UCITS shall be free to designate a management company authorised in a Member State other than their home Member State, provided that said management company complies with the provisions of the Directive.

OBLIGATIONS OF THE DEPOSITARY

As under the previous regulations, the assets of UCITS (investment funds or companies) shall be entrusted to a depositary for safekeeping. Said depositary must have its registered office in the UCITS home Member State. No company shall act as both management company, or investment company, as appropriate, and depositary. The depositary shall act solely in the interest of the unit-holders.

As a new provision, where the management company's home Member State is not the UCITS home Member State, the depositary shall sign a written agreement with the management company regulating the flow of information deemed necessary to allow it to perform the functions entrusted to it in the Directive.

INVESTMENT POLICY

The Directive introduces no significant changes regarding investment policy and investment limits for UCITS (see Table 4).

MASTER-FEEDER STRUCTURES

To facilitate the effective operation of the internal market and to ensure an equal level of investor protection throughout the EU, the Directive introduces the master-feeder structure, meaning that Member States shall authorise UCITS both where the master and feeder are established in the same Member State and where they are established in different Member States.

Feeder UCITS are UCITS (or investment compartments thereof) that have been authorised to invest at least 85% of their assets in units of another UCITS, namely the master UCITS (or an investment compartment thereof). They may also hold up to 15% of their assets in instruments such as: a) ancillary liquid assets; b) financial derivative instruments for hedging purposes; and c) in the case of investment companies, movable and immovable property that is essential for the direct pursuit of their business. No feeder UCITS should be authorised to invest in more than one master UCITS.

Master UCITS are characterised by having, among their unit-holders, at least one feeder UCITS and by having no investment in any feeder UCITS. In cases in which master UCITS have at least two feeder UCITS, certain investment limits applicable to UCITS shall not apply, giving the master UCITS the choice whether or not to raise capital from other investors.

A feeder and a master UCITS should enter into a binding and legally enforceable agreement. However, if both UCITS are managed by the same management company, it will be sufficient for internal conduct of business rules to be established.

Lastly, the Directive lays down the rules permitting conversion of existing UCITS into feeder UCITS, together with details of the information and marketing communications of feeder UCITS, with a view to ensuring a high level of investor protection.

MERGERS OF UCITS

The Directive also includes, as a new feature, rules on mergers of UCITS (and investment compartments thereof), including cross-border mergers between all kinds of UCITS, with no need for Member States to provide for new legal forms of UCITS in their national law, for improved functioning of the internal market.

Member States shall require merged UCITS to provide their respective unit-holders with appropriate and accurate information on the merger, to enable them to make an informed judgement of the impact of the merger on their investment and to exercise their rights. This information shall be provided to unit-holders only after the competent authorities of the merged UCITS home Member State have authorised the operation.

Where the national laws of Member States require unit-holders to approve mergers between UCITS, Member States shall ensure that such approval does not require more than 75% of the votes cast by unit-holders present or represented at the general meeting.

The laws of Member States shall provide that unit-holders have the right to request, without any charge other than those retained by the UCITS to meet disinvestment costs, the repurchase or redemption of their units or, where possible, their conversion into units in another UCITS with similar investment policies and managed by the same management company or by any other company with which the management company is linked.

RULES OF CONDUCT

Management companies and, where appropriate, investment companies shall observe, at all times, a set of rules of conduct designed to ensure that said companies act in the best interest of the UCITS managed and of market integrity, and to avoid conflicts of interest and, when they cannot be avoided, to ensure that the UCITS managed receive fair treatment.

As a new feature, the Directive establishes that where a UCITS is managed by a management company authorised in a Member State other than the UCITS home Member State, the management company shall adopt and establish appropriate procedures and measures to deal with investor complaints. The management company shall also make available to the public or the competent authorities of the UCITS home Member State, inter alia and at their request, the designation of a contact person from among its employees to deal with information requests.

INVESTOR INFORMATION

UCITS shall publish: a single prospectus (the distinction between a simplified and a complete prospectus disappears); an annual report for each financial year and a half-yearly report covering the first six months of the financial year. These documents shall be provided free of charge to investors on request.

The prospectus shall contain the information necessary for investors to make an informed judgement on the proposed investment and, in particular, on the fund's risk profile. The prospectus may be provided in a durable medium or by means of a website.

As a new feature, UCITS shall draw up "key investor information", as a specific document to be provided to investors free of charge, in good time before the subscription of the UCITS, in a durable medium or by means of a website. This document shall provide information on the key features of the UCITS, as envisaged in the Directive.

SUPERVISION OF UCITS

The competent authorities of UCITS home Member States shall be responsible for their prudential supervision, irrespective of whether or not the company has branches or provides services in another Member State, without prejudice to the provisions of this Directive that assign this responsibility to the competent authorities of a management company's host Member State.

Member States shall lay down the rules on measures and penalties applicable to infringements of the national provisions adopted pursuant to this Directive and shall take all effective, proportionate and dissuasive measures necessary to ensure said rules are enforced.

The competent authorities of the Member States shall cooperate with each other whenever necessary for the purpose of carrying out their duties under this Directive or under national law.

Lastly, the Directive includes a series of special provisions applicable to UCITS that market their units in Member States other than those in which they are established.

Member States shall adopt and apply this Directive from 1 July 2011.

Directive on the taking-up and pursuit of the business of insurance and reinsurance

Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 (OJ L of 17 December 2009) on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) has been published.

OBJECTIVES AND AREA OF APPLICATION

The Directive establishes a single legal framework for insurance and reinsurance firms (hereinafter, insurance undertakings) to conduct their business throughout the European Union, representing an essential element for achievement of the internal market in this sector.

It also incorporates, in a single text, the regulations on the taking-up of the business of insurance[51] and reinsurance, together with the rules on the supervision of insurance groups and the procedures for reorganisation and winding-up of insurance firms, inter alia, repealing a wide range of Directives that previously regulated this sector.[52]

Moreover, the Directive follows the rationale of its predecessors, in line with other financial sector regulations, establishing such harmonisation as is necessary and sufficient to achieve the mutual recognition of authorisations and supervisory systems, and thus a single authorisation valid throughout the EU and which allows undertakings to be supervised by their home Member State and enables them to pursue any or all of their activities by establishing branches or by providing services.

The Directive also brings to insurance the new supervisory approach contained in Basel II[53] applicable to credit institutions, with a view to ensuring that undertakings' own funds levels are

51. Life and non-life. **52.** Including Directive 64/225 of 25 February 1964; Directive 73/239 of 24 July 1973 (first directive relating to direct insurance other than life assurance); Directive 73/240 of 24 July 1973; Directive 78/473 of 30 May 1978; Directive 87/344 of 22 June 1987; Directive 88/357 of 22 June 1988 (second directive relating to direct insurance other than life assurance); Directive 92/49 of 18 June 1992 (third directive relating to direct insurance other than life assurance); Directive 98/78 of 27 October 1998; Directive 2001/17 of 19 March 2001; and Directive 2002/83 of 5 November 2002. **53.** The 2004 Basel Capital Accord (Basel II), formalised by the Basel Committee on Banking Supervision on 26 June 2004, established a set of structured measures built on three mutually reinforcing pillars: the adoption of uniform rules for determining minimum capital requirements based on the risks assumed (Pillar 1); supervisory review, with a view to promoting enhanced internal risk management at institutions (Pillar 2); and market disclosures on key aspects relating to business profile, risk exposure and risk management methods (Pillar 3).

consistent with their overall risk profile. In effect, the backbone of the Directive aims to establish an appropriate solvency and supervision regime for undertakings, to enhance protection both for policy holders and beneficiaries.

SOLVENCY REGIME

A new solvency regime is established similar to that applicable to other financial institutions, adopting an economic risk-based approach that permits correct assessment and management of risk. The Directive also introduces specific rules for the valuation of assets and liabilities, including technical provisions.

Three tiers of own funds are established, according to whether they are basic or ancillary own funds and to whether they are available, or can be called up on demand, to absorb losses, on a going-concern basis as well as in the case of wind-ups.

The Directive defines the Solvency Capital Requirement, which should reflect a level of own funds that enables undertakings to absorb significant losses and gives reasonable assurance to policy holders and beneficiaries that payments will be made as they become due. This should be determined as the economic capital to be held by undertakings to ensure they will be in a position, with a probability of at least 99.5%, to meet their obligations to policy holders and beneficiaries over the following 12 months. Said economic capital should be calculated, at least once a year, on the basis of the undertakings' risk profile, or in all cases in which the risk profile is substantially altered.[54]

A standard formula is established for calculation of the Solvency Capital Requirement,[55] although, in specific circumstances, partial or full internal models may be used for this purpose, subject to prior supervisory approval on the basis of harmonised processes and standards.

The Directive also establishes a Minimum Capital Requirement, representing the minimum level of security below which the amount of financial resources should not fall, such that, in the event that undertakings are unable to re-establish the aforesaid amount within a short period of time, their authorisation should be withdrawn. Said Minimum Capital Requirement shall be determined on the basis of the value-at-risk of undertakings' basic own funds, subject to a confidence level of 85%, over a one-year period. Moreover, it shall neither fall below 25% nor exceed 45% of their Solvency Capital Requirement.

Furthermore, undertakings should include, as an integral part of their business strategy, a regular practice of assessing their overall solvency needs with a view to their specific risk profile (hereinafter, "own-risk and solvency assessment"). Said assessment neither requires the development of an internal model nor serves to calculate a capital requirement other than the Solvency or Minimum Capital Requirements. The results of each assessment should be reported to the supervisory authorities as part of the information to be provided for supervisory purposes.

To strengthen the solvency regime, undertakings shall have an efficient risk management and internal control system which shall include, at least, administrative and accounting procedures, an internal control framework, appropriate reporting arrangements at all levels and a compliance function.

54. Following the supervisory review process, supervisory authorities may raise the Solvency Capital Requirement, setting a capital add-on, in the cases envisaged in the Directive. **55.** Simplified approaches to the calculation of the Solvency Capital Requirement in accordance with the standard formula are established for small and medium-sized undertakings.

Insurance undertakings shall also provide for an internal audit function to verify the adequacy and effectiveness of the internal control system and of other elements of the system of governance.

SUPERVISION OF UNDERTAKINGS AND GROUPS

The Directive establishes supervisory convergence in the Member States, in respect both of supervisory tools and practices, by application of the laws, regulations and administrative provisions adopted pursuant to the Directive. Where undertakings form part of a group, group solvency shall be assessed; in this case, the Solvency Capital Requirement shall be calculated taking into account the global diversification of risks that exist across all the undertakings in the group.

It also reflects an innovative supervisory model in which a key role is assigned to a group supervisor appointed from among the supervisory authorities involved, providing for the exchange of information between the supervisory authorities of the Member States and for co-operation agreements with third countries.

Lastly, rules are established on qualifying holdings[56] similar to those applicable to other financial institutions, and reorganisation measures and winding-up proceedings for undertakings are laid down, similar to those envisaged in Directive 2001/17/EC of 19 March 2001.

The Directive, which came into force on 6 January 2010, should be transposed into Member States' national law by 31 October 2012.

Mergers and divisions: amendment of reporting requirements

Directive 2009/109/EC of the European Parliament and of the Council of 16 September 2009 (OJ L of 2 October 2009) amends Council Directive 77/91/EEC of 13 December 1976, Council Directive 78/855/EEC of 9 October 1978, Council Directive 82/891/EEC of 17 December 1982 and Directive 2005/56/EC of the European Parliament and of the Council of 26 October 2005, as regards reporting and documentation requirements in the case of mergers and divisions.

The Directive reviews the reporting requirements and reduces the administrative burden in the formation of new companies via merger or division. Specifically, companies may be released from the need to present an independent expert's report on the draft terms of merger or division. It also envisages that the merger or division report and the expert's report may be drawn up by the same expert, and dispenses with the need for presentation of detailed reports and information on mergers and divisions of companies where all the shareholders of the firms involved agree that these requirements be dispensed with.

Merging companies shall be exempt from the publication requirement if they make the draft terms of the merger available on their website, free of charge, for the public, for at least one month before the date set for the general meeting called to that effect. However, Member States may require that such publication be made through the central electronic platform, or on any other website designated by them for that purpose. Said reference shall include the date of publication of the draft terms of merger on the website and shall be accessible to the public free of charge.

Lastly, reporting requirements are reduced in the case of cross-border mergers by absorption where the parent company's holding in the subsidiary amounts to 90% or more of the shares

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56. In line with other Community legislation, the Directive defines qualifying holdings as direct or indirect holdings representing 10% or more of the capital or of the voting rights, or which permit exercise of a significant influence over the management of the undertaking.

and other securities conferring voting rights. Likewise in the case of certain divisions, especially where companies are split into new companies that are owned by the shareholders in proportion to their rights in the company being divided.

The Directive came into force on 23 October 2009 and shall be applied by Member States by 30 June 2011.

Credit rating agencies: new EU regulations

Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 (OJ L of 17 November 2009) on credit rating agencies aims to establish a set of minimum common rules for credit rating agencies established and registered in the EU.

The Regulation shall apply to credit ratings issued by agencies registered in the EU, with a view to enhancing the integrity, transparency and reliability of credit rating activities. Credit institutions, investment firms, etc. that use credit ratings for regulatory purposes may only do so if these ratings have been issued by agencies established in the EU and registered in accordance with the provisions of this Regulation.[57] Certain types of credit ratings, such as those produced pursuant to an individual order and not intended for public disclosure, as well as research reports, investment recommendations and other opinions on the value or price of financial instruments or obligations, fall beyond the scope of application of this Regulation.

Where a prospectus contains a reference to a credit rating, the issuer shall ensure that the prospectus also includes clear and prominent information stating whether or not such credit ratings are issued by a credit rating agency established and registered in the EU.

REGISTRATION OF CREDIT RATING AGENCIES

Credit rating agencies established in the EU that wish to register in a Member State shall submit application for registration to the Committee of European Securities Regulators (CESR).[58] These applications must contain certain information, described at annex to the Regulation, including, inter alia, details of their organisational structure, financial resources, staffing and the level of staff expertise, a programme of operations indicating where the business activities are to be carried out and branches to be established and the type of business envisaged.

They shall also ensure that the senior management are of good repute and are sufficiently skilled and experienced, to facilitate the sound and prudent management of the credit rating agency. Moreover, at least one third – but no less than two – of the members of the board of directors or supervisory board must be independent members who are not involved in credit rating activities.

Credit rating agencies shall have sound administrative and accounting procedures, internal control mechanisms, effective procedures for risk assessment and effective safeguard arrangements for data processing systems, together with the appropriate means to ensure that any conflicts of interest are identified, eliminated and disclosed.

Credit rating agencies registered by the competent authority of a Member State shall be given a European passport to operate throughout the EU.

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57. Credit rating agencies established in the EU and registered in accordance with the provisions of this Regulation may, under a series of conditions, "endorse" ratings issued by other credit agencies belonging to the same group in non-EU countries. Said credit ratings shall be treated as if they had been issued by the registered credit rating agencies endorsing them. **58.** Created by virtue of Commission Decision 2009/77/EC of 23 January 2009.

CREDIT RATING REGIME

Credit rating agencies shall take all necessary measures to safeguard their credit ratings from any conflicts of interest, and to ensure at all times the quality, integrity and thoroughness of the credit rating and review process. Furthermore, they shall disclose the methodologies, models and key assumptions used in their credit rating business, and shall take all necessary measures to ensure that the information used in assigning credit ratings is of sufficient quality and from reliable sources.

Credit rating agencies shall review their credit ratings and methodologies on an ongoing basis, and at least once a year or when material changes occur that could have an impact on the ratings. They shall also establish internal arrangements to monitor the impact on credit ratings of changes in macroeconomic and financial market conditions.

When agencies issue credit ratings for structured finance instruments, they shall ensure that rating categories attributed to these instruments are clearly differentiated from those used for any other entities, instruments or obligations.

Credit rating agencies shall report information on their historical performance data to a central repository established by the CESR, including the ratings transition frequency and information on credit ratings issued in the past and on changes therein.

EQUIVALENCE REGIME FOR CREDIT RATING AGENCIES ESTABLISHED IN THIRD COUNTRIES

Under this regime, certain credit ratings issued by credit rating agencies established in a third country may be used for regulatory purposes, provided said credit ratings refer to financial instruments issued, or to institutions established, in the country in which the credit rating agency is established. However, a series of conditions must also be met; inter alia, the credit rating agency must have verified and demonstrated that the credit rating business of the third-country agency meets a series of minimum requisites which are, in the view of the European Commission, as thorough as those established in this Regulation, and there must be an appropriate cooperation agreement between the competent authorities of the two countries concerned.

SUPERVISION OF CREDIT RATING AGENCIES

Credit rating agencies shall be supervised by the competent authorities of their home Member State, in cooperation with the competent authorities of the other Member States.[59] In this respect, Member States shall designate the competent authorities for supervision of credit rating agencies by 7 June 2010.

The Regulation lays down a series of supervisory measures for the competent authorities. Any breach of said measures may lead to a temporary ban on the issue of credit ratings, and even to withdrawal of registration. The Regulation also establishes the supervisory measures for competent authorities other than the competent authority of a credit rating agency's home Member State.

Member States may enter into cooperation agreements for exchange of information with the competent authorities of third countries, provided the information disclosed is subject to guarantees of professional secrecy.

The Regulation came into force on 7 December 2009.

Collective investment institutions: SOCIMIs

Law 11/2009 of 26 October 2009 (BOE of 27 October 2009) regulates listed real estate investment companies (*sociedades anónimas cotizadas de inversión en el mercado inmobiliario* or SOCIMIs). Table 5 presents the key new features introduced in the Law in summary form.

59. To facilitate the exchange of information, upon receipt of an application for registration from a credit rating agency, the Member States shall establish colleges of competent authorities.

LISTED REAL ESTATE INVESTMENT COMPANIES (SOCIMIs): SUMMARY

TABLE 5

	Regulated by Law 11/2009 of 26 October 2009 (BOE of 27 October 2009) which came into force on 28 October 2009
Corporate purpose	Acquisition and development of urban real estate for rental, and acquisition of other holdings.
Investment conditions	Balance sheet (asset side): at least 80% of their asset value in urban real estate for rental or holdings of assets constituting their main activity. Profit and loss account: at least 80% of their income from real estate rentals and holdings of assets constituting their main activity.
Share capital	Minimum capital: €15 million. The legal reserve may not exceed 20% of share capital. The shares must be admitted to listing on a regulated Spanish market or on a regulated market in any other EU or EEA Member State, throughout the tax period.
Distribution of dividends	a) At least 90% of the income from rentals; b) at least 50% of the income from the sale of real estate and shares and stakes held in other entities assigned to their main corporate purpose; and c) 100% of the income from dividends and shares in profit distributed by entities that constitute their corporate purpose.
Tax regime	
SOCIMIs	Corporate income tax rate: 19%. If the conditions established are not met, income shall be taxed at the general rate of corporate income tax (currently 30%). The dividends distributed by SOCIMIs shall not be subject to withholdings or prepayments, irrespective of the status of the shareholder receiving them.
Shareholders	- *Dividends distributed against profit or reserves under the special tax regime.* If the recipient is subject to personal income tax or to income tax on non-residents without a permanent establishment, they shall be considered tax-free income. If the recipient is subject to corporate income tax or to income tax on non-residents with a permanent establishment, the dividend income booked shall be multiplied by 100/81 to obtain the income to be included in the tax base. The double taxation tax credit is not applicable to this income. - *Dividends distributed against income obtained from the sale of holdings:* capital gains or losses shall be determined in line with the rules applicable to the taxpayers' respective taxes, with the specific features envisaged in the Law.

SOURCES: BOE and Banco de España.

SOCIMIs are public limited companies[60] whose main activities are: a) acquisition and development of urban real estate for rental;[61] b) holding of stakes in the capital of other SOCIMIs or other entities, whether or not resident in Spain, whose main corporate purpose is the acquisition of urban real estate for rental and which are subject to the same regime as the SOCIMIs; and c) holding of shares or stakes in real estate collective investment institutions, regulated in Law 35/2003 of 4 November 2003 on collective investment institutions.

In addition to this main corporate purpose, SOCIMIs may undertake other ancillary activities, provided the overall income from such activities represents less than 20% of their income in each tax period.

INVESTMENT CONDITIONS

SOCIMIs must have at least 80% of their asset value invested in urban real estate for rental, or in holdings (shares or stakes) constituting their main activity. Moreover, at least 80% of their income in any tax year must come from real estate rentals and from dividends or shares in profit deriving from said holdings.

60. These companies shall be governed by the provisions of this Law and, secondarily, by the provisions of the consolidated text of the Spanish Companies Law, approved by Legislative Royal Decree 1564/1989 of 22 December 1989, and by Law 24/1988 of 28 July 1988 on the securities market. **61.** Including residential and commercial property, student residences and residential homes, hotels, car parks and offices, inter alia. Development includes the refurbishment of buildings.

The real estate must be leased out for at least three years, or seven years in the case of property developed by the SOCIMI. Moreover, to ensure sufficient diversification of the real estate investment, SOCIMIs must have at least three properties in portfolio, none of which may represent more than 40% of their assets at the time of acquisition.

SHARE CAPITAL

SOCIMIs shall have minimum share capital of €15 million. Their legal reserves may not exceed 20% of their share capital. SOCIMIs' shares must be admitted to listing on a regulated Spanish market or on a regulated market in any other EU or EEA Member State, uninterruptedly throughout the whole tax period. This condition also extends to any holdings by SOCIMIs in the capital of non-resident entities subject to a similar regime.

DISTRIBUTION OF DIVIDENDS

SOCIMIs must distribute the profit obtained in the financial year in the first six months after year-end, as follows: a) at least 90% of the income from rentals, and the income from their ancillary activities; b) at least 50% of the income obtained from the sale of real estate and shares and stakes held in other entities assigned to their main corporate purpose (the remainder must be reinvested in other real estate or holdings assigned to said corporate purpose within a period of three years after the date of sale; failing this, such income must be distributed in its entirety together with any income from the financial year in which the reinvestment deadline falls); and c) 100% of the income from dividends and shares in profit distributed by entities the holding of which constitutes their corporate purpose.

BORROWED FUNDS

Borrowed funds may not exceed 70% of a SOCIMI's assets. Any funds obtained under the regulations governing the government-subsidised housing regime shall not be included in the calculation of this limit.

REPORTING REQUIREMENTS

SOCIMIs that have elected to apply the special tax regime shall include, in the notes to their financial statements, a section entitled "Reporting requirements deriving from SOCIMI status, Law 11/2009", in which they shall record the comprehensive information envisaged in the Law, including, inter alia, details on allocation of profit to reserves and distribution of dividends out of profit, specifying, where appropriate, the part deriving from income taxed at the standard rate.

SPECIAL TAX REGIME

SOCIMIs may choose to apply the special tax regime envisaged in the Law, which shall also apply to their shareholders, provided certain conditions are met, especially those on investment, distribution of dividends and reporting requirements, described above.[62]

The special tax regime is based on a corporate income tax rate of 19%.[63] However, if the income is obtained from the sale of real estate or holdings that fail to comply with the minimum time established, or if the acquirer is a related company belonging to the same group as the SOCIMI, or if the real estate is leased to an entity belonging to the same group, said income shall be taxed at the standard rate of corporate income tax (currently 30%).

Moreover, if residential property makes up more than 50% of a SOCIMI's assets, 20% of the income from residential property rentals shall be exempt.

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62. The tax regime established has economic effects similar to those applicable to conventional real estate investment trusts (REITs) in other countries which effectively tax shareholders rather than the residential investment entity. **63.** Initially 18%, subsequently raised to 19% in Law 26/2009 of 23 December 2009 on the State Budget for 2010.

The dividends distributed by SOCIMIs shall not be subject to withholdings or prepayments, irrespective of the status of the shareholder receiving them.

Regarding the special tax regime applicable to shareholders, the Law establishes as follows:

If the recipient of dividends distributed out of profit or reserves corresponding to financial years in which the special tax regime is applicable is subject to personal income tax or to income tax on non-residents without a permanent establishment, the dividends shall be deemed to be income exempt from those taxes. If the recipient is subject to corporate income tax or to income tax on non-residents with a permanent establishment, the dividend income booked shall be multiplied by 100/81[64] to obtain the income to be included in the tax base. The double taxation tax credit is not applicable to this income. In this case, a credit for 19%[65] (or for the rate applicable to the taxpayer, if lower) of the income included in the tax base may be taken from the gross tax payable.

In the case of dividends distributed out of income from the sale of holdings in the capital of SOCIMIs, capital gains or losses shall be determined in line with the rules applicable to the taxpayers' respective taxes, with the specific features envisaged in the Law.

A series of circumstances, such as exclusion from listing on regulated markets, substantial breach of the reporting requirements or failure to resolve to distribute and pay dividends, whether in full or in part, on the terms and within the periods established, shall lead to forfeiture of the special tax regime, following which the SOCIMI shall be taxed under the general corporate income tax regime.

Lastly, a series of special rules are established on the entry to and exit from the special regime, to ensure correct taxation of the income obtained, especially that from the sale of real estate owned by SOCIMIs during tax periods in which they have been taxed under the special regime or under another regime.

The Law came into force on 28 October 2009 and is applicable to tax periods commencing as from 1 January 2010.

Amendment of regulations on investor compensation schemes

Royal Decree 1819/2009 of 27 November 2009 (BOE of 28 November 2009) amended Royal Decree 948/2001 of 3 August 2001[66] on investor compensation schemes so as to make a specific adjustment to its provisions, derived from the increase in guaranteed amounts from €20,000 to €100,000 per holder and institution introduced by Royal Decree 1642/2008 of 10 October 2008.

This increase substantially changed the annual contributions by the institutions belonging to the Investment Guarantee Fund, since, in setting those contributions, Article 8.2.c) of the aforementioned Royal Decree 948/2001 used for calculation purposes an item which was defined as a percentage of the guaranteed amount.[67] The present change consists of modify-

64. Initially 100/82, subsequently raised to 100/81 in the State Budget Law for 2010. **65.** See footnote 63. **66.** See "Financial regulation: 2001 Q3", *Economic Bulletin*, Banco de España, October 2001, pp. 89-93. **67.** Article 8.2 of Royal Decree 948/2001 (amended by Law 53/ 2002 of 30 December 2002 on fiscal, administrative and social measures) sets the annual contribution to be made by member institutions as the sum of the following amounts: a) a fixed amount, according to the following scale: €20,000 for investment firms whose gross fee revenue is less than €5 million; €30,000, when such revenue is between €5 million and €20 million, and €40,000 when it exceeds €20 million; b) 0.2% of the money, plus 0.005% of the effective value of the securities and financial instruments deposited with them or managed by them that belong to customers covered by the guarantee; and c) the product of multiplying the number of customers covered by the guarantee by 0.015% of the minimum amount guaranteed.

ing Article 8.2.c) such that the calculation is the result of multiplying the number of customers covered by the guarantee by €3.

The new amount established will be applied to the budgets approved from the entry into force of the Royal Decree, which was on 29 November 2009. Also, the management company may make the technical adjustments needed to recalculate the contributions, considering the guaranteed amounts in 2008.

Securities market: notification of significant events

CNMV Circular 4/2009 of 4 November 2009 (BOE of 12 November 2009), on notification of significant events to be disclosed by securities issuers to the market and to the CNMV, was released. This Circular, in accordance with the powers granted to the CNMV by Ministerial Order EHA/1421/2009 of 1 June 2009,[68] specifies how such notifications must be made to the CNMV.

The Circular introduces for the first time an "interlocutor" to act as a direct communication channel between issuers and the CNMV. Also, it includes an annex containing an indicative list of cases[69] considered to be significant events, with a view to making it easier for issuers to identify and subsequently assess them. When using the list, regard must be had to the type of financial instrument issued by each issuer, distinguishing, among other things, between debt and equity securities.

The content of the notifications and the criteria for making them are described. Thus, for example, when various significant events are included, the summary shall give priority to that which stands out over the others due to its likely impact on the market. Should the notification have to be rectified, a new notification shall be made in which the original notification being rectified is clearly identified along with the matters remedied. The new notification in no case replaces the original one.

Lastly, notifications of significant events and persons designated as authorised interlocutors have to be sent electronically[70] to the CNMV by the issuers of securities admitted to trading.

The Circular came into force on 2 December 2009.

Investment services: yearly audit report on customer asset protection

CNMV Circular 5/2009 of 25 November 2009 (BOE of 8 December 2009) regulates the yearly audit report on customer asset protection,[71] in accordance with Royal Decree 217/2008 of 15 February 2008 on the legal regime of investment firms and of other entities providing investment services ("investment firms and similar entities").[72]

The Circular sets out the content of the audit report and the criteria to be followed by external auditors in preparing their report. In particular, it specifies the scope of these professionals' work, identifying the areas to be reviewed by them. The scope of their review is determined by the size and scale of the activities of the investment firms and similar entities, based on criteria

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68. Ministerial Order EHA/1421/2009 of 1 June 2009 established, inter alia, general rules for identifying significant events, subject parties, the content of notifications and criteria for making the notifications. **69.** Some cases which can be considered significant events are: strategic agreements; transformations, mergers or spin-offs; application for insolvency proceedings; takeover bids; shareholders' agreements or arrangements involving changes in control; and purchases or sales of holdings in other firms. **70.** It can only be submitted by other means on an exceptional basis or when lodged by natural or legal persons other than the issuers. **71.** The yearly audit report on customer asset protection sets out the opinion of an external auditor on the suitability of the control procedures and systems implemented by investment firms and similar entities with regard to the safekeeping of financial instruments and customer fund deposits. **72.** The entities which may provide investment services are: investment firms, credit institutions and CII management companies. Investment firms include securities brokers and dealers, portfolio management companies and financial advice firms.

of proportionality. In most cases the auditors have to use statistical sampling techniques which enable them to reasonably support their opinion. The methodology used must be at the disposal of the CNMV. In the case of credit institutions, the audit opinion shall refer only to the suitability of the systems and controls set in place by them to comply with the rules on safekeeping and administration of financial instruments.

In addition, the Circular includes various annexes. Annex 1 defines the structure of the audit report, which consists of a main part setting out the opinion and of four sections. The opinion part shall include the audit opinion on the existence and suitability of the systems and controls set in place by investment firms and similar entities to comply with the rules on asset protection. The first and second sections summarise, respectively, the tests performed on financial instruments and customer funds; the third states the significant weaknesses and exceptions identified, as well as any scope limitations encountered; and the fourth contains the auditor's recommendations. Annexes II and III specify the areas that the external auditor has to review to check compliance with the requirements of the Circular in relation to the protection of financial instruments and customer funds, respectively.[73]

Lastly, the auditor has to send the audit report to the CNMV electronically in the first five months of the financial year. In the first yearly audit report on customer asset protection, which is for the year ended 31 December 2009, the review period is lengthened to 30 April and the remittance deadline is extended to 30 June.

The Circular came into force on 9 December 2009.

Internal control of collective investment institution management companies and of investment firms

CNMV Circular 6/2009 of 9 December 2009 (BOE of 21 December 2009) on internal control of collective investment institution (CII) management companies and investment firms[74] was released.

The Circular sets out in detail the organisational requirements and internal control obligations that have to be applied by CII management companies and by self-managed investment firms (hereafter "the companies") in the conduct of CII management activities, in accordance with Law 35/2003 of 4 November 2003[75] on CIIs and with the implementing regulations enacted by Royal Decree 1309/2005 of 4 November 2005.[76]

The Circular addresses the responsibility of the board of directors of the companies in the implementation and maintenance of internal control procedures and policies and of an internal structure and organisation which ensure the proper working of risk management functions. Also, the content of the internal control policies and procedures manuals of the companies is specified.

Further, the Circular requires the creation and maintenance of three internal control units which function independently of each other: one devoted to risk management,[77] another to regula-

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73. The audit opinion on credit institutions shall refer only to the suitability of the systems and controls set in place by them to comply with the rules on safekeeping and administration of financial instruments, so only the review areas included in Annex II apply to them. **74.** Refers to those investment firms which have not entrusted their mangement, administration and representation to a CII management company. **75.** See "Financial regulation: 2003 Q4", *Economic Bulletin*, Banco de España, January 2004, pp. 84-87. **76.** See "Financial regulation: 2005 Q4", *Economic Bulletin*, Banco de España, January 2006, pp. 112-116. **77.** It has to ensure appropriate management of the commitments entered into by CIIs under management in the course of their business, of the risks derived from the assets comprising their investments and of the risks associated with the activities of the CII management company or, where applicable, of the investment firm.

tory compliance[78] and a third to internal audit.[79] In addition, the Circular sets out exhaustively the internal organisation requirements, the functions to be performed by each of the aforementioned units and the requirements which may be applicable to the delegation of their respective functions.

The Circular provides that, when investment firms entrust the management of their assets to any of the entities authorised to provide investment services consisting of individual portfolio management (including credit institutions), the internal control requirements shall be those established in their specific regulations.

Additionally, the Circular provides that the CNMV may require the companies to remedy deficiencies in administrative and accounting organisation and in internal control procedures, and to provide appropriate resources for the exercise of their activities.

Lastly, a final rule establishes a deadline of 31 December 2010 for the companies to adapt their control systems to the requirements set by the Circular, and a repeal clause is included.[80]

The Circular came into force on 22 December 2009.

State budget for 2010

Following the usual practice in December, Law 26/2009 of 23 December 2009 (BOE of 24 December 2009) on the State budget for 2010 was published. Notable from the standpoint of financial regulation were the following.

AUTONOMY OF THE BANCO DE ESPAÑA

Law 13/1994 of 1 June 1994 of Autonomy of the Banco de España was amended[81] with regard to the legal regime applicable to collateral pledged to the Banco de España, the ECB or other NCBs of the EU in the exercise of their monetary policy functions.

Specifically, under the Law, collateral consisting of marketable assets can be realised through the related stock exchange operator or, where appropriate, through an auction organised by the Banco de España. As a new development, the realisation can also take place through appropriation by the Banco de España, the ECB or the EU NCB relating to the collateral and set-off of its value or application of its value to satisfy the collateralised obligations, provided that this has been agreed with the entity providing the collateral and the parties have arranged the collateral valuation method.

STATE DEBT

The government is authorised to increase the outstanding State debt in 2010, subject to the condition that it shall not exceed the level at the beginning of the year by more than €78,136 million (the limit for last year's budget was €50,247 million). This limit may be exceeded during the course of the year with prior authorisation of the Ministry of Economy and Finance, and those cases in which it shall be automatically revised are laid down.

In relation to State guarantees, mention should be made of the authorisation of public guarantees to back fixed-income securities issued by securitisation special purpose vehicles, aimed

78. It has to ensure the proper working of the regulatory compliance function according to the principle of separation from the areas or units whose activities are being assessed for compliance. **79.** his has to support the board of directors of the CII management company or of the investment firm in its responsibility for supervision of the risk management systems and procedures, regulatory compliance and corporate governance. **80.** Specifically, Rule 6 and Annex 3 of CNMV Circular 3/1997 of 29 July 1997 and Rule 11 of CNMV Circular 4/1997 of 26 November 1997 are repealed. **81.** See "Regulación financiera: segundo trimestre de 1994", *Boletín Económico*, July-August 1994, Banco de España, pp. 86-92.

at improving the financing of corporate productive activity, for which an amount of €3 billion (the same as in the previous budget) has been established.

TAXES

With regard to personal income tax, the tax rebate of €400 on income from work or from economic activities above €12,000 per year was abolished. Below that amount the following scale is established: if the tax base is less than or equal to €8,000 per year, the rebate remains in place; if the tax base is between €8,001 and €12,000 per year, the rebate is calculated by subtracting from €400 the result of multiplying by 0.1 the difference between the tax base and €8,000 per year.

Further, the portion of net taxable income from saving above the personal and household minimum shall be taxed at 19% up to a net taxable income of €6,000 and at 21% from €6,000 onwards (previously, the tax rate was 18% regardless of the tax base). Similarly, mention should be made of the increase in the percentage of withholding tax and of tax prepayments on certain income, particularly income from capital, which is up from 18% to 19%.

The rebates to compensate for the loss of tax benefits affecting certain taxpayers under the current personal income tax legislation, regulated by Law 35/2006 of 28 November 2006, remain in place. The first establishes for 2009 a tax deduction for purchase of principal residence for taxpayers who purchased their principal residence before 20 January 2006. The amount is equal to the difference between the deduction resulting from the application of the previous personal income tax legislation (in Legislative Royal Decree 3/2004 of 5 March 2004[82]), in force until end-2006, and that obtained under Law 35/2006.[83]

The second rebate will affect those receiving certain income from capital with a generation period exceeding two years in 2009. On one hand, income from capital obtained in relation to the transfer of capital to third persons from financial instruments taken out prior to 20 January 2006 shall qualify for a reduction of 40%, as was the case under the previous personal income tax law. On the other, income received in the form of deferred capital arising from life and disability insurance policies taken out prior to 20 January 2006 shall qualify for a 40% or 75% reduction, as envisaged under the previous personal income tax law.

For transfers of real estate not used in business activities, a rise of 1% (previously 2%) in the acquisition cost adjustment coefficient is included.

Concerning corporate income tax, one of the main new developments is the reduction of the tax rate applicable to SMEs for maintaining or creating jobs. Specifically, for each of the 2009, 2010 and 2011 tax periods, taxpayers engaging in economic activities the overall net turnover of which is less than €5 million and which have an average workforce of fewer than 25 employees shall be taxed at 20% up to a tax base of €120,202.41 and at 25% above that.[84]

This measure is extended under personal income tax to sole proprietors and professionals meeting the same requirements, since they reduce by 20% the positive net income declared if they maintain or create jobs.

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82. See "Financial regulation: 2004 Q1", *Economic Bulletin*, April 2004, pp.99-100. **83.** During 2009 a deduction may be taken, in general, for 15% of the amounts paid for the purchase or renovation of the principal residence, with a maximum of €9,015.18 per annum. In 2006, although the same deduction was available, in general, when the purchase was made using borrowed funds, in the two years following the purchase the deduction was for 25% of the first €4,507.59 and for 15% of the remainder up to €9,015.18. Subsequently, these percentages were 20% and 15%, respectively. **84.** The standard rate is 30%.

A noteworthy development in indirect taxes was that the standard and reduced VAT rates were raised from 16% and 7% to 18% and 8%, respectively. The new rates will apply from the second half of 2010. In relation to local taxes, the rateable values of properties are updated by 1%.

Other financial measures relate to the legal interest rate and the late-payment interest rate. The first is unchanged at 4% and the second is reduced from 7% to 5%.

Amendment of Spanish general chart of accounts

The reform of Spanish accounting legislation within the process of convergence with IFRS-EU[85] deemed the capital of cooperatives (consisting of members' contributions) to be a liability if its board of directors does not have the unconditional right to prevent its repayment. To make the necessary adjustments to State and regional legislation on cooperatives regarding the competence of their boards of directors, a transitional period until 31 December 2009 was established in order to continue applying the criteria for distinguishing between equity and liabilities in Ministerial Order ECO/3614/2003 of 16 December 2003 enacting accounting rules for cooperatives.

Since so far these adjustments have not been made, *Royal Decree 2003/2009 of 23 December 2009* (BOE of 29 December 2009) amends Royal Decree 1514/2007 of 16 November 2007 enacting the Spanish General Chart of Accounts so as to extend to 31 December 2010 the duration of the criteria for distinguishing between equity and liabilities.

The Royal Decree came into force on 1 January 2010.

85. International financial reporting standards adapted by the EU.

CONTENTS

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

1. IMF Special Data Dissemination Standard (SDDS).

INTEREST RATES AND INDICES OF SPANISH COMPETITIVENESS

1. IMF Special Data Dissemination Standard (SDDS).

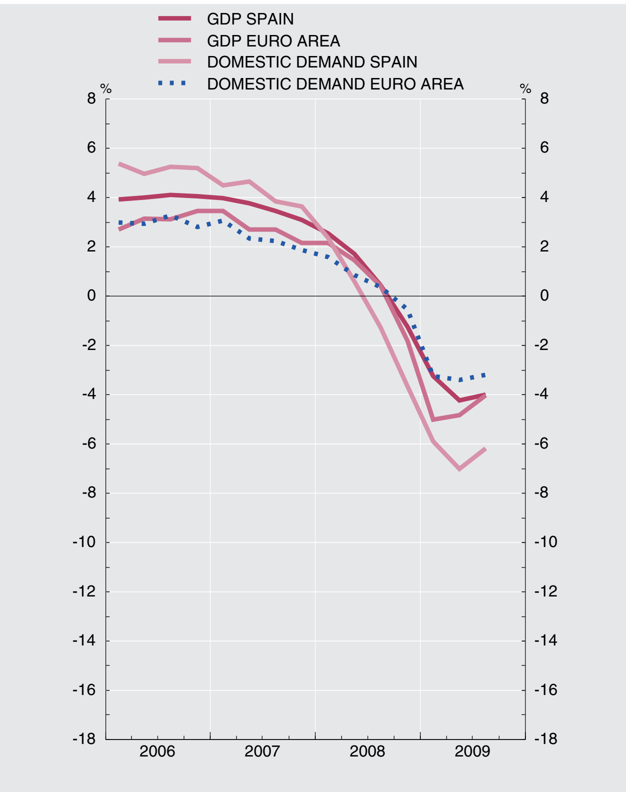
1.1. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES, REFERENCE YEAR 2000=100. DEMAND COMPONENTS. SPAIN AND EURO AREA (a)

■ Series depicted in chart.

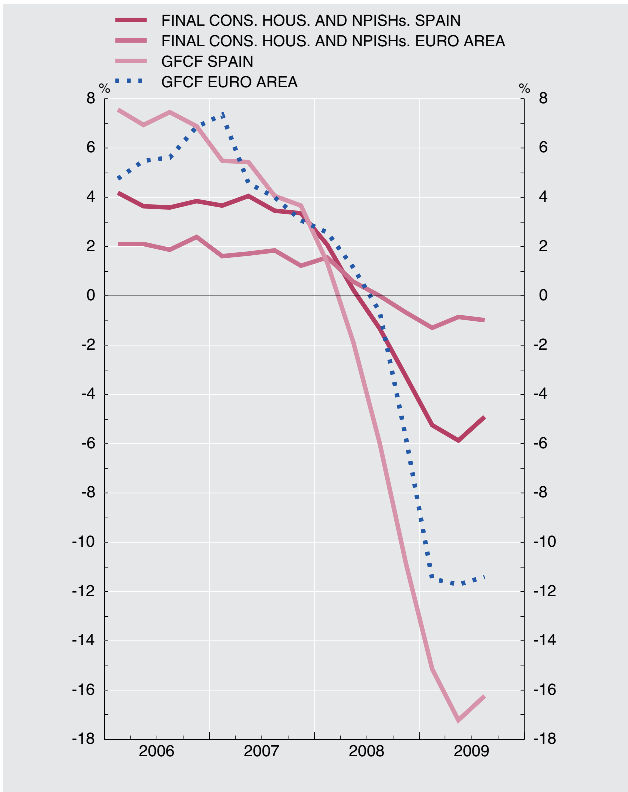
Annual percentage changes

		GDP		Final consumption of households and NPISHs		General government final consumption		Gross fixed capital formation		Domestic demand		Exports of goods and services		Imports of goods and services		Memorandum item: GDPmp (current prices) (g)	
		Spain	Euro area	Spain (b)	Euro area (c)	Spain	Euro area (d)	Spain	Euro area	Spain (e)	Euro area	Spain	Euro area (f)	Spain	Euro area (f)	Spain	Euro area
		1 ■	2 ■	3 ■	4 ■	5	6	7 ■	8 ■	9 ■	10 ■	11	12	13	14	15	16
06	P	4.0	3.1	3.8	2.1	4.6	2.1	7.2	5.7	5.2	3.0	6.7	8.7	10.2	8.7	984	8 559
07	P	3.6	2.8	3.6	1.6	5.5	2.3	4.6	4.7	4.2	2.4	6.6	6.3	8.0	5.5	1 053	9 006
08	P	0.9	0.5	-0.6	0.4	5.4	2.0	-4.4	-0.7	-0.5	0.6	-1.0	0.9	-4.9	0.9	1 089	9 260
06 *Q4*	P	4.0	3.5	3.9	2.4	4.7	2.5	6.9	6.9	5.2	3.5	8.3	9.7	11.4	8.2	253	2 181
07 *Q1*	P	4.0	3.4	3.7	1.6	5.4	2.3	5.5	7.4	4.5	3.4	7.8	7.5	8.8	6.6	257	2 219
Q2	P	3.8	2.7	4.1	1.7	5.9	2.4	5.4	4.6	4.6	2.7	6.3	6.5	8.7	5.7	262	2 241
Q3	P	3.5	2.7	3.5	1.9	5.7	2.4	4.0	4.0	3.8	2.7	8.8	7.2	9.0	6.2	265	2 264
Q4	P	3.1	2.2	3.3	1.2	5.1	2.0	3.7	3.1	3.6	2.2	3.8	4.2	5.5	3.5	269	2 282
08 *Q1*	P	2.5	2.2	2.1	1.6	4.6	1.6	1.3	2.6	2.4	2.2	3.9	5.5	3.1	4.2	272	2 314
Q2	P	1.7	1.4	0.2	0.6	5.1	2.1	-1.9	1.1	0.6	1.4	2.4	3.8	-1.3	2.5	274	2 326
Q3	P	0.4	0.4	-1.3	0.0	5.8	2.1	-6.0	-0.6	-1.3	0.4	-2.9	1.0	-7.6	0.9	273	2 325
Q4	P	-1.2	-1.8	-3.3	-0.7	6.3	2.4	-10.9	-5.8	-3.7	-1.8	-7.1	-6.9	-13.5	-4.0	270	2 295
09 *Q1*	P	-3.2	-5.0	-5.2	-1.3	6.4	2.5	-15.1	-11.5	-5.9	-5.0	-16.9	-16.6	-22.6	-12.8	267	2 240
Q2	P	-4.2	-4.8	-5.9	-0.9	5.2	2.5	-17.2	-11.7	-7.0	-4.8	-15.1	-17.2	-22.0	-14.3	263	2 238
Q3	P	-4.0	-4.0	-4.9	-1.0	4.9	2.5	-16.2	-11.4	-6.2	-4.0	-11.1	-13.5	-17.0	-11.8	261	2 252

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



DEMAND COMPONENTS. SPAIN AND EURO AREA
Annual percentage changes



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

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

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

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

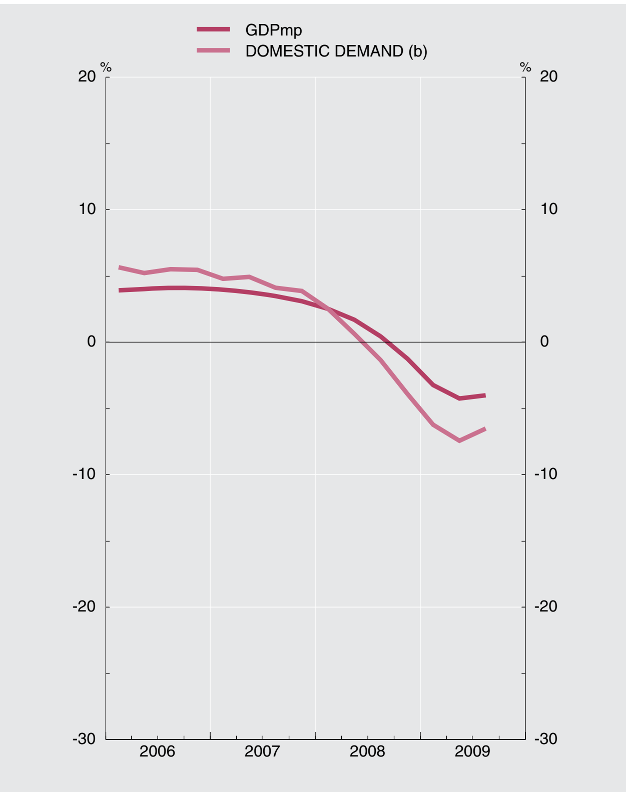
1.2. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES. REFERENCE YEAR 2000=100. DEMAND COMPONENTS. SPAIN: BREAKDOWN (a)

■ Series depicted in chart.

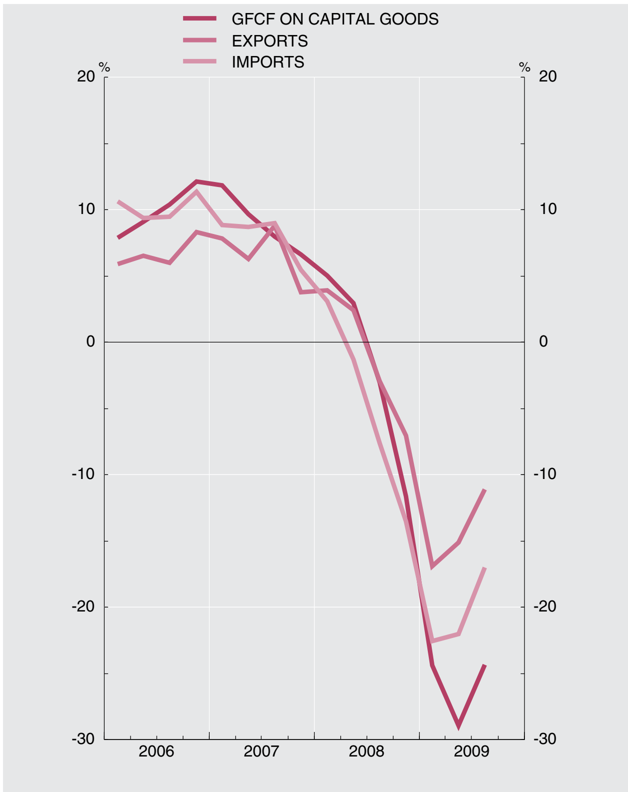
Annual percentage changes

		Gross fixed capital formation: Total	Gross fixed capital formation: Capital goods	Gross fixed capital formation: Construc-tión	Gross fixed capital formation: Other products	Change in Stocks (b)	Exports of goods and services: Total	Exports of goods and services: Goods	Exports of goods and services: Final con-sumption of non-resi-dents in economic territory	Exports of goods and services: Services	Imports of goods and services: Total	Imports of goods and services: Goods	Imports of goods and services: Final consumption of residents in the rest of the world	Imports of goods and services: Services	Memorandum items: Domestic demand (b) (c)	Memorandum items: GDP
		1	2 ■	3	4	5 ■	6	7	8	9	10 ■	11	12	13	14 ■	15 ■
06	P	7.2	9.9	6.0	7.5	0.4	6.7	6.6	1.6	12.3	10.2	10.2	5.9	11.5	5.5	4.0
07	P	4.6	9.0	3.2	3.6	-0.1	6.6	7.4	-0.7	10.7	8.0	7.7	7.2	9.5	4.4	3.6
08	P	-4.4	-1.8	-5.5	-4.3	0.1	-1.0	-1.7	-4.3	4.8	-4.9	-5.6	-6.3	-1.3	-0.5	0.9
06 *Q4*	P	6.9	12.1	5.1	5.6	0.4	8.3	7.3	0.1	21.3	11.4	10.7	7.0	15.7	5.5	4.0
07 *Q1*	P	5.5	11.8	3.7	2.6	0.0	7.8	9.0	1.0	9.9	8.8	9.0	11.4	7.7	4.8	4.0
Q2	P	5.4	9.7	4.1	4.0	-0.1	6.3	7.9	-2.7	8.4	8.7	8.7	8.0	8.7	4.9	3.8
Q3	P	4.0	8.0	2.8	2.9	-0.1	8.8	8.1	-1.2	21.9	9.0	8.0	6.6	14.6	4.1	3.5
Q4	P	3.7	6.6	2.1	5.0	-0.1	3.8	4.7	0.2	3.4	5.5	5.2	3.1	7.3	3.9	3.1
08 *Q1*	P	1.3	5.0	-0.5	2.4	0.1	3.9	3.3	1.0	9.0	3.1	2.7	2.8	5.1	2.5	2.5
Q2	P	-1.9	2.9	-4.1	-1.2	0.2	2.4	1.5	-3.0	11.1	-1.3	-1.2	-3.2	-1.2	0.6	1.7
Q3	P	-6.0	-3.0	-7.2	-6.1	0.2	-2.9	-2.0	-4.9	-4.7	-7.6	-8.6	-11.4	-2.6	-1.4	0.4
Q4	P	-10.9	-11.6	-10.2	-11.8	0.1	-7.1	-9.4	-10.3	4.9	-13.5	-15.1	-13.1	-6.2	-3.9	-1.2
09 *Q1*	P	-15.1	-24.4	-11.3	-14.2	0.1	-16.9	-20.2	-14.4	-6.3	-22.6	-25.0	-19.8	-11.7	-6.2	-3.2
Q2	P	-17.2	-28.9	-11.8	-17.5	-0.0	-15.1	-17.1	-9.5	-12.2	-22.0	-24.1	-12.8	-14.1	-7.4	-4.2
Q3	P	-16.2	-24.3	-11.5	-19.9	-0.0	-11.1	-10.2	-9.5	-15.7	-17.0	-17.6	-12.4	-15.2	-6.5	-4.0

GDP. DOMESTIC DEMAND
Annual percentage changes



GDP. DEMAND COMPONENTS
Annual percentage changes



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

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

b. Contribution to GDPmp growth rate.

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

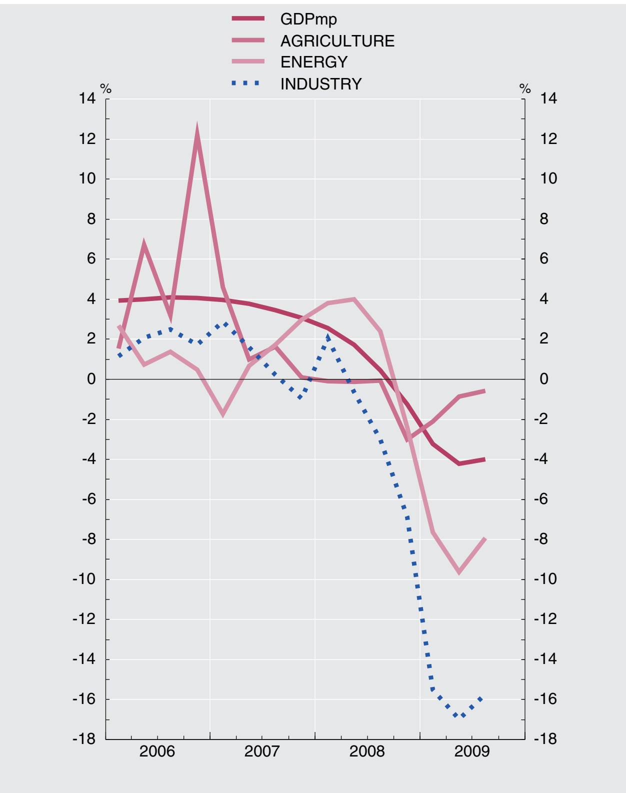
1.3. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES. REFERENCE YEAR 2000=100. BRANCHES OF ACTIVITY. SPAIN (a)

■ Series depicted in chart.

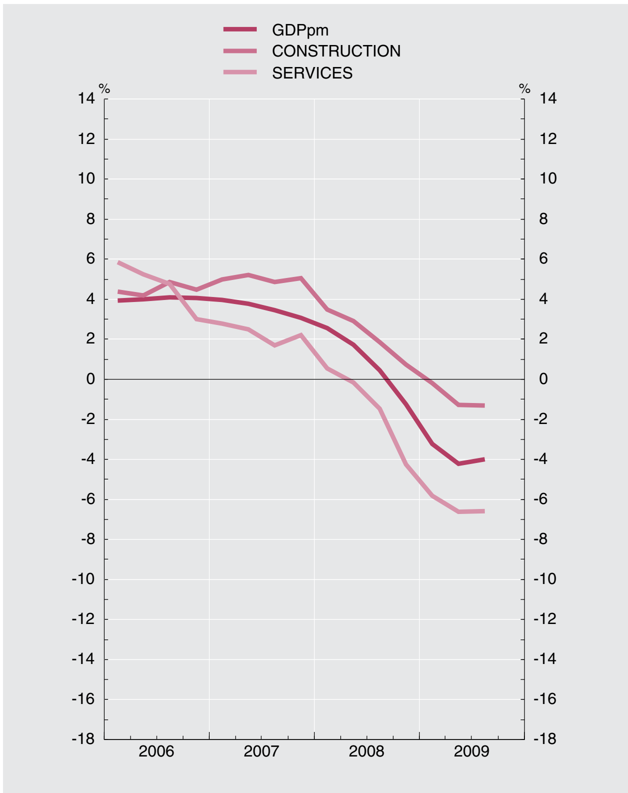
Annual percentage changes

		Gross domestic product at market prices 1 ■	Agriculture and fisheries 2 ■	Energy 3 ■	Industry 4 ■	Construction 5 ■	Services: Total 6 ■	Services: Market services 7	Services: Non-market services 8	VAT on products 9	Net taxes linked to imports 10	Other net taxes on products 11
06	P	4.0	5.8	1.3	1.9	4.7	4.5	4.6	4.0	4.2	6.9	2.8
07	P	3.6	1.8	0.9	0.9	2.3	5.0	5.1	4.8	2.8	3.3	-1.6
08	P	0.9	-0.8	1.9	-2.1	-1.3	2.2	1.6	4.4	-1.4	-1.0	-0.5
06 *Q4*	P	4.0	12.2	0.5	1.7	3.0	4.5	4.5	4.3	3.8	5.5	5.2
07 *Q1*	P	4.0	4.6	-1.7	2.9	2.8	5.0	5.1	4.6	3.5	2.2	-0.2
Q2	P	3.8	1.0	0.7	1.6	2.5	5.2	5.3	4.7	2.9	2.7	-1.4
Q3	P	3.5	1.6	1.7	0.2	1.7	4.9	4.9	4.7	2.9	4.3	1.4
Q4	P	3.1	0.1	3.0	-1.0	2.2	5.0	5.0	5.1	1.9	3.9	-6.0
08 *Q1*	P	2.5	-0.1	3.8	2.1	0.5	3.5	3.2	4.5	0.5	4.6	-0.6
Q2	P	1.7	-0.1	4.0	-0.7	-0.2	2.9	2.3	5.1	-0.4	1.6	-0.5
Q3	P	0.4	-0.1	2.4	-3.0	-1.5	1.8	1.2	4.3	-2.0	-3.9	-1.4
Q4	P	-1.2	-3.0	-2.4	-6.9	-4.3	0.7	-0.1	3.6	-3.5	-6.2	0.4
09 *Q1*	P	-3.2	-2.1	-7.6	-15.5	-5.8	-0.2	-1.0	2.9	-3.7	-9.7	2.1
Q2	P	-4.2	-0.9	-9.6	-17.0	-6.6	-1.3	-2.5	3.2	-4.9	-10.4	1.6
Q3	P	-4.0	-0.6	-7.9	-15.7	-6.6	-1.3	-2.4	2.6	-4.6	-12.8	1.1

GDP. BRANCHES OF ACTIVITY
Annual percentage changes



GDP. BRANCHES OF ACTIVITY
Annual percentage changes



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

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

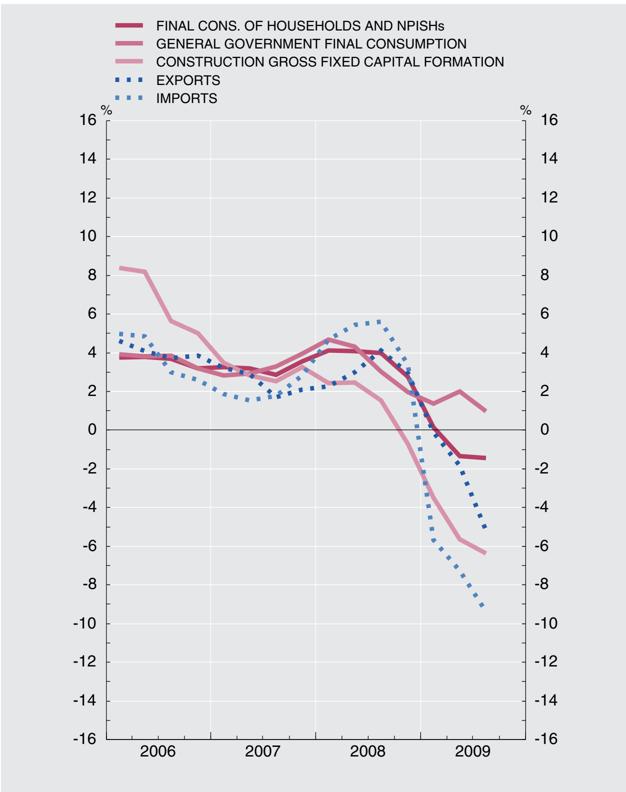
1.4. GROSS DOMESTIC PRODUCT. IMPLICIT DEFLATORS. SPAIN (a)

■ Series depicted in chart.

Annual percentage changes

		Demand components							Gross domestic product at market prices	Branches of activity					
		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 and fisheries	Energy	Industry	Construction	Of which	
				Capital goods	Construction	Other products								Services	Market services
		1 ■	2 ■	3	4 ■	5	6 ■	7 ■	8 ■	9 ■	10 ■	11 ■	12 ■	13	14
06	P	3.6	3.7	2.0	6.7	4.7	4.1	3.8	4.1	-11.1	0.6	4.1	7.7	3.5	3.4
07	P	3.2	3.3	1.6	3.0	3.0	2.5	2.0	3.3	3.7	6.2	3.7	3.2	3.6	3.5
08	P	3.7	3.5	1.8	1.4	1.4	3.0	4.7	2.5	0.1	4.3	5.1	3.1	4.7	4.9
06 *Q4*	P	3.2	3.2	1.5	5.0	4.0	3.8	2.6	3.8	-14.2	-4.1	3.9	4.7	3.3	3.3
07 *Q1*	P	3.3	2.8	1.2	3.5	3.6	3.2	1.9	3.5	-5.5	4.9	3.7	3.5	3.5	3.5
Q2	P	3.2	2.9	1.4	2.8	3.1	2.9	1.5	3.4	0.6	5.0	3.4	2.7	3.3	3.2
Q3	P	2.9	3.3	1.9	2.5	2.8	1.7	1.8	2.9	6.2	5.2	3.4	2.8	3.4	3.2
Q4	P	3.6	3.9	1.9	3.3	2.6	2.1	2.8	3.3	14.0	9.6	4.5	3.8	4.1	4.0
08 *Q1*	P	4.1	4.7	2.5	2.4	1.3	2.3	4.7	3.0	6.8	5.0	5.1	3.6	4.6	4.7
Q2	P	4.1	4.3	2.0	2.5	1.7	3.0	5.4	2.8	7.8	3.5	5.9	3.2	4.8	5.0
Q3	P	4.0	3.0	1.6	1.5	1.8	4.1	5.6	2.6	-5.4	4.1	5.4	4.5	4.9	5.2
Q4	P	2.8	2.0	1.1	-0.7	0.9	2.9	3.4	1.7	-7.5	4.7	4.1	1.2	4.5	4.7
09 *Q1*	P	0.2	1.4	0.2	-3.5	-0.0	-0.1	-5.7	1.4	0.1	4.5	2.7	0.9	4.2	4.6
Q2	P	-1.3	2.0	-0.9	-5.7	-2.7	-1.8	-7.3	0.2	-3.3	3.0	1.4	-0.9	3.6	3.8
Q3	P	-1.4	1.0	-1.7	-6.4	-3.2	-5.2	-9.4	-0.4	-3.4	-1.8	-0.0	-3.1	2.4	2.6

GDP. IMPLICIT DEFLATORS
Annual percentage changes



GDP. IMPLICIT DEFLATORS
Annual percentage changes

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

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

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

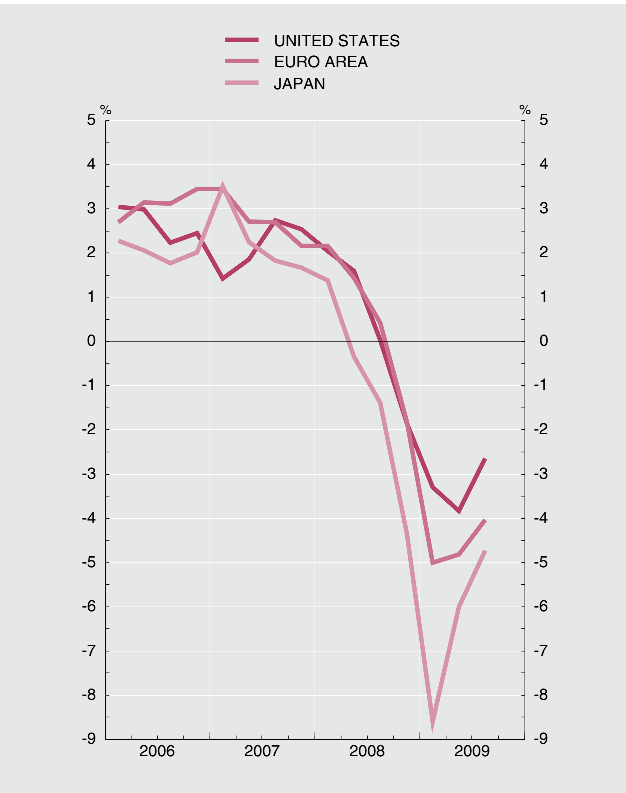
2.1. INTERNATIONAL COMPARISON. GROSS DOMESTIC PRODUCT AT CONSTANT PRICES

■ Series depicted in chart.

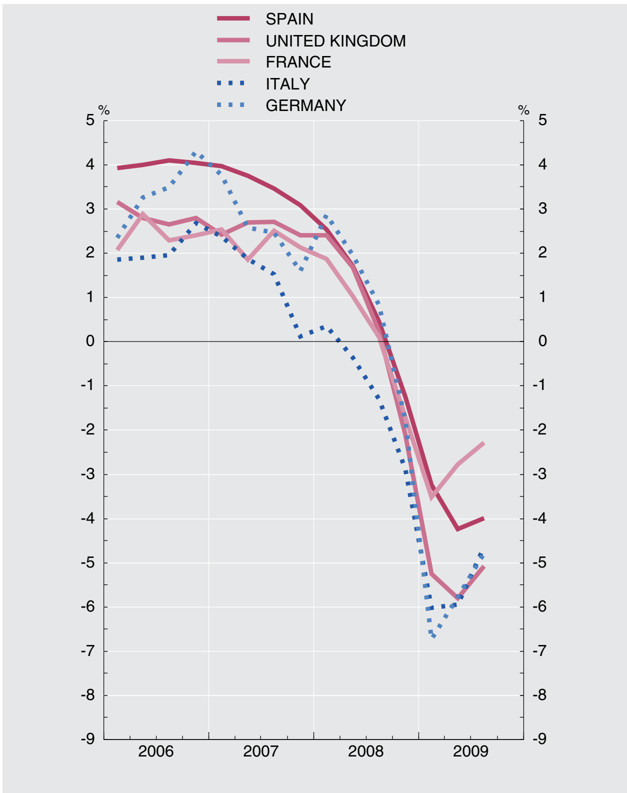
Annual percentage changes

	OECD 1	EU-27 2	Euro area 3 ■	Germany 4 ■	Spain 5 ■	United States 6 ■	France 7 ■	Italy 8 ■	Japan 9 ■	United Kingdom 10 ■
06	3.1	3.3	3.1	3.4	4.0	2.7	2.4	2.1	2.0	2.9
07	2.7	2.9	2.7	2.6	3.6	2.1	2.3	1.5	2.3	2.6
08	0.6	0.7	0.5	1.0	0.9	0.4	0.3	-1.0	-1.2	0.5
06 *Q3*	2.9	3.3	3.1	3.5	4.1	2.2	2.3	2.0	1.8	2.7
Q4	3.0	3.5	3.5	4.3	4.0	2.4	2.4	2.7	2.0	2.8
07 *Q1*	2.8	3.4	3.4	3.8	4.0	1.4	2.5	2.4	3.5	2.4
Q2	2.6	2.8	2.7	2.6	3.8	1.9	1.9	1.9	2.3	2.7
Q3	2.8	2.8	2.7	2.5	3.5	2.7	2.5	1.5	1.8	2.7
Q4	2.7	2.4	2.2	1.6	3.1	2.5	2.1	0.1	1.7	2.4
08 *Q1*	2.4	2.4	2.2	2.9	2.5	2.0	1.9	0.4	1.4	2.4
Q2	1.7	1.7	1.4	2.0	1.7	1.6	1.0	-0.4	-0.3	1.7
Q3	0.4	0.6	0.4	0.8	0.4	0.0	0.1	-1.3	-1.4	0.2
Q4	-2.1	-1.8	-1.8	-1.8	-1.2	-1.9	-1.7	-2.9	-4.4	-2.1
09 *Q1*	-4.8	-4.9	-5.0	-6.7	-3.2	-3.3	-3.5	-6.0	-8.6	-5.2
Q2	-4.6	-5.0	-4.8	-5.8	-4.2	-3.8	-2.8	-5.9	-6.0	-5.8
Q3	...	-4.3	-4.0	-4.8	-4.0	-2.6	-2.3	-4.6	-4.7	-5.1

GROSS DOMESTIC PRODUCT
Annual percentage changes



GROSS DOMESTIC PRODUCT
Annual percentage changes



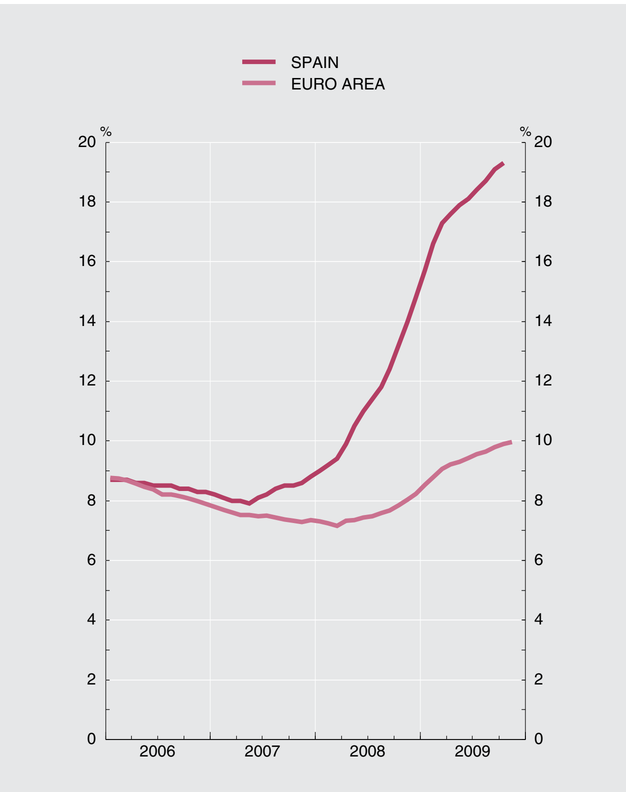
Sources: ECB, INE and OECD.
Note: The underlying series for this indicator are in Table 26.2 of the BE Boletín Estadístico.

2.2. INTERNATIONAL COMPARISON. UNEMPLOYMENT RATES

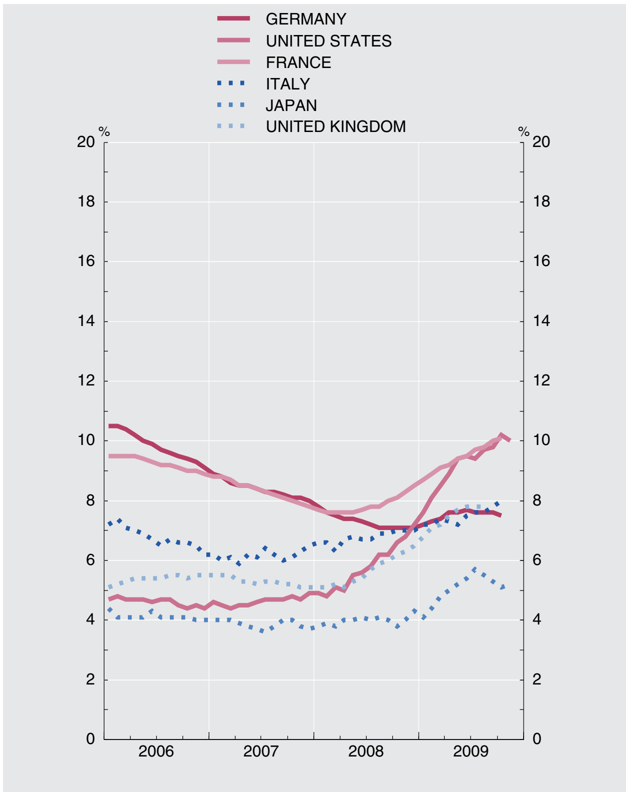
■ Series depicted in chart. *Percentages*

	OECD 1	EU-27 2	Euro area 3 ■	Germany 4 ■	Spain 5 ■	United States 6 ■	France 7 ■	Italy 8 ■	Japan 9 ■	United Kingdom 10 ■
06	6.2	8.2	8.3	9.8	8.5	4.6	9.3	6.8	4.1	5.4
07	5.7	7.1	7.5	8.4	8.3	4.6	8.3	6.2	3.9	5.3
08	6.1	7.0	7.6	7.3	11.4	5.8	7.9	6.8	4.0	5.7
08 *Jun*	6.0	6.9	7.4	7.3	11.0	5.6	7.7	6.7	4.1	5.4
Jul	6.1	7.0	7.5	7.2	11.4	5.8	7.8	6.7	4.0	5.7
Aug	6.3	7.0	7.6	7.1	11.8	6.2	7.8	6.9	4.1	5.9
Sep	6.3	7.1	7.7	7.1	12.4	6.2	8.0	6.9	4.0	6.0
Oct	6.5	7.3	7.8	7.1	13.2	6.6	8.1	7.0	3.8	6.2
Nov	6.7	7.5	8.0	7.1	14.0	6.8	8.3	7.0	4.0	6.3
Dec	6.9	7.6	8.2	7.1	14.8	7.2	8.5	7.0	4.3	6.5
09 *Jan*	7.2	8.0	8.5	7.2	15.7	7.6	8.7	7.2	4.1	6.8
Feb	7.6	8.2	8.8	7.3	16.6	8.1	8.9	7.2	4.4	7.1
Mar	7.9	8.5	9.1	7.4	17.3	8.5	9.1	7.4	4.8	7.2
Apr	8.1	8.7	9.2	7.6	17.6	8.9	9.2	7.3	5.0	7.5
May	8.4	8.8	9.3	7.6	17.9	9.4	9.4	7.2	5.2	7.7
Jun	8.5	8.9	9.4	7.7	18.1	9.5	9.5	7.5	5.4	7.8
Jul	8.5	9.0	9.5	7.6	18.4	9.4	9.7	7.6	5.7	7.8
Aug	8.6	9.1	9.6	7.6	18.7	9.7	9.8	7.6	5.5	7.8
Sep	8.7	9.2	9.8	7.6	19.1	9.8	10.0	7.8	5.3	...
Oct	8.8	9.3	9.9	7.5	19.3	10.2	10.1	8.0	5.1	...
Nov	...	...	10.0	...	...	10.0	...	...	5.2	...

UNEMPLOYMENT RATES



UNEMPLOYMENT RATES



Sources: ECB and OECD.

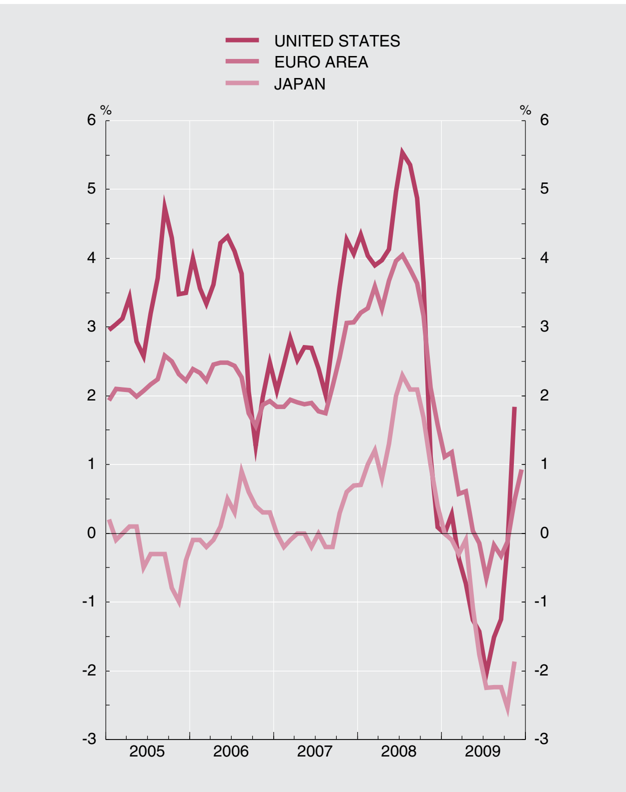
2.3. INTERNATIONAL COMPARISON. CONSUMER PRICES (a)

■ Series depicted in chart.

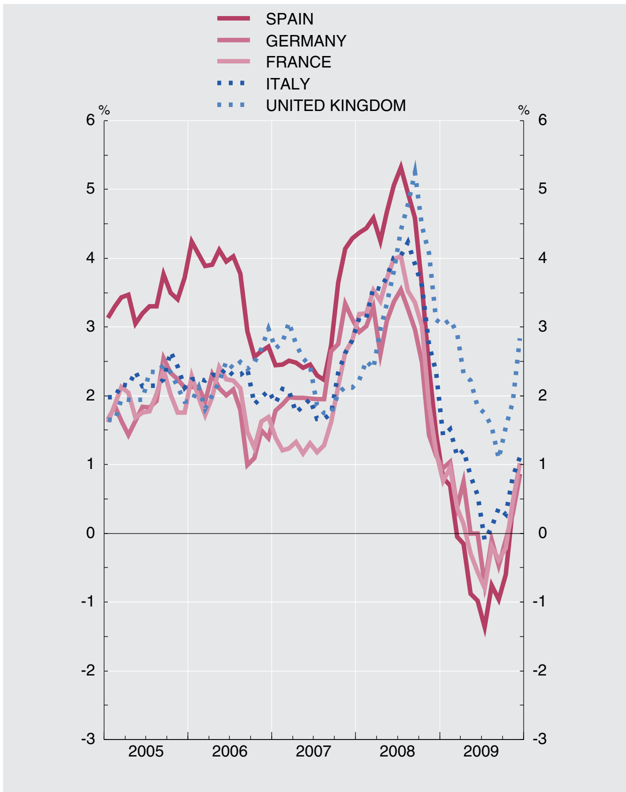
Annual percentage changes

	OECD 1	EU-27 2	Euro area 3 ■	Germany 4 ■	Spain 5 ■	United States 6 ■	France 7 ■	Italy 8 ■	Japan 9 ■	United Kingdom 10 ■
05	2.6	2.3	2.2	1.9	3.4	3.4	1.9	2.2	-0.3	2.1
06	2.6	2.3	2.2	1.8	3.6	3.2	1.9	2.2	0.2	2.3
07	2.5	2.4	2.1	2.3	2.8	2.9	1.6	2.0	0.1	2.3
08	3.7	3.7	3.3	2.8	4.1	3.8	3.2	3.5	1.4	3.6
08 *Jul*	4.8	4.4	4.0	3.5	5.3	5.5	4.0	4.0	2.3	4.4
Aug	4.7	4.3	3.8	3.3	4.9	5.4	3.5	4.2	2.1	4.8
Sep	4.5	4.2	3.6	3.0	4.6	4.9	3.4	3.9	2.1	5.2
Oct	3.7	3.7	3.2	2.5	3.6	3.6	3.0	3.6	1.7	4.5
Nov	2.3	2.8	2.1	1.4	2.4	1.1	1.9	2.7	1.0	4.1
Dec	1.5	2.2	1.6	1.1	1.5	0.1	1.2	2.4	0.4	3.1
09 *Jan*	1.2	1.7	1.1	0.9	0.8	-	0.8	1.4	-	3.0
Feb	1.3	1.8	1.2	1.0	0.7	0.3	1.0	1.5	-0.1	3.1
Mar	0.9	1.4	0.6	0.4	-0.1	-0.4	0.4	1.1	-0.3	2.9
Apr	0.6	1.3	0.6	0.8	-0.2	-0.7	0.1	1.2	-0.1	2.3
May	0.1	0.8	0.0	-	-0.9	-1.3	-0.3	0.8	-1.1	2.2
Jun	-0.2	0.6	-0.1	-	-1.0	-1.4	-0.6	0.6	-1.8	1.8
Jul	-0.5	0.2	-0.7	-0.7	-1.4	-2.0	-0.8	-0.1	-2.2	1.7
Aug	-0.3	0.6	-0.2	-0.1	-0.8	-1.5	-0.2	0.1	-2.2	1.5
Sep	-0.4	0.3	-0.3	-0.5	-1.0	-1.3	-0.4	0.4	-2.2	1.1
Oct	0.3	0.5	-0.1	-0.1	-0.6	-0.2	-0.2	0.3	-2.5	1.5
Nov	1.3	1.0	0.5	0.3	0.4	1.8	0.5	0.8	-1.9	1.9
Dec	...	1.4	0.9	0.8	0.9	...	1.0	1.1	...	2.8

CONSUMER PRICES
Annual percentage changes



CONSUMER PRICES
Annual percentage changes



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

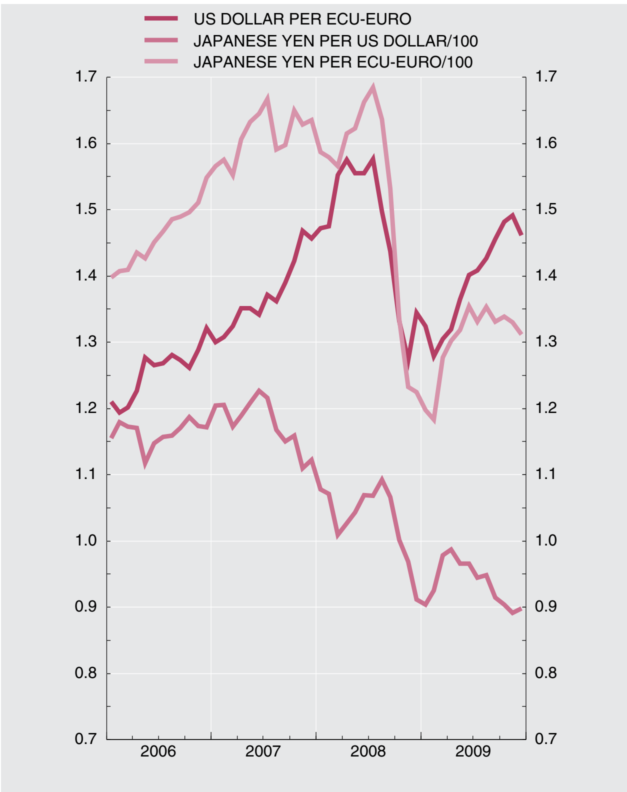
2.4. BILATERAL EXCHANGE RATES AND NOMINAL AND REAL EFFECTIVE EXCHANGE RATE INDICES FOR THE EURO, US DOLLAR AND JAPANESE YEN

■ Series depicted in chart.

Average of daily data

	Exchange rates			Indices of the nominal effective exchange rate vis-à-vis the (a) developed countries 1999 QI=100			Indices of the real effective exchange rate vis-à-vis the developed countries (b) 1999 QI=100					
							Based on consumer prices			Based on producer prices		
	US dollar per ECU/euro	Japanese yen per ECU/euro	Japanese yen per US dollar	Euro	US dollar	Japanese yen	Euro	US dollar	Japanese yen	Euro	US dollar	Japanese yen
	1 ■	2 ■	3 ■	4	5	6	7 ■	8 ■	9 ■	10	11	12
06	1.2561	146.09	116.32	102.7	86.7	93.6	103.7	94.8	76.5	101.9	97.5	74.4
07	1.3710	161.26	117.74	106.4	82.2	88.7	106.8	90.9	70.8	105.2	93.9	69.1
08	1.4707	152.31	103.36	110.6	78.2	99.5	110.1	87.5	77.7	107.4	91.8	75.8
08 *J-D*	1.4707	152.31	103.36	110.6	78.2	99.5	110.1	87.5	77.7	107.4	91.8	75.8
09 *J-D*	1.3940	130.30	93.57	111.7	80.7	113.5	110.6	90.5	87.4	105.9	94.2	86.2
08 *Oct*	1.3322	133.52	100.11	105.8	83.6	107.8	105.2	93.5	84.4	102.0	97.8	82.3
Nov	1.2732	123.28	96.82	105.0	86.0	114.2	104.5	94.9	89.6	101.2	98.5	88.5
Dec	1.3449	122.51	91.16	110.2	83.9	119.3	109.7	92.0	93.9	106.0	94.8	93.5
09 *Jan*	1.3239	119.73	90.42	109.8	84.1	121.1	109.2	93.1	94.9	105.0	96.2	93.1
Feb	1.2785	118.30	92.54	108.7	86.2	120.1	108.0	95.5	93.3	103.6	98.0	92.7
Mar	1.3050	127.65	97.84	111.1	87.1	112.9	110.3	96.5	87.7	105.6	98.6	87.5
Apr	1.3190	130.25	98.74	110.3	85.8	110.8	109.5	95.2	85.9	104.7	98.2	84.8
May	1.3650	131.85	96.61	110.8	82.3	110.8	109.9	91.3	85.6	105.3	95.4	84.4
Jun	1.4016	135.39	96.60	112.0	80.5	109.1	111.1	89.9	83.7	106.2	94.4	82.1
Jul	1.4088	133.09	94.47	111.6	79.9	111.4	110.5	89.5	85.4	105.8	93.1	84.7
Aug	1.4268	135.31	94.84	111.7	78.6	109.9	110.6	88.0	84.3	106.0	92.5	82.9
Sep	1.4562	133.14	91.44	112.9	77.3	113.1	111.6	86.6	86.7	106.8	90.7	85.6
Oct	1.4816	133.91	90.38	114.3	76.0	113.5	112.8	85.3	86.6	108.0	89.4	85.4
Nov	1.4914	132.97	89.16	114.0	75.5	114.6	112.5	84.7	87.1	107.4	89.5	85.8
Dec	1.4614	131.21	89.81	113.0	76.2	114.8	111.4	...	...	106.1	...	...

EXCHANGE RATES



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

Sources: ECB and BE.

a. Geometric mean -calculated using a double weighting system based on 1995-97 (until 1999) and 1999-2001 (since 1999) manufacturing trade of changes in the spot price of each currency against the currencies of the other developed countries. A fall in the index denotes a depreciation of the currency against those of the other developed countries.

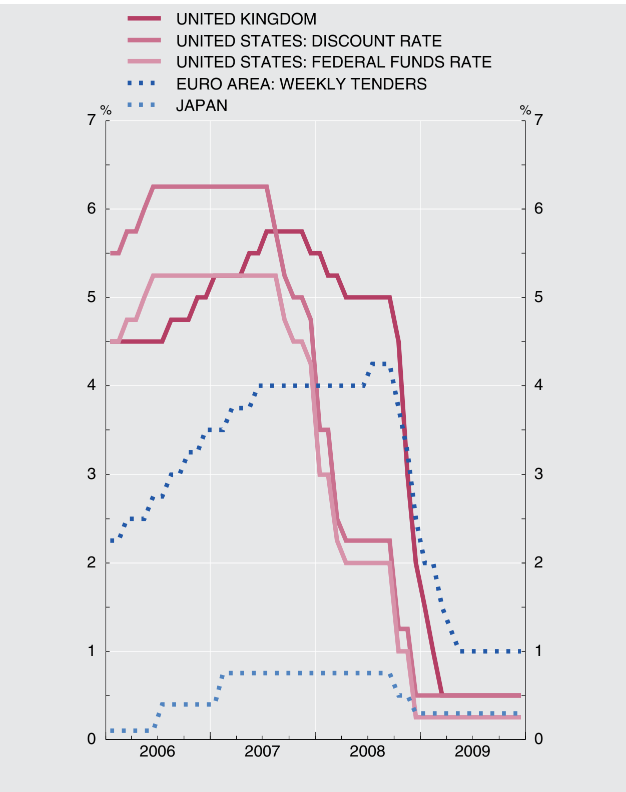
b. Obtained by multiplying the relative prices of each area/country (relation betwen its price index and the price index of the group) by the nominal effective exchange rate. A decline in the index denotes a depreciation of the real effective exchange rate and, may be interpreted as an improvement in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

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

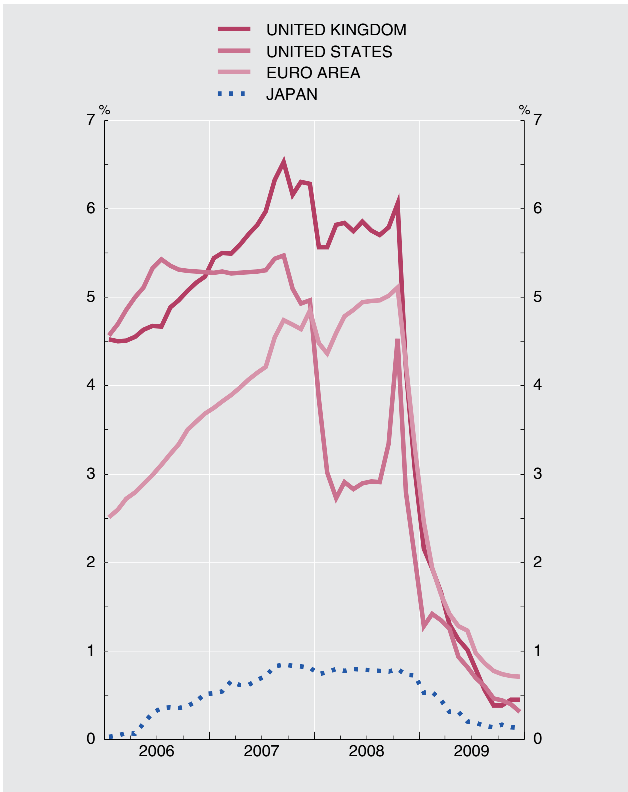
■ Series depicted in chart. *Percentages*

	Official intervention interest rates: Euro area (a)	Official intervention interest rates: United States: Discount rate (b)	Official intervention interest rates: United States: Federal funds rate	Official intervention interest rates: Japan (c)	Official intervention interest rates: United Kingdom (d)	3-month interbank rates: OECD	3-month interbank rates: EU-15	3-month interbank rates: Euro area	3-month interbank rates: Germany	3-month interbank rates: Spain	3-month interbank rates: United States	3-month interbank rates: France	3-month interbank rates: Italy	3-month interbank rates: Japan	3-month interbank rates: United Kingdom
	1 ■	2 ■	3 ■	4 ■	5 ■	6	7	8 ■	9	10	11 ■	12	13	14 ■	15 ■
06	3.50	6.25	5.02	0.40	5.00	3.61	3.32	3.08	-	-	5.13	-	-	0.26	4.78
07	4.00	4.75	5.00	0.75	5.50	4.23	4.51	4.28	-	-	5.24	-	-	0.71	5.93
08	2.50	0.50	1.87	0.30	2.00	3.45	4.75	4.63	-	-	3.07	-	-	0.77	5.41
08 *Jul*	4.25	2.25	2.00	0.75	5.00	3.53	5.08	4.96	-	-	2.92	-	-	0.78	5.76
Aug	4.25	2.25	2.00	0.75	5.00	3.52	5.07	4.97	-	-	2.91	-	-	0.77	5.70
Sep	4.25	2.25	2.00	0.75	5.00	3.72	5.13	5.02	-	-	3.35	-	-	0.77	5.79
Oct	3.75	1.25	1.00	0.50	4.50	4.23	5.25	5.11	-	-	4.53	-	-	0.80	6.06
Nov	3.25	1.25	1.00	0.50	3.00	3.08	4.23	4.24	-	-	2.80	-	-	0.73	4.18
Dec	2.50	0.50	0.25	0.30	2.00	2.35	3.26	3.29	-	-	2.05	-	-	0.72	3.04
09 *Jan*	2.00	0.50	0.25	0.30	1.50	1.66	2.41	2.46	-	-	1.28	-	-	0.53	2.15
Feb	2.00	0.50	0.25	0.30	1.00	1.53	1.95	1.94	-	-	1.42	-	-	0.54	1.94
Mar	1.50	0.50	0.25	0.30	0.50	1.35	1.63	1.64	-	-	1.34	-	-	0.44	1.65
Apr	1.25	0.50	0.25	0.30	0.50	1.19	1.40	1.42	-	-	1.25	-	-	0.31	1.30
May	1.00	0.50	0.25	0.30	0.50	0.99	1.26	1.28	-	-	0.94	-	-	0.31	1.13
Jun	1.00	0.50	0.25	0.30	0.50	0.90	1.19	1.23	-	-	0.82	-	-	0.21	1.01
Jul	1.00	0.50	0.25	0.30	0.50	0.75	0.94	0.98	-	-	0.70	-	-	0.18	0.80
Aug	1.00	0.50	0.25	0.30	0.50	0.66	0.81	0.86	-	-	0.60	-	-	0.15	0.55
Sep	1.00	0.50	0.25	0.30	0.50	0.56	0.71	0.77	-	-	0.46	-	-	0.14	0.39
Oct	1.00	0.50	0.25	0.30	0.50	0.56	0.68	0.74	-	-	0.44	-	-	0.16	0.38
Nov	1.00	0.50	0.25	0.30	0.50	0.53	0.67	0.72	-	-	0.40	-	-	0.14	0.45
Dec	1.00	0.50	0.25	0.30	0.50	0.50	0.67	0.71	-	-	0.31	-	-	0.13	0.45

OFFICIAL INTERVENTION INTEREST RATES



3-MONTH INTERBANK RATES



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

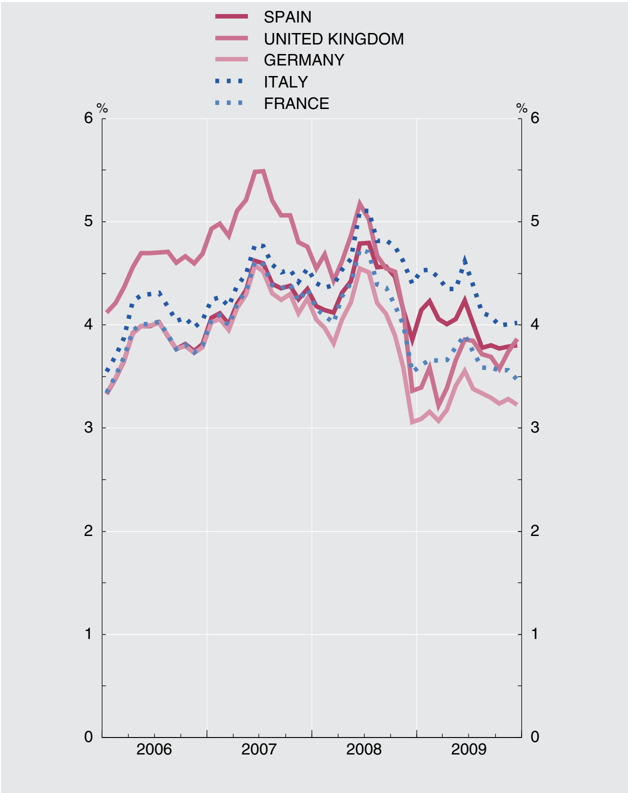
2.6. 10-YEAR GOVERNMENT BOND YIELDS ON DOMESTIC MARKETS

■ Series depicted in chart. *Percentages*

	OECD 1	EU-15 2	Euro area 3 ■	Germany 4 ■	Spain 5 ■	United States 6 ■	France 7 ■	Italy 8 ■	Japan 9 ■	United Kingdom 10 ■
06	3.99	3.95	3.86	3.78	3.79	4.85	3.80	4.05	1.75	4.55
07	4.12	4.44	4.33	4.23	4.31	4.68	4.30	4.48	1.68	5.08
08	3.63	4.33	4.36	4.00	4.36	3.69	4.24	4.66	1.49	4.55
08 *Jul*	3.98	4.79	4.81	4.51	4.80	4.03	4.70	5.10	1.61	5.02
Aug	3.79	4.49	4.50	4.22	4.56	3.92	4.39	4.82	1.46	4.67
Sep	3.67	4.43	4.50	4.11	4.57	3.71	4.36	4.82	1.49	4.54
Oct	3.66	4.31	4.46	3.90	4.47	3.80	4.19	4.76	1.51	4.52
Nov	3.46	4.06	4.20	3.59	4.15	3.58	4.00	4.61	1.47	4.14
Dec	2.77	3.61	3.89	3.06	3.86	2.44	3.54	4.40	1.31	3.36
09 *Jan*	2.81	3.72	4.11	3.09	4.15	2.48	3.61	4.53	1.25	3.39
Feb	3.01	3.81	4.20	3.16	4.23	2.86	3.66	4.53	1.29	3.59
Mar	2.97	3.70	4.15	3.07	4.06	2.85	3.65	4.46	1.31	3.22
Apr	3.03	3.72	4.09	3.18	4.01	2.90	3.66	4.35	1.44	3.38
May	3.26	3.85	4.14	3.41	4.05	3.30	3.79	4.35	1.45	3.66
Jun	3.52	4.02	4.32	3.56	4.24	3.74	3.90	4.62	1.47	3.86
Jul	3.36	3.85	4.09	3.38	4.01	3.58	3.74	4.38	1.35	3.85
Aug	3.32	3.69	3.89	3.34	3.78	3.61	3.59	4.12	1.38	3.72
Sep	3.23	3.67	3.86	3.30	3.80	3.44	3.59	4.08	1.32	3.69
Oct	3.20	3.61	3.80	3.24	3.77	3.40	3.56	3.99	1.33	3.57
Nov	3.23	3.65	3.83	3.28	3.79	3.42	3.56	4.01	1.36	3.74
Dec	3.28	3.65	3.88	3.23	3.80	3.59	3.47	4.02	1.27	3.86

10-YEAR GOVERNMENT BOND YIELDS

10-YEAR GOVERNMENT BOND YIELDS



Sources: ECB, Reuters and BE.

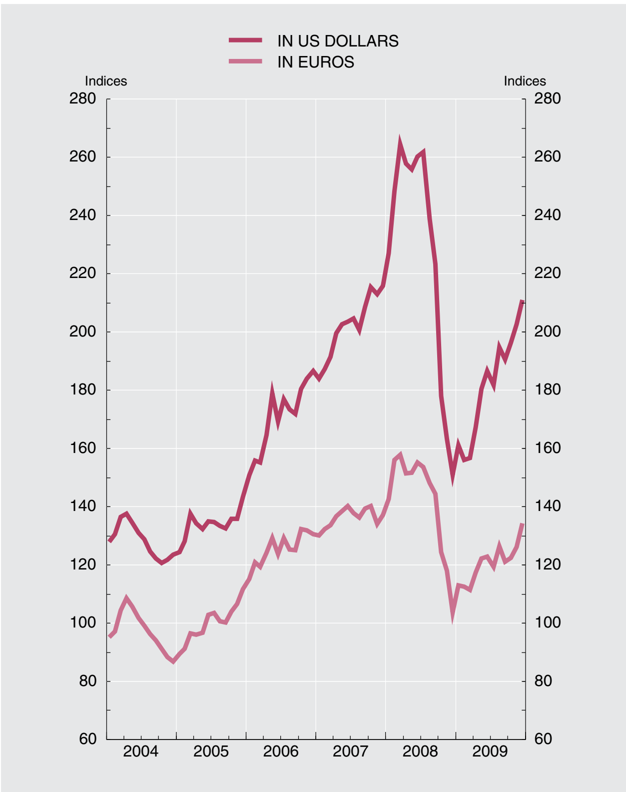
2.7 INTERNATIONAL MARKETS. NON-ENERGY COMMODITIES PRICE INDEX. CRUDE OIL AND GOLD PRICE.

■ Series depicted in chart.

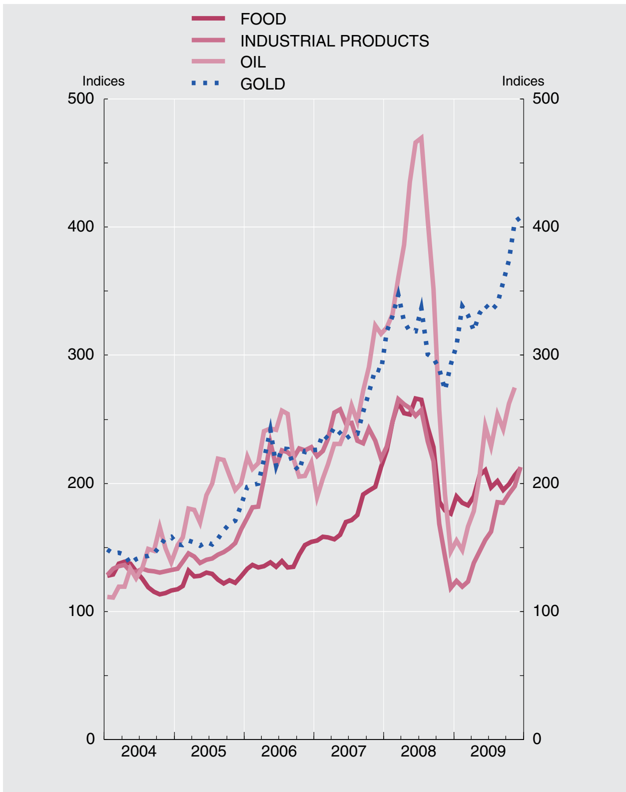
Base 2000 = 100

	Non-energy commodity price index (a)						Oil		Gold		
	Euro index	US dollar index					Index (b)	Brent North sea	Index (c)	US dollars per troy ounce	Euro per gram
	General	General	Food	Industrial products				US dollars per barrel			
				Total	Non-food agricul-tural products	Metals					
	1 ■	2 ■	3 ■	4 ■	5	6	7 ■	8	9 ■	10	11
04	97.4	128.3	125.5	132.2	131.5	130.7	133.8	38.3	146.7	409.2	10.58
05	100.0	134.0	125.5	144.8	131.2	152.1	189.2	54.2	159.5	445.1	11.53
06	125.6	170.8	139.3	211.6	147.3	246.4	227.8	64.9	216.7	604.6	15.45
07	136.4	202.3	175.1	237.4	162.4	278.4	252.1	73.0	249.8	696.7	16.32
08	142.2	227.4	232.4	221.0	176.0	245.5	343.7	97.2	312.5	871.7	19.07
08 *J-D*	142.2	227.4	232.4	221.0	176.0	245.5	343.7	97.2	312.5	871.7	19.07
09 *J-D*	120.8	182.3	198.0	162.2	136.0	176.4	...	61.7	348.9	973.3	22.42
08 *Nov*	118.1	163.2	178.9	143.0	127.5	151.4	191.4	52.7	272.7	760.9	19.20
Dec	103.6	151.0	176.1	118.6	108.7	124.0	147.1	40.5	292.5	816.1	19.54
09 *Jan*	113.0	161.1	190.0	123.8	114.9	128.0	155.5	42.9	307.8	858.7	20.85
Feb	112.6	156.2	184.8	119.2	111.2	123.2	147.9	43.3	338.1	943.2	23.72
Mar	111.3	156.8	182.7	123.3	108.2	131.5	166.3	46.8	331.3	924.3	22.78
Apr	117.4	167.3	189.9	138.0	120.0	147.8	178.1	50.2	319.1	890.2	21.70
May	122.3	180.5	206.4	147.1	128.7	157.1	205.8	57.5	332.9	928.6	21.87
Jun	122.9	186.7	210.4	155.9	128.4	170.9	244.8	68.8	339.0	945.7	21.71
Jul	119.3	181.8	196.6	162.6	132.5	179.0	229.0	64.7	334.9	934.2	21.33
Aug	126.4	194.7	202.0	185.1	144.0	207.6	253.7	73.0	340.3	949.4	21.41
Sep	121.2	190.7	195.0	185.0	145.8	206.5	242.2	67.7	357.2	996.6	22.01
Oct	122.4	196.3	199.6	192.1	153.5	213.2	262.4	73.2	373.9	1 043.2	22.62
Nov	126.1	202.6	206.2	198.1	165.5	215.8	274.7	76.9	404.0	1 127.0	24.28
Dec	134.4	210.9	211.6	212.6	177.2	231.9	...	74.4	407.7	1 137.3	24.90

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.

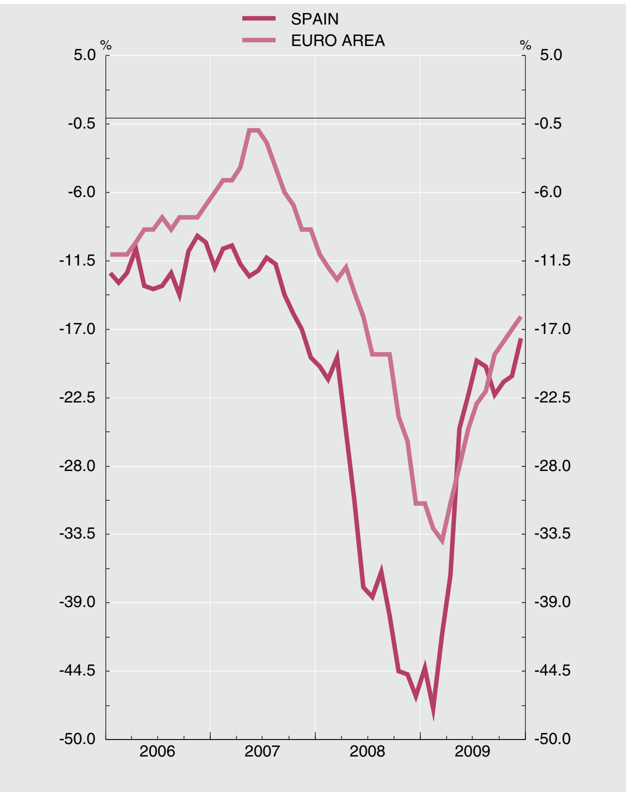
3.1 INDICATORS OF PRIVATE CONSUMPTION. SPAIN AND EURO AREA

■ Series depicted in chart.

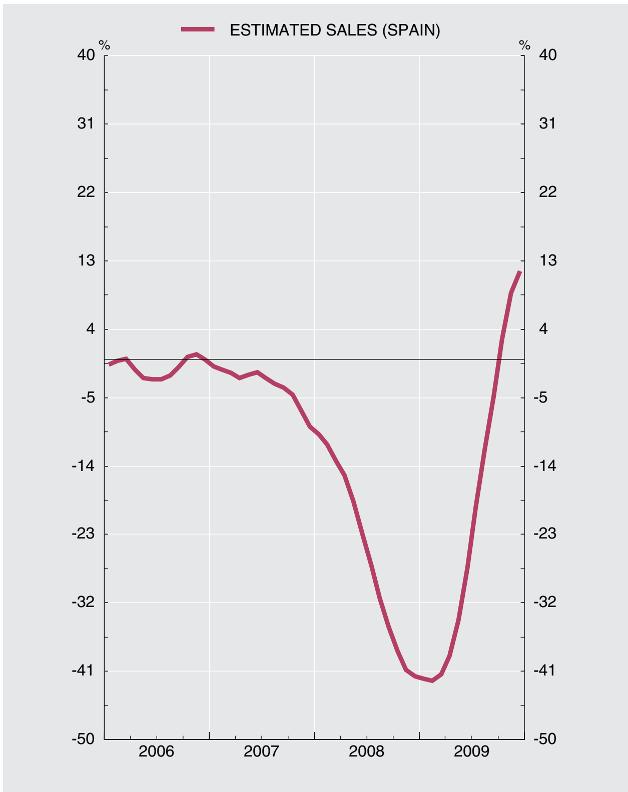
Annual percentage changes

		Opinion surveys (net percentages)						New car registrations and sales				Retail trade indices. (2005=100). (Deflated indices)							
		Consumers			Retail trade confidence index	Memorandum item: euro area			of which		Memorandum item: euro area	General retail trade index	General index without petrol stations						
		Confidence index	General economic situation: anticipated trend	Household economic situation: anticipated trend		Consumer confidence index	Retail trade confidence index	Registrations	Private use	Estimated sales	Registrations		Total	of which: Food	Large retail outlets	Large chain stores	Small chain stores	Single-outlet retailers	Memorandum item: euro area (a)
		1 ■	2	3	4	5 ■	6	7	8	9 ■	10	11	12	13	14	15	16	17	18
06		-12	-12	-3	-9	-9	1	-1.0	-0.8	-0.9	2.5	1.9	1.8	0.9	...	...	1.2	-0.8	2.4
07		-13	-12	-4	-13	-5	1	-1.6	-2.2	-1.2	-0.4	2.9	2.5	1.3	1.9	6.4	3.4	0.7	1.9
08	P	-34	-33	-21	-27	-18	-7	-27.4	-30.0	-28.1	-6.7	-5.2	-6.1	-2.3	-5.6	0.7	-9.0	-8.4	-0.8
08 *J-D*	P	-34	-33	-21	-27	-18	-7	-27.4	-30.0	-28.1	-6.7	-5.2	-6.1	-2.3	-5.6	0.7	-9.0	-8.4	-0.8
09 *J-D*	P	-28	-26	-13	-24	-25	-15	-18.1	-10.7	-17.9	4.9	...	...	...	...	...	...	...	...
09 *Jan*	P	-44	-43	-25	-29	-31	-20	-42.2	-39.2	-41.6	-29.4	-6.3	-5.0	-2.1	0.4	2.7	-10.4	-9.0	-1.8
Feb	P	-48	-48	-30	-29	-33	-19	-49.3	-41.2	-48.8	-19.0	-11.7	-10.8	-8.9	-11.8	-7.2	-12.5	-10.9	-4.0
Mar	P	-42	-47	-22	-27	-34	-17	-39.0	-30.3	-38.7	11.9	-7.6	-6.1	-6.0	-10.7	-3.6	-6.3	-4.5	-2.3
Apr	P	-37	-42	-18	-29	-31	-20	-46.0	-42.5	-45.6	-11.2	-8.6	-6.8	-3.1	-5.1	-0.2	-10.0	-8.7	-1.3
May	P	-25	-23	-12	-22	-28	-14	-38.8	-33.0	-38.7	0.0	-8.2	-6.6	-6.4	-7.7	-2.6	-8.0	-6.3	-2.8
Jun	P	-22	-23	-10	-22	-25	-17	-15.7	-7.9	-15.9	11.6	-2.6	-0.8	-1.2	1.4	4.8	-1.7	-4.2	-1.7
Jul	P	-20	-16	-8	-22	-23	-13	-10.7	-1.3	-10.9	6.8	-4.4	-2.6	-2.9	-3.1	2.1	-5.3	-4.3	-1.2
Aug	P	-20	-15	-8	-23	-22	-14	-0.6	1.7	-0.0	14.5	-4.1	-3.1	-4.5	-4.5	-0.5	-4.8	-6.6	-1.8
Sep	P	-22	-16	-8	-22	-19	-15	17.8	20.6	18.0	9.6	-3.4	-2.3	-2.5	-3.3	0.4	-1.2	-2.9	-2.5
Oct	P	-21	-15	-7	-21	-18	-15	26.4	28.6	26.7	10.8	-4.0	-3.1	-1.7	-2.7	0.8	-4.4	-4.2	-0.5
Nov	P	-21	-14	-7	-22	-17	-11	37.5	37.3	37.3	33.6	-4.3	-3.8	-2.4	-7.6	-0.3	-2.8	-4.1	-3.3
Dec	P	-18	-12	-4	-24	-16	-10	26.6	30.4	25.1	19.3	...	...	...	...	...	...	...	...

CONSUMER CONFIDENCE INDEX



CAR SALES
Trend obtained with TRAMO-SEATS



Sources: European Commission, European Economy, Supplement B, INE, Dirección General de Tráfico, Asociación Nacional de Fabricantes de Automóviles y Camiones and ECB.
a. Data adjusted by working days.

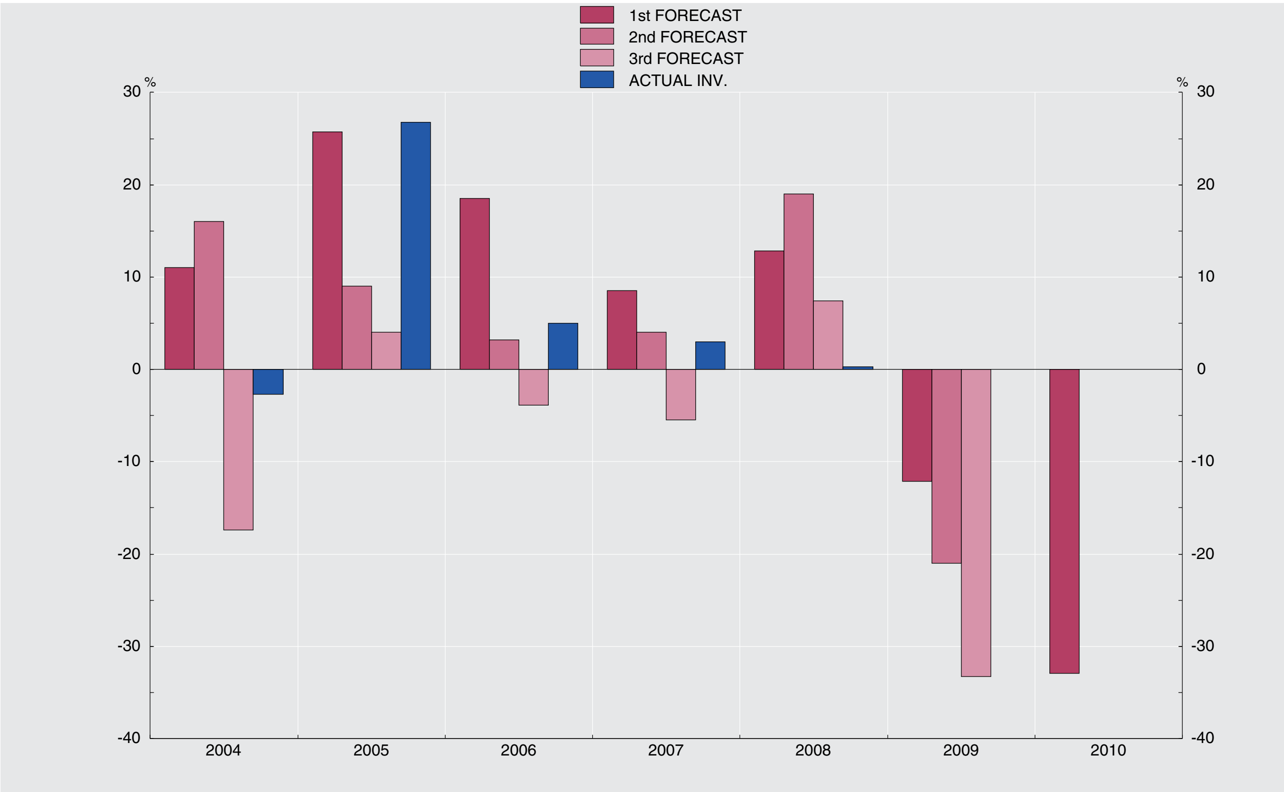
3.2. INVESTMENT IN INDUSTRY (EXCLUDING CONSTRUCTION): OPINION SURVEYS. SPAIN

■ Series depicted in chart.

Annual percentage changes at current prices

	ACTUAL INV. 1 ■	1st FORECAST 2 ■	2nd FORECAST 3 ■	3rd FORECAST 4 ■
04	-3	11	16	-17
05	27	26	9	4
06	5	19	3	-4
07	3	9	4	-6
08	0	13	19	7
09	...	-12	-21	-33
10	...	-33	...	...

INVESTMENT IN INDUSTRY
Annual rates of change



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

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

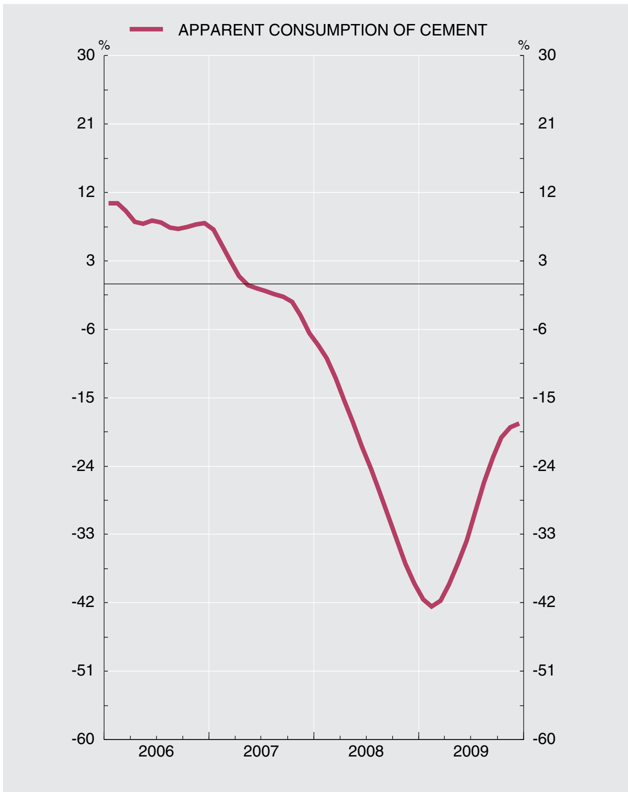
■ Series depicted in chart.

Annual percentage changes

		Permits: buildable floorage				Approvals: buildable floorage		Government tenders (budget)							Apparent consumption of cement
		Total	of which		Non-residential	Total	of which	Total		Building				Civil engineering	
			Residential	Housing			Housing	For the month	Year to date	Total	Residential	of which Housing	Non-residential		
		1 ■	2	3	4	5 ■	6	7 ■	8	9	10	11	12	13	14 ■
06		22.0	20.1	20.4	31.9	14.2	16.5	31.3	31.3	26.8	61.7	57.0	15.8	33.3	8.5
07		-10.9	-13.1	-13.3	-0.5	-22.3	-25.2	-15.0	-15.0	-17.7	-46.5	-33.3	-5.0	-13.9	0.2
08	P	-48.5	-53.1	-53.8	-29.8	-52.1	-56.6	3.0	3.0	-7.5	8.5	13.4	-11.5	7.3	-23.8
08 *J-D*	P	-48.5	-53.1	-53.8	-29.8	-52.1	-56.6	3.0	3.0	-7.5	8.5	13.4	-11.5	7.3	-23.8
09 *J-D*	P	...	...	...	...	...	...	...	...	...	...	...	...	...	-32.9
08 *Sep*	P	-49.4	-50.3	-50.0	-47.4	-50.7	-57.5	41.3	0.0	17.5	30.7	230.2	13.9	50.9	-24.6
Oct	P	-53.5	-59.2	-59.9	-28.2	-56.8	-62.1	-12.4	-1.2	-35.4	-53.2	29.0	-29.8	-3.7	-34.1
Nov	P	-58.0	-61.7	-62.7	-44.9	-57.9	-63.6	29.5	1.0	45.7	227.9	377.2	4.7	22.8	-41.1
Dec	P	-41.3	-41.8	-42.4	-40.4	-44.5	-46.3	22.0	3.0	-14.8	-18.2	-44.3	-13.8	33.8	-39.6
09 *Jan*	P	-61.6	-63.1	-63.4	-56.9	-62.9	-63.5	-20.9	-20.9	-30.2	21.7	-60.9	-41.0	-15.1	-55.4
Feb	P	-44.7	-54.1	-52.3	-16.4	-63.4	-65.3	57.3	13.7	87.1	28.1	30.0	100.8	47.3	-46.9
Mar	P	-56.7	-63.1	-62.0	-35.4	-47.7	-57.4	-27.0	-5.3	49.4	7.5	8.5	59.7	-40.4	-35.3
Apr	P	-45.8	-48.5	-46.8	-37.3	-62.6	-66.8	-49.1	-17.5	-55.8	-39.2	-21.7	-60.2	-45.4	-45.3
May	P	-42.3	-43.9	-43.5	-38.3	-49.0	-55.6	46.0	-13.0	147.9	139.5	-6.0	151.1	25.1	-39.1
Jun	P	-22.2	-42.9	-44.1	38.1	-52.8	-57.5	92.1	-6.4	87.4	-14.1	49.0	138.6	94.8	-20.6
Jul	P	-47.8	-49.1	-51.0	-44.6	-45.9	-51.0	-0.0	-5.5	41.6	358.7	255.2	-0.1	-11.4	-32.3
Aug	P	...	...	...	...	-52.7	-54.6	8.2	-4.3	-13.8	-33.6	-51.3	-4.3	22.6	-21.2
Sep	P	...	...	...	...	-46.8	-52.5	-12.8	-4.9	-7.3	-44.8	-68.0	4.5	-14.5	-23.9
Oct	P	...	...	...	...	-42.4	-45.6	-33.4	-7.4	-7.5	-12.8	-24.1	-6.5	-39.9	-21.1
Nov	P	...	...	...	...	...	...	...	...	...	...	...	...	...	-9.3
Dec	P	...	...	...	...	...	...	...	...	...	...	...	...	...	-20.0

CONSTRUCTION
Trend obtained with TRAMO-SEATS

CONSTRUCTION
Trend obtained with TRAMO-SEATS



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

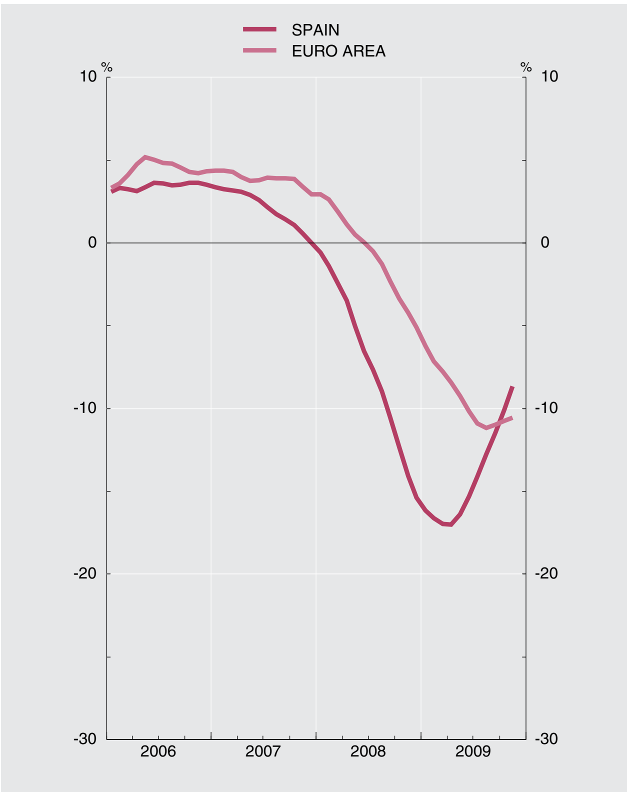
3.4. INDUSTRIAL PRODUCTION INDEX. SPAIN AND EURO AREA (a)

■ Series depicted in chart.

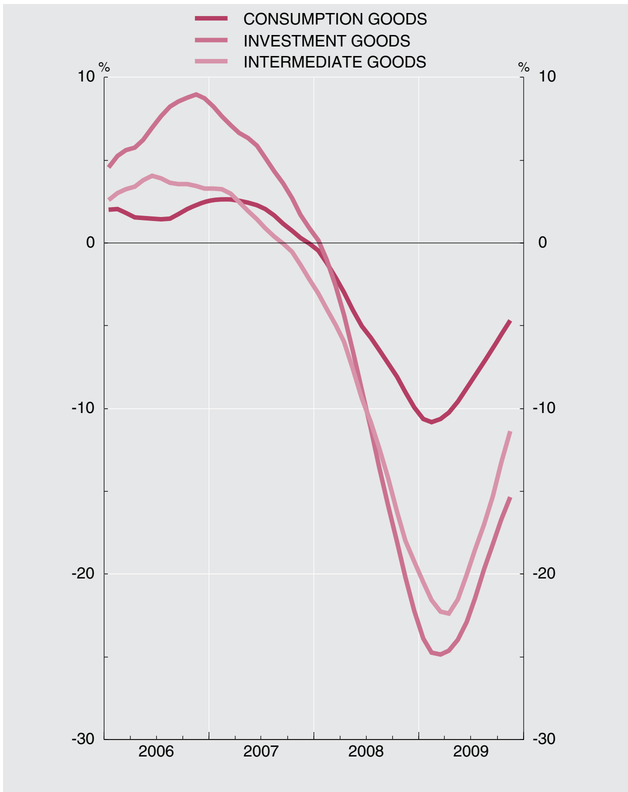
Annual percentage changes

		Overall Index		By end-use of goods				By branch of activity (NACE 2009)			Memorandum item: euro area				
		Total		Consumer goods	Capital goods	Inter-mediate goods	Energy	Mining and quarrying	Manufac-turing	Electrity and gas supply	Total	of which	By end-use of goods		
		Original series	12-month %change 12									Manufac-turing	Consumer goods	Capital goods	Inter-mediate goods
		1	2 ■	3 ■	4 ■	5 ■	6	7	8	9	10 ■	11	12	13	14
06	M P	103.7	3.7	2.1	7.7	3.6	0.9	2.9	4.0	0.6	4.2	4.4	3.0	6.0	4.9
07	M P	106.2	2.4	2.2	5.0	1.6	0.8	0.9	2.5	2.0	3.7	4.1	2.4	6.7	3.7
08	M P	98.6	-7.1	-4.6	-8.7	-11.0	1.6	-13.7	-7.8	1.1	-1.7	-2.0	-2.0	-0.1	-3.3
08 *J-N*	M P	100.3	-6.4	-4.4	-7.9	-9.7	2.0	-13.4	-7.0	1.4	-0.7	-0.9	-1.7	0.9	-1.8
09 *J-N*	M P	82.9	-17.3	-9.6	-23.6	-22.9	-8.6	-24.0	-18.2	-7.6	-15.8	...	-5.4	-21.6	-20.4
08 *Aug*	P	69.1	-11.5	-11.4	-17.9	-14.3	0.9	-24.5	-13.3	4.3	-1.0	-0.9	-2.9	0.6	-0.7
Sep	P	99.8	-4.7	-1.6	-5.7	-8.0	-0.1	-16.7	-4.8	-1.1	-2.3	-2.4	-2.3	-1.2	-4.0
Oct	P	100.9	-12.2	-7.1	-18.0	-16.2	-0.1	-18.6	-12.9	-3.4	-5.7	-5.7	-4.4	-5.5	-7.4
Nov	P	90.9	-18.3	-12.5	-22.3	-25.0	-3.4	-29.0	-19.4	-5.1	-9.0	-9.2	-4.9	-8.8	-12.6
Dec	P	80.3	-16.0	-6.7	-18.7	-28.3	-1.6	-18.0	-17.8	-2.3	-12.4	-13.1	-4.7	-11.2	-21.3
09 *Jan*	P	80.7	-24.5	-17.8	-33.9	-32.7	-3.5	-32.7	-26.8	-3.4	-16.6	-19.0	-6.3	-22.9	-24.1
Feb	P	82.4	-24.3	-14.1	-33.0	-31.8	-9.7	-35.8	-25.5	-10.9	-19.3	-21.2	-8.5	-25.6	-25.8
Mar	P	85.4	-13.5	-0.9	-16.8	-21.6	-12.1	-24.3	-13.6	-11.7	-19.4	-20.4	-7.5	-23.3	-26.1
Apr	P	79.8	-28.4	-20.8	-33.6	-36.4	-11.2	-38.3	-29.5	-13.2	-21.4	-22.0	-7.3	-27.4	-27.3
May	P	81.9	-22.3	-12.8	-28.7	-28.4	-12.5	-27.7	-23.2	-11.0	-17.8	-18.7	-5.3	-23.0	-23.4
Jun	P	86.2	-14.3	-4.1	-23.0	-18.8	-7.8	-15.4	-15.2	-5.4	-16.7	-17.8	-5.3	-22.2	-22.2
Jul	P	91.8	-16.9	-10.7	-25.2	-20.5	-6.7	-28.6	-17.9	-5.1	-15.9	-16.9	-4.0	-23.5	-20.2
Aug	P	61.8	-10.6	-5.7	-11.1	-16.9	-6.7	-16.9	-11.5	-3.5	-15.1	-16.1	-5.4	-22.0	-19.4
Sep	P	87.1	-12.7	-5.3	-17.5	-17.7	-7.1	-16.3	-13.6	-4.0	-12.7	-13.1	-2.9	-18.2	-15.7
Oct	P	87.9	-12.9	-9.9	-16.5	-14.9	-8.0	-20.3	-13.3	-6.2	-10.9	-11.5	-4.5	-16.7	-12.2
Nov	P	87.2	-4.1	1.2	-9.0	-3.3	-9.9	2.3	-3.6	-9.2	-7.0	-7.1	-2.1	-12.9	-5.9

INDUSTRIAL PRODUCTION INDEX
Trend obtained with TRAMO-SEATS



INDUSTRIAL PRODUCTION INDEX
Trend obtained with TRAMO-SEATS



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

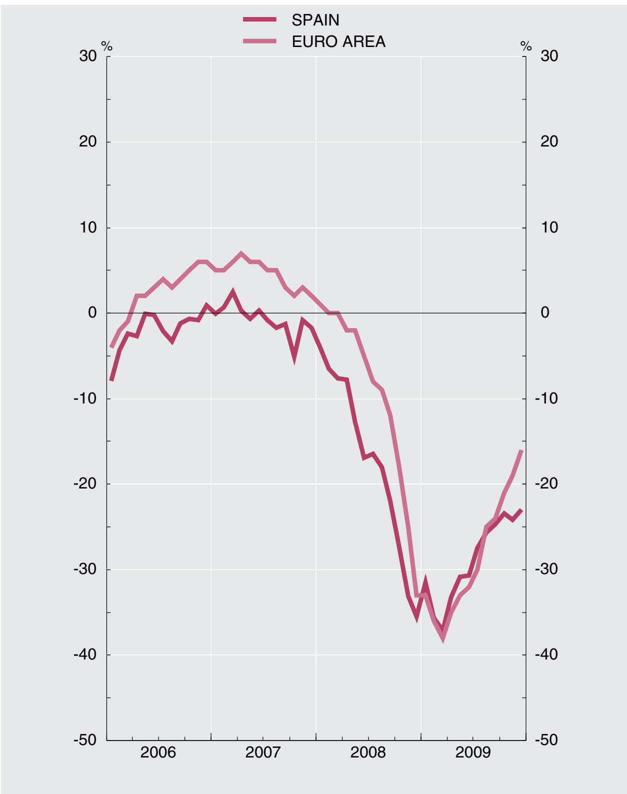
3.5. MONTHLY BUSINESS SURVEY: INDUSTRY AND CONSTRUCTION. SPAIN AND EURO AREA

■ Series depicted in chart.

Percentage balances

	Industry, excluding construction										Construction					Memorandum item: euro area		
							Business climate indicator							Trend		Industry, excluding construction		
	Business climate indi-cator- (a)	Produc-tion over the last three months	Trend in pro-duction (a)	Total orders (a)	Foreign orders	Stocks of finished products (a)	Con-sum-ption (a)	In-vest-ment (a)	In-ter-me-diate goods (a)	Other sec-tors (a)	Business climate indicator	Produc-tion	Orders	Produc-tion	Orders	Business climate indicator	Order Book	Construc-tion climate indicator
	1 ■	2	3	4	5	6	7	8	9	10	11 ■	12	13	14	15	16 ■	17	18 ■
06 M	-2	7	6	-1	-11	12	-3	1	-3	-1	15	27	22	23	15	2	-0	1
07 M	-1	7	6	2	-5	10	-2	6	-3	-3	9	21	12	18	21	5	5	-0
08 M	-17	-16	-8	-24	-21	20	-11	-8	-28	-6	-22	-0	-19	-16	-16	-9	-15	-14
08 *J-D* M	-17	-16	-8	-24	-21	20	-11	-8	-28	-6	-22	-0	-19	-16	-16	-9	-15	-14
09 *J-D* M	-29	-33	-11	-54	-52	22	-19	-28	-37	-40	-29	-18	-30	-13	-19	-29	-56	-31
08 *Sep*	-22	-20	-12	-33	-27	21	-16	-6	-36	-3	-24	-9	-8	-1	-38	-12	-20	-15
Oct	-27	-20	-17	-38	-32	27	-16	-27	-38	-0	-44	-37	-38	-11	-27	-18	-26	-20
Nov	-33	-40	-22	-47	-38	31	-18	-26	-49	-19	-30	4	-27	-50	-8	-25	-36	-23
Dec	-36	-47	-24	-54	-48	29	-20	-35	-49	-3	-34	20	-31	-43	-4	-33	-47	-27
09 *Jan*	-32	-41	-21	-48	-44	26	-17	-27	-47	-4	-40	19	-27	-29	-2	-33	-49	-30
Feb	-36	-54	-23	-56	-57	29	-22	-32	-52	-4	-39	-38	-26	-24	-36	-36	-57	-32
Mar	-37	-55	-26	-58	-60	28	-21	-37	-51	-31	-36	-37	-35	-11	-26	-38	-61	-32
Apr	-33	-42	-15	-58	-58	27	-22	-33	-43	-48	-37	-17	-38	-3	-15	-35	-60	-34
May	-31	-41	-12	-56	-57	25	-21	-30	-38	-50	-25	-26	-37	2	-18	-33	-61	-34
Jun	-31	-32	-10	-57	-54	26	-18	-26	-42	-57	-26	-24	-35	-3	-34	-32	-63	-33
Jul	-28	-25	-6	-57	-56	19	-18	-32	-33	-27	-25	-20	-22	-15	-21	-30	-61	-33
Aug	-26	-27	-2	-56	-49	19	-17	-22	-31	-38	-24	-26	-21	-7	-3	-25	-56	-32
Sep	-25	-25	-5	-52	-45	17	-20	-25	-26	-47	-18	-20	-24	9	-23	-24	-56	-30
Oct	-23	-16	-5	-50	-48	16	-17	-24	-26	-51	-37	-19	-46	-25	-21	-21	-53	-29
Nov	-24	-18	-4	-52	-46	16	-16	-24	-27	-63	-20	-13	-21	-32	-13	-19	-51	-26
Dec	-23	-20	-6	-49	-49	14	-15	-29	-25	-56	-26	4	-27	-23	-20	-16	-47	-28

INDUSTRIAL BUSINESS CLIMATE
Percentage balances



CONSTRUCTION BUSINESS CLIMATE
Percentage balances

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

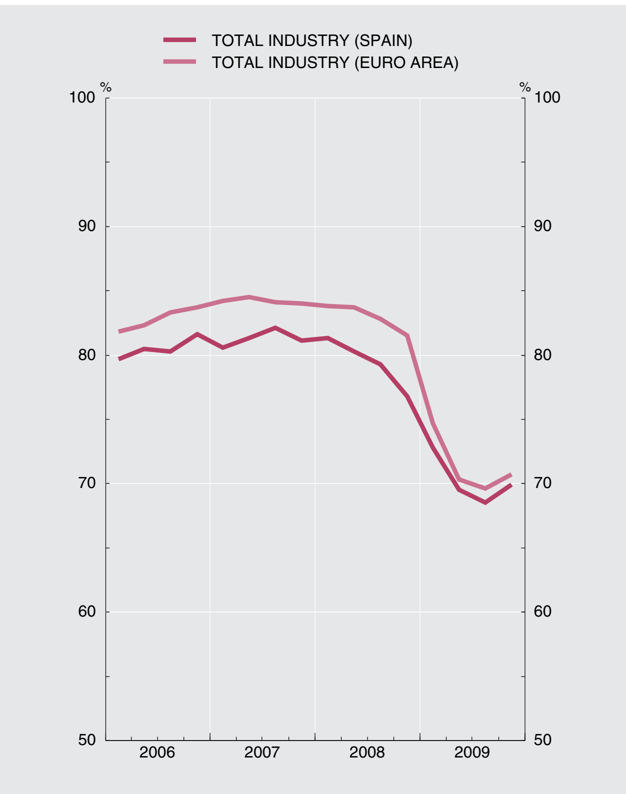
3.6. BUSINESS SURVEY: CAPACITY UTILISATION. SPAIN AND EURO AREA

■ Series depicted in chart.

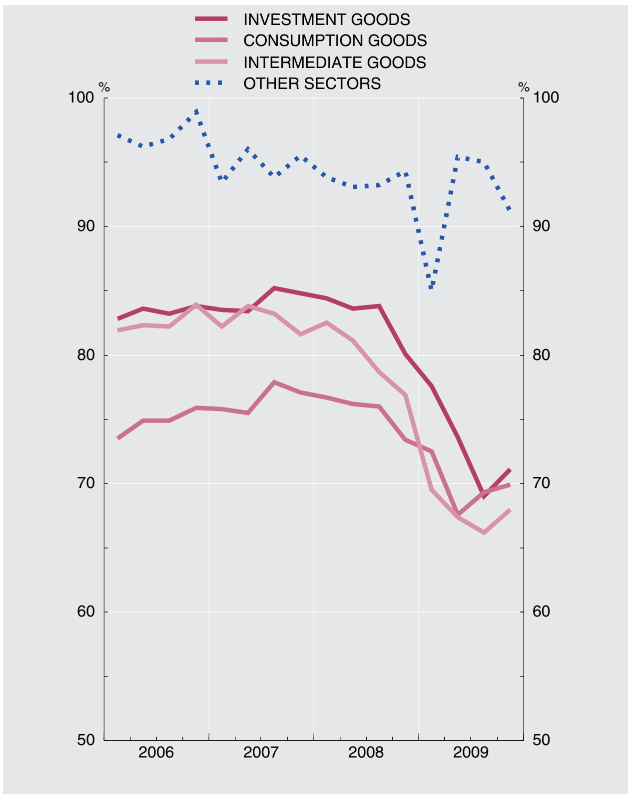
Percentages and percentage balances

	Total industry			Consumer goods			Investment goods			Intermediate goods			Other sectors			Memo-ramdum item: euro area capacity utilisa-tion
	Capacity utilisation		Installed capacity	Capacity utilisation		Installed capacity	Capacity utilisation		Installed capacity	Capacity utilisation		Installed capacity	Capacity utilisation		Installed capacity	
	Over last three months (%)	Forecast (%)	(Per-centage balan-ces)	Over last three months (%)	Forecast (%)	(Per-centage balan-ces)	Over last three months (%)	Forecast (%)	(Per-centage balan-ces)	Over last three months (%)	Forecast (%)	(Per-centage balan-ces)	Over last three months (%)	Forecast (%)	(Per-centage balan-ces)	(%)
	1 ■	2	3	4 ■	5	6	7 ■	8	9	10 ■	11	12	13 ■	14	15	16 ■
06	80.5	81.6	4	74.8	76.5	4	83.4	83.8	7	82.6	83.5	4	97.3	97.5	-	82.8
07	81.3	82.6	3	76.6	78.2	5	84.2	85.0	-0	82.7	84.2	2	94.7	95.5	-	84.2
08	79.4	79.8	8	75.6	76.7	9	83.0	82.8	4	79.8	79.8	9	93.6	94.1	-0	83.0
08 *Q1-Q4*	79.4	79.8	8	75.6	76.7	9	83.0	82.8	4	79.8	79.8	9	93.6	94.1	-0	83.0
09 *Q1-Q4*	70.2	70.4	25	69.8	70.6	17	72.8	72.7	24	67.8	67.7	34	91.7	92.6	1	71.3
07 *Q2*	81.3	82.8	3	75.5	78.1	6	83.4	84.0	2	83.8	85.2	2	96.0	95.3	-	84.5
Q3	82.1	83.3	1	77.9	79.4	5	85.2	86.5	-7	83.2	84.2	1	93.8	94.6	-	84.1
Q4	81.1	82.5	5	77.1	77.9	6	84.8	85.6	4	81.6	83.9	6	95.5	96.2	-	84.0
08 *Q1*	81.3	82.1	5	76.7	77.8	9	84.4	85.8	5	82.5	82.9	3	93.8	94.9	-	83.8
Q2	80.3	81.5	5	76.2	78.5	9	83.6	83.5	3	81.1	82.1	4	93.1	93.5	-	83.7
Q3	79.3	79.5	7	76.0	76.5	11	83.8	83.6	4	78.7	79.0	7	93.2	93.0	-	82.8
Q4	76.8	75.9	14	73.4	73.9	10	80.1	78.3	6	76.9	75.0	23	94.3	94.8	-0	81.5
09 *Q1*	72.8	72.4	20	72.5	71.9	9	77.6	75.6	16	69.5	69.9	32	85.0	86.1	-	74.7
Q2	69.5	69.7	27	67.6	68.6	18	73.6	73.2	23	67.4	67.3	39	95.4	96.0	-	70.3
Q3	68.5	69.4	30	69.3	70.7	18	69.0	69.3	34	66.2	66.9	38	95.0	96.0	2	69.6
Q4	69.9	70.1	25	69.9	71.1	22	71.1	72.7	22	68.0	66.5	29	91.2	92.2	-	70.7

CAPACITY UTILISATION. TOTAL INDUSTRY
Percentages



CAPACITY UTILISATION. BY TYPE OF GOOD
Percentages



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

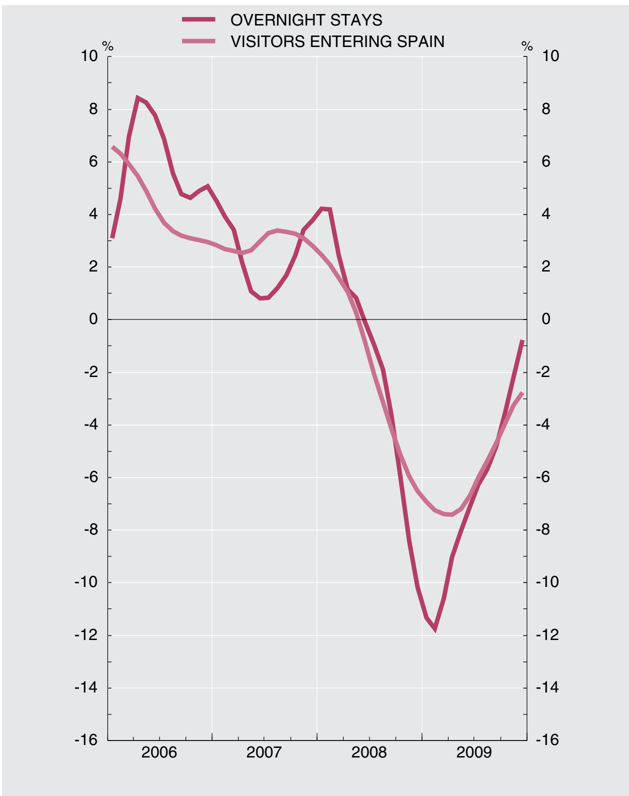
3.7. TOURISM AND TRANSPORT STATISTICS. SPAIN

■ Series depicted in chart.

Annual percentage changes

		Hotel stays (a)		Overnight stays		Visitors entering Spain			Air transport				Maritime transport		Rail transport	
									Passengers							
		Total	Foreigners	Total	Foreigners	Total	Tourists	Day-trippers	Total	Domestic flights	International flights	Freight	Passengers	Freight	Passengers	Freight
		1	2	3 ■	4	5 ■	6	7	8 ■	9	10	11	12	13	14 ■	15
06		5.8	6.1	6.2	6.5	3.9	3.7	4.1	6.7	6.7	6.8	-4.5	10.2	4.9	2.0	-3.1
07		3.1	4.0	1.7	2.1	2.9	1.1	5.5	9.1	9.0	9.2	4.2	5.2	4.7	-1.7	-1.5
08	P	-1.7	-0.1	-1.2	0.2	-1.3	-2.5	0.6	-3.0	-7.5	0.3	0.0	-1.5	-2.1	-1.0	-10.3
08 *J-D*	P	-1.7	-0.1	-1.2	0.2	-1.3	-2.5	0.6	-3.0	-7.5	0.3	0.0	-1.5	-2.1	-1.0	-10.3
09 *J-D*	P	-6.6	-9.9	-6.6	-9.1	-5.7	-8.7	-1.6	...	...	...	...	...	...	...	...
08 *Sep*		-3.0	-2.1	-2.8	-2.2	-6.4	-5.8	-7.2	-8.8	-15.9	-4.3	-1.4	-8.2	-6.1	0.6	-4.8
Oct		-6.7	-3.6	-5.2	-2.9	-5.9	-4.9	-7.4	-10.9	-18.3	-5.8	-2.7	-1.1	-5.7	-0.8	-14.2
Nov		-12.0	-11.5	-10.5	-8.6	-7.9	-11.4	-3.6	-14.3	-19.5	-9.6	-6.5	-4.6	-15.0	-4.4	-26.8
Dec	P	-9.3	-12.3	-10.6	-11.0	-10.4	-12.8	-7.8	-13.7	-16.2	-11.4	-13.3	-5.4	-14.1	-2.9	-27.8
09 *Jan*	P	-13.3	-14.8	-12.0	-11.6	-5.2	-9.8	-0.0	-17.1	-23.1	-11.9	-15.0	-5.1	-23.1	-6.5	-38.7
Feb	P	-14.7	-18.1	-15.5	-17.2	-8.7	-15.7	0.3	-18.5	-20.8	-16.4	-19.8	5.5	-13.6	-10.8	-33.1
Mar	P	-19.4	-19.6	-18.9	-15.1	-17.3	-20.8	-12.5	-19.0	-18.2	-19.5	-13.0	-27.2	-14.0	-4.2	-13.0
Apr	P	-1.2	-8.3	2.0	-5.9	-2.6	-1.7	-3.9	-5.0	-9.3	-1.6	-23.0	23.5	-19.6	-6.1	-40.5
May	P	-8.2	-10.4	-8.9	-10.2	-11.1	-11.7	-10.3	-11.9	-13.0	-11.2	-19.9	-5.1	-18.0	-3.8	-32.1
Jun	P	-7.2	-9.5	-6.4	-7.1	-9.4	-10.0	-8.4	-8.7	-9.2	-8.4	-21.4	-2.6	-12.9	-7.7	-28.1
Jul	P	-5.2	-9.0	-5.5	-9.0	-3.2	-6.1	1.5	-4.8	-2.5	-6.1	-9.4	4.0	-15.9	-6.3	-29.4
Aug	P	-4.9	-10.9	-5.0	-10.6	-4.3	-8.1	0.2	-5.4	-1.4	-7.7	-10.4	-10.3	-11.4	-8.4	-28.3
Sep	P	-6.4	-9.7	-6.6	-8.8	-7.3	-9.5	-3.6	-5.1	-1.3	-7.3	-2.9	-3.6	-10.8	-7.0	-19.1
Oct	P	0.1	-3.8	-1.7	-5.4	1.7	-3.6	10.5	-2.7	-0.2	-4.1	0.1	...	...	-6.7	-17.7
Nov	P	-2.9	-3.9	-3.6	-5.6	-0.1	-3.1	3.4	...	...	...	...	...	...	-2.7	...
Dec	P	2.2	-0.4	0.0	-2.5	0.7	-3.6	5.0	...	...	...	...	...	...	...	...

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 indecator are in Table 23.15 of the BE Boletín estadístico .
a. From January 2003, the information for Galicia is based on total figures for hotel stays and overnight stays for the month. The directory of hotels has been reviewed thoroughly. Since January 2006, the directories have been updated and the information-collection period extended to every day of the month. In June 2009 the directory of hotel establishments in Canarias has been updated.

4.1. LABOUR FORCE. SPAIN

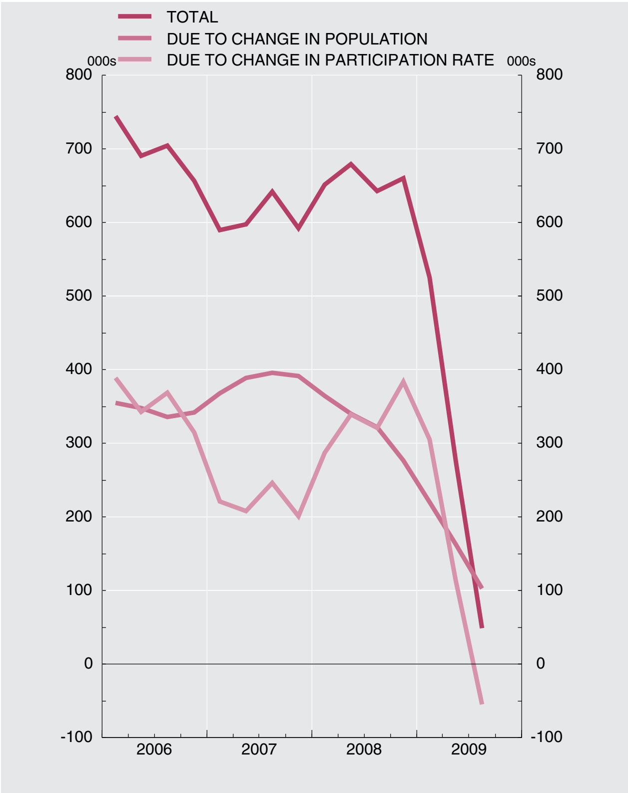
■ Series depicted in chart.

Thousands and annual percentage changes

	Population over 16 years of age			Participation rate (%) (a)	Labour force				
						Annual change (b)			
	Thousands	Annual change	4-quarter % change		Thousands (a)	Total	Due to change in population over 16 years of age	Due to change in partici-pation rate	4-quarter % change
	1	2	3 ■	4	5	6 ■	7 ■	8 ■	9 ■
06 M	37 008	592	1.6	58.33	21 585	699	345	354	3.3
07 M	37 663	655	1.8	58.92	22 190	605	386	219	2.8
08 M	38 208	545	1.4	59.80	22 848	658	326	333	3.0
08 *Q1-Q3* M	38 158	573	1.5	59.69	22 776	1 973	1 027	947	3.0
09 *Q1-Q3* M	38 428	269	0.7	60.01	23 059	849	485	364	1.2
07 *Q1*	37 429	629	1.7	58.58	21 925	589	368	221	2.8
Q2	37 592	661	1.8	58.86	22 127	597	389	208	2.8
Q3	37 734	669	1.8	59.10	22 303	642	395	246	3.0
Q4	37 897	661	1.8	59.12	22 405	592	391	201	2.7
08 *Q1*	38 043	614	1.6	59.35	22 577	651	364	287	3.0
Q2	38 162	570	1.5	59.76	22 807	679	340	339	3.1
Q3	38 271	537	1.4	59.95	22 945	643	322	321	2.9
Q4	38 357	460	1.2	60.13	23 065	660	276	384	2.9
09 *Q1*	38 409	366	1.0	60.15	23 102	525	220	305	2.3
Q2	38 432	271	0.7	60.06	23 082	276	162	113	1.2
Q3	38 443	172	0.4	59.81	22 994	48	103	-54	0.2

LABOUR FORCE SURVEY
Annual percentage change

LABOUR FORCE
Annual changes



Source: INE (Labour Force Survey: 2005 methodology).
a. the new definition of unemployment applies from 2001 Q1 onwards, entailing a break in the series. (See www.ine.es).
b. Col.7 = (col.5/col.1)x annual change in col.1. Col. 8 = (annual change in col.4/100) x col.1(t-4).
General note to the tables: As a result of the change in the population base (2001 Census), all the series in this table have been revised as from 1996. In addition, since 2005 Q1 the new obligatory variables referred to in Regulation (EC) 2257/2003 (on the adaptation of the list of labour force survey characteristics) have been included, a centralised procedure for telephone interviews has been set in place and the questionnaire has been modified. Thus, in 2005 Q1, there is a break in the series of some variables. For further information, see www.ine.es

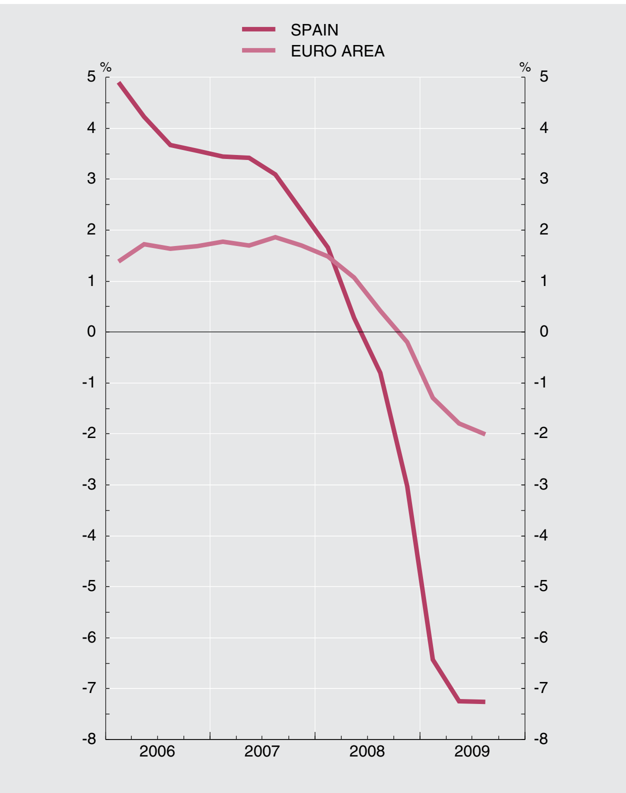
4.2. EMPLOYMENT AND WAGE-EARNERS. SPAIN AND EURO AREA

■ Series depicted in chart.

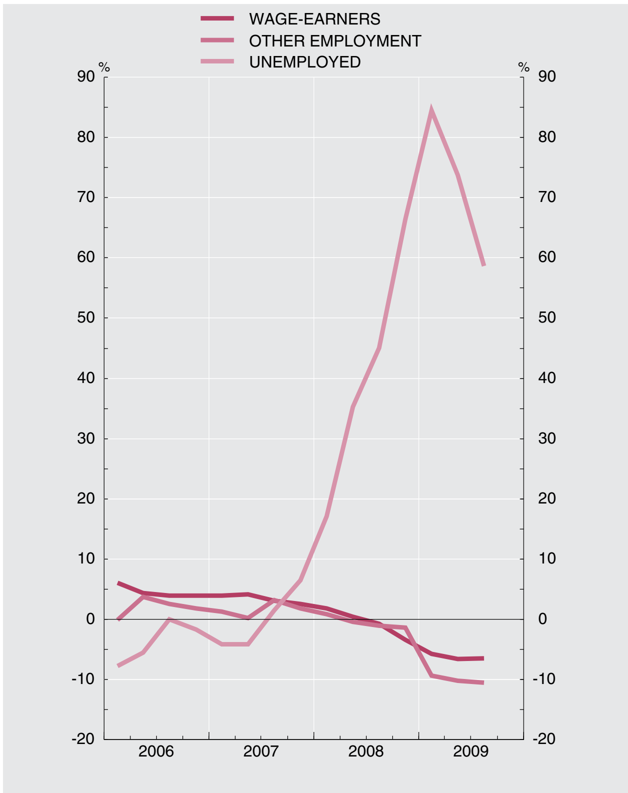
Thousands and annual percentage changes

	Employment									Unemployment				Memorandum item: euro area	
	Total			Wage-earners			Other								
	Thousands	Annual change	4-quarter % change	Thousands	Annual change	4-quarter % change	Thousands	Annual change	4-quarter % change	Thousands (a)	Annual change	4-quarter % change	Unem- ployment rate (a)	Employ- ment 4-quarter % change	Unem- ployment rate
	1	2	3 ■	4	5	6 ■	7	8	9 ■	10	11	12 ■	13	14	15
06 M	19 748	774	4.1	16 208	706	4.6	3 540	68	2.0	1 837	-75	-3.9	8.51	1.6	8.34
07 M	20 356	608	3.1	16 760	552	3.4	3 596	56	1.6	1 834	-3	-0.2	8.26	1.8	7.49
08 M	20 258	-98	-0.5	16 681	-79	-0.5	3 576	-20	-0.5	2 591	757	41.3	11.33	0.7	7.55
08 *Q1-Q3* M	20 391	76	0.4	16 806	84	0.5	3 586	-9	-0.2	2 385	582	32.3	10.47	1.0	7.39
09 *Q1-Q3* M	18 969	-1 423	-7.0	15 743	-1 062	-6.3	3 225	-360	-10.1	4 091	1 706	71.5	17.74	-1.7	9.25
07 *Q1*	20 069	669	3.4	16 515	626	3.9	3 555	44	1.2	1 856	-80	-4.1	8.47	1.8	7.70
Q2	20 367	674	3.4	16 779	668	4.1	3 588	6	0.2	1 760	-77	-4.2	7.95	1.7	7.51
Q3	20 511	615	3.1	16 870	504	3.1	3 641	111	3.1	1 792	27	1.5	8.03	1.9	7.44
Q4	20 477	475	2.4	16 877	410	2.5	3 600	65	1.8	1 928	117	6.5	8.60	1.7	7.33
08 *Q1*	20 402	333	1.7	16 817	303	1.8	3 585	30	0.8	2 174	318	17.1	9.63	1.5	7.23
Q2	20 425	58	0.3	16 853	74	0.4	3 572	-16	-0.4	2 382	622	35.3	10.44	1.1	7.37
Q3	20 346	-164	-0.8	16 746	-124	-0.7	3 600	-41	-1.1	2 599	807	45.0	11.33	0.4	7.58
Q4	19 857	-620	-3.0	16 308	-568	-3.4	3 549	-52	-1.4	3 208	1 280	66.4	13.91	-0.2	8.03
09 *Q1*	19 091	-1 312	-6.4	15 843	-974	-5.8	3 248	-337	-9.4	4 011	1 837	84.5	17.36	-1.3	8.79
Q2	18 945	-1 480	-7.2	15 737	-1 116	-6.6	3 208	-364	-10.2	4 138	1 756	73.7	17.92	-1.8	9.31
Q3	18 870	-1 476	-7.3	15 650	-1 096	-6.5	3 220	-380	-10.6	4 123	1 525	58.7	17.93	-2.0	9.66

EMPLOYMENT
Annual percentage changes



LABOUR FORCE: COMPONENTS
Annual percentage changes



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

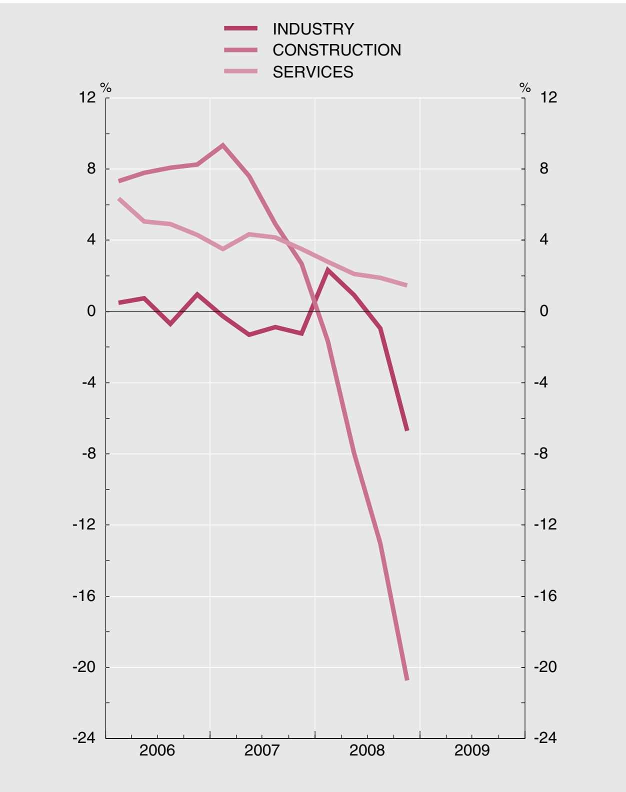
4.3. EMPLOYMENT BY BRANCH OF ACTIVITY. SPAIN (a)

■ Series depicted in chart.

Annual percentage changes

	Total			Agriculture			Industry			Construction			Services			Memorandum item:
	Employ-ment	Wage-earners	Propor-tion of temporary em-ploy-ment	Employ-ment	Wage-earners	Propor-tion of temporary em-ploy-ment	Employ-ment	Wage-earners	Propor-tion of temporary em-ploy-ment	Employ-ment	Wage-earners	Propor-tion of temporary em-ploy-ment	Employ-ment	Wage-earners	Propor-tion of tempora-ry em-ployment	Employment in branches other than agriculture
	1	2	3 ■	4	5	6	7 ■	8	9 ■	10 ■	11	12 ■	13 ■	14	15 ■	16
06 M	4.1	4.6	34.0	-5.6	-1.2	59.0	0.4	0.5	24.5	8.0	8.2	56.3	5.0	5.3	31.3	4.6
07 M	3.1	3.4	31.7	-2.0	2.0	58.6	-0.9	-0.5	22.8	6.0	6.7	54.3	3.8	3.8	28.4	3.3
08 M	-0.5	-0.5	29.2	-5.1	-8.0	58.0	-1.3	-1.3	20.7	-10.4	-12.2	48.9	2.0	2.3	27.0	-0.3
08 *Q1-Q3* M	0.4	0.5	29.7	-5.2	-9.5	57.4	0.5	0.9	21.4	-7.2	-8.3	49.9	2.2	2.6	27.2	-0.6
09 *Q1-Q3* M	-7.0	-6.3	25.5	-4.5	0.4	59.0	-13.7	-13.6	15.8	-24.7	-27.0	42.1	-2.3	-1.1	24.2	-7.3
07 *Q1*	3.4	3.9	32.0	0.5	7.2	63.1	-0.4	-0.3	22.7	9.4	10.0	54.7	3.5	3.8	28.4	3.6
Q2	3.4	4.1	31.8	-3.8	0.3	58.6	-1.3	-0.8	22.8	7.5	8.9	55.2	4.3	4.7	28.4	3.8
Q3	3.1	3.1	31.9	-3.1	0.3	55.6	-0.9	-0.7	23.2	4.8	5.4	54.4	4.1	3.7	28.9	3.4
Q4	2.4	2.5	30.9	-1.8	0.0	57.1	-1.0	-0.4	22.7	2.6	2.8	52.7	3.5	3.1	27.8	2.6
08 *Q1*	1.7	1.8	30.1	-6.4	-10.2	61.3	2.3	3.1	21.9	-1.4	-2.0	51.3	2.7	2.8	27.0	2.0
Q2	0.3	0.4	29.4	-4.4	-8.7	56.6	0.8	1.1	21.4	-7.5	-8.8	49.8	2.0	2.5	26.8	0.5
Q3	-0.8	-0.7	29.5	-4.6	-9.5	54.2	-1.4	-1.6	20.8	-12.6	-14.1	48.7	2.0	2.4	27.7	-0.6
Q4	-3.0	-3.4	27.9	-4.8	-3.4	59.8	-6.7	-7.7	18.7	-20.2	-23.8	45.7	1.4	1.7	26.3	-3.0
09 *Q1*	-6.4	-5.8	25.4	-3.0	3.3	63.0	-12.5	-12.0	16.6	-25.9	-29.9	40.5	-1.3	0.0	23.9	-6.6
Q2	-7.2	-6.6	25.2	-4.2	0.8	57.1	-13.7	-14.0	15.6	-24.6	-26.4	42.8	-2.7	-1.6	23.9	-7.4
Q3	-7.3	-6.5	25.9	-6.4	-3.5	56.9	-14.9	-15.0	15.3	-23.3	-24.5	43.0	-2.8	-1.7	24.9	-7.3

EMPLOYMENT
Annual percentage changes



TEMPORARY EMPLOYMENT
Percentages

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

a. Series re-calculated drawing on the transition matrix to NACE 2009 published by INE. The underlying series of this indicator are in Tables 24.4 and 24.6 of the BE Boletín Estadístico.

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

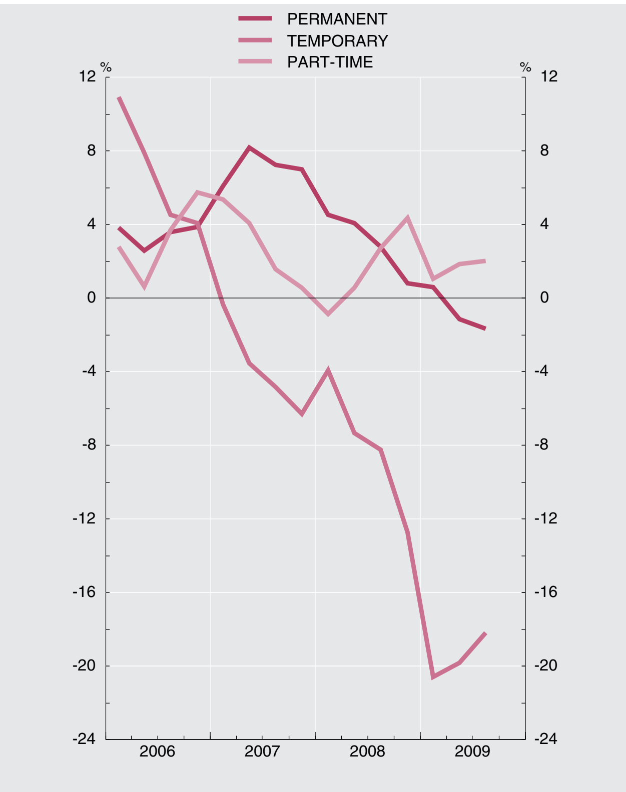
4.4. WAGE-EARNERS BY TYPE OF CONTRACT AND UNEMPLOYMENT BY DURATION. SPAIN. (a)

■ Series depicted in chart.

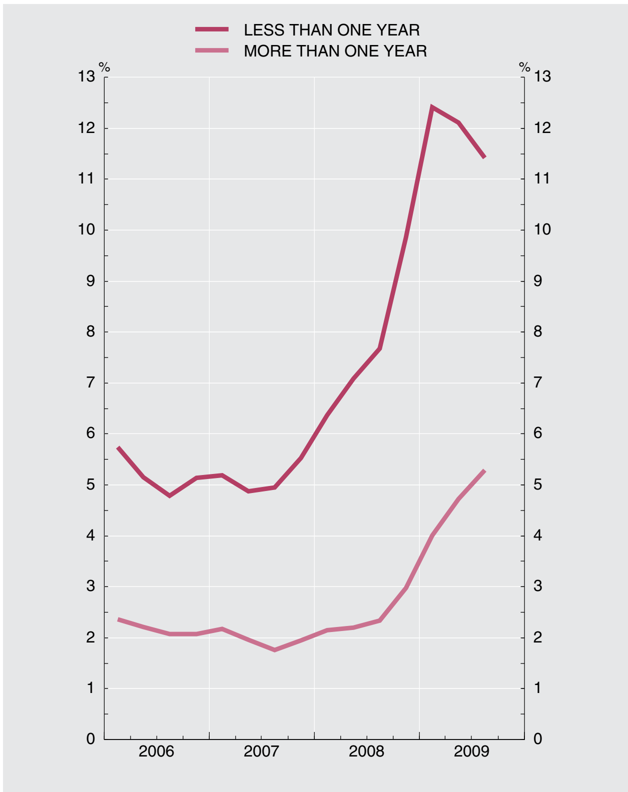
Thousands, annual percentage changes and %

	Wage-earners										Unemployment			
	By type of contract					By duration of working day					By duration			
	Permanent		Temporary			Full-time		Part-time			Less than one year		More than one year	
	Annual change Thousands	4-quarter % change	Annual change Thousands	4-quarter % change	Proportion of temporary employment	Annual change Thousands	4-quarter % change	Annual change Thousands	4-quarter % change	As % for wage earners	Unemployment rate (a)	4-quarter % change	Unemployment rate (a)	4-quarter % change
	1	2 ■	3	4 ■	5	6	7	8	9 ■	10	11 ■	12	13 ■	14
06 M	358	3.5	348	6.7	34.03	645	4.7	61	3.2	12.13	5.20	-2.0	2.18	-14.9
07 M	762	7.1	-210	-3.8	31.67	495	3.5	57	2.9	12.07	5.14	1.5	1.96	-7.6
08 M	348	3.0	-426	-8.0	29.25	-112	-0.8	33	1.6	12.33	7.75	55.5	2.41	27.0
08 *Q1-Q3* M	431	3.8	-347	-6.5	29.69	-175	-1.2	15	0.7	12.13	7.04	45.0	2.23	16.9
09 *Q1-Q3* M	-87	-0.7	-975	-19.5	25.50	-1 136	-7.7	34	1.6	13.16	11.98	72.2	4.67	112.3
07 *Q1*	645	6.1	-19	-0.4	31.95	519	3.7	107	5.4	12.66	5.19	-7.2	2.17	-5.8
Q2	865	8.2	-197	-3.6	31.85	587	4.2	81	4.1	12.34	4.87	-2.6	1.96	-8.9
Q3	777	7.3	-273	-4.8	31.94	475	3.3	29	1.6	11.32	4.95	6.4	1.76	-12.6
Q4	761	7.0	-350	-6.3	30.92	399	2.8	11	0.6	11.96	5.53	10.5	1.95	-3.3
08 *Q1*	509	4.5	-207	-3.9	30.15	321	2.2	-18	-0.9	12.33	6.36	26.2	2.15	2.1
Q2	465	4.1	-391	-7.3	29.39	62	0.4	11	0.5	12.36	7.09	50.0	2.20	15.7
Q3	320	2.8	-444	-8.2	29.53	-175	-1.2	52	2.7	11.72	7.67	59.5	2.34	36.3
Q4	96	0.8	-664	-12.7	27.93	-656	-4.4	88	4.3	12.92	9.86	83.6	2.97	56.8
09 *Q1*	70	0.6	-1 045	-20.6	25.41	-996	-6.8	22	1.1	13.22	12.42	99.7	4.01	91.0
Q2	-135	-1.1	-981	-19.8	25.24	-1 155	-7.8	39	1.9	13.48	12.11	72.9	4.72	117.2
Q3	-197	-1.7	-899	-18.2	25.85	-1 136	-7.7	40	2.0	12.79	11.42	49.2	5.29	127.2

WAGE-EARNERS
Annual percentage changes



UNEMPLOYMENT
Unemployment rate



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

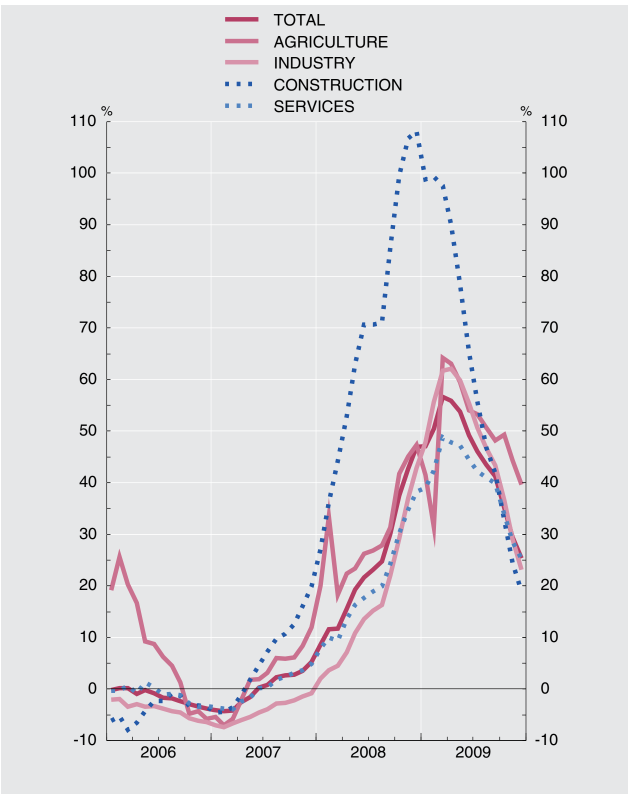
4.5. REGISTERED UNEMPLOYMENT BY BRANCH OF ACTIVITY. CONTRACTS AND PLACEMENTS. SPAIN

■ Series depicted in chart.

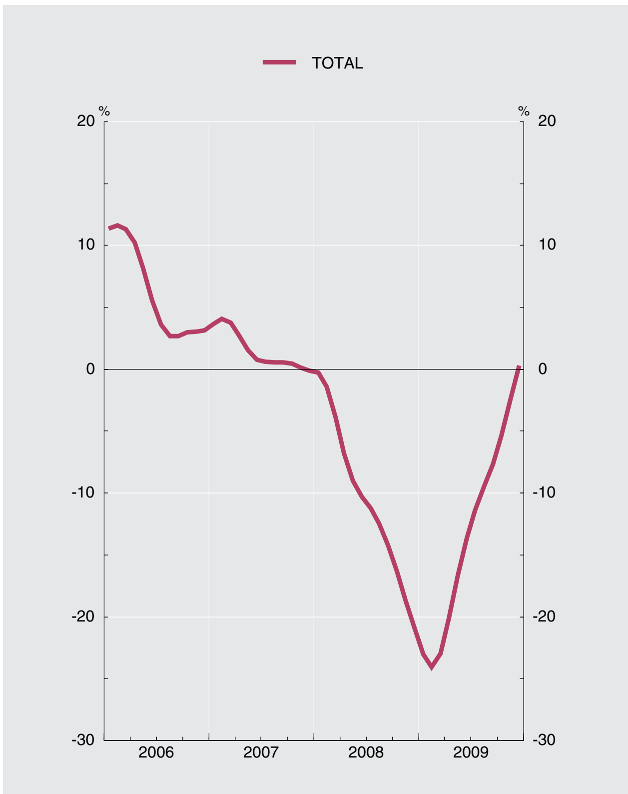
Thousands, annual percentage changes and %

	Registered unemployment										Contracts					Placements	
	Total			First time job-seekers(a)	Previously employed (a)						Total		Percentage of total			Total	
					12-month % change												
							Branches other than agriculture										
	Thousands	Annual change Thousands	12 month % change	12 month % change	Total	Agriculture	Total	Industry	Construction	Services	Thousands	12 month % change	Permanent	Part time	Temporary	Thousands	12 month % change
	1	2	3 ■	4	5	6 ■	7	8 ■	9 ■	10 ■	11	12	13	14	15	16	17 ■
06 M	2 039	-30	-1.5	-0.6	-1.6	7.4	-1.9	-4.0	-4.0	-1.0	1 544	7.9	11.77	23.39	88.23	1 475	6.0
07 M	2 039	-0	-0.0	-0.7	0.1	1.9	-0.0	-4.3	5.7	-0.0	1 552	0.5	11.88	23.90	88.12	1 505	2.0
08 M	2 540	501	24.6	7.9	26.6	30.6	26.5	17.0	71.1	20.1	1 383	-10.9	11.39	25.61	88.61	1 358	-9.8
08 *J-D* M	2 540	501	24.6	7.9	26.6	30.6	26.5	17.0	71.1	20.1	1 383	-10.9	11.39	25.61	88.61	1 358	-9.8
09 *J-D* M	3 644	1 104	43.5	35.7	45.3	49.9	45.2	47.7	62.5	40.0	1 168	-15.5	9.41	27.97	90.59	1 165	-14.2
08 *Nov*	2 989	895	42.7	22.3	45.1	45.1	45.1	37.1	106.7	34.7	1 163	-27.0	11.11	28.35	88.89	1 135	-26.3
Dec	3 129	999	46.9	22.7	49.6	47.3	49.7	42.8	108.1	38.3	1 118	-11.4	9.22	27.44	90.78	1 093	-10.6
09 *Jan*	3 328	1 066	47.1	10.6	50.1	41.5	50.4	47.8	98.9	39.0	1 126	-28.8	10.59	23.69	89.41	1 112	-27.6
Feb	3 482	1 167	50.4	14.5	53.4	31.4	54.1	55.7	99.3	42.4	1 017	-28.8	11.38	25.22	88.62	999	-30.3
Mar	3 605	1 304	56.7	23.9	59.5	64.2	59.4	61.7	97.6	48.8	1 061	-17.5	11.42	26.47	88.58	1 047	-16.8
Apr	3 645	1 306	55.9	33.3	57.7	63.1	57.6	62.1	90.0	47.8	1 031	-29.3	10.81	27.08	89.19	1 031	-27.2
May	3 620	1 267	53.8	38.4	55.1	59.5	55.0	59.8	78.5	47.2	1 110	-19.8	9.83	26.62	90.17	1 110	-18.2
Jun	3 565	1 174	49.1	35.7	50.3	54.0	50.3	55.3	65.3	44.5	1 275	-10.2	8.45	27.70	91.55	1 260	-8.8
Jul	3 544	1 117	46.0	41.7	46.4	53.3	46.2	50.7	55.8	42.2	1 403	-13.7	7.92	29.98	92.08	1 383	-12.5
Aug	3 629	1 099	43.4	46.2	43.2	50.7	43.0	46.7	46.9	40.9	945	-10.0	7.27	26.95	92.73	963	-6.5
Sep	3 709	1 084	41.3	45.3	41.0	48.2	40.8	43.3	41.8	39.9	1 355	-9.8	9.48	30.88	90.52	1 398	-7.3
Oct	3 808	990	35.1	43.6	34.5	49.4	34.1	36.6	32.8	33.9	1 358	-14.3	9.32	32.90	90.68	1 380	-12.1
Nov	3 869	880	29.4	46.2	28.2	44.4	27.8	29.1	24.5	28.6	1 204	3.6	8.92	29.75	91.08	1 189	4.8
Dec	3 924	795	25.4	49.0	23.9	39.6	23.4	23.1	18.9	25.2	1 138	1.8	7.54	28.34	92.46	1 106	1.1

REGISTERED UNEMPLOYMENT
Annual percentage changes



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



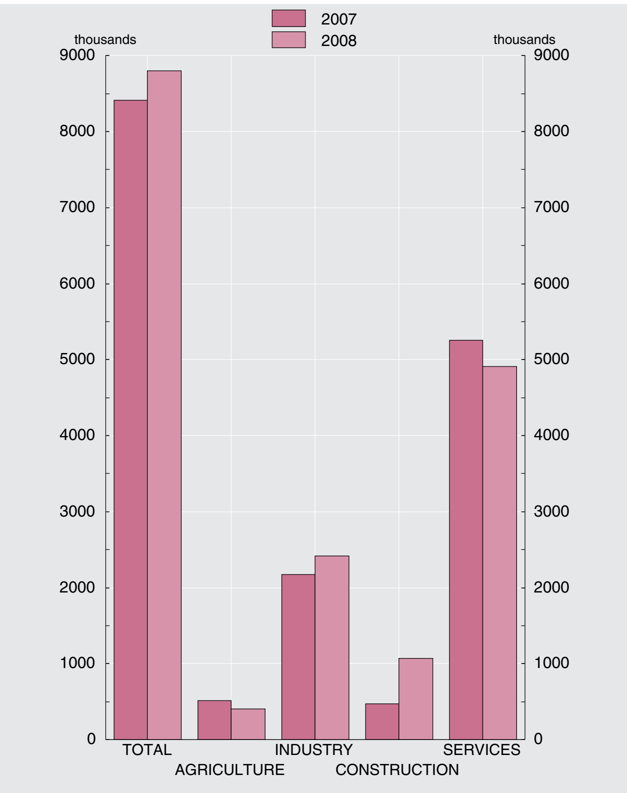
Source: Instituto de Empleo Servicio Público de Empleo Estatal (INEM).
Note: The underlying series for this indicator are in Tables 24.16 and 24.17 of the BE Boletín estadístico.
a. To December 2008, NACE 1993; from January 2009, NACE 2009.

4.6. COLLECTIVE BARGAINING AGREEMENTS

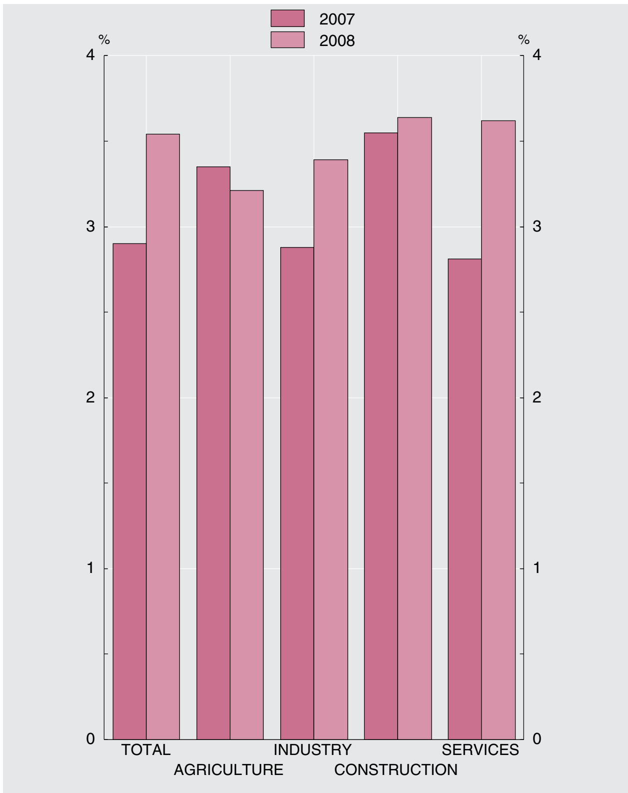
■ Series depicted in chart. *Thousands and %*

	As per month economic effects come into force(a)		As per month recorded														
			Employees affected (a)								Average wage settlement (%)						
	Em- ployees affec- ted	Average wage settle- ment (b)	Automa- tic adjust- ment	Newly- signed agree- ments	Total	Annual change	Agricul- ture (c)	Indus- try (c)	Construc- tion (c)	Services (c)	Auto- matic adjust- ment	Newly signed agree- ments	Total	Agricul- ture (c)	Indus- try (c)	Construc- tion (c)	Services (c)
	1	2	3	4	5 ■	6	7 ■	8 ■	9 ■	10 ■	11	12	13 ■	14 ■	15 ■	16 ■	17 ■
06	11 119	3.59	6 765	2 156	8 921	540	656	2 445	1 072	4 748	3.21	3.35	3.24	3.94	3.26	2.97	3.20
07	11 606	4.21	5 778	2 634	8 412	-509	510	2 172	475	5 254	2.87	2.96	2.90	3.35	2.88	3.55	2.81
08	11 547	3.59	7 069	1 733	8 802	390	406	2 419	1 070	4 907	3.48	3.80	3.54	3.21	3.39	3.64	3.62
08 *Jul*	11 381	3.57	6 825	641	7 466	1 513	381	2 061	895	4 130	3.43	3.88	3.47	3.11	3.40	3.67	3.49
Aug	11 382	3.57	6 844	809	7 653	1 271	393	2 082	964	4 214	3.43	3.96	3.49	3.17	3.41	3.65	3.52
Sep	11 504	3.59	6 911	1 079	7 990	949	405	2 133	1 013	4 439	3.43	4.01	3.51	3.20	3.40	3.65	3.56
Oct	11 544	3.59	6 951	1 416	8 367	801	408	2 317	1 022	4 620	3.47	3.80	3.52	3.21	3.37	3.64	3.60
Nov	11 545	3.59	7 028	1 557	8 585	375	405	2 367	1 056	4 757	3.47	3.82	3.53	3.21	3.37	3.64	3.61
Dec	11 547	3.59	7 069	1 733	8 802	390	406	2 419	1 070	4 907	3.48	3.80	3.54	3.21	3.39	3.64	3.62
09 *Jan*	8 452	2.61	3 494	0	3 494	-1 014	115	1 104	813	1 462	2.93	4.50	2.93	2.93	2.70	3.54	2.77
Feb	8 457	2.61	5 977	6	5 983	689	189	1 827	841	3 125	2.68	1.86	2.68	2.81	2.52	3.59	2.53
Mar	8 458	2.61	6 215	19	6 234	610	193	1 862	939	3 240	2.70	2.73	2.70	2.85	2.52	3.58	2.55
Apr	8 638	2.59	6 711	63	6 774	181	208	1 883	994	3 689	2.68	2.05	2.67	2.77	2.51	3.57	2.50
May	8 640	2.59	6 836	162	6 998	23	278	1 893	995	3 832	2.67	3.10	2.68	2.70	2.51	3.57	2.53
Jun	8 647	2.59	7 042	343	7 385	135	440	1 913	1 114	3 918	2.66	2.99	2.67	2.45	2.51	3.56	2.52
Jul	8 651	2.59	7 069	367	7 436	-30	445	1 939	1 114	3 939	2.66	2.92	2.67	2.44	2.51	3.58	2.52
Aug	8 652	2.59	7 070	376	7 446	-207	447	1 942	1 114	3 944	2.66	2.90	2.67	2.45	2.51	3.58	2.52
Sep	8 675	2.59	7 350	478	7 828	-162	455	1 973	1 114	4 287	2.64	2.65	2.64	2.44	2.50	3.58	2.48
Oct	8 675	2.59	7 491	895	8 386	19	480	2 005	1 146	4 755	2.63	2.30	2.59	2.40	2.48	3.58	2.42
Nov	8 676	2.59	7 537	1 052	8 589	4	481	2 038	1 158	4 913	2.63	2.35	2.60	2.40	2.48	3.57	2.44
Dec	8 676	2.59	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

EMPLOYEES AFFECTED
January-December



AVERAGE WAGE SETTLEMENT
January-December



Source: Ministerio de Trabajo e Inmigración (MTIN), Estadística de Convenios Colectivos de Trabajo. Avance mensual.
a. Cumulative data.
b. Includes revisions arising from indexation clauses, except in 2009.
c. To December 2008, NACE 1993; from January 2009, NACE 2009.

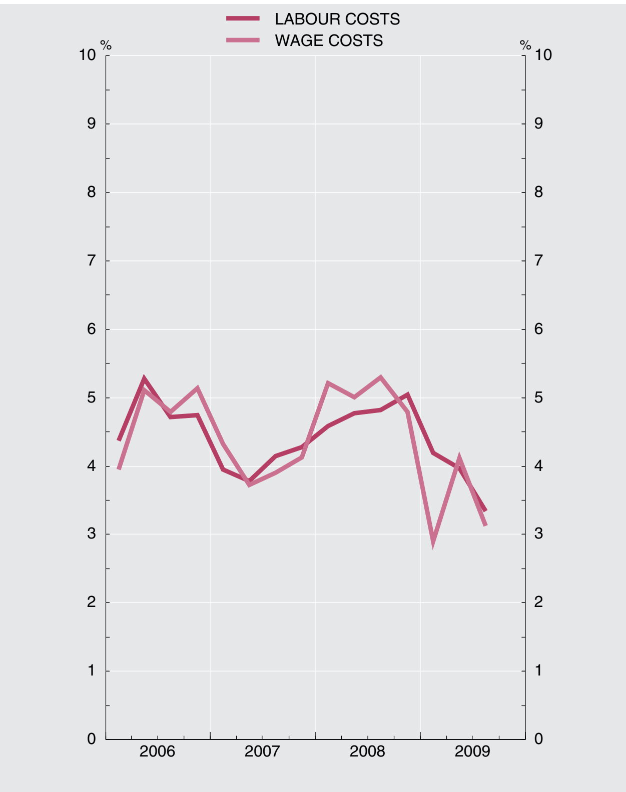
4.7. QUARTERLY LABOUR COSTS SURVEY

■ Series depicted in chart.

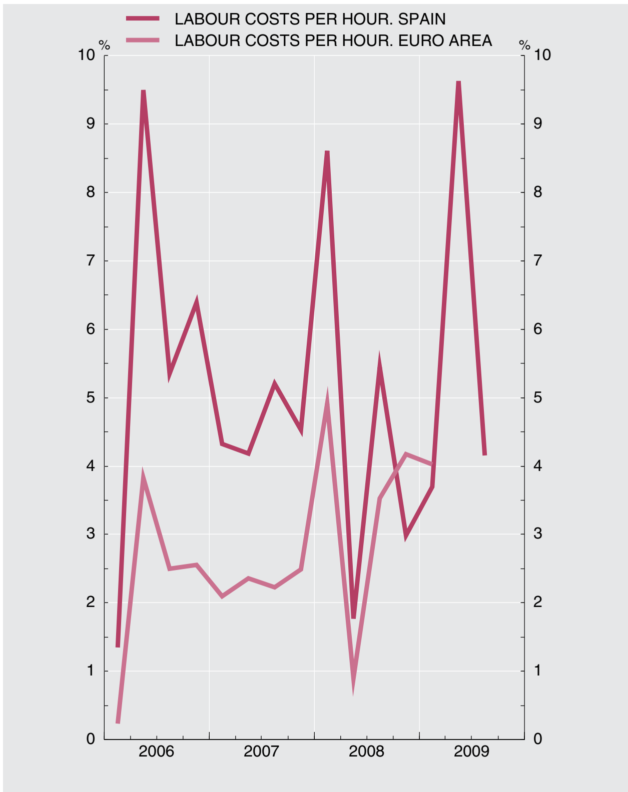
Annual percentage change

	Labour costs					Wage costs					Other costs per worker and month	memorandum item: euro area total hourly labour costs (a)
	Monthly earnings				Per hour worked	Monthly earnings				Per hour worked		
	Total	Industry	Construction	Services		Total	Industry	Construction	Services			
	1 ■	2	3	4	5 ■	6 ■	7	8	9	10	11	12 ■
06 M P	4.8	3.8	3.0	6.3	5.7	4.8	3.4	2.4	6.3	5.7	4.8	2.3
07 M P	4.0	3.5	4.9	4.1	4.6	4.0	3.4	4.6	4.2	4.5	4.1	2.3
08 M P	4.8	4.4	6.3	4.9	4.6	5.1	4.8	6.3	5.0	4.9	4.1	3.3
08 *Q1-Q3* M P	4.7	4.4	5.8	4.9	5.2	5.2	4.9	6.2	5.0	5.7	3.5	3.0
09 *Q1-Q3* M P	3.8	3.3	5.9	3.9	5.8	3.4	1.9	5.1	3.5	5.4	5.1	...
07 *Q1* P	4.0	4.1	4.8	3.9	4.3	4.3	3.9	5.0	4.5	4.7	3.0	2.1
Q2 P	3.8	2.5	4.3	4.1	4.2	3.7	3.3	3.7	3.9	4.2	3.9	2.4
Q3 P	4.1	3.7	5.1	4.2	5.2	3.9	2.9	4.2	4.2	4.9	4.8	2.2
Q4 P	4.3	3.8	5.3	4.3	4.5	4.1	3.3	5.4	4.1	4.4	4.7	2.5
08 *Q1* P	4.6	3.6	5.4	4.9	8.6	5.2	5.3	5.5	5.0	9.3	2.9	4.9
Q2 P	4.8	5.5	6.1	4.5	1.8	5.0	4.9	7.1	4.7	2.0	4.1	0.9
Q3 P	4.8	3.9	5.8	5.2	5.4	5.3	4.5	6.1	5.4	6.0	3.5	3.5
Q4 P	5.0	4.6	7.9	5.0	3.0	4.8	4.5	6.6	4.7	2.7	5.8	4.2
09 *Q1* P	4.2	3.8	6.5	4.1	3.7	2.9	1.2	4.5	3.0	2.4	7.8	4.0
Q2 P	4.0	3.2	6.3	4.1	9.6	4.1	2.5	5.8	4.3	9.8	3.6	...
Q3 P	3.3	2.9	4.9	3.5	4.2	3.1	2.0	4.8	3.2	3.9	3.9	...

PER WORKER AND MONTH
Annual percentage change



PER HOUR WORKED
Annual percentage change



Sources: INE (Quarterly labour costs survey) 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. Whole economy, excluding the agriculture, public administration, education and health sectors

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

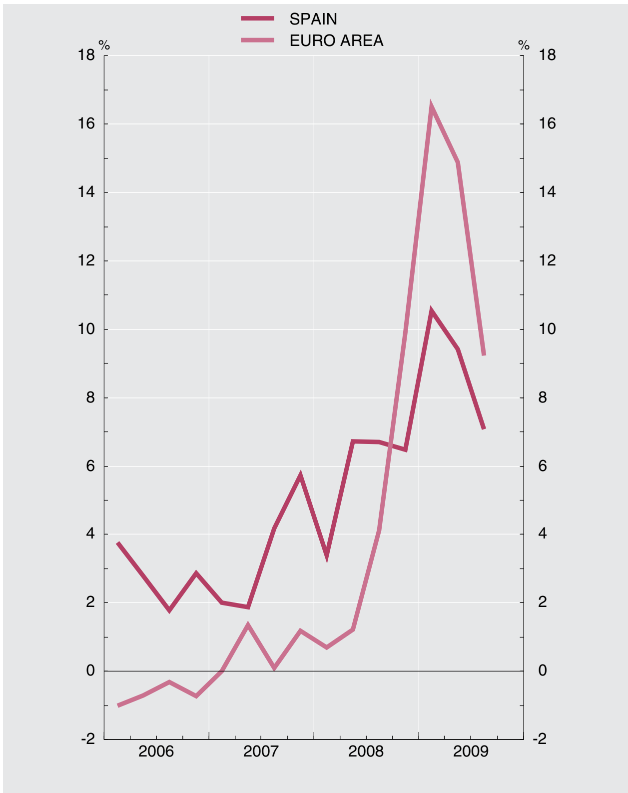
■ Series depicted in chart.

Annual percentage changes

		Whole-economy unit labour costs		Compensation per employee		Productivity						Memorandum item: unit labour costs in manufacturing	
								Output		Employment			
		Spain	Euro area	Spain (b)	Euro area	Spain	Euro area	Spain	Euro area	Spain (b)	Euro area	Spain (c)	Euro area (d)
		1 ■	2 ■	3	4	5	6	7	8	9	10	11 ■	12 ■
06	P	3.3	0.8	4.0	2.3	0.7	1.5	4.0	3.1	3.3	1.6	2.8	-0.7
07	P	3.8	1.6	4.5	2.5	0.7	1.0	3.6	2.7	2.8	1.8	3.4	0.7
08	P	4.6	3.5	6.1	3.2	1.5	-0.2	0.9	0.5	-0.6	0.7	5.7	4.0
06 *Q4*	P	3.3	0.5	4.3	2.2	1.0	1.7	4.0	3.5	3.1	1.7	2.9	-0.7
07 *Q1*	P	3.7	1.0	4.4	2.6	0.7	1.6	4.0	3.4	3.3	1.8	2.0	-
Q2	P	3.5	1.4	4.2	2.4	0.7	1.0	3.8	2.7	3.1	1.7	1.9	1.3
Q3	P	3.7	1.5	4.5	2.3	0.7	0.8	3.5	2.7	2.8	1.9	4.2	0.1
Q4	P	4.0	2.4	4.9	2.8	0.9	0.4	3.1	2.2	2.2	1.7	5.7	1.2
08 *Q1*	P	4.9	2.5	6.0	3.2	1.0	0.6	2.5	2.2	1.5	1.5	3.4	0.7
Q2	P	5.0	2.9	6.4	3.2	1.4	0.3	1.7	1.4	0.3	1.1	6.7	1.2
Q3	P	4.7	3.6	6.2	3.6	1.4	-0.1	0.4	0.4	-1.0	0.4	6.7	4.1
Q4	P	3.8	4.8	6.0	3.0	2.1	-1.7	-1.2	-1.8	-3.2	-0.2	6.5	9.9
09 *Q1*	P	1.2	5.9	4.5	1.9	3.2	-3.8	-3.2	-5.0	-6.3	-1.3	10.5	16.5
Q2	P	1.4	4.8	4.7	1.6	3.2	-3.1	-4.2	-4.8	-7.2	-1.8	9.4	14.9
Q3	P	0.4	3.5	3.9	1.4	3.4	-2.0	-4.0	-4.0	-7.2	-2.0	7.1	9.2

UNIT LABOUR COSTS: TOTAL
Annual percentage changes

UNIT LABOUR COSTS: MANUFACTURING
Annual percentage changes



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

a. Spain: prepared in accordance with ESA95. SEASONALLY- AND WORKING-DAY-ADJUSTED SERIES (see economic bulletin April 2002).

b. Full-time equivalent employment.

c. Industry.

d. Industry and energy.

5.1. CONSUMER PRICE INDEX. SPAIN (2006=100)

■ Series depicted in chart.

Indices and annual percentage changes

		Total (100%)				Annual percentage change (12-month % change)						Memorandum item:prices for agricultural products (2005=100)	
		Original series	Month-on-month % change	12-month % change (a)	Cumulative % change during year (b)	Unprocessed food	Processed food	Industrial goods excl. energy products	Energy	Services	IPSEBENE (c)	Original series	12-month % change
		1	2	3 ■	4	5 ■	6 ■	7 ■	8 ■	9 ■	10 ■	11	12
06	M	100.0	_	3.5	2.7	4.4	3.6	1.4	8.2	3.9	2.9	98.3	-1.7
07	M	102.8	_	2.8	4.2	4.8	3.7	0.7	1.8	3.8	2.7	103.8	5.7
08	M	107.0	_	4.1	1.4	4.0	6.5	0.3	12.1	3.9	3.2	107.0	3.1
08 *J-D*	M	107.0	0.1	4.1	1.5	4.0	6.5	0.3	12.1	3.9	3.2	107.7	4.2
09 *J-D*	M	106.7	0.1	-0.3	-0.2	-1.3	0.9	-1.3	-8.7	2.4	0.8	...	...
08 *Sep*		107.5	-	4.5	2.0	3.9	6.9	0.5	14.8	4.1	3.4	105.1	-0.8
Oct		107.9	0.3	3.6	2.4	3.0	4.5	0.5	9.3	4.1	2.9	104.1	-7.6
Nov		107.5	-0.4	2.4	2.0	2.5	3.6	0.6	-0.5	4.0	2.7	101.7	-10.5
Dec		106.9	-0.5	1.4	1.4	1.6	3.0	0.4	-7.2	3.8	2.4	100.5	-10.3
09 *Jan*		105.6	-1.2	0.8	-1.2	1.3	2.5	-0.3	-9.3	3.6	2.0	101.0	-7.2
Feb		105.6	-	0.7	-1.2	2.2	1.7	-0.7	-8.1	3.3	1.6	102.9	-5.4
Mar		105.8	0.2	-0.1	-1.1	0.8	1.2	-0.6	-11.6	2.7	1.3	105.4	-7.1
Apr		106.8	1.0	-0.2	-0.1	-	0.7	-0.7	-12.4	3.1	1.3	107.8	-7.7
May		106.8	-	-0.9	-0.1	-0.6	-	-0.8	-15.3	2.6	0.9	101.8	-15.1
Jun		107.2	0.4	-1.0	0.3	-2.7	0.4	-1.1	-14.2	2.4	0.8	93.7	-17.2
Jul		106.3	-0.9	-1.4	-0.5	-2.7	0.9	-1.5	-15.9	2.1	0.6	83.3	-17.9
Aug		106.7	0.3	-0.8	-0.2	-2.5	0.8	-1.8	-10.2	1.9	0.4	84.2	-14.8
Sep		106.4	-0.2	-1.0	-0.4	-2.5	0.5	-2.1	-10.2	1.8	0.1	90.4	-14.0
Oct		107.2	0.7	-0.7	0.3	-2.6	0.4	-2.1	-6.6	1.6	0.1	91.4	-12.2
Nov		107.8	0.5	0.3	0.8	-2.7	0.5	-1.7	1.9	1.6	0.2	...	...
Dec		107.8	-	0.8	0.8	-3.1	0.7	-1.7	7.5	1.6	0.3	...	...

CONSUMER PRICE INDEX. TOTAL AND COMPONENTS
Annual percentage changes

CONSUMER PRICE INDEX. COMPONENTS
Annual percentage changes

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

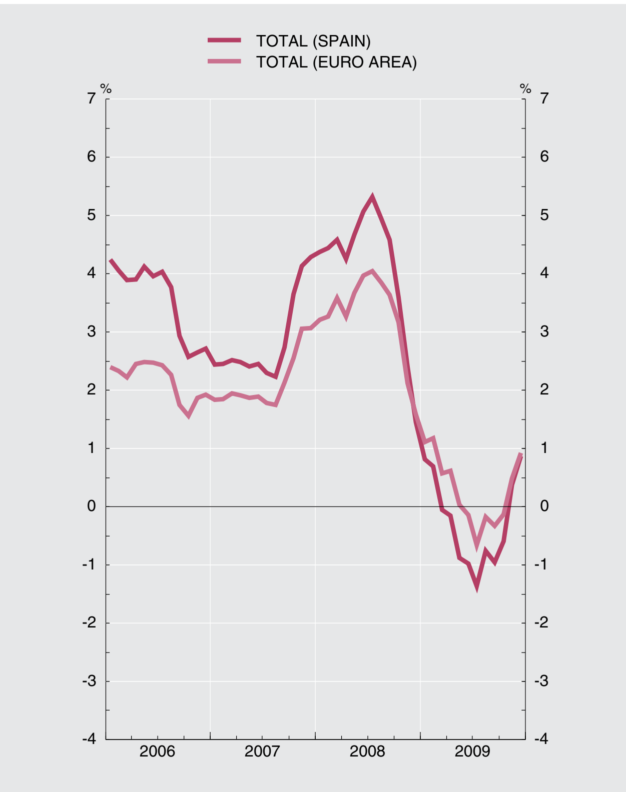
5.2. HARMONISED INDEX OF CONSUMER PRICES. SPAIN AND EURO AREA (2005=100) (a)

■ Series depicted in chart.

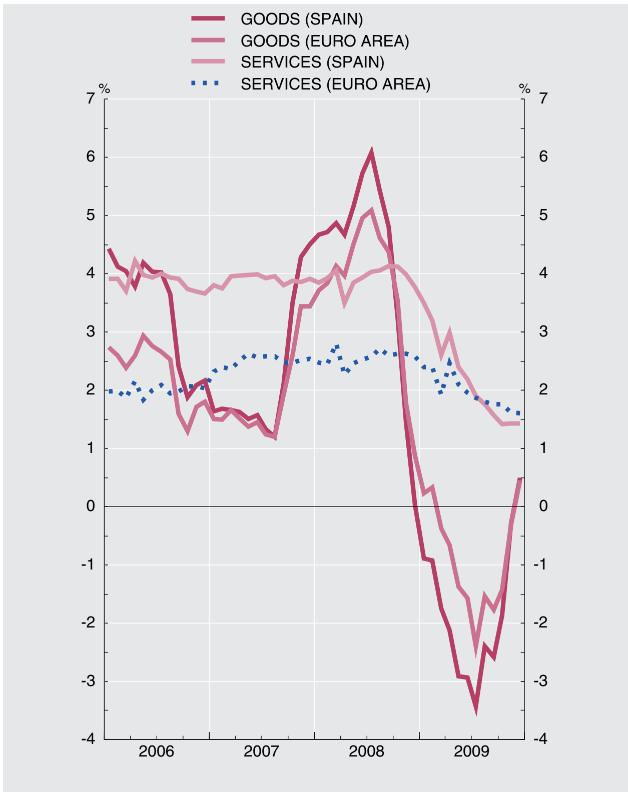
Annual percentage changes

		Total		Goods														Services	
						Food						Industrial							
						Total		Processed		Unprocessed				Non-energy		Energy			
		Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area
		1 ■	2 ■	3 ■	4 ■	5	6	7	8	9	10	11	12	13	14	15	16	17 ■	18 ■
06	M	3.6	2.2	3.4	2.3	3.9	2.4	3.9	2.1	3.9	2.8	3.1	2.3	1.5	0.6	8.0	7.7	3.9	2.0
07	M	2.8	2.1	2.2	1.9	4.1	2.8	3.9	2.8	4.3	3.0	1.0	1.4	0.7	1.0	1.7	2.6	3.9	2.5
08	M	4.1	3.3	4.2	3.8	5.7	5.1	7.4	6.1	3.9	3.5	3.3	3.1	0.4	0.8	11.9	10.3	3.9	2.6
08 *J-D*	M	4.1	3.3	4.2	3.8	5.7	5.1	7.4	6.1	3.9	3.5	3.3	3.1	0.4	0.8	11.9	10.3	3.9	2.6
09 *J-D*	MP	-0.3	0.3	-1.8	-0.9	0.2	0.7	1.0	1.1	-0.7	0.2	-3.0	-1.7	-1.0	0.6	-9.0	-8.1	2.2	2.0
08 *Sep*		4.6	3.6	4.8	4.4	5.9	5.2	7.9	6.2	3.9	3.6	4.2	4.0	0.6	0.9	14.8	13.5	4.1	2.6
Oct		3.6	3.2	3.2	3.5	4.0	4.4	4.7	5.1	3.3	3.4	2.8	3.1	0.5	1.0	9.3	9.6	4.1	2.6
Nov		2.4	2.1	1.5	1.8	3.2	3.7	3.5	4.2	2.9	2.8	0.4	0.8	0.6	0.9	-0.4	0.7	4.0	2.6
Dec		1.5	1.6	-	0.9	2.6	3.3	3.0	3.5	2.1	2.8	-1.5	-0.3	0.4	0.8	-7.1	-3.7	3.8	2.6
09 *Jan*		0.8	1.1	-0.9	0.2	2.1	2.7	2.4	2.7	1.8	2.6	-2.5	-1.0	-0.2	0.5	-9.2	-5.3	3.5	2.4
Feb		0.7	1.2	-0.9	0.3	1.9	2.5	1.6	2.0	2.2	3.3	-2.4	-0.7	-0.5	0.7	-8.0	-4.9	3.2	2.4
Mar		-0.1	0.6	-1.7	-0.4	1.0	1.9	1.0	1.6	1.1	2.4	-3.3	-1.5	-0.4	0.8	-11.5	-8.1	2.6	1.9
Apr		-0.2	0.6	-2.1	-0.7	0.5	1.4	0.6	1.2	0.3	1.6	-3.6	-1.7	-0.6	0.8	-12.3	-8.8	3.0	2.5
May		-0.9	-	-2.9	-1.4	-0.2	0.9	-0.1	1.0	-0.3	0.7	-4.5	-2.5	-0.6	0.8	-15.2	-11.6	2.4	2.1
Jun		-1.0	-0.1	-2.9	-1.6	-0.6	0.7	0.5	1.1	-1.7	-	-4.4	-2.7	-0.9	0.6	-14.1	-11.7	2.2	2.0
Jul		-1.4	-0.7	-3.4	-2.4	-0.3	-	1.2	0.8	-1.8	-1.1	-5.2	-3.6	-1.2	0.5	-15.8	-14.4	1.9	1.9
Aug		-0.8	-0.2	-2.4	-1.5	-0.2	-0.1	1.1	0.6	-1.6	-1.2	-3.6	-2.3	-1.4	0.6	-10.2	-10.2	1.8	1.8
Sep		-1.0	-0.3	-2.6	-1.8	-0.5	-0.2	0.7	0.5	-1.8	-1.3	-3.8	-2.6	-1.6	0.5	-10.1	-11.0	1.6	1.8
Oct		-0.6	-0.1	-1.9	-1.4	-0.5	-0.4	0.8	0.3	-2.0	-1.6	-2.7	-2.0	-1.6	0.3	-6.5	-8.5	1.4	1.8
Nov		0.4	0.5	-0.3	-0.3	-0.5	-0.1	1.0	0.5	-2.1	-1.3	-0.3	-0.4	-1.3	0.2	1.9	-2.4	1.4	1.6
Dec	P	0.9	0.9	0.5	0.5	-0.5	-0.2	1.3	0.7	-2.4	-1.6	1.0	0.8	-1.2	0.4	7.4	1.8	1.4	1.6

HARMONISED INDEX OF CONSUMER PRICES. TOTAL
Annual percentage changes



HARMONISED INDEX OF CONSUMER PRICES. COMPONENTS
Annual percentage changes



Source: Eurostat.

a. Compliance with the Regulation on the treatment of price reductions is now complete with the inclusion of sales prices in the Italian and Spanish HICP. The Spanish HICP has included a new basket of goods and services since January 2001. In accordance with the related regulations,the series for the year 2001 have been revised. More detailed methodological notes can be consulted on the Eurostat Internet site (www.europa.eu.int).

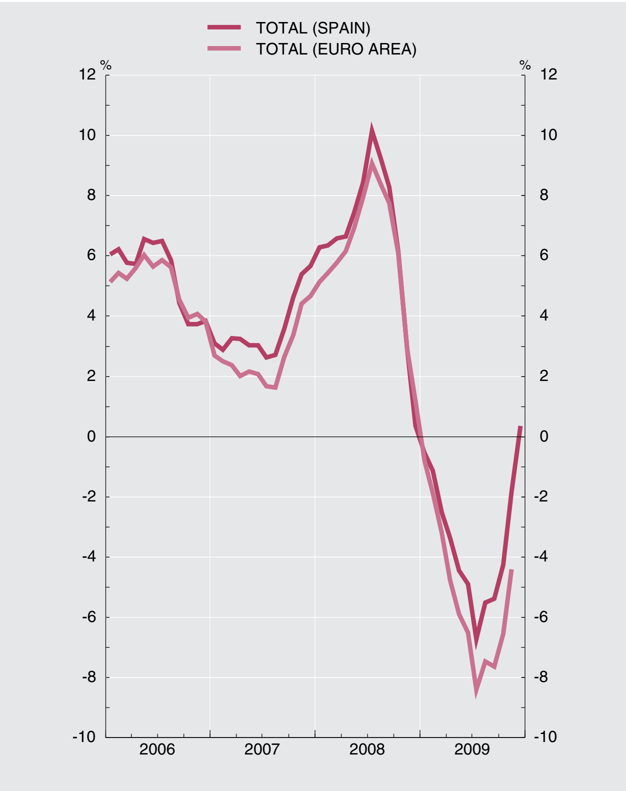
5.3. PRODUCER PRICE INDEX. SPAIN AND EURO AREA (2005 = 100)

■ Series depicted in chart.

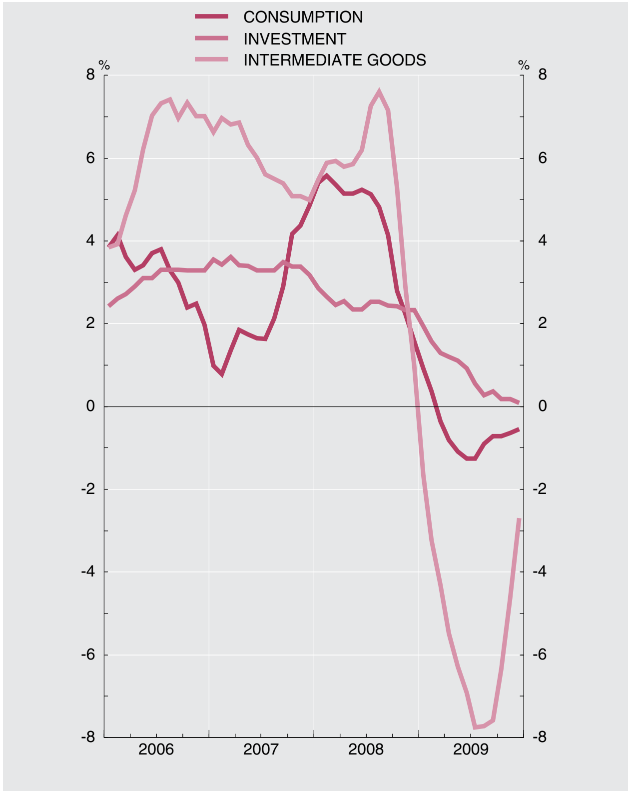
Annual percentage changes

		Total			Consumer goods		Capital goods		Intermediate goods		Energy		Memorandum item: euro area				
		Original series	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Total 12-month % change	Consumer goods 12-month % change	Capital goods 12-month % change	Intermediate goods 12-month % change	Energy 12-month % change
		1	2	3 ■	4	5 ■	6	7 ■	8	9 ■	10	11	12 ■	13	14	15	16
06	M P	105.4	_	5.4	_	3.2	_	3.1	_	6.2	_	9.1	5.1	1.5	1.6	4.6	13.6
07	M P	109.2	_	3.6	_	2.4	_	3.4	_	5.9	_	1.6	2.7	2.1	2.2	4.6	1.3
08	M P	116.3	_	6.5	_	4.4	_	2.5	_	5.5	_	14.3	6.1	3.9	2.1	4.0	14.2
08 *J-D*	M P	116.3	_	6.5	_	4.4	_	2.5	_	5.5	_	14.3	6.1	3.9	2.1	4.0	14.2
09 *J-D*	M P	112.4	_	-3.4	_	-0.6	_	0.8	_	-5.4	_	-6.8	...	...	...	...	...
08 *Sep*	P	118.9	-0.6	8.3	-0.1	4.1	0.1	2.4	-0.2	7.1	-2.2	19.9	7.7	3.7	2.2	5.5	19.4
Oct	P	117.4	-1.3	6.1	-0.4	2.8	0.1	2.4	-1.4	5.3	-2.8	14.9	6.1	2.8	2.8	4.1	14.5
Nov	P	114.5	-2.5	2.9	-0.4	2.2	-	2.3	-2.2	2.9	-6.9	4.3	2.9	1.9	2.7	2.5	4.9
Dec	P	112.1	-2.1	0.4	-0.2	1.6	-	2.3	-1.9	1.0	-6.5	-3.4	1.2	1.2	2.1	1.2	1.0
09 *Jan*	P	112.6	0.4	-0.5	0.3	0.9	0.5	1.9	-1.2	-1.6	3.2	-2.2	-0.8	-0.5	1.9	-1.2	-1.9
Feb	P	112.6	-	-1.1	0.1	0.4	-0.1	1.6	-0.2	-3.2	-	-1.9	-1.9	-1.0	1.8	-2.9	-3.6
Mar	P	112.0	-0.5	-2.5	-0.5	-0.4	-0.1	1.3	-0.4	-4.3	-0.9	-5.0	-3.2	-1.6	1.5	-3.9	-6.9
Apr	P	111.7	-0.3	-3.4	-0.2	-0.8	0.1	1.2	-0.6	-5.5	-0.3	-6.8	-4.8	-1.8	1.1	-5.0	-11.0
May	P	111.8	0.1	-4.4	-0.2	-1.1	-	1.1	-0.3	-6.3	1.1	-9.8	-5.9	-2.0	0.5	-5.7	-13.7
Jun	P	112.5	0.6	-4.9	-	-1.3	-0.1	0.9	-0.2	-6.9	3.2	-10.1	-6.5	-2.3	0.3	-6.4	-14.8
Jul	P	112.3	-0.2	-6.7	0.1	-1.3	-0.1	0.5	0.2	-7.8	-1.0	-16.0	-8.4	-2.5	-0.0	-7.5	-19.8
Aug	P	113.0	0.6	-5.5	0.5	-0.9	-0.2	0.3	0.4	-7.7	1.6	-11.5	-7.5	-2.6	-0.2	-7.4	-16.7
Sep	P	112.5	-0.4	-5.4	0.1	-0.7	0.2	0.4	-0.1	-7.6	-2.2	-11.5	-7.6	-2.7	-0.5	-7.3	-17.3
Oct	P	112.4	-0.1	-4.3	-0.4	-0.7	-0.1	0.2	-0.1	-6.3	0.6	-8.4	-6.6	-2.8	-0.7	-6.4	-14.2
Nov	P	112.4	-	-1.8	-0.3	-0.6	-	0.2	-0.4	-4.6	0.8	-0.7	-4.4	-2.4	-0.7	-4.8	-8.9
Dec	P	112.5	0.1	0.4	-0.1	-0.5	-0.1	0.1	0.1	-2.7	0.2	6.3	...	...	...	...	...

PRODUCER PRICE INDEX. TOTAL
Annual percentage changes



PRODUCER PRICE INDEX. COMPONENTS
Annual percentage changes

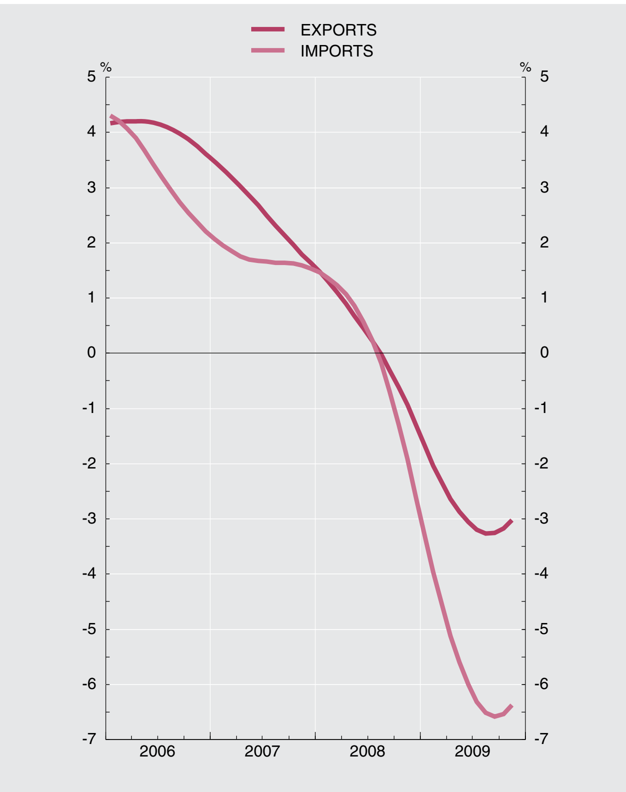


5.4. UNIT VALUE INDICES FOR SPANISH FOREIGN TRADE

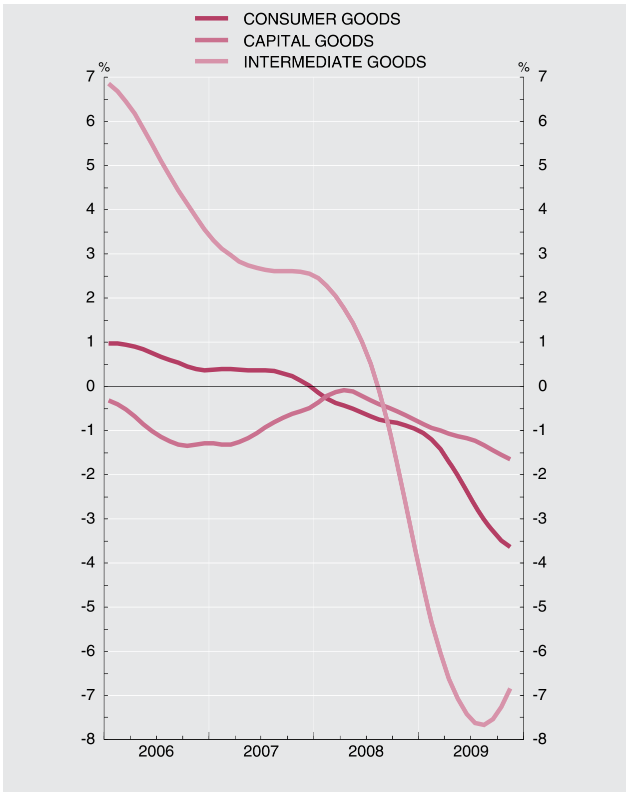
■ Series depicted in chart. *Annual percentage changes*

	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
06	4,8	3,7	3,0	6,1	18,0	5,6	3,4	-0,1	-1,7	6,1	21,5	2,1
07	2,5	2,4	-0,8	3,3	2,0	3,3	1,0	1,2	-2,3	1,6	-1,0	2,9
08	1,9	0,7	1,7	2,7	30,9	0,1	3,8	0,1	1,9	5,7	21,3	-0,7
08 *J-N*	1,9	1,0	1,2	2,7	32,7	-0,1	4,0	-1,1	1,7	6,5	24,7	-0,8
09 *J-N*	-6,8	-2,8	-5,4	-9,7	-30,1	-7,2	-11,0	-2,8	-5,2	-15,1	-29,9	-9,0
08 *Jun*	0,9	-2,4	3,8	2,5	42,1	-1,4	3,1	-0,5	-0,8	4,9	31,3	-4,8
Jul	2,4	-0,1	2,3	4,2	46,6	-0,3	4,9	-3,8	-3,6	9,8	29,9	0,1
Aug	2,7	1,9	2,4	3,4	18,4	1,0	7,6	-2,5	2,2	13,1	32,0	3,3
Sep	1,1	-1,0	3,9	2,3	23,7	-0,9	4,5	-4,2	-3,3	9,7	24,9	3,0
Oct	0,1	1,1	-16,4	2,6	21,7	0,5	3,6	2,3	-0,1	4,8	14,5	0,2
Nov	3,2	1,7	9,2	3,3	20,3	1,0	0,6	2,3	0,6	-0,0	-3,2	-1,5
Dec	1,2	-3,1	7,2	2,9	11,6	1,7	1,9	12,8	4,0	-2,9	-15,6	0,9
09 *Jan*	-2,8	-0,5	-6,9	-4,0	-7,0	-4,1	-7,4	2,9	-7,7	-11,9	-27,4	-4,9
Feb	-5,9	-4,8	-5,9	-6,7	-18,5	-6,2	-7,1	7,7	-3,7	-14,3	-29,6	-11,6
Mar	-4,6	-4,4	-5,9	-4,7	-20,7	-2,6	-7,6	4,9	2,0	-14,3	-31,0	-5,4
Apr	-5,1	-0,4	-9,6	-7,9	-23,2	-6,0	-8,6	-0,7	0,3	-13,0	-32,1	-6,2
May	-8,3	-3,5	0,2	-12,9	-34,4	-11,2	-10,1	1,4	-6,4	-15,2	-36,6	-8,6
Jun	-5,7	1,9	-8,2	-10,3	-30,2	-7,7	-10,7	-1,8	0,1	-15,2	-35,2	-6,5
Jul	-7,2	-1,0	-6,2	-11,7	-39,8	-7,5	-13,2	-5,5	5,2	-17,8	-33,6	-10,2
Aug	-11,2	-5,1	-8,5	-14,9	-42,1	-10,2	-16,4	-11,3	-15,0	-18,7	-29,7	-12,8
Sep	-8,6	-2,4	-16,6	-11,5	-37,8	-7,7	-12,9	-0,5	-17,6	-17,8	-31,3	-12,0
Oct	-6,6	-4,7	11,8	-10,7	-38,5	-7,6	-13,8	-12,1	-4,4	-15,8	-26,0	-11,7
Nov	-8,6	-5,7	-4,4	-11,4	-37,4	-7,9	-12,5	-14,5	-9,8	-12,0	-15,8	-9,8

EXPORT AND IMPORT UNIT VALUE INDICES (a)



IMPORT UNIT VALUE INDICES BY PRODUCT GROUP (a)



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

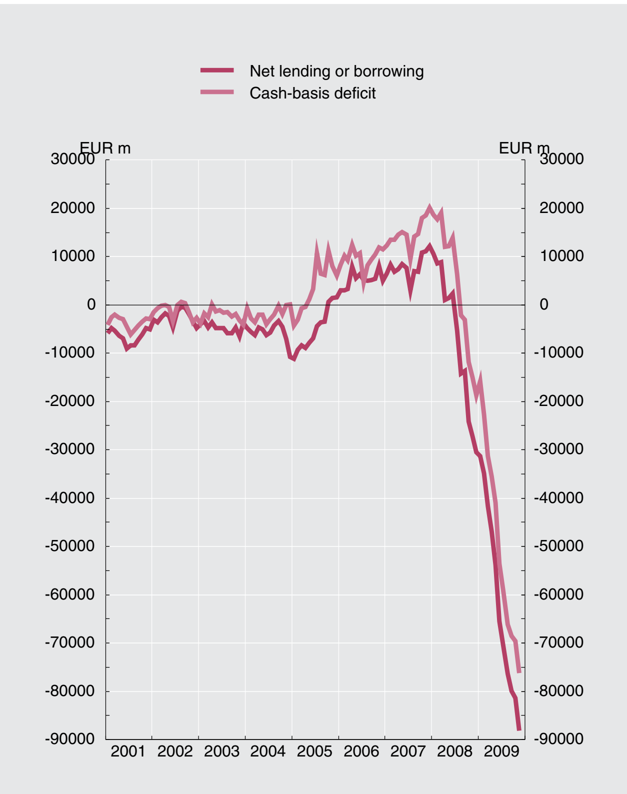
6.1. STATE RESOURCES ANS USES ACCORDING TO THE NACIONAL ACCOUNTS. SPAIN

■ Series depicted in chart.

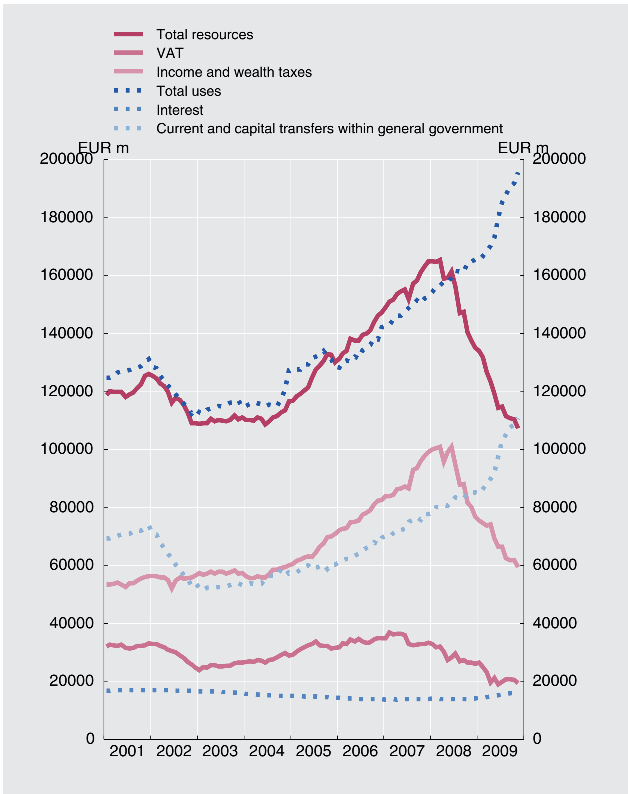
EUR millions

	Net lending (+) or borrowing (-)	Current and capital resources						Current and capital uses						Memorandum item: cash-basis deficit		
		Total	Value added tax (VAT)	Other taxes on products and imports	Interest and other income on property	Income and wealth taxes	Other	Total	Compensation of employees	Interest	Current and capital transfers within general government	Investment grants and other capital transfers	Other	Cash-basis deficit	Revenue	Expenditure
	1=2-8 ■	2=3 a 7 ■	3 ■	4	5	6 ■	7	8=9 a13 ■	9	10 ■	11 ■	12	13	14=15-16 ■	15	16
99	-7 303	109 643	29 002	16 408	6 059	46 909	11 265	116 946	15 013	16 958	60 249	3 750	20 976	-6 354	110 370	116 724
00	-6 330	118 005	31 566	17 171	5 419	52 671	11 178	124 335	12 881	16 817	68 917	4 336	21 384	-2 431	118 693	121 124
01	-5 076	126 032	33 160	17 838	7 335	56 312	11 387	131 108	12 890	17 031	73 716	4 269	23 202	-2 884	125 193	128 077
02	-4 780	109 142	24 701	11 431	5 614	56 616	10 780	113 922	13 526	16 652	53 800	4 596	25 348	-2 626	108 456	111 082
03	-3 692	111 008	26 542	10 918	5 089	57 398	11 061	114 700	13 966	15 890	53 259	4 009	27 576	-4 132	109 655	113 787
04	-10 762	116 577	28 947	10 991	4 730	60 054	11 855	127 339	14 831	15 060	57 177	8 760	31 511	59	114 793	114 734
05	1 590	130 171	31 542	11 068	4 401	70 986	12 174	128 581	15 665	14 343	60 311	5 122	33 140	6 022	128 777	122 755
06	5 005	147 220	34 929	11 331	5 328	82 528	13 104	142 215	16 839	13 820	69 588	5 808	36 160	11 471	141 847	130 375
07	12 098	165 010	33 332	12 938	6 645	99 240	12 855	152 912	18 006	14 024	77 833	6 092	36 957	20 135	159 840	139 704
08	P -30 527	135 145	26 065	12 715	6 904	76 930	12 531	165 672	19 244	14 145	85 348	5 857	41 078	-18 747	129 336	148 082
08 *J-N*	P -13 921	124 937	25 775	11 800	4 521	72 921	9 920	138 858	16 622	12 834	75 488	3 543	30 371	-11 038	120 150	131 188
09 *J-N*	A -71 572	97 194	19 093	10 633	4 780	55 325	7 363	168 766	17 349	14 892	101 097	2 621	32 807	-68 508	95 092	163 601
09 *Mar*	A -12 791	1 945	-1 328	687	1 020	2 205	-639	14 736	1 518	1 334	8 835	-5	3 054	-11 275	2 614	13 888
Apr	A 498	14 462	2 532	938	580	10 014	398	13 964	1 553	1 326	7 972	394	2 719	2 878	14 613	11 735
May	A -13 103	71	-1 181	927	243	-830	912	13 174	1 499	1 388	7 525	342	2 420	-10 635	-202	10 433
Jun	A -19 226	1 725	-1 377	833	457	-52	1 864	20 951	2 734	1 377	12 339	112	4 389	-17 716	673	18 389
Jul	A -10 286	11 506	3 945	845	571	5 886	259	21 792	1 442	1 435	16 025	253	2 637	-14 127	11 405	25 532
Aug	A -10 511	2 613	-5 428	1 066	410	6 081	484	13 124	1 441	1 374	7 627	185	2 497	-11 506	1 424	12 930
Sep	A -2 447	11 934	3 495	1 142	398	5 644	1 255	14 381	1 426	1 336	8 504	204	2 911	-347	11 521	11 868
Oct	A 3 460	19 712	5 791	1 163	260	11 866	632	16 252	1 511	1 416	9 401	348	3 576	5 198	18 816	13 618
Nov	A -12 224	5 132	-19	1 020	198	2 447	1 486	17 356	1 476	1 371	9 796	602	4 111	-10 907	5 575	16 482

STATE. NET LENDING OR BORROWING AND CASH-BASIS DEFICIT
(Lastest 12 months)



STATE. RESOURCES AND USES ACCORDING TO THE NATIONAL ACCOUNTS
(Latest 12 months)



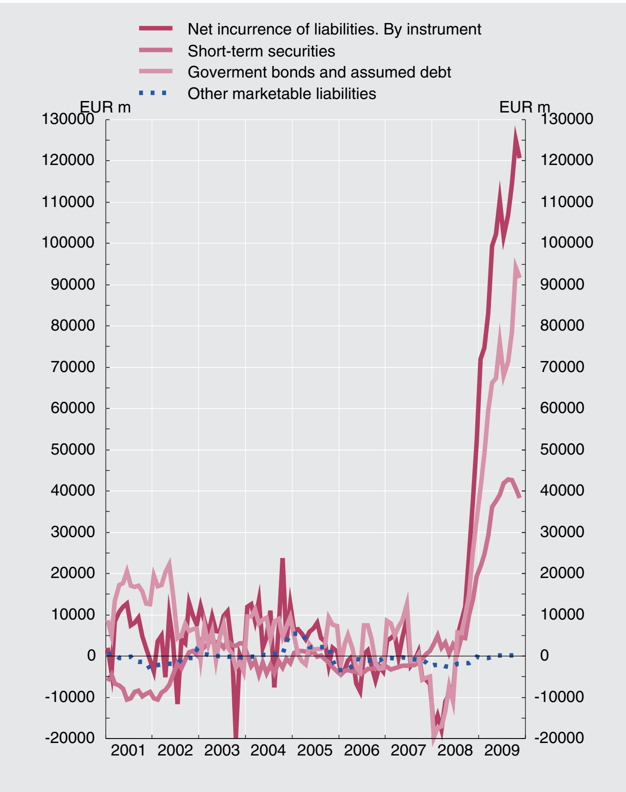
Source: Ministerio de Economía y Hacienda (IGAE).

6.2. STATE FINANCIAL TRANSACTIONS. SPAIN

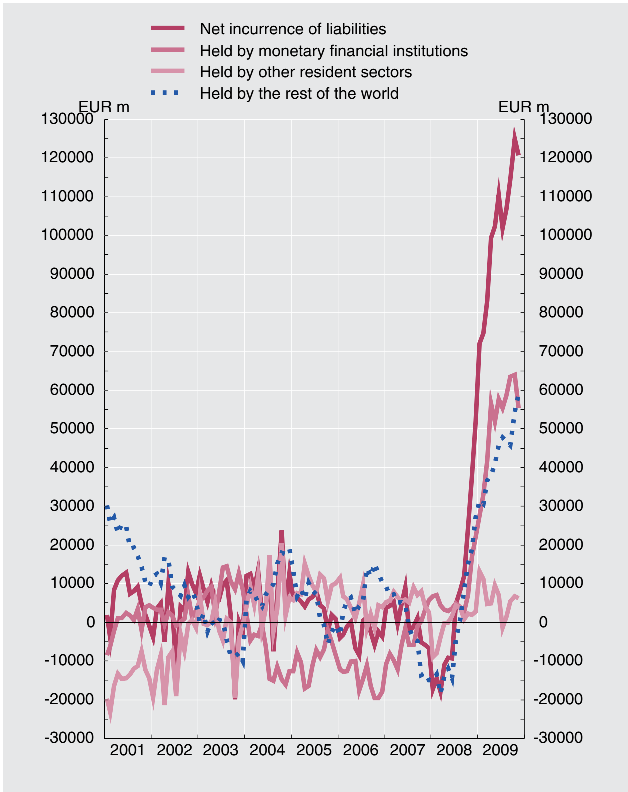
■ Series depicted in chart. *EUR millions*

	Net lending (+) or net borrowing(-)	Net acquisition of financial assets		Net incurrence of liabilities											Net incurrence of liabilities (excluding other accounts payable)
			Of which		Of which	By instrument					By counterpart sector				
											Held by resident sectors			Rest of the world	
		Total	Deposits at the Banco de España	Total	In currencies other than the peseta/ euro	Short-term securities	Goverment bonds and assumed debt	Banco de España loans	Other marketable liabilities (a)	Other accounts payable	Total	Monetary financial institutions	Other resident sectors		
	1	2	3	4 ■	5	6 ■	7 ■	8	9 ■	10	11	12 ■	13 ■	14 ■	15
99	-7 303	4 212	4 574	11 515	209	-6 629	19 592	-499	-446	-503	-10 511	-7 605	-2 905	22 026	12 018
00	-6 330	4 584	5 690	10 914	1 162	-8 683	17 127	-499	283	2 686	-22 009	-10 117	-11 892	32 924	8 228
01	-5 076	-5 973	-20 141	-897	803	-8 616	12 521	-499	-3 101	-1 202	-10 103	4 424	-14 527	9 206	305
02	-4 780	2 783	-95	7 563	-888	346	6 655	-486	1 488	-439	1 773	3 148	-1 374	5 790	8 002
03	-3 692	-5 850	0	-2 158	-135	3 146	-3 761	-486	-254	-803	7 817	8 551	-734	-9 975	-1 354
04	-10 762	1 866	-0	12 628	-1 600	-1 688	9 416	-486	5 486	-100	-6 347	-12 696	6 349	18 975	12 728
05	1 590	2 608	0	1 018	-1 910	-3 771	7 276	-486	-3 411	1 410	1 776	-8 257	10 033	-758	-392
06	5 005	1 295	-200	-3 710	175	-2 198	-2 976	-486	-418	2 367	-14 067	-17 968	3 901	10 357	-6 077
07	12 098	5 351	65	-6 747	-120	1 206	-4 916	-519	-2 495	-23	8 280	5 698	2 581	-15 026	-6 724
08 P	-30 527	21 551	4 337	52 078	2 243	19 355	33 275	-520	-102	70	24 877	22 157	2 720	27 201	52 008
08 *J-N* P	-13 921	21 922	16 840	35 843	2 240	14 641	22 673	-520	-305	-647	14 537	14 684	-147	21 306	36 490
09 *J-N* A	-71 572	32 855	2 932	104 427	-1 500	33 632	81 096	-535	-74	-9 692	51 264	47 965	3 299	53 163	114 119
09 *Mar* A	-12 791	-1 846	-3 498	10 945	780	3 916	11 559	-	-56	-4 475	7 222	5 890	1 333	3 723	15 420
Apr A	498	17 660	13 478	17 162	-14	5 475	11 321	-535	-6	909	12 417	8 345	4 073	4 745	16 254
May A	-13 103	-5 404	-6 980	7 699	2	940	8 248	-	13	-1 502	3 741	931	2 810	3 958	9 201
Jun A	-19 226	-6 075	-8 999	13 151	3	1 141	11 477	-	31	503	9 094	8 798	296	4 057	12 649
Jul A	-10 286	-14 584	-3 906	-4 298	2	2 862	-6 468	-	27	-719	-9 011	-5 441	-3 569	4 713	-3 579
Aug A	-10 511	-6 226	6	4 285	2	3 089	4 366	-	16	-3 187	3 025	2 012	1 012	1 260	7 471
Sep A	-2 447	15 200	3 900	17 647	1 714	2 076	15 354	-	-30	247	9 257	8 508	749	8 390	17 400
Oct A	3 460	13 106	5 996	9 646	-997	2 409	8 052	-	-27	-788	2 205	2 089	116	7 441	10 434
Nov A	-12 224	1 094	-2 563	13 318	-2 998	4 190	10 654	-	-6	-1 520	3 946	4 731	-784	9 372	14 838

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



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



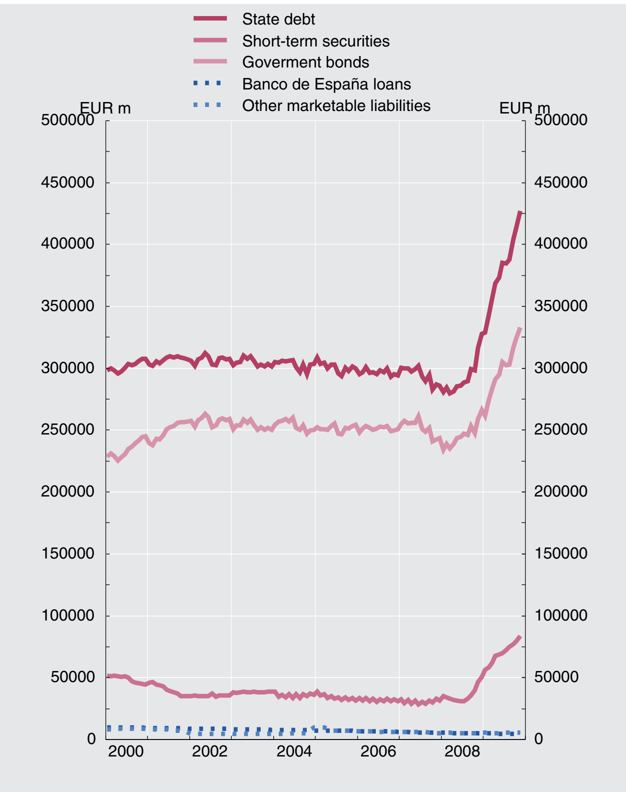
Source: BE.
a.Includes other loans, non-negotiable securities, coined money and Caja General de Depósitos (General Deposit Fund).

6.3. STATE: LIABILITIES OUTSTANDING. SPAIN

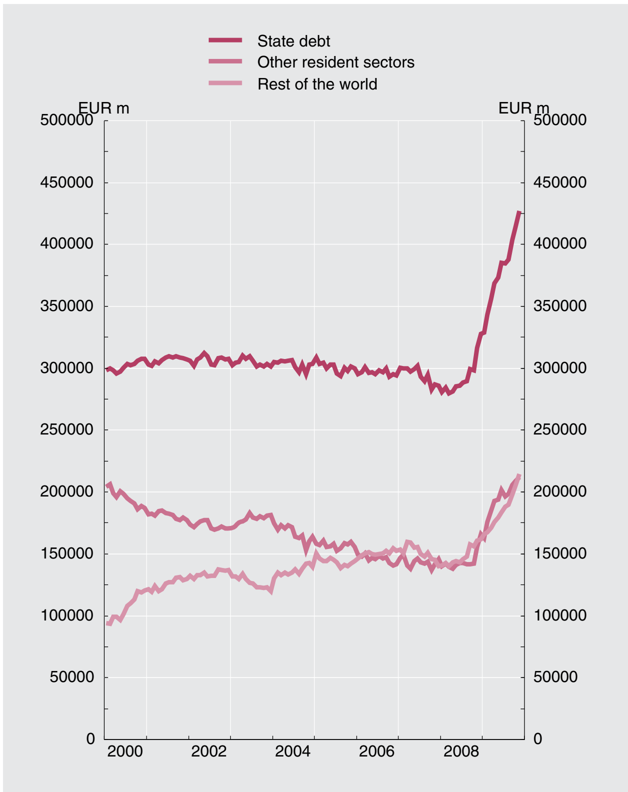
■ Series depicted in chart. *EUR millions*

		Liabilities outstanding (excluding other accounts payable)										Memorandum item:	
		State debt according to the metodolofy of the exce-ssive deficit procedure	of which: In currencies other than the peseta/ euro	By instrument: Short-term securities	By instrument: Government bonds and assumed debt	By instrument: Banco de España loans	By instrument: Other marketable liabilities (a)	By counterpart sector: Held by resident sectors: Total	By counterpart sector: Held by resident sectors: General government	By counterpart sector: Held by resident sectors: Other resident sectors	By counterpart sector: Rest of the world	Deposits at the Banco de España	Guarantees given (contingent liabilities). Outstanding level
		1 ■	2	3 ■	4 ■	5 ■	6 ■	7	8	9 ■	10 ■	11	12
95		232 754	19 362	71 070	132 463	11 050	18 171	180 408	385	180 023	52 731	9 379	6 059
96		263 972	20 434	81 084	152 302	10 814	19 772	210 497	529	209 969	54 003	15 195	8 185
97		274 176	23 270	71 730	180 566	10 578	11 303	211 538	445	211 093	63 083	9 829	7 251
98		284 161	30 048	59 939	205 189	10 341	8 691	215 207	305	214 902	69 258	10 273	6 412
99		298 384	7 189	53 142	227 157	9 843	8 243	207 465	150	207 315	91 070	14 846	5 310
00		307 726	8 197	44 575	245 255	9 344	8 552	188 488	1 187	187 301	120 424	20 536	5 430
01		306 895	7 611	35 413	257 192	8 845	5 445	179 123	2 018	177 105	129 791	395	5 460
02		307 610	5 823	35 459	258 877	8 359	4 914	177 561	6 831	170 730	136 880	300	6 819
03		301 503	5 105	38 702	250 337	7 873	4 591	192 426	10 952	181 474	120 029	300	6 821
04		303 563	3 267	35 996	250 125	7 388	10 055	183 276	19 412	163 863	139 700	300	7 186
05		299 656	2 154	31 647	254 442	6 902	6 666	178 476	22 810	155 666	143 990	300	6 020
06		294 419	515	31 060	250 702	6 416	6 242	163 799	21 897	141 902	152 517	100	5 794
07		286 090	355	31 644	243 246	5 832	5 367	171 398	25 551	145 847	140 243	165	6 162
08	P	327 876	63	50 788	266 334	5 249	5 505	200 608	34 511	166 097	161 779	4 502	8 152
09 *Mar*	A	356 186	64	62 153	283 370	5 249	5 414	221 499	36 231	185 268	170 918	6 502	22 453
Apr	A	368 522	67	67 564	290 884	4 665	5 407	232 472	39 616	192 856	175 666	19 980	34 048
May	A	373 459	69	68 519	294 853	4 665	5 421	235 942	42 111	193 831	179 628	13 000	39 874
Jun	A	385 196	70	70 005	305 074	4 665	5 451	243 295	41 786	201 509	183 687	4 001	46 398
Jul	A	384 735	70	72 291	302 300	4 665	5 478	239 859	43 524	196 335	188 400	95	46 949
Aug	A	387 996	68	74 823	303 013	4 665	5 495	244 552	46 213	198 339	189 657	101	47 191
Sep	A	403 642	66	76 918	316 594	4 665	5 465	251 921	46 282	205 639	198 003	4 001	47 882
Oct	A	413 965	67	79 370	324 492	4 665	5 438	254 936	46 222	208 714	205 250	9 997	48 134
Nov	A	426 830	66	83 552	333 181	4 665	5 431	258 661	46 495	212 166	214 664	7 434	53 565

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).

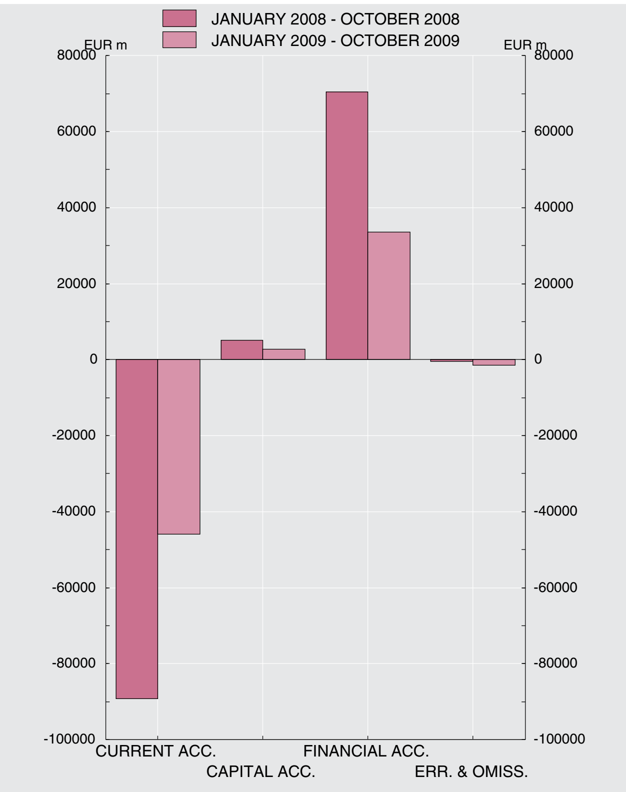
7.1. SPANISH BALANCE OF PAYMENTS VIS-à-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD. CURRENT ACCOUNT

■ Series depicted in chart.

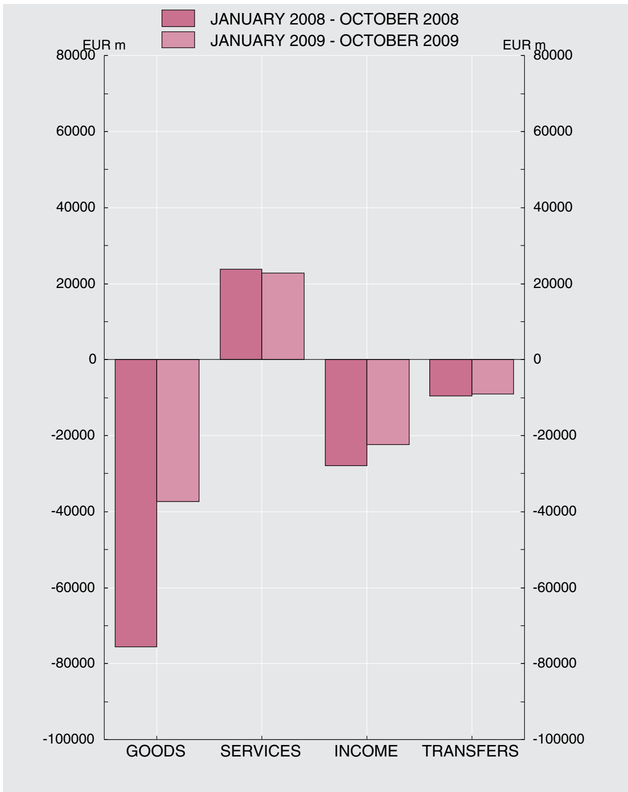
EUR millions

		Current account (a): Total (balance)	Goods: Balance	Goods: Receipts	Goods: Payments	Services: Balance	Services: Receipts: Total	Services: Receipts: Of which Travel	Services: Payments: Total	Services: Payments: Of which Travel	Income: Balance	Income: Receipts	Income: Pay-ments	Current trans-fers (bal-ance)	Capital account (bal-ance)	Current account plus capital account	Financial account (balance) (b)	Errors and omis-sion
		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) ■
06		-88 313	-83 246	175 808	259 054	22 235	84 761	40 715	62 525	13 266	-20 799	47 701	68 500	-6 503	6 194	-82 118	85 624	-3 506
07	P	-105 378	-91 246	192 613	283 859	23 076	93 234	42 061	70 158	14 360	-30 142	56 827	86 969	-7 067	4 578	-100 800	101 066	-265
08	P	-104 412	-87 660	193 899	281 559	26 265	97 513	41 901	71 248	13 834	-33 782	60 991	94 773	-9 235	5 506	-98 906	95 471	3 435
08 *J-O*	P	-89 231	-75 554	165 654	241 208	23 735	83 179	37 287	59 444	11 872	-27 867	50 417	78 285	-9 545	5 046	-84 184	84 624	-440
09 *J-O*	P	-45 925	-37 328	134 403	171 731	22 808	75 288	33 704	52 480	10 103	-22 315	43 003	65 318	-9 090	2 771	-43 154	44 561	-1 407
08 *Jul*	P	-7 752	-7 419	17 689	25 108	3 942	10 562	5 143	6 619	1 320	-3 784	6 549	10 333	-492	318	-7 434	7 523	-89
Aug	P	-7 118	-7 214	12 464	19 679	3 986	9 691	5 398	5 706	1 454	-3 107	3 245	6 352	-782	414	-6 703	7 267	-564
Sep	P	-8 083	-6 719	17 825	24 543	2 585	9 027	4 461	6 443	1 313	-3 061	4 241	7 302	-888	379	-7 704	7 353	351
Oct	P	-7 707	-6 093	17 194	23 286	2 503	8 964	3 852	6 461	1 298	-3 042	5 267	8 310	-1 075	212	-7 495	7 160	335
Nov	P	-8 555	-5 523	14 738	20 261	1 687	6 986	2 512	5 298	1 038	-3 547	4 265	7 812	-1 173	251	-8 304	7 933	372
Dec	P	-6 626	-6 583	13 506	20 090	843	7 349	2 102	6 506	924	-2 368	6 309	8 677	1 482	209	-6 417	2 914	3 503
09 *Jan*	P	-5 917	-4 115	11 444	15 558	1 377	6 581	2 486	5 204	948	-2 765	4 650	7 415	-415	340	-5 577	6 242	-665
Feb	P	-9 064	-5 492	12 782	18 275	1 196	6 326	2 077	5 130	890	-2 826	3 260	6 087	-1 941	238	-8 826	5 182	3 644
Mar	P	-6 213	-3 227	14 138	17 365	1 255	6 508	2 441	5 253	829	-3 319	4 706	8 025	-922	374	-5 839	7 258	-1 419
Apr	P	-4 427	-3 230	13 609	16 840	1 393	6 631	2 520	5 238	946	-1 527	5 121	6 647	-1 063	930	-3 498	2 444	1 053
May	P	-3 948	-2 913	13 257	16 171	2 558	7 138	3 177	4 579	689	-3 129	4 748	7 878	-464	150	-3 798	3 322	477
Jun	P	-3 191	-2 852	14 245	17 097	2 724	7 958	3 749	5 233	1 147	-2 621	4 252	6 873	-442	148	-3 043	4 517	-1 474
Jul	P	-1 679	-2 823	14 894	17 717	3 630	9 661	4 716	6 031	1 181	-2 062	5 481	7 543	-424	146	-1 534	2 495	-961
Aug	P	-3 025	-4 218	10 353	14 572	3 533	8 569	4 923	5 036	1 280	-1 344	3 110	4 454	-996	397	-2 628	2 924	-296
Sep	P	-4 309	-5 025	14 278	19 303	2 580	7 955	4 015	5 376	1 103	-1 141	4 141	5 282	-722	57	-4 252	4 233	19
Oct	P	-4 151	-3 433	15 402	18 834	2 562	7 961	3 602	5 400	1 091	-1 581	3 533	5 114	-1 700	-7	-4 159	5 944	-1 786

SUMMARY



CURRENT ACCOUNT



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

a. A positive sign for the current and capital account balances indicates a surplus (receipts greater than payments) and, thus, a Spanish net loan abroad (increase in the creditor position or decrease in the debtor position).

b. A positive sign for the financial account balance (the net change in liabilities exceeds the net change in financial assets) means a net credit inflow, i.e. a net foreign loan to Spain (increase in the debtor position or decrease in the creditor position).

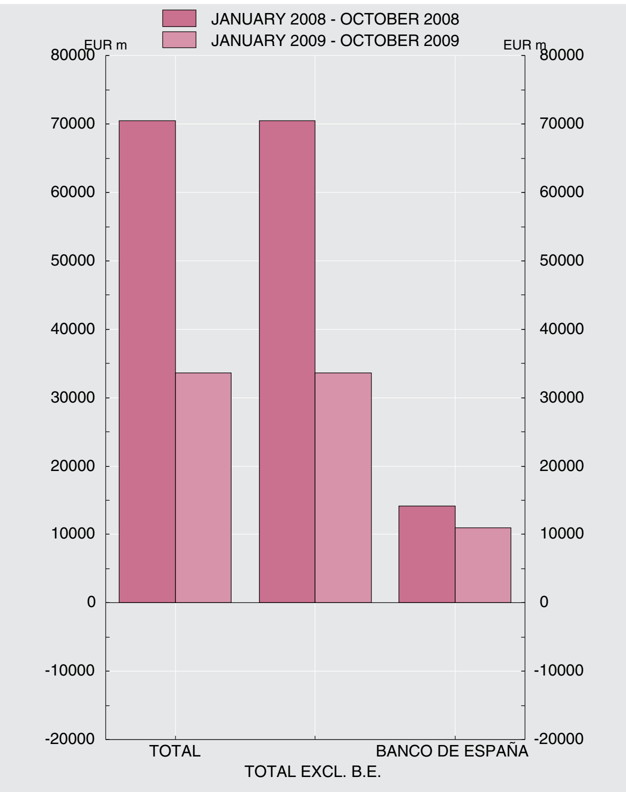
7.2. SPANISH BALANCE OF PAYMENTS VIS-à-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD. FINANCIAL ACCOUNT (a)

■ Series depicted in chart.

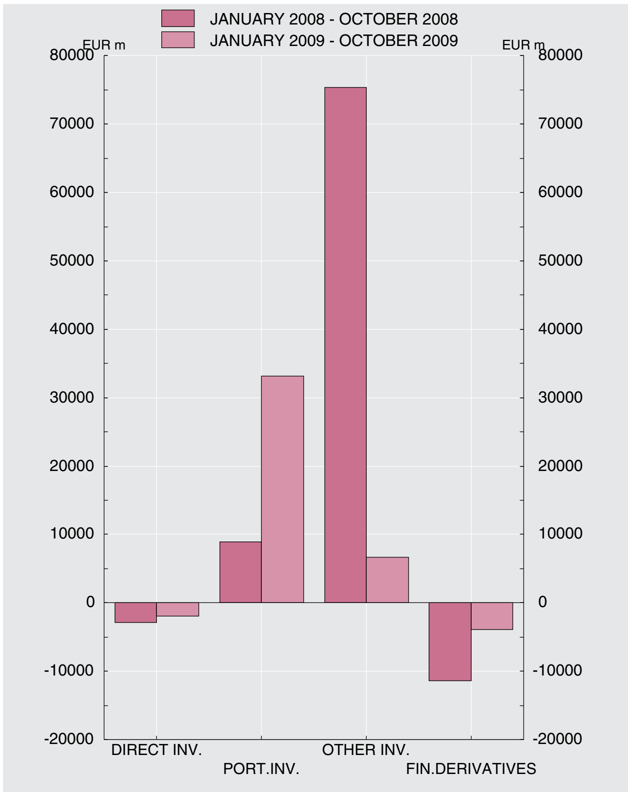
EUR millions

		Financial account (NCL-NCA) 1=2+13 ■	Total, excluding Banco de España: Total (NCL-NCA) 2=3+6+9+12 ■	Direct investment: Balance (NCL-NCA) 3=5-4 ■	Direct investment: Spanish investment abroad (NCA) 4	Direct investment: Foreign investment in Spain (NCL) (b) 5	Portfolio investment: Balance (NCL-NCA) 6=8-7 ■	Portfolio investment: Spanish investment abroad (NCA) 7	Portfolio investment: Foreign investment in Spain (NCL) (c) 8	Other investment (d): Balance (NCL-NCA) 9=11-10 ■	Other investment (d): Spanish investment abroad (NCA) 10	Other investment (d): Foreign investment in Spain (NCL) 11	Net financial derivatives (NCL-NCA) 12 ■	Banco de España: Balance (NCL-NCA) 13=14+15+16 ■	Banco de España: Reserves (e) 14	Banco de España: Net claims with the Eurosystem (e) 15	Banco de España: Other net assets (NCL-NCA) 16
06		85 624	111 425	-58 547	83 100	24 554	199 615	-3 928	195 687	-31 647	66 093	34 446	2 003	-25 800	-480	-12 327	-12 993
07	P	101 066	86 743	-50 902	101 191	50 289	104 779	-8 601	96 178	37 025	57 196	94 221	-4 159	14 322	-164	28 329	-13 843
08	P	95 471	65 334	-6 913	54 662	47 749	3 763	-21 869	-18 106	76 284	14 822	91 106	-7 800	30 137	-645	31 713	-931
08 *J-O*	P	84 624	70 497	-2 901	45 148	42 247	8 945	-22 083	-13 138	75 323	34 678	110 001	-10 871	14 127	-155	15 053	-771
09 *J-O*	P	44 561	33 630	-1 920	17 515	15 595	33 148	3 928	37 075	6 643	-2 601	4 042	-4 240	10 930	-1 191	6 228	5 893
08 *Jul*	P	7 523	-327	-648	4 146	3 498	8 547	-745	7 802	-6 245	1 828	-4 417	-1 980	7 850	-184	8 024	10
Aug	P	7 267	1 785	-3 966	3 406	-561	8 855	-107	8 748	-3 724	9 980	6 256	620	5 482	-146	5 621	7
Sep	P	7 353	9 465	-1 494	5 004	3 511	4 132	-4 325	-193	6 660	-11 901	-5 240	167	-2 112	-100	-1 569	-444
Oct	P	7 160	15 217	-4 593	6 993	2 400	-11 047	-10 171	-21 218	30 865	-12 481	18 384	-8	-8 057	-28	-5 640	-2 389
Nov	P	7 933	289	-1 696	4 006	2 310	-2 881	-458	-3 339	1 629	-6 558	-4 928	3 236	7 643	-318	8 131	-171
Dec	P	2 914	-5 452	-2 316	5 508	3 192	-2 302	673	-1 629	-669	-13 298	-13 967	-165	8 366	-172	8 528	10
09 *Jan*	P	6 242	9 263	-5 387	5 632	245	10 458	-7 057	3 402	3 841	7 521	11 362	350	-3 021	-16	-2 439	-566
Feb	P	5 182	-9	-338	1 728	1 390	-4 163	-1 476	-5 639	4 895	-11 385	-6 490	-403	5 191	-84	4 972	303
Mar	P	7 258	9 945	-5 306	3 483	-1 823	2 014	1 379	3 393	13 868	-9 169	4 699	-630	-2 687	-165	-5 382	2 859
Apr	P	2 444	7 531	706	2 612	3 318	1 328	-509	819	2 564	-1 477	1 087	2 934	-5 087	-19	-6 379	1 311
May	P	3 322	1 027	-1 033	615	-417	-2 952	5 101	2 149	5 586	-4 757	830	-575	2 295	-120	1 177	1 237
Jun	P	4 517	-4 568	8 933	-46	8 887	-6 119	6 928	809	-5 999	7 630	1 631	-1 383	9 086	-187	8 321	952
Jul	P	2 495	-1 036	-2 049	1 396	-653	9 237	-4 109	5 128	-6 909	-7 497	-14 406	-1 314	3 531	-348	4 015	-136
Aug	P	2 924	-3 234	1 565	1 794	3 359	6 626	-122	6 503	-9 382	7 202	-2 180	-2 043	6 158	-220	6 099	279
Sep	P	4 233	2 576	825	-42	783	3 414	3 971	7 385	-728	7 864	7 137	-935	1 657	6	2 001	-351
Oct	P	5 944	12 136	164	342	506	13 306	-180	13 126	-1 094	1 466	373	-241	-6 191	-38	-6 159	6

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.

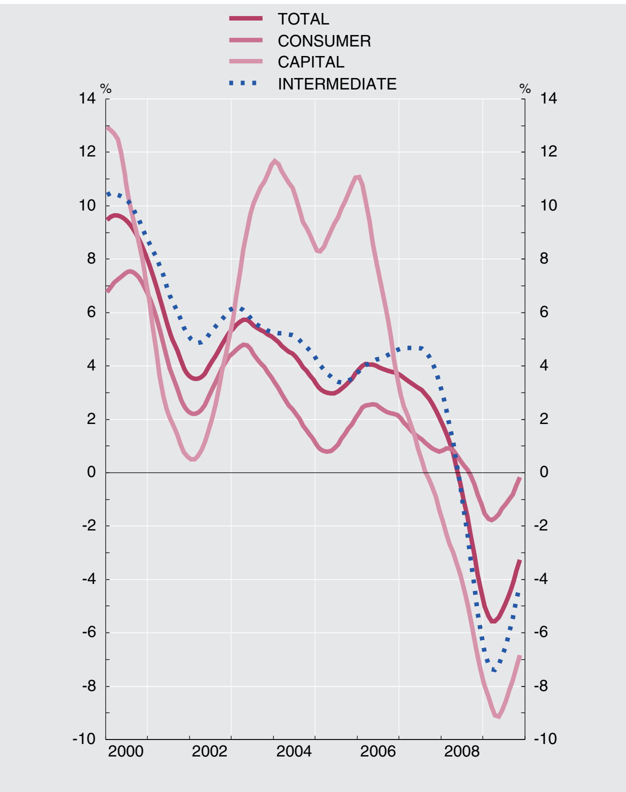
7.3. SPANISH FOREIGN TRADE WITH OTHER EURO AREA COUNTRIES AND WITH THE REST OF THE WORLD EXPORT AND DISPATCHES

■ Series depicted in chart.

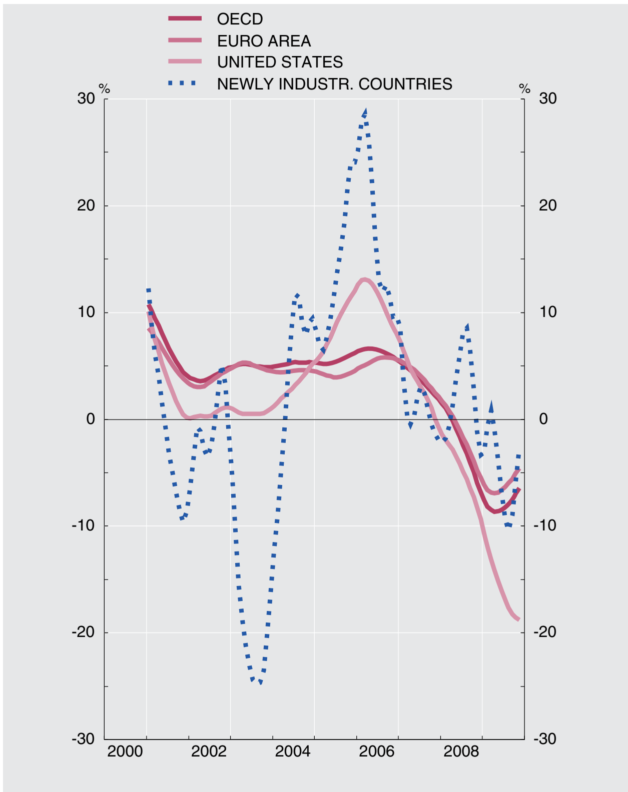
Eur millions and annual percentage changes

		Total			By product (deflated data) (a)					By geographical area (nominal data)							
							Intermediate			EU 27		OECD					
		EUR millions	Nominal	Deflated (a)	Consumer	Capital	Total	Energy	Non-energy	Total	Euro Area	Total	of which: United States	OPEC	Other American countries	China	Newly industrialised countries
		1	2	3 ■	4 ■	5 ■	6 ■	7	8	9	10 ■	11 ■	12 ■	13	14	15	16 ■
02		133 268	2.7	3.7	3.9	-3.5	4.8	4.7	4.7	2.7	1.4	3.3	2.4	9.5	-19.8	25.5	5.7
03		138 119	3.6	5.2	4.2	11.9	4.8	24.7	3.9	4.5	5.1	3.8	-1.7	-4.9	2.2	38.2	-23.4
04		146 925	6.4	5.3	2.2	13.1	6.6	10.2	6.4	5.0	5.0	5.9	2.0	11.0	3.3	5.6	4.7
05		155 005	5.5	0.8	-0.9	5.3	1.4	-8.9	2.0	2.6	2.3	4.2	10.2	10.4	11.8	31.4	14.5
06		170 439	10.0	5.0	3.0	12.5	5.1	-5.0	5.6	8.1	7.8	8.4	17.7	4.2	34.5	12.8	16.5
07		185 023	8.6	5.9	3.3	5.2	7.8	8.6	7.7	8.0	8.4	7.0	-1.1	22.4	-12.5	23.5	-0.8
08		189 228	2.3	0.5	2.2	-6.6	0.5	17.0	-0.2	-0.1	-0.5	-0.4	1.4	...	1.0	1.2	4.2
08 *Oct*	P	16 672	-0.2	-0.3	-1.3	10.5	-1.5	9.7	-2.0	-2.8	-3.0	-2.4	-4.3	53.0	-8.7	-24.8	6.2
Nov	P	14 289	-13.8	-16.5	-5.3	-30.9	-21.1	-7.0	-21.8	-15.5	-14.2	-14.2	13.9	-15.0	-10.6	-28.5	-14.1
Dec	P	13 142	-7.4	-8.6	3.9	-0.3	-17.8	-10.1	-18.2	-13.1	-10.7	-11.6	19.1	56.4	20.8	-0.2	-9.8
09 *Jan*	P	11 092	-25.7	-23.6	-16.4	-31.5	-27.3	-16.5	-27.8	-25.5	-22.6	-25.7	-21.1	-2.3	-30.2	-46.1	-19.9
Feb	P	12 401	-25.4	-20.7	-17.8	1.9	-26.3	-15.0	-26.7	-29.5	-27.0	-28.0	-22.1	27.3	-19.6	-27.0	2.9
Mar	P	13 714	-13.6	-9.5	2.1	-16.3	-16.7	-35.9	-15.6	-17.5	-16.1	-15.0	-4.4	18.9	8.1	-7.4	36.8
Apr	P	13 192	-26.6	-22.6	-13.8	-28.5	-27.6	-45.2	-26.7	-23.8	-21.1	-25.7	-34.3	-6.3	-26.7	-26.5	-3.6
May	P	12 893	-22.4	-15.4	-9.6	-34.1	-16.2	-1.7	-16.9	-23.7	-22.6	-22.4	-19.4	-2.8	-22.2	-12.6	-5.1
Jun	P	13 896	-10.1	-4.7	5.9	-12.5	-10.2	-20.8	-9.6	-11.7	-9.6	-10.8	-17.5	25.8	-15.8	0.1	-1.8
Jul	P	14 475	-15.8	-9.3	-0.1	-10.0	-15.2	-36.2	-13.9	-13.0	-12.2	-12.6	-11.4	-21.1	-20.3	-15.6	-19.7
Aug	P	10 072	-16.9	-6.4	2.2	-5.8	-11.3	-23.0	-10.4	-13.5	-8.5	-15.2	-40.9	-21.3	-20.5	-14.2	-22.0
Sep	P	13 871	-19.8	-12.2	-17.4	-1.4	-10.1	-22.1	-9.3	-18.9	-15.8	-18.4	-37.0	-24.8	-27.6	2.2	-16.4
Oct	P	14 918	-10.5	-4.2	0.1	-18.2	-4.4	-5.8	-4.4	-9.3	-7.0	-8.7	-27.0	-29.7	-18.4	16.9	-8.6
Nov	P	14 068	-1.5	7.7	7.7	-4.8	9.7	-10.9	11.0	1.7	3.0	0.1	-32.1	-26.3	-7.3	37.6	8.4

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



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



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

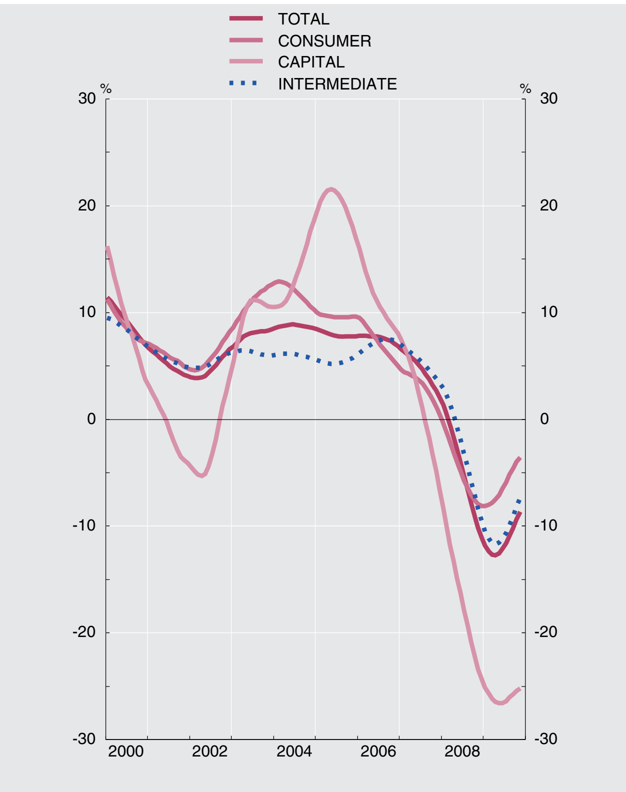
7.4. SPANISH FOREIGN TRADE WITH OTHER EURO AREA COUNTRIES AND WITH THE REST OF THE WORLD IMPORTS AND ARRIVALS

■ Series depicted in chart.

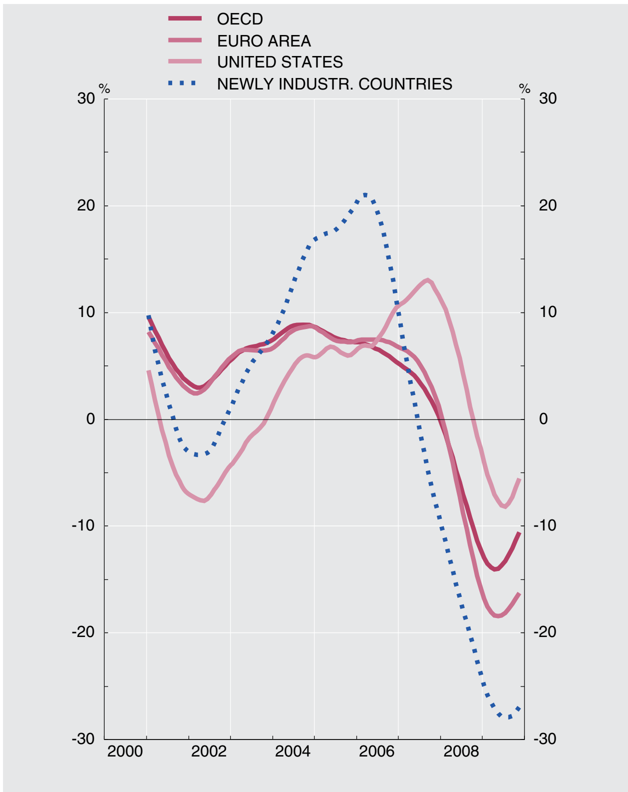
Eur millions and annual percentage changes

		Total			By product (deflated data) (a)					By geographical area (nominal data)							
							Intermediate			EU 27		OECD					
		EUR millions	Nom- inal	De- flated (a)	Con- sumer	Capital	Total	Energy	Non- energy	Total	Euro Area	Total	of which: United States	OPEC	Other Amer- ican coun- tries	China	Newly industri- alised coun- tries
		1	2	3 ■	4 ■	5 ■	6 ■	7	8	9	10 ■	11 ■	12 ■	13	14	15	16 ■
02		175 268	1.2	4.3	5.0	-5.4	5.9	5.6	5.9	1.7	2.0	0.9	-8.5	-9.0	5.7	13.6	2.4
03		185 114	5.6	7.1	9.6	12.9	4.8	1.0	5.7	5.8	5.3	5.8	-4.8	-0.5	12.9	16.6	1.1
04		208 411	12.6	9.9	13.5	14.4	7.3	10.6	6.5	9.9	10.0	11.3	9.3	13.4	7.9	26.8	14.6
05		232 954	11.8	6.4	8.4	17.6	3.4	10.9	1.5	5.6	5.3	6.1	-0.1	39.2	29.3	37.3	11.2
06		262 687	12.8	9.2	7.4	5.9	10.6	4.8	12.2	8.4	8.0	8.5	14.7	24.9	24.1	22.7	28.6
07		285 038	8.5	7.4	6.8	7.5	7.5	4.1	8.3	10.5	11.0	9.8	16.4	-4.8	-6.8	28.7	-3.7
08		283 388	-0.6	-4.1	-7.4	-13.7	-1.1	8.2	-2.9	-8.2	-8.8	-7.4	12.9	...	16.6	10.8	-16.1
08 *Oct*	P	23 317	-10.4	-13.5	-19.6	-20.9	-9.3	-1.0	-11.2	-15.1	-15.6	-15.1	-18.3	30.1	-20.3	-7.6	-10.6
Nov	P	20 237	-19.9	-20.4	-17.9	-39.1	-17.9	0.4	-21.6	-22.8	-23.7	-22.3	-12.0	13.3	-9.4	-26.3	-21.3
Dec	P	20 072	-16.5	-18.0	-14.0	-25.7	-18.4	-4.3	-22.1	-24.1	-27.4	-19.2	24.4	-4.3	-4.0	9.3	-29.4
09 *Jan*	P	15 591	-35.3	-30.1	-16.4	-32.3	-34.8	-32.9	-35.3	-32.5	-31.1	-33.8	-28.9	-50.0	-31.6	-28.0	-34.8
Feb	P	18 268	-26.0	-20.3	-3.5	-35.4	-24.9	10.6	-32.3	-26.0	-25.4	-26.1	-3.4	-7.5	-22.4	-26.2	-34.0
Mar	P	17 372	-31.8	-26.2	-9.0	-26.3	-32.3	-35.6	-31.3	-28.0	-28.1	-26.8	-21.5	-36.9	-7.8	-22.4	-22.5
Apr	P	16 828	-35.3	-29.2	-17.1	-37.6	-32.5	-21.3	-35.1	-31.8	-32.0	-32.1	-22.9	-38.6	-29.6	-35.2	-33.6
May	P	16 160	-34.3	-26.9	-19.8	-32.3	-29.0	-7.3	-33.4	-29.9	-30.6	-31.7	-31.1	-42.8	-45.1	-39.9	-31.3
Jun	P	17 131	-29.0	-20.5	-7.4	-35.2	-23.5	-19.7	-24.5	-19.8	-21.3	-22.5	-19.8	-52.5	-36.7	-35.1	-51.2
Jul	P	17 706	-29.7	-19.1	-9.1	-37.2	-20.8	-19.2	-21.2	-24.3	-26.1	-25.1	-43.6	-37.0	-42.9	-36.9	-13.9
Aug	P	14 595	-26.0	-11.4	2.2	-15.9	-16.3	-13.4	-17.2	-19.3	-20.2	-21.5	-34.9	-43.3	-29.9	-29.8	-34.1
Sep	P	19 303	-21.9	-10.4	-2.0	-14.0	-13.3	-15.3	-12.8	-14.7	-17.4	-16.6	-24.0	-37.4	-14.2	-32.6	-37.9
Oct	P	18 828	-19.3	-6.4	6.5	-25.1	-8.9	-7.0	-9.3	-14.5	-17.5	-15.7	-11.3	-34.0	-32.4	-20.8	-31.1
Nov	P	18 923	-6.5	6.8	11.1	-5.3	6.8	0.6	8.4	-4.9	-6.7	-5.5	-5.5	-14.5	-20.8	-10.2	-28.2

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



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



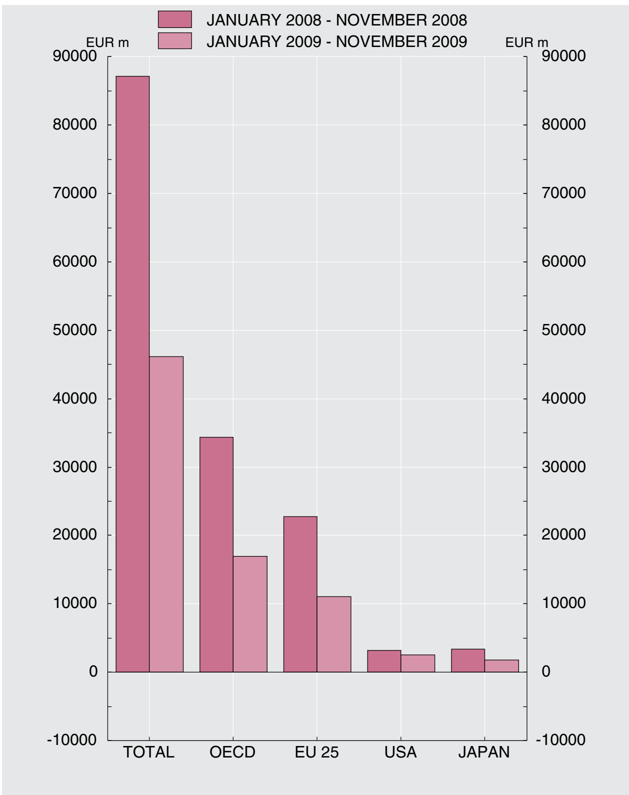
Sources: ME y BE.
Note: The underlying series for this indicator are in Tables 18.2 and 18.3 of the Boletín estadístico.
The monthly series are provisional data, while the annual series are the final foreign trade data.
a. Series deflated by unit value indices .

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

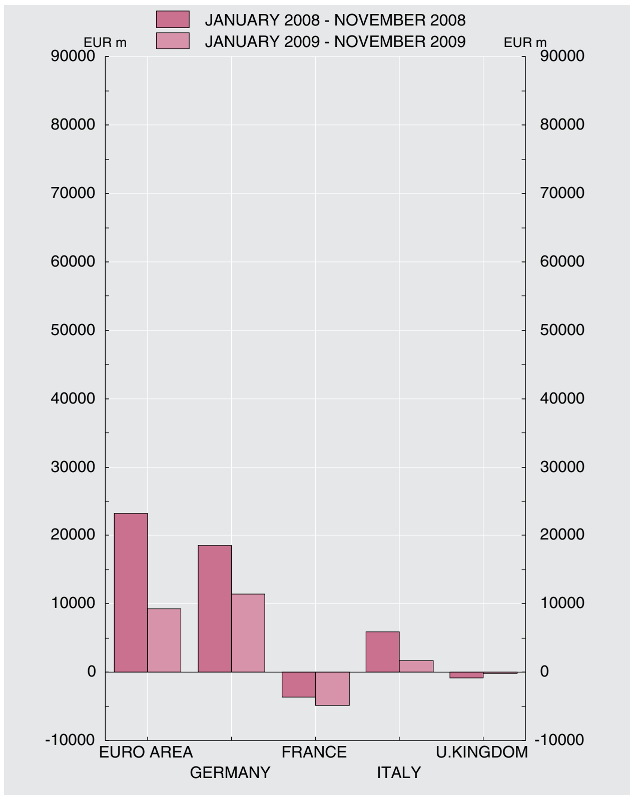
EUR millions

		World total	European Union (EU 27)							OECD			OPEC	Other American countries	China	Newly industrialised countries
			Total	Euro area				Other EU 27		Total	Of which:					
				Total	Of which:			Total	Of which:		United States	Japan				
					Germany	France	Italy		United Kingdom							
		1	2=3+7	3	4	5	6	7	8	9	10	11	12	13	14	15
03		-46 995	-19 057	-19 120	-13 731	-3 239	-3 517	63	1 035	-27 616	-1 170	-3 855	-8 146	-1 467	-5 629	-2 600
04		-61 486	-25 991	-25 267	-16 282	-3 353	-5 671	-724	472	-36 990	-1 692	-4 583	-9 321	-1 784	-7 369	-3 104
05		-77 950	-30 703	-29 422	-16 749	-3 112	-6 938	-1 281	-210	-41 592	-1 092	-4 769	-14 136	-3 089	-10 182	-3 411
06		-92 249	-33 547	-32 172	-18 689	-1 625	-7 184	-1 375	294	-45 357	-1 062	-4 652	-18 576	-3 316	-12 647	-4 564
07		-100 015	-40 176	-38 176	-23 752	-214	-8 375	-2 000	133	-53 745	-2 555	-4 779	-16 423	-3 477	-16 366	-4 347
08		-94 160	-26 262	-26 264	-19 612	3 019	-6 608	1	356	-39 284	-3 739	-3 663	...	-4 971	-18 340	-3 296
08 *Oct*	P	-6 645	-1 780	-1 800	-1 622	492	-408	20	9	-2 633	-185	-242	-1 910	-336	-1 454	-278
Nov	P	-5 948	-1 939	-1 780	-1 372	441	-541	-159	-145	-2 682	-126	-200	-1 285	-406	-1 291	-293
Dec	P	-6 930	-2 559	-2 015	-1 508	210	-434	-544	-404	-3 724	-269	-282	-1 347	-208	-1 288	-241
09 *Jan*	P	-4 498	-511	-531	-1 034	662	-154	20	33	-1 235	-265	-166	-917	-343	-1 265	-199
Feb	P	-5 868	-2 335	-2 316	-1 289	-718	-271	-18	10	-3 071	-475	-125	-1 124	-199	-1 119	-130
Mar	P	-3 657	-395	-571	-1 242	773	-109	175	188	-1 110	-274	-169	-919	-344	-870	-124
Apr	P	-3 636	-832	-725	-1 236	659	-63	-107	20	-1 424	-293	-133	-831	-256	-884	-155
May	P	-3 266	-785	-849	-1 343	675	-134	63	163	-1 142	-132	-156	-887	-168	-793	-139
Jun	P	-3 235	-780	-591	-850	662	3	-190	31	-1 191	-235	-140	-829	-236	-885	-111
Jul	P	-3 231	-298	-270	-799	670	-200	-29	116	-550	110	-161	-990	-139	-1 080	-212
Aug	P	-4 523	-1 389	-985	-765	109	-252	-404	-14	-1 862	-160	-137	-1 100	-226	-1 085	-111
Sep	P	-5 432	-1 590	-963	-1 187	429	-29	-627	-282	-2 101	-277	-152	-1 161	-574	-1 196	-140
Oct	P	-3 909	-939	-533	-839	497	-146	-406	-94	-1 311	-269	-209	-1 227	-149	-1 083	-153
Nov	P	-4 855	-1 202	-902	-879	389	-308	-299	47	-1 910	-294	-213	-1 177	-259	-1 101	-159

CUMULATIVE TRADE DEFICIT



CUMULATIVE TRADE DEFICIT



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

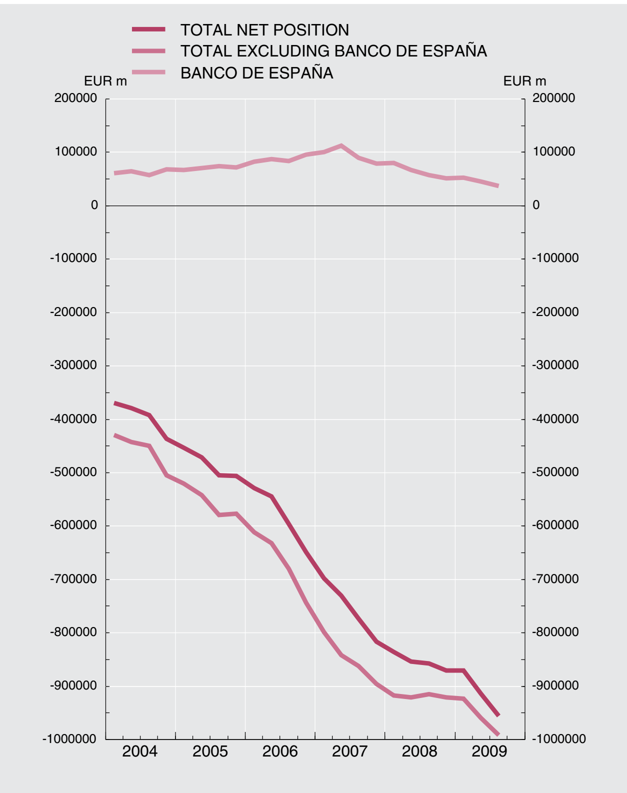
7.6. SPANISH INTERNATIONAL INVESTMENT POSITION VIS-à-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD SUMMARY

■ Series depicted in chart.

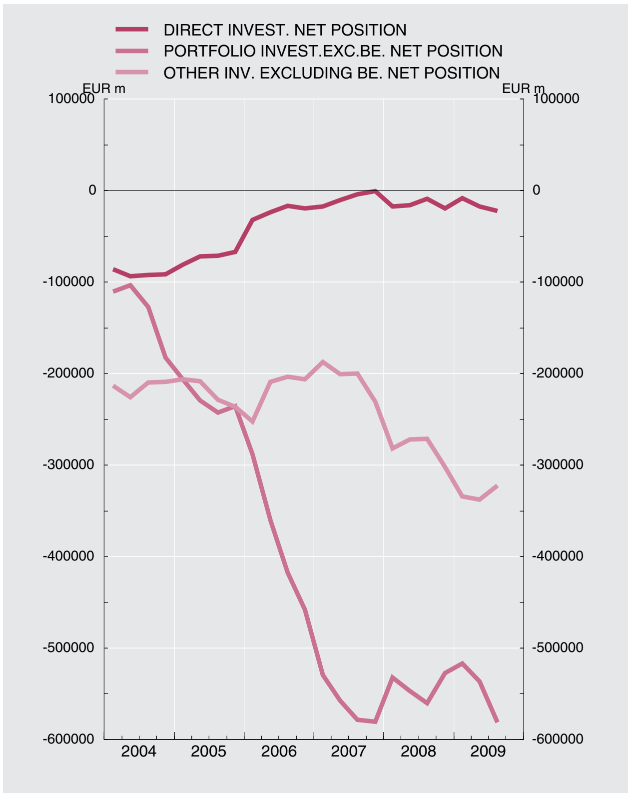
End-of-period stocks in EUR billions

	Net international investment position (assets-liabil.)	Total excluding Banco de España: Net position excluding Banco de España (assets - liabil.)	Direct investment: Net position (assets-liabil.)	Direct investment: Spanish investment abroad (assets)	Direct investment: Foreign investment in Spain (liabil.)	Portfolio investment: Net position (assets-liabil.)	Portfolio investment: Spanish investment abroad (assets)	Portfolio investment: Foreign investment in Spain (liabil.)	Other investment: Net position (assets-liabil.)	Other investment: Spanish investment abroad (assets)	Other investment: Foreign investment in Spain (liabil.)	Financial derivatives Net position (assets-liabil.)	Banco de España: Banco de España Net position (assets-liabil.)	Banco de España: Reserves	Banco de España: Net assets vis-à-vis the Euro-system	Banco de España: Other net assets (assets-liabil.) (a)
	1=2+13 ■	2=3+6+9+12 ■	3=4-5 ■	4	5	6=7-8 ■	7	8	9=10-11 ■	10	11	12	13=14 to 16 ■	14	15	16
01	-242.5	-311.0	-38.2	162.9	201.1	-100.4	232.6	333.1	-172.3	172.5	344.8	...	68.5	38.9	29.2	0.4
02 R	-303.1	-363.7	-89.2	156.0	245.2	-105.7	256.8	362.5	-168.9	197.4	366.3	...	60.6	38.4	22.7	-0.4
03	-354.3	-410.3	-93.9	175.0	268.9	-102.3	319.8	422.0	-214.2	204.0	418.1	...	56.1	21.2	18.3	16.6
04	-436.4	-504.5	-91.9	207.2	299.1	-203.2	359.3	562.5	-209.4	222.2	431.6	...	68.1	14.5	31.9	21.7
05	-505.5	-577.2	-67.1	258.9	326.0	-273.6	454.7	728.4	-236.5	268.2	504.7	...	71.7	14.6	17.1	40.1
06 *Q3*	-596.1	-679.5	-17.1	326.4	343.5	-459.1	447.7	906.8	-203.3	313.1	516.4	-	83.4	15.0	25.4	43.0
Q4	-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 *Q1*	-698.4	-798.8	-17.5	332.0	349.6	-582.4	461.0	1 043.3	-187.6	358.3	545.9	-11.3	100.4	14.0	31.9	54.5
Q2	-729.9	-842.0	-10.2	359.4	369.7	-614.9	471.0	1 085.9	-200.9	361.5	562.4	-15.9	112.1	12.9	40.7	58.5
Q3	-773.0	-862.6	-4.4	364.4	368.8	-640.2	455.2	1 095.4	-200.2	383.5	583.6	-17.9	89.6	12.5	14.8	62.4
Q4	-816.6	-895.5	-0.7	398.6	399.3	-645.0	443.3	1 088.3	-231.0	378.3	609.2	-18.8	78.9	12.9	1.1	64.9
08 *Q1*	-836.1	-916.7	-17.2	399.2	416.4	-596.7	420.7	1 017.4	-282.1	379.9	662.0	-20.7	80.6	13.0	2.8	64.8
Q2	-853.2	-920.4	-16.3	417.3	433.6	-608.6	401.2	1 009.8	-272.1	416.1	688.2	-23.4	67.2	12.7	-7.5	62.0
Q3	-857.6	-914.7	-8.9	432.9	441.8	-622.9	387.7	1 010.5	-271.2	422.0	693.3	-11.7	57.0	13.8	-19.6	62.8
Q4	-870.2	-921.1	-19.4	432.3	451.6	-593.1	361.6	954.7	-302.2	385.6	687.8	-6.4	50.9	14.5	-30.6	67.0
09 *Q1*	-870.6	-922.8	-8.5	445.4	453.8	-580.4	349.9	930.3	-333.9	373.8	707.8	0.0	52.3	15.7	-27.4	64.0
Q2	-913.9	-959.3	-17.8	453.0	470.7	-596.5	371.4	967.9	-337.9	369.9	707.8	-7.3	45.4	15.1	-30.5	60.7
Q3	-955.1	-992.0	-22.4	451.6	474.0	-642.0	385.1	1 027.1	-322.7	364.9	687.5	-4.9	36.9	18.3	-42.6	61.2

INTERNATIONAL INVESTMENT POSITION



COMPONENTS OF THE POSITION



Source: BE.

Note: As from December 2002, portfolio investment data have been calculated using a new information system (see Banco de España Circular 2/2001 and note on changes introduced in the economic indicators). The incorporation of the new data under the heading 'shares and mutual funds' of other resident sectors entails a very significant break in the time series, both in the financial assets and the liabilities, so that the series have been revised back to 1992. This methodological change introduced by the new system also affects the rest of the headings, to some extent, but the effect does not justify a complete revision of the series.

a. See note b to table 17.21 of the Boletín Estadístico.

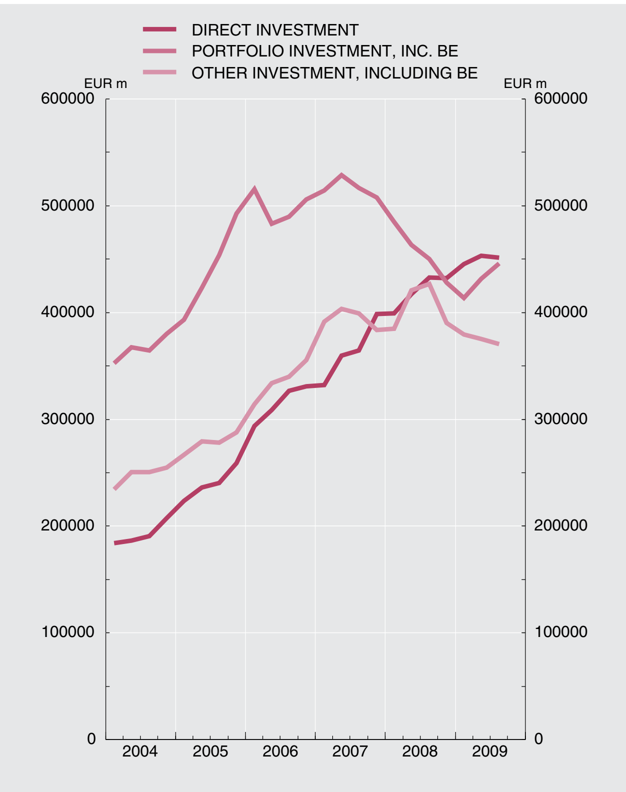
7.7. SPANISH INTERNATIONAL INVESTMENT POSITION VIS-à-VIS OTHER EURO AREA RESIDENTES AND THE REST OF THE WORLD BREAKDOWN BY INVESTMENT

■ Series depicted in chart.

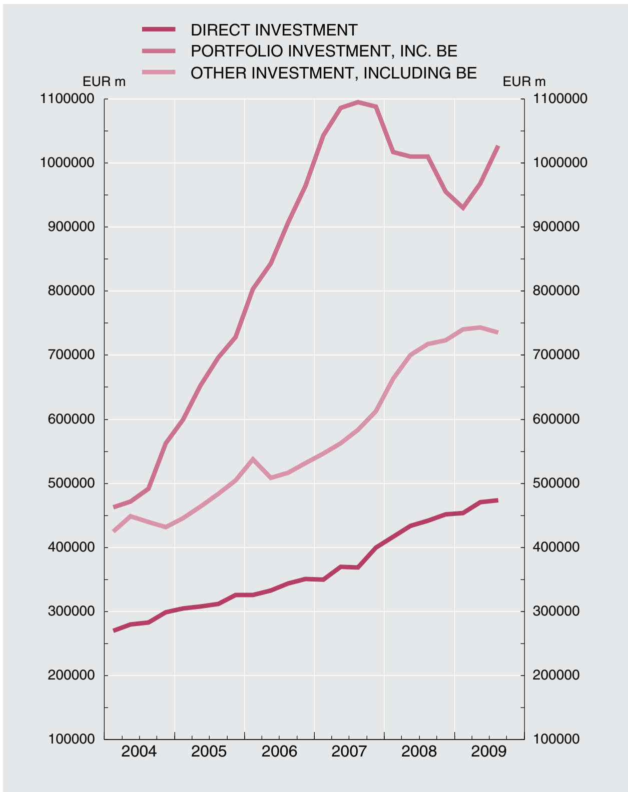
End-of-period stocks in EUR millions

	Direct investment				Portfolio investment, including Banco de España				Other investment, including Banco de España		Financial derivatives including BE	
	Spanish investment abroad		Foreign investment in Spain		Spanish investment abroad		Foreign investment in Spain		Spanish investment abroad	Foreign investment in Spain (a)	Spanish investment abroad	Foreign investment in Spain
	Shares and other equities	Intercompany debt transactions	Shares and other equities	Intercompany debt transactions	Shares and mutual funds	Debt securities	Shares and mutual funds	Debt securities				
	1	2	3	4	5	6	7	8	9 ■	10 ■	11	12
01	142 688	20 231	164 360	36 768	74 596	158 052	144 151	188 925	202 099	344 845	...	...
02 R	139 178	16 815	194 711	50 456	50 712	206 581	116 967	245 492	220 483	367 646	-	-
03	160 519	14 477	207 096	61 828	62 677	273 344	147 878	274 166	222 670	418 202	-	-
04	189 622	17 627	231 649	67 501	78 053	302 067	183 211	379 279	254 992	431 651	-	-
05	236 769	22 133	250 641	75 322	104 157	388 472	197 347	531 035	287 551	504 831	-	-
06 *Q3*	304 826	21 608	264 483	79 063	126 170	363 383	232 494	674 271	339 974	516 719	-	-
Q4	307 902	23 206	271 313	79 125	133 193	373 001	245 683	718 897	355 621	531 211	32 973	42 569
07 *Q1*	310 862	21 186	270 717	78 869	140 704	373 512	256 533	786 784	391 661	546 204	33 197	44 487
Q2	343 690	15 733	283 849	85 807	153 729	374 852	267 241	818 657	403 612	562 870	39 921	55 856
Q3	342 714	21 690	286 337	82 458	142 095	374 617	271 300	824 065	399 359	583 921	44 181	62 069
Q4	371 669	26 950	308 399	90 928	134 762	372 789	283 669	804 609	383 489	612 777	44 642	63 487
08 *Q1*	371 565	27 612	329 564	86 815	105 912	379 311	237 465	779 900	384 824	663 846	53 297	74 001
Q2	388 452	28 822	343 172	90 408	98 479	364 805	218 475	791 341	420 895	700 556	58 579	82 016
Q3	401 784	31 164	344 554	97 283	84 523	365 861	202 106	808 424	426 828	717 555	70 066	81 757
Q4	401 286	30 976	348 345	103 301	64 880	362 907	172 711	782 022	390 347	723 007	108 287	114 023
09 *Q1*	413 272	32 095	350 377	103 472	57 746	355 692	144 503	785 823	379 273	740 259	111 670	111 538
Q2	420 896	32 078	351 457	119 268	65 603	366 112	178 870	789 019	375 342	743 355	92 879	100 032
Q3	421 335	30 263	357 913	116 084	77 841	367 913	219 240	807 833	370 311	735 058	85 194	90 098

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.

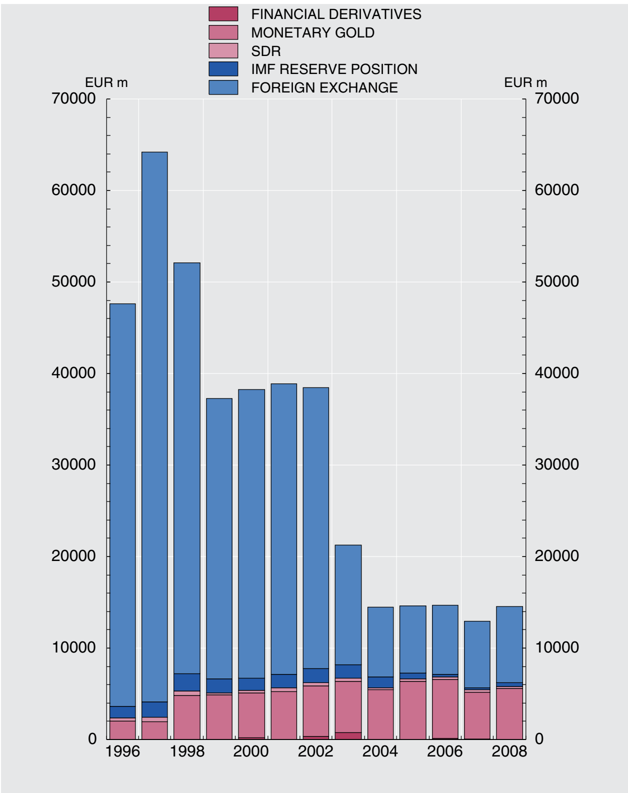
7.8. SPANISH RESERVE ASSETS

■ Series depicted in chart.

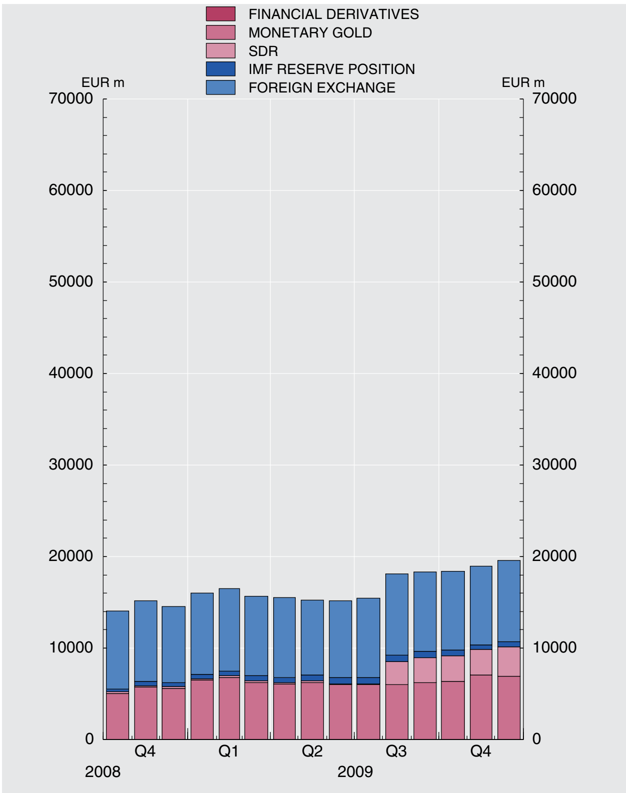
End-of-period stocks in EUR millions

	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
03	21 229	13 073	1 476	328	5 559	793	16.8
04	14 505	7 680	1 156	244	5 411	15	16.8
05	14 601	7 306	636	281	6 400	-21	14.7
06	14 685	7 533	303	254	6 467	127	13.4
07	12 946	7 285	218	252	5 145	46	9.1
08 *Jul*	12 887	7 169	234	172	5 314	-1	9.1
Aug	12 987	7 638	233	155	5 128	-168	9.1
Sep	13 806	7 857	238	159	5 678	-126	9.1
Oct	14 037	8 546	256	170	5 201	-135	9.1
Nov	15 150	8 796	449	168	5 797	-60	9.1
Dec	14 546	8 292	467	160	5 627	-	9.1
09 *Jan*	16 033	8 889	492	173	6 479	-	9.1
Feb	16 519	9 040	490	173	6 816	-	9.1
Mar	15 663	8 691	556	167	6 249	-	9.1
Apr	15 490	8 713	560	168	6 050	-	9.1
May	15 225	8 180	632	156	6 257	-	9.1
Jun	15 142	8 372	693	48	6 028	-	9.1
Jul	15 454	8 693	693	51	6 017	-	9.1
Aug	18 106	8 860	692	2 531	6 023	-	9.1
Sep	18 301	8 644	682	2 785	6 191	-	9.1
Oct	18 402	8 578	678	2 767	6 379	-	9.1
Nov	18 946	8 570	533	2 761	7 083	-	9.1
Dec	19 578	8 876	541	3 222	6 938	-	9.1

RESERVE ASSETS
END-OF-YEAR POSITIONS



RESERVE ASSETS
END-OF-MONTH POSITIONS



Source: BE.
Note: From January 1999 the assets denominated in euro and other currencies vis-à-vis residents of other euro area countries are not considered reserve assets. To December 1998, data in pesetas have been converted to euro using the irrevocable euro conversion rate. Since January 1999, all reserve assets are valued at market prices. As of January 2000 reserve assets data have been compiled in accordance with the IMF´s new methodological guidelines published in the document 'International Reserves and Foreign Currency Liquidity
Guidelines for a Data Template', October 2001 (http://dsbb.imf.org/Applications/web/sddsguide). Using this new definition, total reserve assets as at 31.12.99 would have been EUR 37835 million instead of the ammount of EUR 37288 million published in this table.

7.9. SPANISH EXTERNAL DEBT VIS-À-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD. SUMMARY

End-of-period positions *EUR millions*

	Total	General government						Other monetary financial institutions				
		Total	Short-term		Long-term			Total	Short-term		Long-term	
			Money market instru-ments	Loans	Bonds and notes	Loans	Trade credits		Money market instru-ments	Deposits	Bonds and notes	Deposits
	1	2	3	4	5	6	7	8	9	10	11	12
05 *Q3*	1 080 328	213 370	3 088	1 424	191 719	17 139	-	517 879	400	264 976	150 727	101 776
Q4	1 144 447	213 412	2 465	65	192 798	18 085	-	548 891	981	276 566	164 457	106 887
06 *Q1*	1 238 533	214 081	4 628	14	191 300	18 137	-	589 544	1 003	295 793	193 633	99 115
Q2	1 258 491	213 347	3 620	348	191 381	17 998	-	580 931	2 186	268 495	208 797	101 453
Q3	1 308 130	214 181	6 070	1 472	188 569	18 070	-	602 379	5 274	267 227	225 647	104 232
Q4	1 370 277	215 585	4 836	665	191 871	18 213	-	622 836	6 252	277 193	236 038	103 352
07 *Q1*	1 461 696	219 410	4 901	40	195 781	18 689	-	658 096	11 331	295 528	252 211	99 027
Q2	1 522 946	215 150	5 446	443	190 503	18 759	-	684 742	11 316	294 402	269 682	109 341
Q3	1 541 137	207 161	4 820	1 329	182 455	18 557	-	707 016	15 079	308 889	273 907	109 140
Q4	1 561 930	197 853	4 653	878	173 266	19 056	-	724 116	21 248	327 391	261 177	114 300
08 *Q1*	1 587 427	194 208	6 329	558	167 692	19 629	-	768 529	20 424	380 522	256 302	111 281
Q2	1 641 752	196 200	5 594	161	170 922	19 523	-	794 086	22 729	399 932	258 374	113 051
Q3	1 680 628	212 307	9 722	493	182 155	19 937	-	792 491	21 269	400 051	258 393	112 778
Q4	1 664 411	227 233	12 330	2 098	191 968	20 838	-	766 316	12 214	400 693	249 210	104 200
09 *Q1*	1 686 899	236 059	15 801	479	198 224	21 556	-	783 752	15 198	411 446	248 411	108 696
Q2	1 713 644	250 263	21 626	977	204 991	22 669	-	784 190	14 200	409 692	250 957	109 341
Q3	1 724 489	268 815	31 005	706	213 071	24 033	-	768 480	14 242	391 123	256 689	106 426

7.9. (CONT.) SPANISH EXTERNAL DEBT VIS-À-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD. SUMMARY

End-of-period positions *EUR millions*

	Monetary authority		Other residents sectors								Direct investment		
	Total (a)	Short-term	Total	Short-term			Long-term				Total	Vis-à-vis	
		Deposits		Money market instru-ments	Loans	Other liabilities	Bonds and notes	Loans	Trade credits	Other liabilities		Direct investors	Subsidia-ries
	13	14	15	16	17	18	19	20	21	22	23	24	25
05 *Q3*	42	42	244 638	3 401	19 164	1 636	142 932	76 503	356	646	104 399	42 506	61 893
Q4	126	126	273 437	3 380	17 817	996	166 955	83 404	358	527	108 581	43 547	65 034
06 *Q1*	535	535	322 731	2 905	19 500	417	195 679	102 731	360	1 139	111 642	46 426	65 216
Q2	328	328	351 173	4 283	18 432	338	226 684	100 123	352	961	112 712	47 702	65 010
Q3	316	316	374 113	4 641	22 224	838	244 071	101 073	348	918	117 140	51 141	65 999
Q4	281	281	411 407	4 786	22 967	702	275 114	106 946	338	555	120 168	49 588	70 581
07 *Q1*	322	322	455 159	5 303	21 455	550	317 258	109 317	334	942	128 708	50 039	78 669
Q2	423	423	481 211	5 418	26 806	1 066	336 291	110 269	331	1 029	141 419	50 483	90 936
Q3	277	277	493 533	2 553	21 708	854	345 252	121 828	339	998	133 151	52 225	80 925
Q4	3 550	3 550	491 867	701	19 849	314	343 564	126 296	331	813	144 544	55 110	89 434
08 *Q1*	1 855	1 855	479 155	927	19 399	431	328 226	128 441	320	1 410	143 681	56 259	87 422
Q2	12 326	12 326	489 285	6 217	20 681	1 369	327 505	131 945	317	1 252	149 855	61 407	88 448
Q3	24 276	24 276	496 904	18 093	22 761	1 213	318 792	134 690	323	1 032	154 649	62 342	92 307
Q4	35 233	35 233	476 247	12 955	20 643	2 457	303 346	135 497	322	1 027	159 382	67 213	92 169
09 *Q1*	32 491	32 491	473 780	20 073	17 163	2 989	288 116	143 581	356	1 501	160 817	72 149	88 669
Q2	35 596	35 596	462 326	18 632	15 952	2 076	278 613	144 940	349	1 763	181 269	92 566	88 703
Q3	47 538	47 538	458 057	12 912	15 076	1 944	279 913	146 066	383	1 763	181 598	91 222	90 376

Source: BE.

a. See note b to table 17.21 of the Boletín Estadístico.

8.1.a CONSOLIDATED BALANCE SHEET OF THE EUROSYSTEM. NET LENDING TO CREDIT INSTITUTIONS AND ITS COUNTERPARTS

Average of daily data, EUR millions

	Net lending in euro							Counterparts					
	Total	Open market operations				Standing facilities		Autonomous factors					Actual reserves of credit institutions
		Main refinancing operations	Longer-term refinancing operations	Fine-tuning reverse operations (net)	Structural reverse operations (net)	Marginal lending facility	Deposit facility	Total	Banknotes	Deposits to general government	Gold and net assets in foreign currency	Other assets (net)	
	1=2+3+4 +5+6-7	2	3	4	5	6	7	8=9+10 -11-12	9	10	11	12	13
08 *Jul*	458 121	166 956	292 400	-634	-	56	657	250 649	683 700	63 596	374 744	121 903	207 473
Aug	462 440	163 524	300 014	-1 000	-	90	188	247 021	686 797	58 194	376 096	121 875	215 420
Sep	471 362	166 660	305 321	6 584	-	2 284	9 487	241 752	682 161	55 504	392 028	103 885	229 611
Oct	534 868	272 768	444 976	-34 226	-	15 549	164 198	308 820	713 519	80 454	524 301	-39 148	226 049
Nov	579 941	329 562	457 732	-3 978	-	4 612	207 988	365 023	727 623	95 385	572 539	-114 554	214 918
Dec	613 857	256 810	565 508	-5 976	-	2 644	205 129	379 866	749 344	110 732	587 525	-107 316	233 990
09 *Jan*	580 046	224 907	598 376	-8 568	-638	2 646	236 676	365 644	746 945	98 051	571 542	-92 189	214 402
Feb	592 161	212 759	498 364	-6 449	-	2 227	114 740	370 902	739 970	96 499	526 691	-61 125	221 259
Mar	607 356	232 617	451 005	-5 038	-	1 146	72 373	388 329	745 155	133 214	498 652	-8 613	219 027
Apr	629 124	241 479	430 873	-4 722	-	876	39 381	401 450	755 635	142 817	519 780	-22 778	227 674
May	602 531	235 969	406 653	-5 146	-	229	35 175	394 929	758 300	139 329	497 607	5 093	207 602
Jun	615 980	254 069	416 844	-2 632	-	2 197	54 498	391 872	761 763	145 461	468 695	46 656	224 107
Jul	603 864	99 510	705 934	-11 999	-	359	189 939	379 226	768 836	133 472	435 791	87 291	224 638
Aug	568 759	78 661	660 858	-11 350	-	313	159 724	359 004	770 627	121 583	428 744	104 462	209 755
Sep	583 939	83 418	607 221	-8 868	-	453	98 285	366 742	767 611	138 331	423 839	115 361	217 196
Oct	586 961	58 731	637 669	-7 713	-	250	101 977	373 107	770 074	146 353	416 440	126 880	213 854
Nov	580 453	52 295	604 677	-9 113	-	698	68 104	367 577	772 428	148 924	409 556	144 220	212 876
Dec	575 400	58 968	623 882	-5 640	-	349	102 159	355 555	794 597	128 705	402 181	165 567	219 846

8.1.b BALANCE SHEET OF THE BANCO DE ESPAÑA. NET LENDING TO CREDIT INSTITUTIONS AND ITS COUNTERPARTS

Average of daily data, EUR millions

	Net lending in euro							Counterparts							
	Total	Open market operations				Standing facilities		Intra-ESCB		Autonomous factors					Actual reserves of credit institutions
		Main refinancing operations	Longer-term refinancing operations	Fine-tuning reserve operations (net)	Structural reserve operations (net)	Marginal lending facility	Deposit facility	Target	Rest	Total	Banknotes	Deposits to general government	Gold and net assets in foreign currency	Other assets (net)	
	14=15+16 +17+18 +19-20	15	16	t 17	18	19	20	21	22	23=24+25 -26-27	24	25	26	27	28
08 *Jul*	49 384	15 745	33 727	-77	-	0	11	18 770	-4 787	11 374	79 782	16 554	12 134	72 828	24 027
Aug	46 741	12 338	34 467	-62	-	0	1	20 634	-4 787	6 400	78 759	13 276	12 171	73 465	24 495
Sep	49 144	10 689	38 695	204	-	50	493	21 118	-4 787	5 006	76 660	14 077	11 885	73 846	27 807
Oct	52 692	21 520	56 729	-6 008	-	379	19 929	11 844	-4 787	20 175	79 383	29 728	15 099	73 837	25 459
Nov	58 218	33 238	58 454	-764	-	210	32 921	15 379	-4 787	21 135	79 783	34 089	18 251	74 485	26 490
Dec	63 598	25 688	67 106	-1 780	-	56	27 471	28 274	-4 787	13 156	81 432	23 611	17 972	73 916	26 955
09 *Jan*	57 488	22 338	63 324	-1 721	-	19	26 472	29 076	-5 265	8 734	80 105	19 644	20 871	70 144	24 942
Feb	74 090	20 781	57 578	-614	-	60	3 716	38 001	-5 265	14 731	78 492	23 060	16 857	69 964	26 622
Mar	72 709	19 233	55 363	-600	-	21	1 308	38 496	-5 406	13 986	78 839	24 844	17 455	72 242	25 633
Apr	67 434	20 482	48 530	-314	-	-	1 264	29 462	-5 447	16 532	80 098	27 400	19 354	71 611	26 887
May	67 668	23 171	46 028	-509	-	-	1 022	26 575	-5 447	21 139	79 163	31 162	18 427	70 759	25 400
Jun	70 703	29 661	46 695	-118	-	-	5 535	29 962	-5 447	19 221	79 275	27 795	16 672	71 177	26 966
Jul	73 283	14 765	78 806	-940	-	-	19 347	31 501	-5 447	21 655	80 103	27 471	15 336	70 583	25 574
Aug	74 820	10 000	78 007	-845	-	2	12 345	42 474	-5 447	11 760	79 228	18 251	15 110	70 609	26 033
Sep	79 591	11 743	72 170	-722	-	4	3 604	48 155	-5 447	10 457	77 716	18 261	15 040	70 481	26 427
Oct	82 534	5 940	82 025	-579	-	-	4 852	44 070	-5 447	16 653	77 235	23 601	14 900	69 283	27 257
Nov	79 011	6 453	74 472	-755	-	-	1 159	32 264	-5 447	27 120	76 566	40 008	14 921	74 533	25 073
Dec	76 105	2 801	78 640	-495	-	-	4 841	33 623	-5 447	21 154	78 779	33 805	14 918	76 513	26 775

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

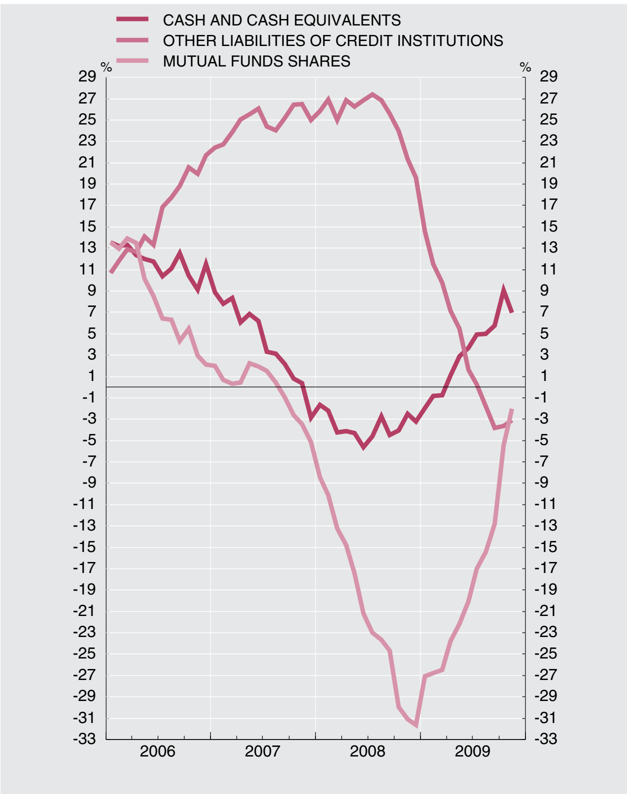
8.2 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES OF NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

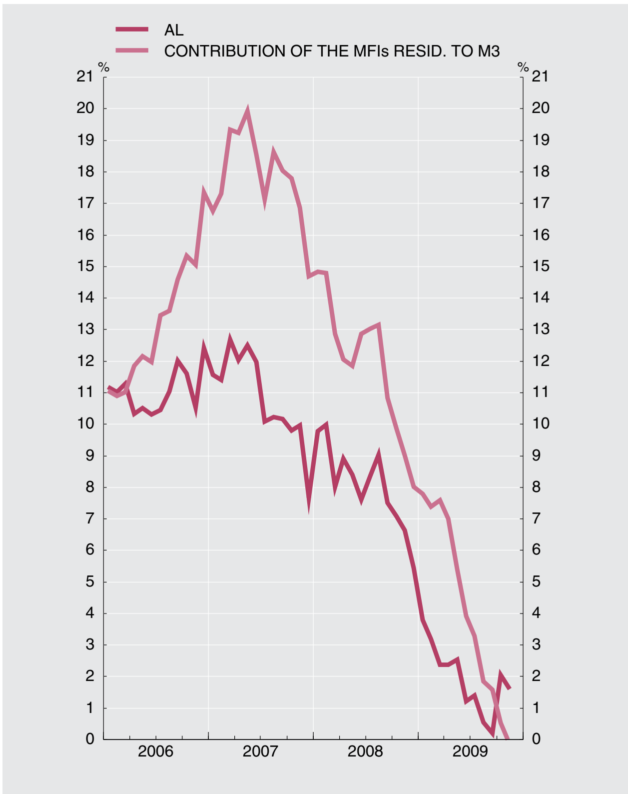
EUR millions and %

	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 ■
06	512 581	11.5	9.9	11.9	365 986	21.7	22.8	21.6	0.9	224 851	2.1	-10.1	13.5	12.4	17.3
07	497 887	-2.9	2.3	-4.1	457 573	25.0	29.8	4.6	-10.7	213 263	-5.2	-2.3	-7.3	7.7	14.7
08	481 725	-3.2	0.6	-4.2	547 264	19.6	24.3	-10.4	-8.9	145 876	-31.6	-17.8	-42.3	5.4	8.0
08 *Aug*	478 080	-2.8	-3.2	-2.7	536 489	26.9	31.8	3.6	-7.3	172 826	-23.6	-9.1	-34.5	9.0	13.2
Sep	478 656	-4.5	-3.7	-4.7	539 644	25.6	29.6	8.0	-11.7	167 508	-24.7	-10.9	-35.2	7.5	10.8
Oct	465 576	-4.1	1.2	-5.4	544 605	24.0	27.5	9.1	-18.8	154 705	-30.0	-14.3	-41.6	7.1	9.9
Nov	475 795	-2.5	0.9	-3.4	543 821	21.3	25.8	-1.2	-24.5	149 333	-31.1	-16.0	-42.5	6.6	9.0
Dec	481 725	-3.2	0.6	-4.2	547 264	19.6	24.3	-10.4	-8.9	145 876	-31.6	-17.8	-42.3	5.4	8.0
09 *Jan*	473 030	-1.9	1.3	-2.8	538 664	14.5	19.9	-19.1	-23.7	150 116	-27.1	-19.3	-34.3	3.8	7.8
Feb	476 275	-0.8	1.4	-1.4	538 479	11.5	16.8	-23.2	-22.3	148 002	-26.8	-18.3	-34.6	3.2	7.4
Mar	477 051	-0.8	2.0	-1.4	537 939	9.8	15.5	-28.8	-21.3	144 862	-26.5	-19.3	-33.5	2.4	7.6
Apr	476 246	1.1	3.1	0.6	538 155	7.2	11.8	-24.2	-26.4	147 716	-23.8	-16.4	-31.1	2.4	7.0
May	490 903	2.9	3.6	2.7	536 808	5.4	9.7	-23.2	-25.5	147 212	-22.2	-15.0	-29.2	2.5	5.4
Jun	505 785	3.7	3.7	3.7	531 569	1.6	7.2	-30.1	-48.7	143 885	-20.1	-14.3	-25.9	1.2	3.9
Jul P	503 312	4.9	4.6	5.0	530 042	0.3	5.8	-35.4	-41.4	144 943	-17.0	-10.9	-23.2	1.4	3.3
Aug P	501 924	5.0	4.9	5.0	527 045	-1.8	4.2	-41.9	-42.0	146 183	-15.4	-9.6	-21.5	0.5	1.9
Sep P	506 380	5.8	5.0	6.0	519 066	-3.8	2.6	-49.9	-35.2	146 026	-12.8	-5.8	-20.2	0.2	1.6
Oct P	507 629	9.0	0.3	11.4	524 808	-3.6	-0.3	-26.5	-31.2	146 247	-5.5	0.0	-11.4	2.0	0.5
Nov P	509 032	7.0	0.7	8.6	526 792	-3.1	-1.4	-15.4	-28.2	146 351	-2.0	1.9	-6.3	1.6	-0.1

NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHs
Annual percentage change



NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHs
Annual percentage change



Source: BE.

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

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

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

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

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

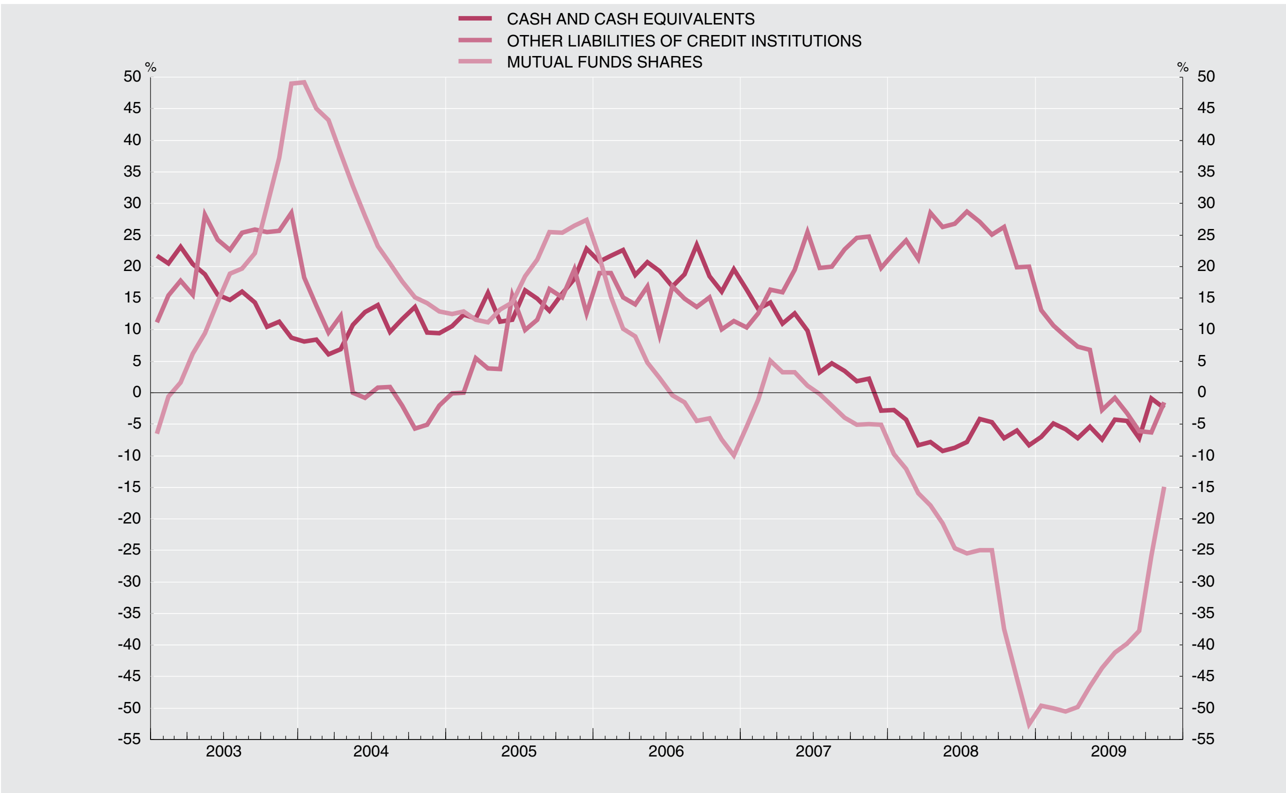
8.3 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES OF NON-FINANCIAL CORPORATIONS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

EUR millions and %

	Cash and cash equivalents (b)		Other liabilities of credit institutions				Mutual funds shares			
	Stocks	Annual growth rate	Stocks	Annual growth rate	Annual growth rate: Other deposits (c)	Annual growth rate: Repos + credit instit.' securit.+ dep. in branches abroad	Stocks	Annual growth rate	Annual growth rate: Fixed income in EUR (d)	Annual growth rate: Other
	1	2 ■	3	4 ■	5	6	7	8 ■	9	10
06	137 357	19.6	78 255	11.4	17.4	2.8	26 523	-9.9	-15.9	-5.0
07	133 469	-2.8	93 752	19.8	37.4	-8.8	25 188	-5.0	-2.2	-7.1
08	122 377	-8.3	112 499	20.0	25.1	7.5	11 959	-52.5	-42.7	-60.1
08 *Aug*	120 854	-4.2	113 003	27.0	38.2	6.2	19 424	-25.0	-10.9	-35.5
Sep	126 336	-4.6	114 241	25.1	30.6	14.3	18 739	-25.0	-12.2	-34.8
Oct	116 473	-7.2	115 831	26.2	28.9	20.3	15 780	-37.5	-24.0	-47.5
Nov	121 399	-6.0	111 488	19.8	23.1	12.0	13 777	-45.3	-33.4	-54.2
Dec	122 377	-8.3	112 499	20.0	25.1	7.5	11 959	-52.5	-42.7	-60.1
09 *Jan*	116 487	-7.0	106 404	13.1	20.1	-4.8	12 345	-49.7	-43.3	-55.4
Feb	118 191	-4.9	107 221	10.6	16.8	-6.1	12 173	-50.1	-43.0	-56.5
Mar	116 255	-5.8	108 123	8.9	16.7	-11.9	11 915	-50.5	-44.1	-56.6
Apr	110 147	-7.2	110 405	7.3	11.7	-5.6	11 600	-49.9	-46.3	-53.4
May	114 696	-5.4	112 205	6.8	11.8	-7.6	11 768	-46.5	-42.8	-50.3
Jun	116 041	-7.4	108 888	-2.7	8.2	-30.4	11 515	-43.6	-41.5	-45.9
Jul P	113 275	-4.2	109 017	-0.8	12.6	-34.4	11 603	-41.2	-38.3	-44.1
Aug P	115 460	-4.5	109 306	-3.3	12.3	-41.4	11 697	-39.8	-36.6	-43.1
Sep P	117 231	-7.2	107 248	-6.1	13.2	-49.6	11 661	-37.8	-33.3	-42.3
Oct P	115 435	-0.9	108 501	-6.3	7.9	-39.9	11 697	-25.9	-22.4	-29.6
Nov P	118 461	-2.4	109 830	-1.5	9.2	-29.5	11 728	-14.9	-12.7	-17.2

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.

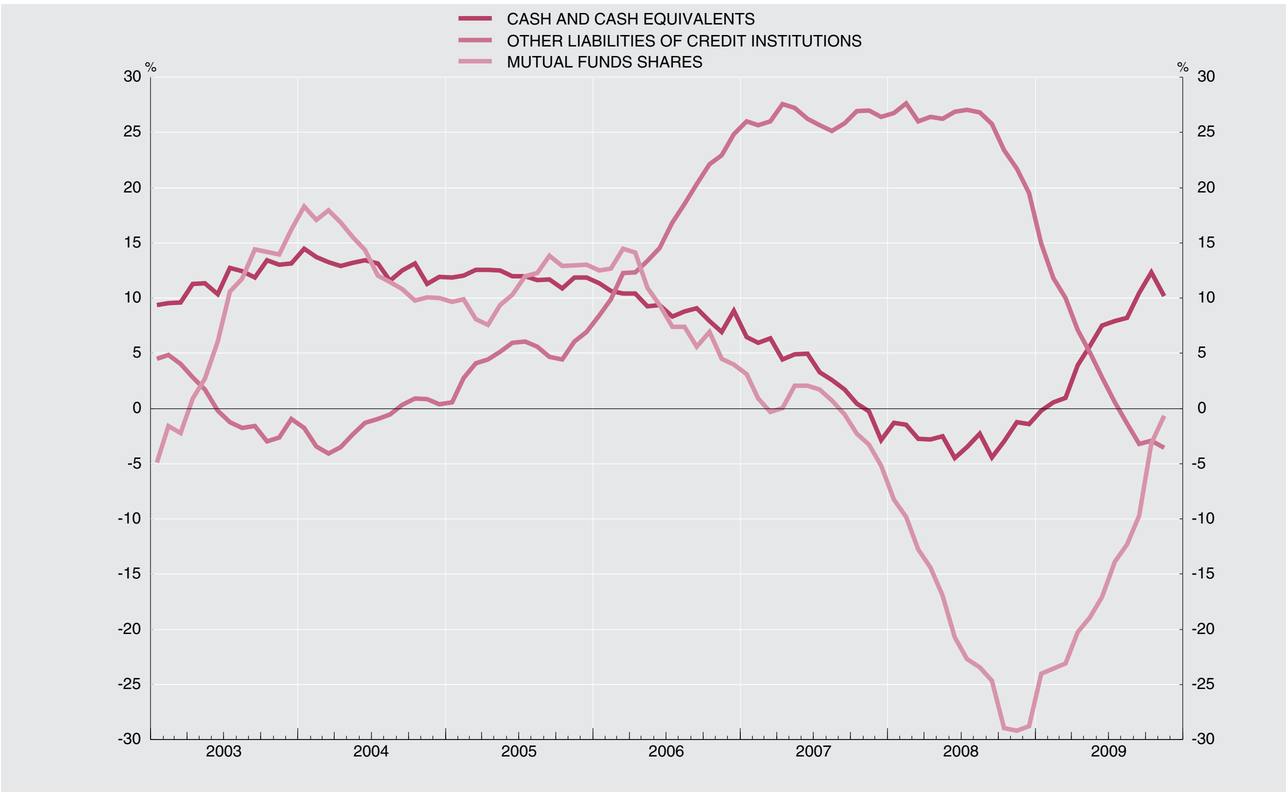
d. The series includes the old categories of Money market funds and Fixed income mutual funds in euros.

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
06		375 224	8.9	9.2	8.8	287 731	24.8	23.8	33.4	198 328	4.0	-9.3	16.5
07		364 418	-2.9	2.9	-4.6	363 821	26.4	28.4	11.1	188 075	-5.2	-2.3	-7.3
08		359 348	-1.4	2.7	-2.7	434 765	19.5	24.2	-23.5	133 917	-28.8	-14.4	-40.0
08 *Aug*		357 226	-2.3	-1.5	-2.5	423 486	26.8	30.5	-2.5	153 402	-23.5	-8.8	-34.4
Sep		352 319	-4.4	-1.8	-5.3	425 404	25.8	29.4	-4.7	148 769	-24.7	-10.7	-35.3
Oct		349 103	-3.0	3.1	-5.0	428 775	23.4	27.2	-9.8	138 925	-29.0	-13.0	-40.8
Nov		354 396	-1.3	3.0	-2.6	432 333	21.7	26.3	-19.3	135 556	-29.2	-13.7	-41.0
Dec		359 348	-1.4	2.7	-2.7	434 765	19.5	24.2	-23.5	133 917	-28.8	-14.4	-40.0
09 *Jan*		356 543	-0.2	3.3	-1.3	432 260	14.9	19.8	-30.9	137 771	-24.0	-16.1	-31.4
Feb		358 084	0.6	3.3	-0.3	431 259	11.8	16.7	-35.0	135 829	-23.6	-15.0	-31.6
Mar		360 796	1.0	3.6	0.1	429 817	10.0	15.2	-38.8	132 947	-23.1	-16.0	-30.3
Apr		366 099	3.9	4.9	3.6	427 750	7.1	11.8	-37.6	136 116	-20.2	-12.4	-28.0
May		376 207	5.7	5.5	5.7	424 604	5.1	9.3	-34.7	135 444	-19.0	-11.3	-26.5
Jun		389 745	7.5	5.8	8.0	422 681	2.8	7.0	-35.9	132 370	-17.0	-10.8	-23.4
Jul	P	390 037	7.9	6.5	8.4	421 026	0.5	4.4	-38.1	133 340	-13.9	-7.4	-20.5
Aug	P	386 465	8.2	6.6	8.7	417 739	-1.4	2.5	-42.4	134 485	-12.3	-6.2	-18.8
Sep	P	389 149	10.5	6.6	11.7	411 818	-3.2	0.5	-45.3	134 365	-9.7	-2.4	-17.3
Oct	P	392 195	12.3	1.8	16.0	416 308	-2.9	-2.0	-13.6	134 550	-3.1	2.5	-9.3
Nov	P	390 570	10.2	2.1	13.0	416 962	-3.6	-3.5	-4.4	134 623	-0.7	3.3	-5.2

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.

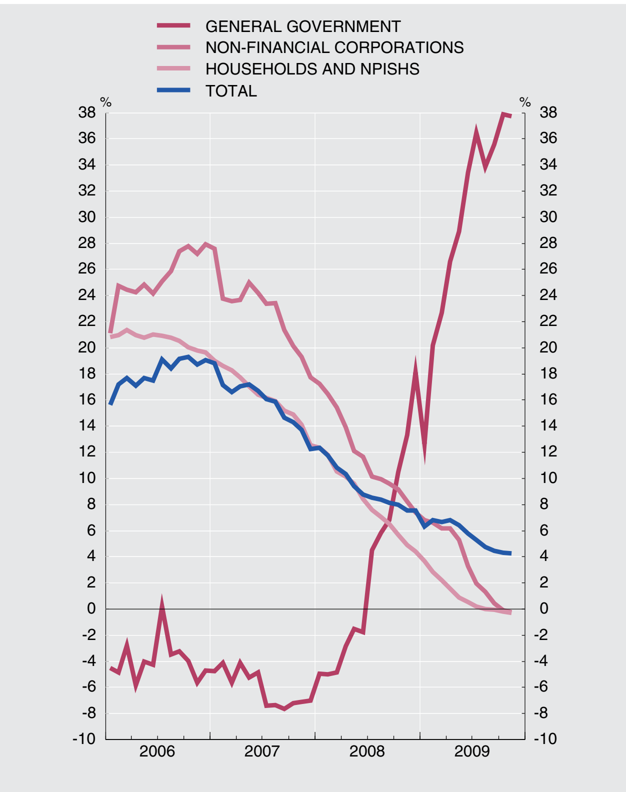
8.5. FINANCING OF NON-FINANCIAL SECTORS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

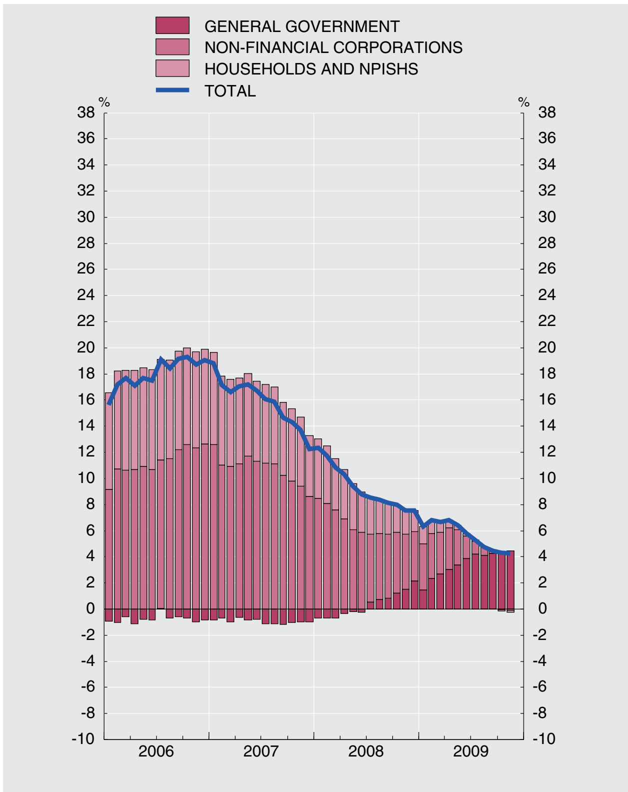
EUR millions and %

		Total			Annual growth rate							Contribution to col. 3						
						Non-financial corp. and households and NPISHs							Non-financial corp. and households and NPISHs					
							By sectors		By instruments					By sectors		By instrumentss		
		Stocks 1	Effective flow 2	Annual growth rate 3 ■	General government (b) 4 ■	5	Non-financial corporations 6 ■	Households and NPISHs 7 ■	Credit institutions' loans & securit. funds 8	Securities other than shares 9	External loans 10	General government (b) 11 ■	12	Non-financial corporations 13 ■	Households and NPISHs 14 ■	Credit institutions' loans & securit. funds 15	Securities other than shares 16	External loans 17
06		2 103 521	335 881	19.0	-4.7	24.2	27.9	19.6	24.4	134.2	15.9	-0.8	19.9	12.6	7.2	17.0	1.0	1.9
07		2 369 118	257 937	12.3	-7.0	15.5	17.7	12.5	15.9	18.4	12.3	-1.0	13.3	8.6	4.6	11.6	0.3	1.4
08		2 547 091	179 007	7.6	18.1	6.1	7.4	4.4	5.6	12.1	8.8	2.1	5.4	3.8	1.6	4.2	0.2	1.1
08 *Aug*		2 485 421	14 386	8.4	5.8	8.7	9.9	7.0	8.4	10.0	10.3	0.7	7.6	5.0	2.6	6.3	0.2	1.2
Sep		2 499 345	11 242	8.1	6.8	8.3	9.6	6.5	7.8	6.8	11.8	0.8	7.3	4.9	2.4	5.8	0.1	1.4
Oct		2 502 555	1 692	8.0	10.5	7.7	9.1	5.7	7.4	6.7	9.6	1.2	6.8	4.7	2.1	5.6	0.1	1.1
Nov		2 517 280	15 015	7.6	13.3	6.8	8.3	4.9	6.4	12.4	8.8	1.5	6.1	4.2	1.8	4.8	0.2	1.0
Dec		2 547 091	32 121	7.6	18.1	6.1	7.4	4.4	5.6	12.1	8.8	2.1	5.4	3.8	1.6	4.2	0.2	1.1
09 *Jan*		2 530 238	-19 677	6.3	12.6	5.5	6.8	3.7	4.9	17.8	7.7	1.5	4.9	3.5	1.4	3.7	0.3	0.9
Feb		2 554 225	24 289	6.8	20.2	5.0	6.6	2.8	4.2	22.0	8.4	2.4	4.5	3.4	1.1	3.1	0.3	1.0
Mar		2 567 309	13 863	6.7	22.7	4.5	6.2	2.2	3.3	26.4	9.3	2.7	4.0	3.2	0.8	2.5	0.4	1.1
Apr		2 575 513	8 966	6.8	26.6	4.3	6.2	1.6	2.9	24.4	10.2	3.0	3.8	3.2	0.6	2.2	0.4	1.2
May		2 587 145	11 275	6.4	28.9	3.4	5.3	0.9	2.2	18.0	9.4	3.4	3.0	2.7	0.3	1.6	0.3	1.1
Jun		2 612 815	14 035	5.8	33.4	2.1	3.3	0.5	0.8	12.8	8.6	3.9	1.9	1.7	0.2	0.6	0.2	1.0
Jul	P	2 617 625	3 206	5.3	36.5	1.2	1.9	0.2	-0.0	26.2	5.6	4.2	1.1	1.0	0.1	-0.0	0.4	0.7
Aug	P	2 620 318	2 417	4.8	33.9	0.8	1.3	-0.0	-0.6	25.4	5.6	4.1	0.7	0.7	-0.0	-0.4	0.4	0.7
Sep	P	2 623 048	4 648	4.5	35.6	0.2	0.4	-0.1	-1.0	26.9	4.5	4.3	0.2	0.2	-0.0	-0.8	0.4	0.6
Oct	P	2 619 506	-2 561	4.3	37.9	-0.1	-0.1	-0.2	-1.5	29.5	4.4	4.4	-0.1	-0.1	-0.1	-1.1	0.5	0.5
Nov	P	2 633 224	14 131	4.2	37.8	-0.3	-0.2	-0.3	-1.8	33.7	4.3	4.5	-0.2	-0.1	-0.1	-1.3	0.6	0.5

FINANCING OF NON-FINANCIAL SECTORS
Annual percentage change



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



Source: BE.

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

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

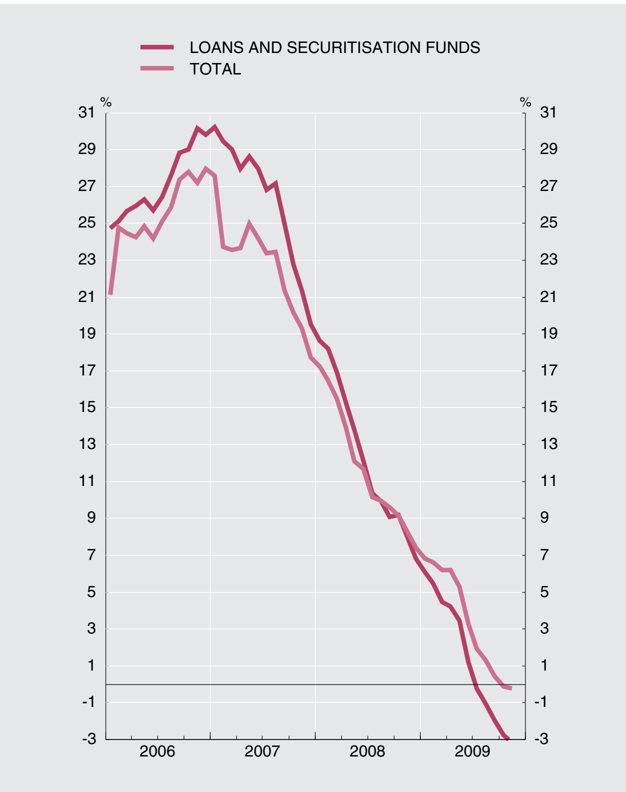
8.6. FINANCING OF NON-FINANCIAL CORPORATIONS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

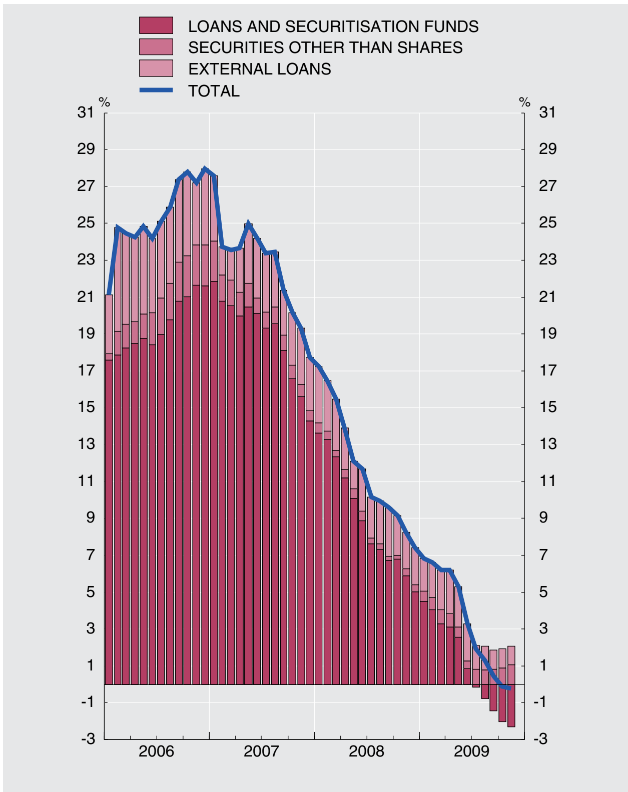
EUR millions and %

	Total			Resident credit institutions' loans and off-balance-sheet securitised loans			Securities other than shares (b)				External loans			Memorandum items: off-balance-sheet securitised loans
	Stocks	Effective flow	Annual growth rate	Stocks	Annual growth rate	Contribution to col.3	Stocks	of which: Issues by resident financ. subsid.	Annual growth rate	Contribution to col.3	Stocks	Annual growth rate	Contribution to col.3	
	1	2	3 ■	4	5 ■	6 ■	7	8	9	10 ■	11	12	13 ■	14
06	1 024 589	222 911	27.9	750 137	29.8	21.6	30 934	19 370	134.2	2.2	243 518	15.9	4.1	3 230
07	1 215 286	181 572	17.7	895 668	19.5	14.3	36 636	23 056	18.4	0.6	282 982	12.1	2.9	2 678
08	1 306 465	89 960	7.4	954 134	6.8	5.0	41 063	25 648	12.1	0.4	311 268	8.6	2.0	2 060
08 *Aug*	1 277 889	-1 389	9.9	939 387	9.9	7.3	39 486	25 439	10.0	0.3	299 016	10.0	2.3	2 205
Sep	1 291 118	10 223	9.6	946 651	9.1	6.7	38 923	24 751	6.8	0.2	305 544	11.6	2.7	2 187
Oct	1 300 739	7 940	9.1	952 803	9.2	6.8	39 262	25 132	6.7	0.2	308 674	9.4	2.2	2 103
Nov	1 303 570	2 977	8.3	952 583	8.0	5.9	41 185	26 580	12.4	0.4	309 802	8.6	2.0	2 075
Dec	1 306 465	4 729	7.4	954 134	6.8	5.0	41 063	25 648	12.1	0.4	311 268	8.6	2.0	2 060
09 *Jan*	1 311 219	1 792	6.8	954 548	6.1	4.5	43 252	27 882	17.8	0.5	313 419	7.7	1.8	1 944
Feb	1 313 082	1 975	6.6	953 408	5.5	4.0	44 675	30 002	22.0	0.7	314 998	8.3	1.9	1 900
Mar	1 315 548	2 539	6.2	952 533	4.4	3.3	45 419	30 788	26.4	0.8	317 595	9.2	2.1	1 788
Apr	1 323 480	8 669	6.2	955 133	4.2	3.1	45 769	31 893	24.4	0.7	322 578	10.2	2.4	2 798
May	1 320 210	-3 873	5.3	953 229	3.5	2.5	45 096	31 520	18.0	0.5	321 885	9.4	2.2	2 498
Jun	1 322 795	-9 650	3.3	940 241	1.2	0.9	44 470	31 731	12.8	0.4	338 084	8.5	2.0	1 560
Jul	P 1 323 586	-1 181	1.9	936 122	-0.2	-0.2	49 879	35 958	26.2	0.8	337 585	5.6	1.3	1 485
Aug	P 1 314 767	-9 353	1.3	926 637	-1.0	-0.8	49 500	35 444	25.4	0.8	338 630	5.6	1.3	1 461
Sep	P 1 312 384	-1 109	0.4	924 905	-2.0	-1.4	49 378	35 363	26.9	0.8	338 101	4.4	1.0	1 444
Oct	P 1 312 892	1 159	-0.1	922 853	-2.8	-2.0	50 839	35 330	29.5	0.9	339 201	4.3	1.0	1 402
Nov	P 1 313 952	1 182	-0.2	918 577	-3.2	-2.3	55 074	39 262	33.7	1.1	340 301	4.3	1.0	1 373

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.

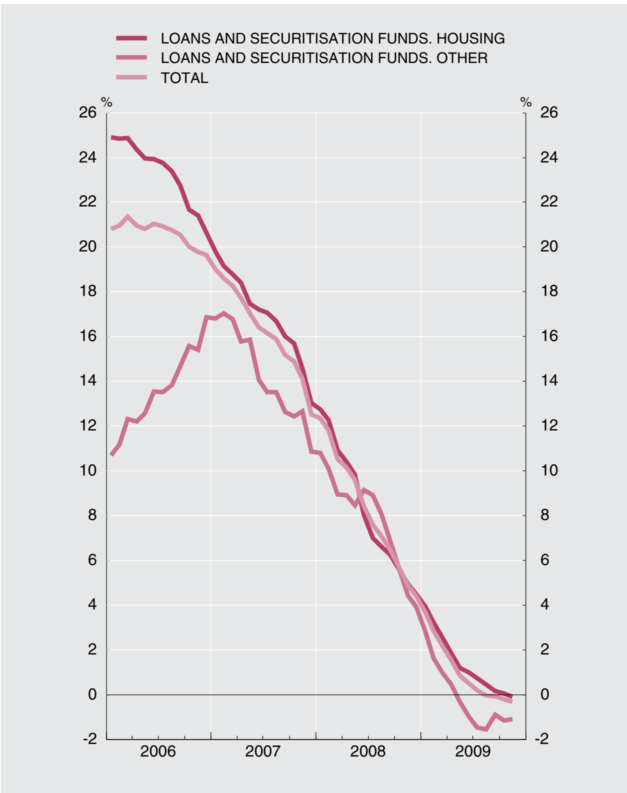
b. Includes issues of resident financial subsidiaries of non-financial corporations, insofar as the funds raised in these issues are routed to the parent company as loans. The issuing institutions of these financial instruments are classified as Other financial intermediaries in the Boletín Estadístico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

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

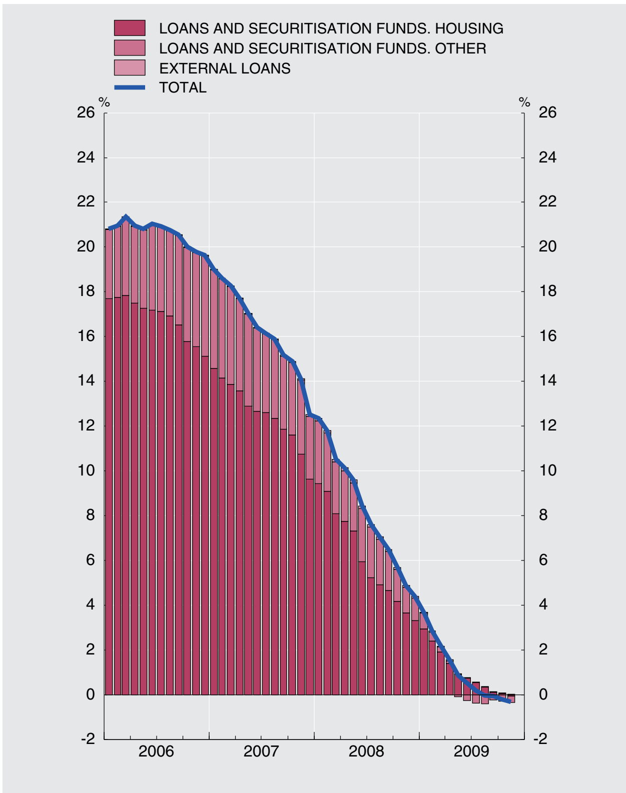
■ Series depicted in chart. *EUR millions and %*

	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
06	778 372	127 886	19.6	575 676	20.6	15.1	201 522	16.9	4.5	1 175	26.7	0.0	26 937	3 421
07	874 405	97 497	12.5	650 116	13.0	9.6	222 510	10.9	2.8	1 778	51.4	0.1	26 576	5 625
08	910 537	38 386	4.4	678 448	4.5	3.3	229 712	3.9	1.0	2 376	33.6	0.1	23 304	4 436
08 *Aug*	906 864	-264	7.0	674 196	6.6	4.9	230 359	8.0	2.0	2 309	57.2	0.1	23 942	5 444
Sep	907 458	920	6.5	675 999	6.3	4.7	229 140	6.9	1.7	2 319	52.6	0.1	24 041	4 830
Oct	909 429	2 133	5.7	677 415	5.6	4.2	229 666	5.6	1.4	2 348	46.8	0.1	23 427	4 617
Nov	915 350	6 065	4.9	678 952	4.9	3.7	234 039	4.4	1.1	2 359	41.7	0.1	23 515	4 540
Dec	910 537	-4 336	4.4	678 448	4.5	3.3	229 712	3.9	1.0	2 376	33.6	0.1	23 304	4 436
09 *Jan*	907 815	-2 584	3.7	678 335	4.0	2.9	226 980	2.8	0.7	2 500	14.5	0.0	23 179	4 319
Feb	904 846	-2 779	2.8	677 745	3.2	2.4	224 579	1.6	0.4	2 522	15.2	0.0	23 054	4 217
Mar	902 736	-1 404	2.2	676 851	2.6	1.9	223 327	1.0	0.2	2 558	14.6	0.0	25 356	4 497
Apr	903 797	1 087	1.6	676 964	1.9	1.4	224 264	0.5	0.1	2 570	14.3	0.0	25 015	4 798
May	902 673	-877	0.9	675 846	1.2	0.9	224 246	-0.3	-0.1	2 581	13.1	0.0	24 000	4 480
Jun	908 465	6 391	0.5	675 955	1.0	0.7	229 919	-1.0	-0.2	2 591	12.9	0.0	24 392	4 369
Jul P	905 592	-2 505	0.2	676 882	0.7	0.5	226 108	-1.5	-0.4	2 602	12.7	0.0	24 094	4 199
Aug P	903 011	-2 323	-0.0	676 230	0.4	0.3	224 172	-1.5	-0.4	2 609	13.0	0.0	23 947	4 077
Sep P	902 897	530	-0.1	676 083	0.2	0.1	224 194	-0.9	-0.2	2 620	13.0	0.0	23 649	3 966
Oct P	903 463	897	-0.2	676 863	0.1	0.1	223 955	-1.1	-0.3	2 646	12.7	0.0	23 519	3 845
Nov P	908 272	5 099	-0.3	677 227	-0.1	-0.1	228 374	-1.1	-0.3	2 671	13.2	0.0	23 326	3 511

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.

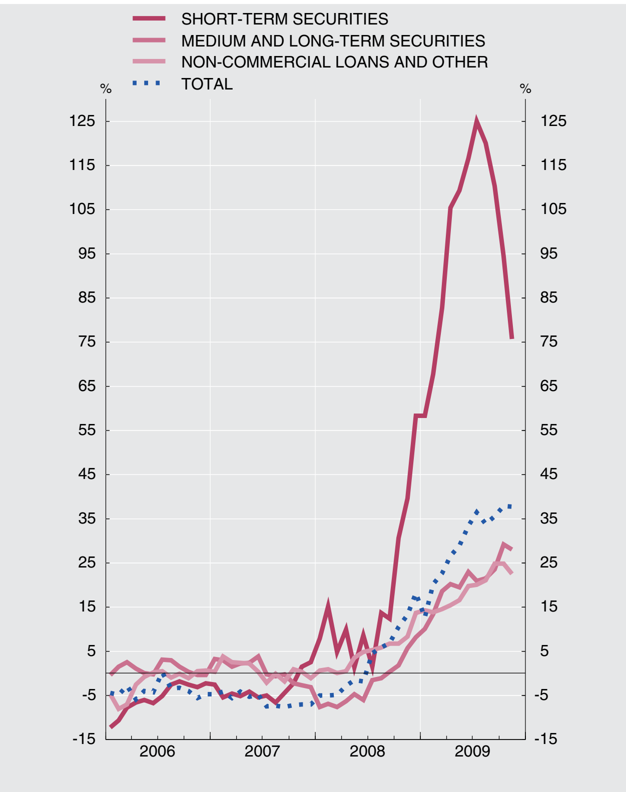
8.8. NET FINANCING OF SPAIN'S GENERAL GOVERNMENT

■ Series depicted in chart.

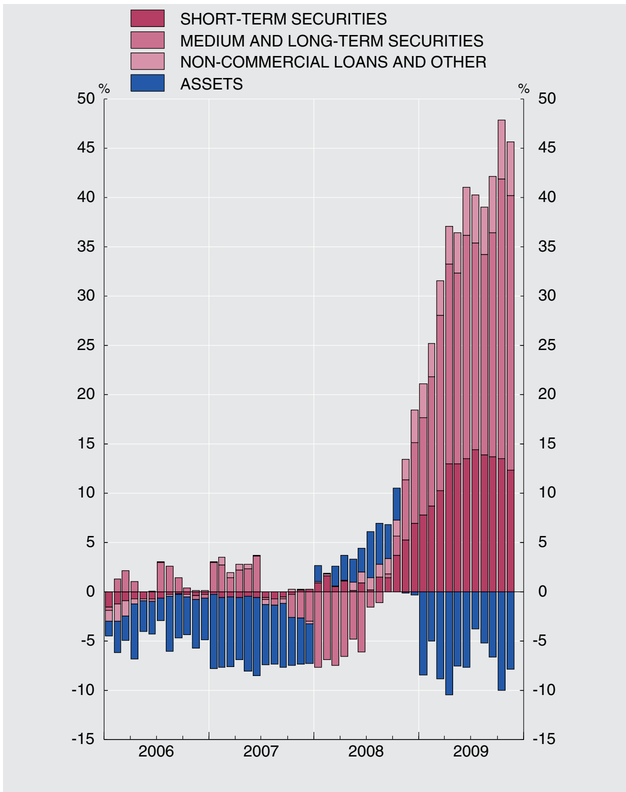
EUR millions and %

	Net financing: Net stock of liabilities	Net financing: Monthly change (columns 4-8-9)	Net financing: 12-month % change of col. 1	Monthly change in stocks: Liabilities (a): Total	Monthly change in stocks: Liabilities (a): Securities: Short-term	Monthly change in stocks: Liabilities (a): Securities: Medium and long-term	Monthly change in stocks: Liabilities (a): Non-commercial loans and other (b)	Monthly change in stocks: Assets: Deposits at the Banco de Espana	Monthly change in stocks: Assets: Other deposits	12-month % change in stocks: Liabilities: Total	12-month % change in stocks: Liabilities: Securities: Short-term	12-month % change in stocks: Liabilities: Securities: Medium and long-term	12-month % change in stocks: Liabilities: Non-commercial loans and other (a)	12-month % change in stocks: Assets	Contribution to 12-month % change in net stocks of liabilities: Liabilities: Securities: Short-term	Contribution to 12-month % change in net stocks of liabilities: Liabilities: Securities: Medium and long-term	Contribution to 12-month % change in net stocks of liabilities: Liabilities: Non-commercial loans and other (a)	Contribution to 12-month % change in net stocks of liabilities: Assets
	1	2	3 ■	4	5	6	7	8	9	10	11 ■	12 ■	13 ■	14	15 ■	16 ■	17 ■	18 ■
05	315 475	-8 998	-2.8	2 382	-4 042	7 366	-942	-695	12 075	0.6	-10.8	2.6	-1.4	17.7	-1.2	2.3	-0.3	-3.5
06	300 560	-14 915	-4.7	-1 575	-770	-1 217	412	1 780	11 560	-0.4	-2.3	-0.4	0.6	17.6	-0.2	-0.4	0.1	-4.2
07	P 279 427	-21 133	-7.0	-8 965	823	-9 001	-786	2 973	9 195	-2.3	2.5	-3.1	-1.2	13.7	0.3	-3.0	-0.3	-4.0
08	P 330 088	50 661	18.1	51 481	19 479	22 784	9 218	740	79	13.5	58.3	8.1	13.7	0.8	7.0	8.2	3.3	-0.3
08 *Jun*	P 285 981	3 443	-1.7	2 132	-476	1 558	1 049	-355	-957	-3.0	8.6	-6.0	4.8	-6.5	0.9	-6.1	1.1	2.4
Jul	P 284 631	-1 351	4.5	1 729	-241	3 126	-1 156	-6 785	9 865	-0.1	1.5	-1.5	5.3	-11.0	0.2	-1.6	1.3	4.6
Aug	P 300 669	16 039	5.8	637	1 873	-899	-337	-2 929	-12 473	1.3	13.6	-1.1	5.8	-11.9	1.5	-1.1	1.3	4.1
Sep	P 300 768	99	6.8	10 353	2 530	6 843	980	2 646	7 608	2.4	12.4	0.3	6.8	-9.1	1.5	0.3	1.6	3.5
Oct	P 292 388	-8 381	10.5	-728	4 530	-5 917	659	19 739	-12 086	5.1	30.7	1.8	6.7	-7.5	3.7	1.9	1.7	3.2
Nov	P 298 361	5 973	13.3	19 539	6 851	11 820	868	4 542	9 024	9.3	39.6	5.7	8.3	0.3	5.2	6.1	2.1	-0.1
Dec	P 330 088	31 728	18.1	15 186	4 178	5 937	5 071	-21 588	5 047	13.5	58.3	8.1	13.7	0.8	7.0	8.2	3.3	-0.3
09 *Jan*	A 311 204	-18 885	12.6	1 031	5 540	-4 659	150	6 810	13 105	15.6	58.3	10.1	14.3	23.7	7.8	9.9	3.5	-8.5
Feb	A 336 298	25 094	20.2	17 022	1 871	14 068	1 083	3 922	-11 994	18.6	67.7	13.3	13.8	14.1	8.7	13.1	3.4	-5.0
Mar	A 349 026	12 728	22.7	15 189	4 118	10 244	827	-2 259	4 720	23.9	82.8	18.6	14.6	27.6	10.3	17.8	3.5	-8.8
Apr	A 348 236	-790	26.6	14 406	5 335	8 687	383	11 305	3 890	27.0	105.4	20.2	15.4	28.0	13.0	20.2	3.8	-10.5
May	A 364 261	16 025	28.9	6 426	621	3 871	1 935	-9 383	-216	26.9	109.2	19.5	16.6	21.1	13.0	19.4	4.1	-7.5
Jun	A 381 555	17 294	33.4	16 635	1 446	11 699	3 491	-3 898	3 239	30.5	116.6	23.0	19.8	22.0	13.5	22.7	4.9	-7.6
Jul	A 388 447	6 892	36.5	-1 113	2 206	-2 102	-1 217	-7 638	-367	29.6	124.9	20.9	20.1	10.5	14.4	20.9	4.9	-3.8
Aug	A 402 540	14 093	33.9	3 456	2 499	641	316	3 873	-14 509	30.3	119.9	21.5	21.1	17.9	13.9	20.3	4.8	-5.2
Sep	A 407 767	5 227	35.6	19 797	1 963	14 025	3 809	5 483	9 087	31.9	110.3	23.5	24.9	20.4	13.7	22.7	5.8	-6.6
Oct	A 403 150	-4 617	37.9	12 392	2 852	8 727	813	12 206	4 803	35.2	94.3	29.1	24.8	27.8	13.5	28.4	6.0	-10.0
Nov	A 411 000	7 850	37.8	15 681	4 195	12 051	-565	4 966	2 866	32.7	75.6	28.0	22.5	19.8	12.3	27.9	5.4	-7.9

NET FINANCING OF GENERAL GOVERNMENT
Annual percentage changes



NET FINANCING OF GENERAL GOVERNMENT
Contributions to the annual percentage change



Source: BE.

a.Consolidated: deducted securities and loans held by other General Government units.

b.Including coined money and Caja General de Depositos.

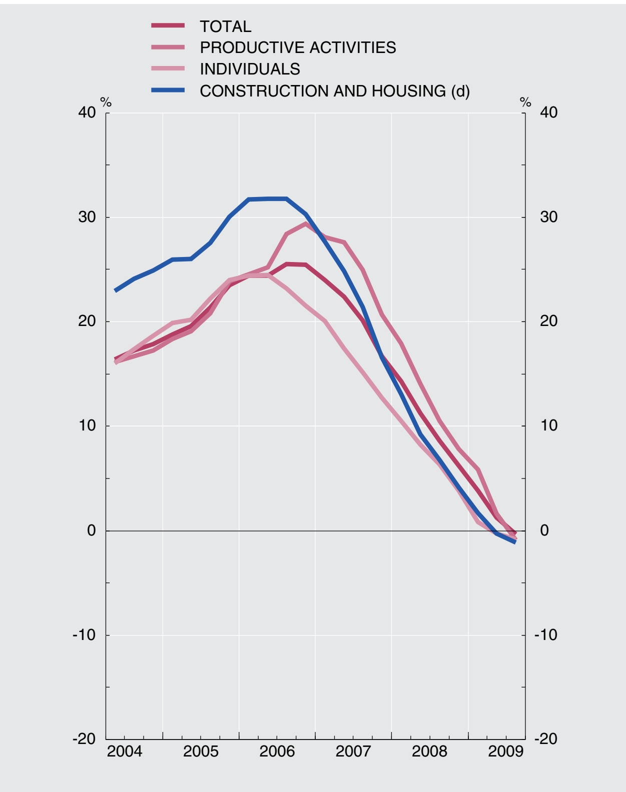
8.9 LENDING BY CREDIT INSTITUTIONS TO OTHER RESIDENT SECTORS. BREAKDOWN BY END-USE.

■ Series depicted in chart.

EUR millions and percentages

	Total (a)	Financing of productive activities						Financing of individuals					Financing of private non-profit institutions	Unclassified	Memorandum item: construction and housing (d)
		Total	Agriculture and fisheries	Industry excluding construction	Construction	Services		Total	Home purchases and improvements		Purchases of consumer durables	Other (b)			
						Total	Of which: Real estate activities		Total	Of which: Purchases					
	1 ■	2 ■	3	4	5	6	7	8 ■	9	10 ■	11 ■	12	13	14	15 ■
06	1 508 626	781 644	23 014	119 488	134 317	504 825	244 050	700 294	548 740	523 595	51 461	100 094	5 704	20 983	927 107
07	1 760 213	943 086	25 245	141 571	153 453	622 818	303 514	789 250	623 540	595 929	56 576	109 133	6 089	21 788	1 080 507
08	1 869 882	1 016 948	26 244	156 141	151 848	682 716	318 032	819 412	655 145	626 620	54 176	110 092	6 091	27 431	1 125 024
05 *Q2*	R1 085 320	544 048	19 501	99 393	89 806	335 349	135 483	516 384	394 989	375 523	42 531	78 864	4 200	20 687	620 277
Q3	1 131 241	567 022	20 182	101 716	94 411	350 714	144 811	541 346	419 032	398 498	44 644	77 670	4 355	18 518	658 253
Q4	1 202 628	604 061	20 738	104 695	100 761	377 867	162 087	576 253	448 688	426 954	45 928	81 638	4 666	17 648	711 535
06 *Q1*	1 265 755	637 277	21 213	105 687	106 183	404 195	181 491	604 878	475 038	452 318	46 320	83 520	4 788	18 813	762 711
Q2	1 350 190	681 307	21 946	109 856	116 195	433 311	198 998	642 697	502 002	478 158	49 161	91 535	5 109	21 077	817 195
Q3	1 419 973	728 058	22 460	115 266	127 420	462 911	216 642	666 972	523 184	498 793	50 552	93 236	5 359	19 584	867 247
Q4	1 508 626	781 644	23 014	119 488	134 317	504 825	244 050	700 294	548 740	523 595	51 461	100 094	5 704	20 983	927 107
07 *Q1*	1 569 169	816 098	23 436	121 148	137 836	533 678	264 653	726 179	570 989	545 190	52 713	102 477	5 743	21 149	973 479
Q2	1 652 352	869 174	24 294	132 145	144 552	568 184	282 081	754 726	593 655	567 062	53 898	107 174	5 955	22 497	1 020 287
Q3	1 706 126	910 001	25 085	140 332	150 341	594 243	292 599	768 197	609 791	582 505	54 035	104 371	6 106	21 822	1 052 731
Q4	1 760 213	943 086	25 245	141 571	153 453	622 818	303 514	789 250	623 540	595 929	56 576	109 133	6 089	21 788	1 080 507
08 *Q1*	1 793 356	962 331	25 003	143 816	154 237	639 275	311 272	802 258	635 010	606 807	57 357	109 891	5 804	22 962	1 100 519
Q2	1 838 174	991 307	25 727	148 218	155 600	661 762	313 176	817 074	645 286	616 487	57 726	114 062	5 952	23 840	1 114 062
Q3	1 852 563	1 005 670	26 593	155 481	156 363	667 233	315 444	816 755	651 958	623 101	55 859	108 938	6 063	24 075	1 123 765
Q4	1 869 882	1 016 948	26 244	156 141	151 848	682 716	318 032	819 412	655 145	626 620	54 176	110 092	6 091	27 431	1 125 024
09 *Q1*	1 861 734	1 018 902	24 472	158 905	143 515	692 011	324 222	808 715	651 495	621 811	50 560	106 660	5 125	28 991	1 119 231
Q2	1 861 005	1 007 492	23 732	158 800	134 690	690 271	324 664	815 068	651 564	620 920	49 583	113 922	5 382	33 063	1 110 917
Q3	1 846 010	996 650	23 576	153 070	134 045	685 959	324 439	809 993	652 434	622 122	49 840	107 719	5 457	33 910	1 110 918

CREDIT BY END-USE
Annual percentage changes (c)



CREDIT TO INDIVIDUALS BY END-USE
Annual percentage changes (c)

SOURCE: BE.

a. Series obtained from information in the accounting statement established for the supervision of resident institutions. See the changes introduced in the October 2001 edition of the Boletín estadístico and Tables 4.13, 4.18 and 4.23 of the Boletin estadístico, which are published at www.bde.es.

b. Includes loans and credit to households for the purchase of land and rural property, the purchase of securities, the purchase of current goods and services not considered to be consumer durables (e.g. loans to finance travel expenses) and for various end-uses not included in the foregoing.

c. Asset-backed securities brought back onto the balance sheet as a result of the entry into force of Banco de España Circular BE 4/2004 have caused a break in the series in June 2005. The rates depicted in the chart have been adjusted to eliminate this effect.

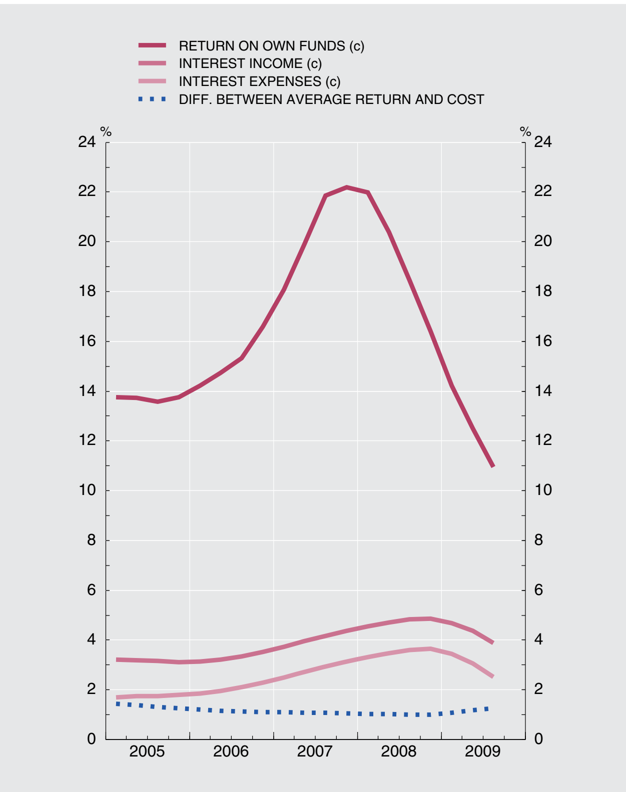
d. Including: construction, real estate activities and home purchases and improvements

8.10. PROFIT AND LOSS ACCOUNT OF BANKS, SAVINGS BANKS AND CREDIT CO-OPERATIVES RESIDENT IN SPAIN

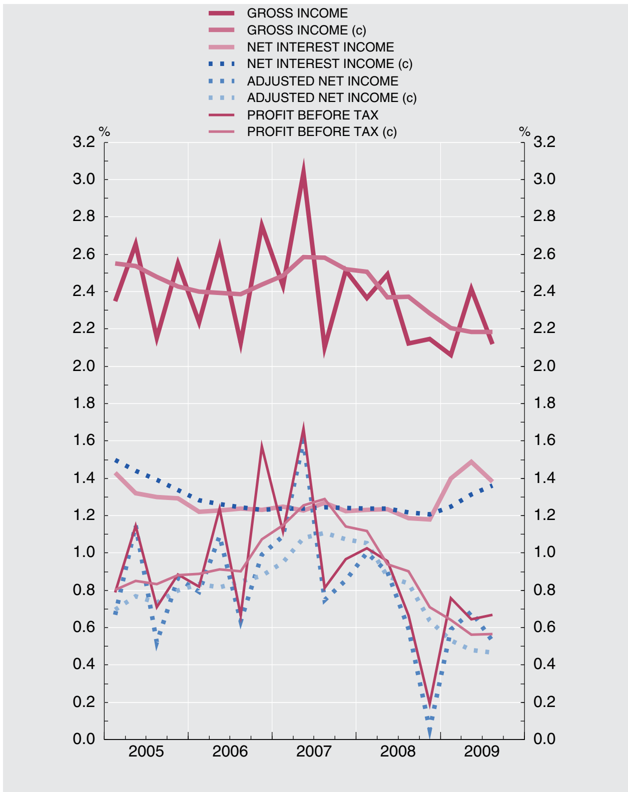
■ Series depicted in chart.

	As a percentage of the adjusted average balance sheet											Percentages			
	Interest income	Interest expenses	Net interest income	Return on equity instruments and non interest income	Gross income	Operating expenses:	Of which: Staff costs	Other operating income	Adjusted net income	Other net income	Profit before tax	Average return on own funds (a)	Average return on lending operations (b)	Average cost of borrowing operations (b)	Difference (12-13)
	1 ■	2 ■	3 ■	4 ■	5 ■	6	7	8	9 ■	10	11 ■	12 ■	13	14	15 ■
06	3.8	2.6	1.2	1.5	2.8	1.2	0.7	0.6	1.0	0.6	1.6	19.5	3.7	2.6	1.1
07	4.7	3.5	1.2	1.3	2.5	1.1	0.7	0.6	0.9	0.4	1.0	20.8	4.6	3.6	1.0
08	4.8	3.6	1.2	1.0	2.1	1.0	0.6	1.1	0.1	0.3	0.2	12.5	5.1	4.2	1.0
06 *Q3*	3.6	2.4	1.2	0.9	2.1	1.1	0.7	0.4	0.6	0.0	0.7	15.9	3.5	2.4	1.1
Q4	3.8	2.6	1.2	1.5	2.8	1.2	0.7	0.6	1.0	0.6	1.6	19.5	3.7	2.6	1.1
07 *Q1*	4.1	2.8	1.2	1.2	2.4	1.1	0.7	0.2	1.1	0.0	1.1	20.9	3.9	2.8	1.1
Q2	4.3	3.0	1.2	1.8	3.0	1.1	0.7	0.4	1.6	0.1	1.7	23.3	4.2	3.1	1.1
Q3	4.5	3.2	1.3	0.8	2.1	1.1	0.6	0.3	0.7	0.1	0.8	23.7	4.4	3.3	1.1
Q4	4.7	3.5	1.2	1.3	2.5	1.1	0.7	0.6	0.9	0.4	1.0	20.8	4.6	3.6	1.0
08 *Q1*	4.8	3.5	1.2	1.1	2.4	1.0	0.6	0.3	1.0	0.0	1.0	20.1	4.8	3.8	1.0
Q2	4.9	3.6	1.2	1.3	2.5	1.0	0.6	0.6	0.9	0.1	1.0	16.9	5.0	3.9	1.0
Q3	5.0	3.8	1.2	0.9	2.1	1.0	0.6	0.5	0.6	0.1	0.7	16.1	5.1	4.1	1.0
Q4	4.8	3.6	1.2	1.0	2.1	1.0	0.6	1.1	0.1	0.3	0.2	12.5	5.1	4.2	1.0
09 *Q1*	4.1	2.7	1.4	0.7	2.1	0.9	0.6	0.5	0.6	0.3	0.8	11.4	5.0	3.9	1.1
Q2	3.5	2.1	1.5	0.9	2.4	0.9	0.6	0.8	0.7	0.2	0.6	10.0	4.7	3.5	1.2
Q3	3.0	1.6	1.4	0.7	2.1	0.9	0.6	0.6	0.5	0.3	0.7	9.9	4.2	2.9	1.3

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



PROFIT AND LOSS ACCOUNT
Percentages of the adjusted average balance sheet



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

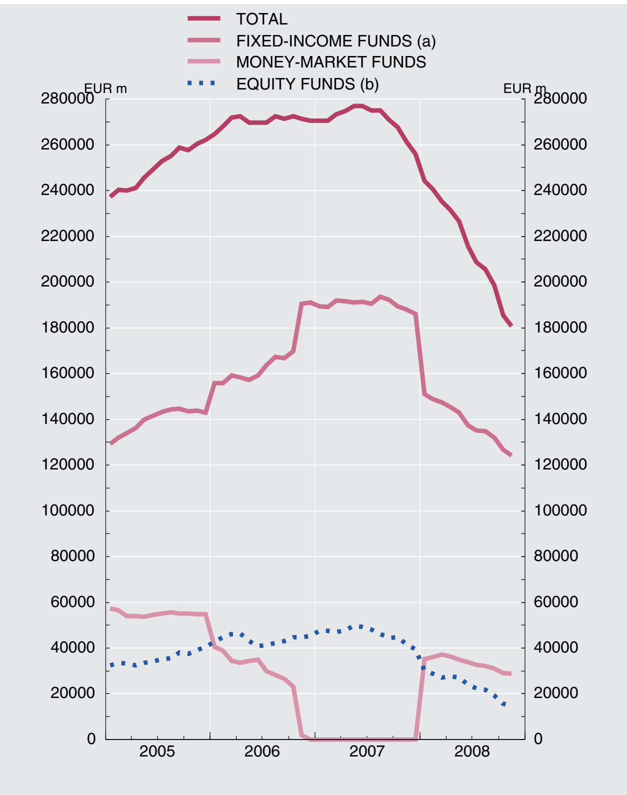
8.11. MUTUAL FUNDS RESIDENT IN SPAIN

■ Series depicted in chart.

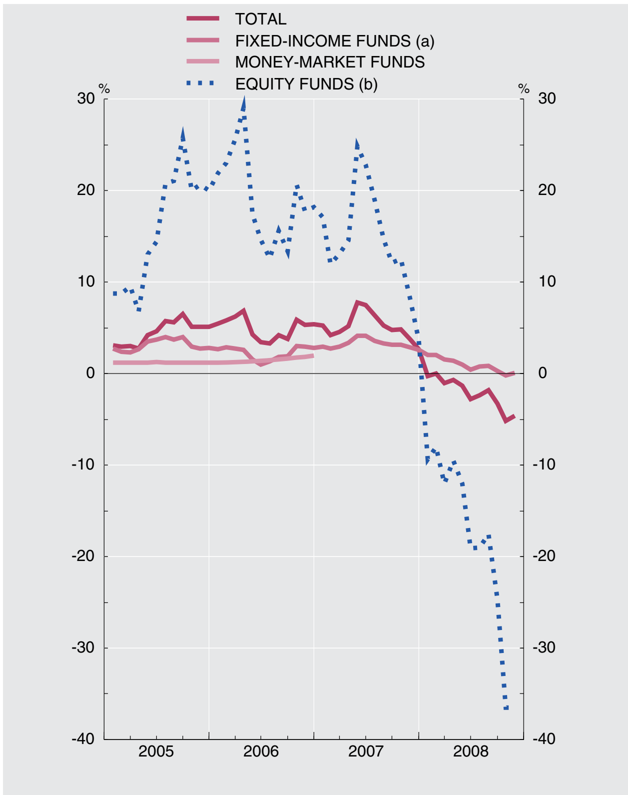
EUR millions

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

NET ASSET VALUE



RETURN OVER LAST 12 MONTHS



SOURCES: CNMV and Inverco.

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

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

c. Global funds.

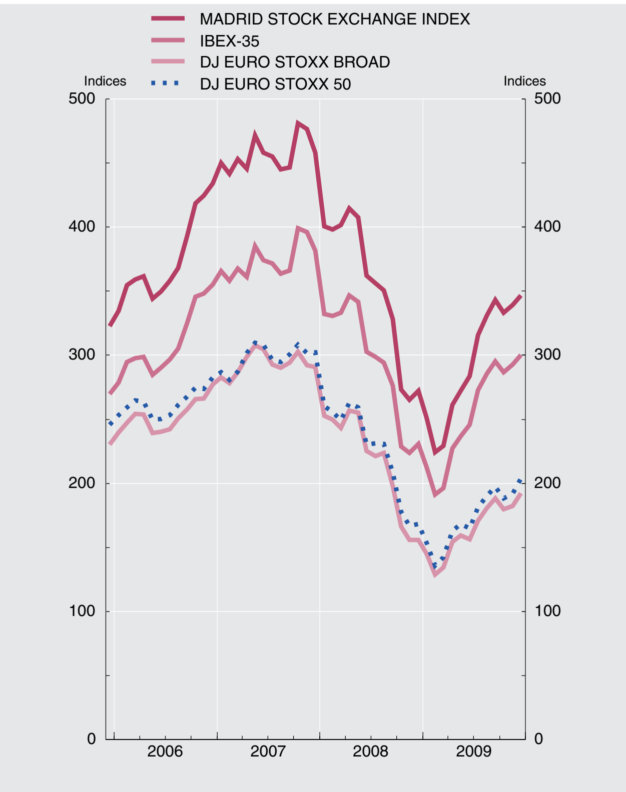
8.12. SHARE PRICE INDICES AND TURNOVER ON SECURITIES MARKETS. SPAIN AND EURO AREA

■ Series depicted in chart.

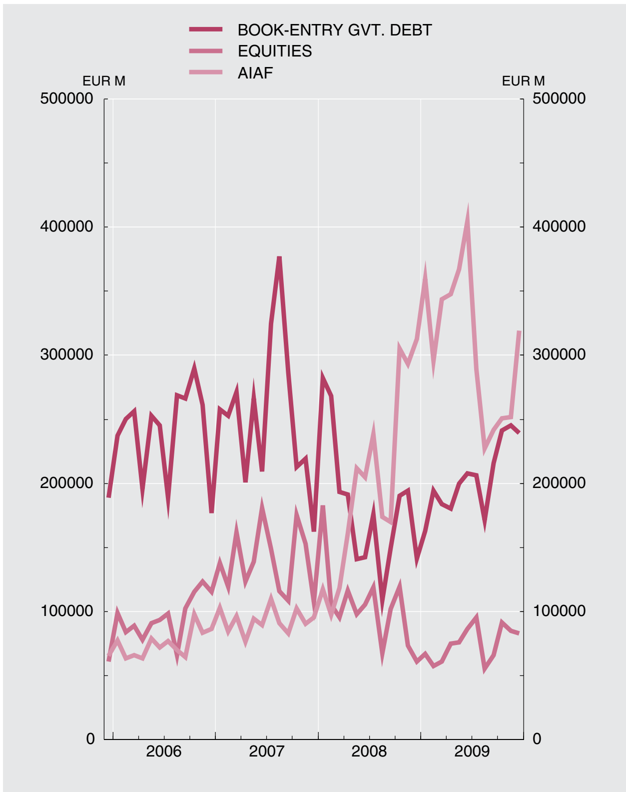
Indices, EUR millions and thousands of contracts

	Share price indices				Turnover on securities markets							
	General Madrid Stock Exchange	IBEX 35	Dow Jones EURO STOXX indices		Stock market		Book-entry government debt	AIAF fixed-income market	Financial options (thousands of contracts)		Financial futures (thousands of contracts)	
			Broad	50	Equities	Bonds			Fixed-income	Shares and other equities	Fixed-income	Shares and other equities
	1 ■	2 ■	3 ■	4 ■	5 ■	6	7 ■	8 ■	9	10	11	12
07	1 637.50	14 899.46	419.02	4 344.48	1 670 178	89 600	3 040 244	1 115 708	-	14 161	-	8 722
08	1 262.61	11 738.25	309.67	3 277.70	1 245 129	79 578	2 178 310	2 403 160	-	19 146	-	7 605
09 P	1 055.69	10 107.91	235.02	2 529.03	898 195	75 103	2 446 884	3 699 008	-	33 946	-	5 752
08 *Sep*	1 175.14	10 987.50	282.61	3 038.20	102 011	6 220	149 233	169 860	...	1 953	...	771
Oct	978.13	9 116.00	237.67	2 591.76	119 483	7 707	190 268	305 089	...	1 732	...	765
Nov	950.75	8 910.60	222.34	2 430.31	73 259	6 525	194 344	293 279	...	1 979	...	512
Dec	975.97	9 195.80	222.81	2 451.48	61 062	5 536	141 215	312 823	...	2 854	...	455
09 *Jan*	898.03	8 450.40	207.09	2 236.98	66 689	6 020	162 791	359 649	...	2 541	...	437
Feb	803.92	7 620.90	184.27	1 976.23	57 487	7 863	194 144	295 515	...	1 817	...	443
Mar	820.67	7 815.00	191.62	2 071.13	60 788	5 780	183 641	343 513	...	3 820	...	522
Apr	935.85	9 038.00	220.27	2 375.34	74 828	7 017	180 362	347 866	...	2 310	...	563
May	975.73	9 424.30	227.48	2 451.24	75 889	7 271	199 822	367 038	...	1 754	...	457
Jun	1 016.66	9 787.80	223.02	2 401.69	86 272	5 753	207 861	404 790	...	3 984	...	531
Jul	1 131.04	10 855.10	243.92	2 638.13	95 572	5 654	206 118	289 376	...	2 363	...	516
Aug	1 187.30	11 365.10	257.84	2 775.17	55 638	4 336	171 127	227 500	...	2 090	...	423
Sep	1 229.35	11 756.10	269.14	2 872.63	65 772	7 226	215 553	241 874	...	4 438	...	469
Oct	1 194.17	11 414.80	256.63	2 743.50	91 389	6 713	241 093	250 942	...	3 648	...	495
Nov	1 215.11	11 644.70	260.35	2 797.25	84 933	5 151	245 345	251 937	...	1 455	...	475
Dec P	1 241.72	11 940.00	274.78	2 966.24	82 938	6 319	239 028	319 010	...	3 727	...	423

SHARE PRICE INDICES
JAN 1994 = 100



TURNOVER ON SECURITIES MARKETS



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

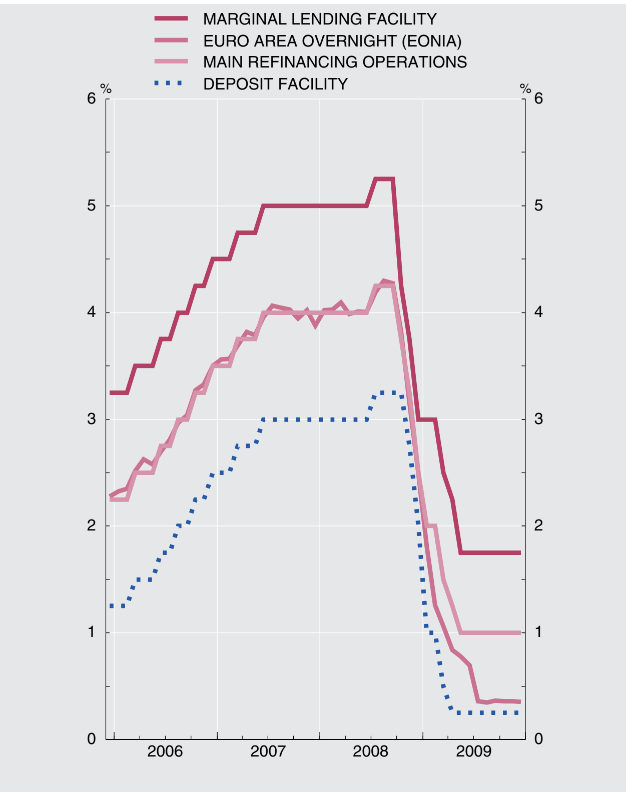
9.1. INTEREST RATES. EUROSYSTEM AND MONEY MARKET. EURO AREA AND SPAIN

■ Series depicted in chart.

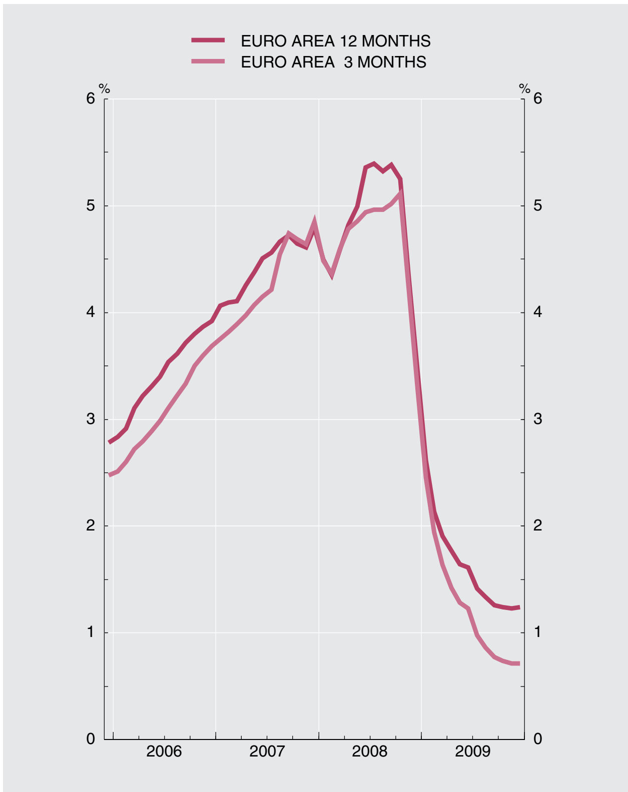
Averages of daily data. Percentages per annum

	Eurosystem monetary policy operations				Money market													
	Main refinancing operations: weekly tenders	Longer term refinancing operations: monthly tenders	Standing facilities		Euro area: deposits (Euribor) (a)					Spain								
			Marginal lending	Deposit	Overnight (EONIA)	1-month	3-month	6-month	1-year	Non-transferable deposits					Government-securities repos			
										Overnight	1-month	3-month	6-month	1-year	Overnight	1-month	3-month	1-year
	1 ■	2	3 ■	4 ■	5 ■	6	7 ■	8	9 ■	10	11	12	13	14	15	16	17	18
07	4.00	4.00	5.00	3.00	3.866	4.09	4.28	4.35	4.45	3.85	4.08	4.27	4.33	4.44	3.78	3.85	3.90	4.11
08	2.50	2.50	3.00	2.00	3.863	4.27	4.63	4.72	4.81	3.85	4.26	4.62	4.66	4.78	3.71	3.74	3.71	3.47
09	1.00	1.00	1.75	0.25	0.714	0.89	1.22	1.43	1.62	0.67	0.94	1.23	1.41	1.62	0.61	0.63	0.67	0.84
08 *Sep*	4.25	4.36	5.25	3.25	4.273	4.66	5.02	5.22	5.38	4.27	4.60	4.99	5.15	5.30	4.13	4.24	4.25	-
Oct	3.75	3.75	4.25	3.25	3.820	4.83	5.11	5.18	5.25	3.88	4.82	5.13	5.23	5.28	3.22	3.34	3.29	-
Nov	3.25	3.25	3.75	2.75	3.150	3.84	4.24	4.30	4.35	3.17	3.93	4.18	4.19	4.42	2.74	2.69	2.49	2.21
Dec	2.50	2.50	3.00	2.00	2.486	2.99	3.29	3.37	3.45	2.41	3.08	3.33	3.32	3.46	2.22	2.12	1.92	-
09 *Jan*	2.00	2.00	3.00	1.00	1.812	2.14	2.46	2.54	2.62	1.75	2.25	2.37	2.27	2.38	1.60	1.50	1.37	-
Feb	2.00	2.00	3.00	1.00	1.257	1.63	1.94	2.03	2.14	1.27	1.76	1.98	2.05	2.18	1.16	1.13	1.04	1.18
Mar	1.50	1.50	2.50	0.50	1.062	1.27	1.64	1.78	1.91	1.03	1.33	1.62	1.77	1.89	0.93	0.86	0.91	1.13
Apr	1.25	1.25	2.25	0.25	0.842	1.01	1.42	1.61	1.77	0.82	1.12	1.47	1.61	1.76	0.73	0.79	0.81	-
May	1.00	1.00	1.75	0.25	0.782	0.88	1.28	1.48	1.64	0.71	0.96	1.30	1.49	-	0.67	0.70	0.73	-
Jun	1.00	1.00	1.75	0.25	0.698	0.91	1.23	1.44	1.61	0.66	0.91	1.26	1.45	1.51	0.66	0.70	0.72	-
Jul	1.00	1.00	1.75	0.25	0.358	0.61	0.97	1.21	1.41	0.30	0.59	0.95	1.18	1.41	0.26	0.36	0.45	0.55
Aug	1.00	1.00	1.75	0.25	0.347	0.51	0.86	1.12	1.33	0.30	0.52	0.86	1.10	1.34	0.26	0.29	0.41	-
Sep	1.00	1.00	1.75	0.25	0.363	0.46	0.77	1.04	1.26	0.32	0.51	0.80	1.08	1.26	0.29	0.30	0.38	0.74
Oct	1.00	1.00	1.75	0.25	0.359	0.43	0.74	1.02	1.24	0.30	0.43	0.75	1.00	-	0.27	0.29	0.42	0.81
Nov	1.00	1.00	1.75	0.25	0.362	0.44	0.72	0.99	1.23	0.33	0.44	0.72	0.97	1.23	0.31	0.34	0.41	0.82
Dec	1.00	1.00	1.75	0.25	0.355	0.48	0.71	1.00	1.24	0.32	0.50	0.70	0.96	1.24	0.27	0.32	0.40	0.70

EUROSYSTEM: MONETARY POLICY OPERATIONS AND EURO AREA OVERNIGHT DEPOSITS



INTERBANK MARKET: EURO AREA 3-MONTH AND 1-YEAR RATES



Source: ECB (columns 1 to 8).

a. To December 1998, synthetic euro area rates have been calculated on the basis of national rates weighted by GDP

9.2. INTEREST RATES: SPANISH SHORT-TERM AND LONG-TERM SECURITIES MARKETS

■ Series depicted in chart. *Percentages per annum*

	Short-term securities				Long-term securities							
	One-year Treasury bills		One-year commercial paper		Central Government debt							Private bonds with a maturity of over two years traded on the AIAF
	Marginal rate at issue	Secondary market: outright spot purchases between market members	Rate at issue	Secondary market: outright spot purchases	Marginal rate at issue					Secondary market. Book-entry debt. Outright spot purchases between market members		
					3-year bonds	5-year bonds	10-year bonds	15-year bonds	30-year bonds	At 3-years	At 10-years	
	1 ■	2	3 ■	4	5	6	7	8	9	10 ■	11 ■	12 ■
07	4.11	4.07	4.46	4.49	4.00	4.16	4.24	-	4.49	4.13	4.31	4.67
08	3.78	3.71	4.82	4.89	3.93	4.10	4.48	4.92	4.76	3.89	4.36	5.25
09	1.04	0.99	1.67	1.67	2.30	2.98	3.99	4.45	4.86	2.23	3.97	3.46
08 *Sep*	4.34	4.23	5.32	5.44	4.35	-	4.62	4.92	-	4.18	4.57	5.26
Oct	3.40	3.18	5.17	5.35	-	4.42	-	-	5.12	3.60	4.47	5.66
Nov	2.54	2.40	4.52	4.63	3.41	4.07	3.96	-	-	3.21	4.15	5.70
Dec	2.23	2.09	3.72	3.73	2.96	3.35	-	-	4.20	3.07	3.86	3.96
09 *Jan*	1.45	1.46	2.67	2.78	3.10	3.44	-	4.50	4.85	2.87	4.15	5.00
Feb	1.30	1.25	2.14	2.24	2.45	3.50	3.84	-	4.96	2.67	4.23	3.30
Mar	1.30	1.23	1.99	1.99	2.52	3.01	4.22	-	4.96	2.49	4.06	3.37
Apr	1.27	1.11	1.77	1.82	2.52	3.05	4.08	4.53	-	2.29	4.01	3.20
May	0.95	0.95	1.74	1.73	2.05	2.88	3.72	-	4.80	2.19	4.05	3.24
Jun	1.07	0.96	1.65	1.65	-	3.06	4.42	-	4.92	2.34	4.24	3.35
Jul	0.84	0.83	1.37	1.48	-	3.11	-	4.51	-	2.04	4.01	3.25
Aug	0.85	0.79	1.42	1.38	2.06	2.39	-	-	-	2.12	3.78	3.82
Sep	0.73	0.78	1.24	1.32	1.53	2.80	3.88	-	4.70	1.90	3.80	3.26
Oct	0.94	0.86	1.32	1.25	2.28	2.87	3.88	-	-	1.92	3.77	3.79
Nov	0.87	0.85	1.30	1.24	-	2.76	-	4.26	-	1.93	3.79	3.17
Dec	0.95	0.88	1.40	1.19	2.15	-	3.90	-	-	2.02	3.80	2.80

PRIMARY MARKET

SECONDARY MARKET

Sources: Main issuers (column 3); AIAF (columns 4 and 12).

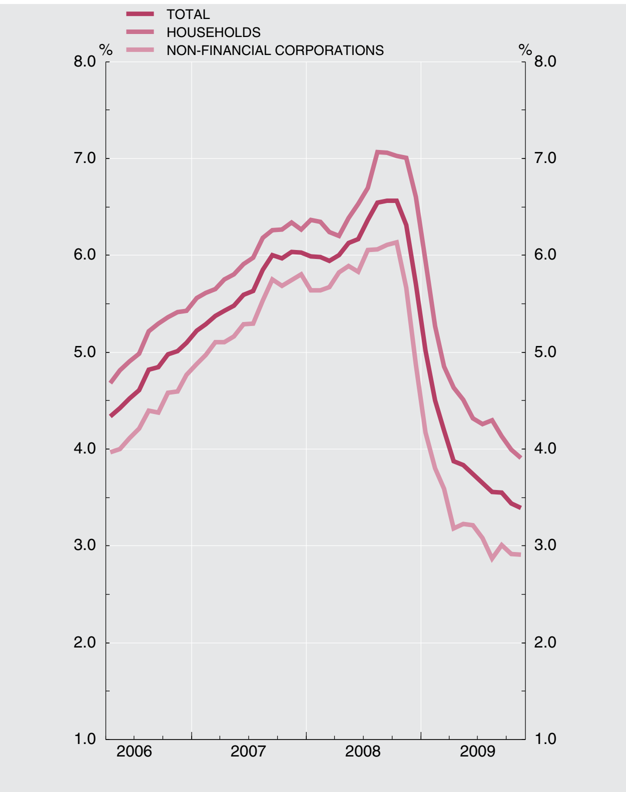
9.3. INTEREST RATES ON NEW BUSINESS. CREDIT INSTITUTIONS. (CBE 4/2002) SDDS (a)

■ Series depicted in chart.

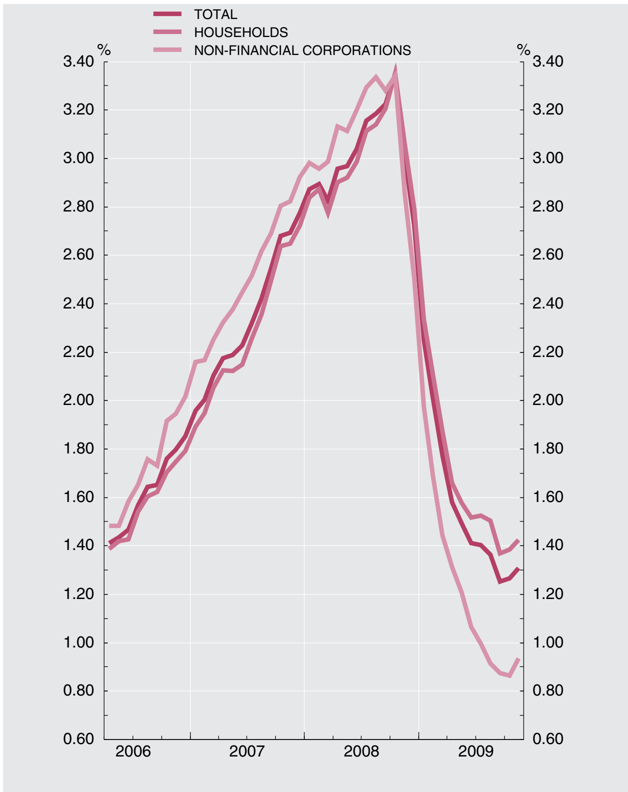
Percentages

		Loans (APRC) (b)							Deposits (NDER) (b)								
		Synthetic rate (d)	Households and NPISH			Non-financial corporations			Synthetic rate (d)	Households and NPISH				Non-financial corporations			
			Synthetic rate	House purchase	Consumption and other	Synthetic rate	Up to EUR 1 million	Over EUR 1 million (c)		Synthetic rate	Overnight and redeemable at notice	Time	Repos	Synthetic rate	Overnight	Time	Repos
		1 ■	2 ■	3	4	5 ■	6	7	8 ■	9 ■	10	11	12	13 ■	14	15	16
07		6.03	6.27	5.53	8.38	5.80	6.32	5.50	2.77	2.72	0.70	4.41	3.72	2.92	1.94	4.42	3.92
08		5.70	6.61	5.83	8.83	4.87	5.91	4.42	2.72	2.79	0.69	4.18	2.20	2.50	1.77	3.47	2.29
09	A	3.39	3.91	2.70	7.41	2.91	4.39	2.26	1.31	1.42	0.40	2.22	0.33	0.94	0.58	1.42	0.35
08 *Apr*		6.00	6.20	5.38	8.58	5.82	6.35	5.42	2.96	2.90	0.77	4.47	3.82	3.13	1.97	4.55	4.02
May		6.13	6.39	5.55	8.82	5.89	6.45	5.50	2.97	2.92	0.78	4.50	3.84	3.11	1.97	4.51	4.06
Jun		6.17	6.53	5.72	8.82	5.83	6.50	5.50	3.04	2.99	0.75	4.64	3.88	3.20	2.04	4.59	4.07
Jul		6.36	6.70	5.94	8.85	6.06	6.64	5.71	3.16	3.11	0.78	4.79	4.04	3.29	2.09	4.71	4.24
Aug		6.55	7.07	6.18	9.62	6.06	6.67	5.74	3.19	3.14	0.79	4.78	4.08	3.34	2.20	4.65	4.34
Sep		6.56	7.06	6.21	9.52	6.11	6.70	5.70	3.22	3.21	0.80	4.84	4.07	3.28	2.13	4.71	4.21
Oct		6.56	7.02	6.21	9.39	6.14	6.97	5.66	3.35	3.35	0.77	5.04	3.34	3.34	2.25	4.67	3.42
Nov		6.31	7.01	6.18	9.35	5.66	6.56	5.11	3.01	3.06	0.73	4.60	2.72	2.86	2.00	3.98	2.88
Dec		5.70	6.61	5.83	8.83	4.87	5.91	4.42	2.72	2.79	0.69	4.18	2.20	2.50	1.77	3.47	2.29
09 *Jan*		5.02	5.94	4.97	8.77	4.17	5.40	3.60	2.25	2.33	0.61	3.47	1.56	1.97	1.39	2.75	1.59
Feb		4.50	5.27	4.35	7.97	3.80	5.06	3.15	2.01	2.11	0.60	3.12	1.14	1.69	1.27	2.30	1.18
Mar		4.19	4.85	3.91	7.63	3.59	4.84	2.97	1.77	1.87	0.55	2.76	0.89	1.44	1.01	2.03	0.94
Apr		3.87	4.63	3.55	7.82	3.18	4.69	2.56	1.58	1.66	0.49	2.46	0.74	1.31	0.87	1.90	0.76
May		3.84	4.51	3.36	7.90	3.23	4.62	2.57	1.49	1.58	0.46	2.38	0.64	1.21	0.79	1.77	0.70
Jun		3.74	4.32	3.16	7.62	3.22	4.69	2.67	1.41	1.52	0.42	2.34	0.67	1.06	0.65	1.60	0.70
Jul		3.65	4.26	3.07	7.72	3.08	4.56	2.48	1.40	1.52	0.41	2.37	0.35	1.00	0.62	1.50	0.33
Aug		3.56	4.30	2.99	8.16	2.87	4.44	2.26	1.36	1.50	0.42	2.31	0.35	0.91	0.64	1.31	0.28
Sep		3.55	4.13	2.82	8.01	3.01	4.60	2.27	1.25	1.37	0.37	2.13	0.37	0.88	0.54	1.34	0.32
Oct		3.44	3.99	2.78	7.59	2.91	4.50	2.21	1.26	1.39	0.35	2.19	0.34	0.86	0.54	1.30	0.28
Nov	P	3.39	3.91	2.70	7.41	2.91	4.39	2.26	1.31	1.42	0.40	2.22	0.33	0.94	0.58	1.42	0.35

LOANS
SYNTHETIC RATES



DEPOSITS
SYNTHETIC RATES



Source: BE.

a. This table is included among the IMF's requirements to meet the Special Data Dissemination Standards (SDDS)

b. APRC: annual percentage rate of charge. NEDR: narrowly defined effective rate, which is the same as the APRC without including commissions.

c. Calculated by adding to the NDER rate, which does not include commissions and other expenses, a moving average of such expenses.

d. The synthetic rates of loans and deposits are obtained as the average of the interest rates on new business weighted by the euro-denominated stocks included in the balance sheet for all the instruments of each sector.

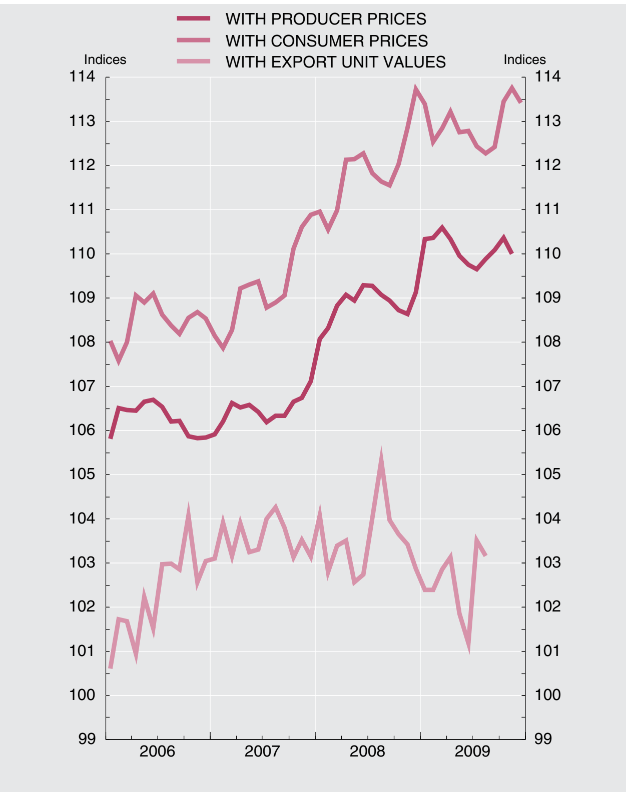
9.4 INDICES OF SPANISH COMPETITIVENESS VIS-à-VIS THE EU-27 AND THE EURO AREA

■ Series depicted in chart.

Base 1999 QI = 100

	Vis-à-vis the EU-27									Vis-à-vis the euro area				
	Total (a)				Nominal component (b)	Price component (c)				Based on producer prices	Based on consumer prices	Based on total unit labour costs	Based on manufacturing unit labour costs (d)	Based on export unit values
	Based on producer prices	Based on consumer prices	Based on total unit labour costs	Based on export unit values		Based on producer prices	Based on consumer prices	Based on total unit labour costs	Based on export unit values					
	1 ■	2 ■	3	4 ■	5	6	7	8	9	10 ■	11 ■	12	13	14 ■
06	106.3	108.5	109.2	102.3	100.0	106.3	108.5	109.2	102.3	106.3	108.6	110.2	117.7	103.9
07	106.5	109.2	111.2	103.5	99.9	106.6	109.3	111.3	103.6	106.6	109.5	112.7	121.6	104.9
08	108.9	111.9	114.3	103.5	101.5	107.3	110.2	112.6	102.0	107.7	110.6	114.2	123.4	104.7
07 *Q4*	106.8	110.5	112.2	103.3	100.3	106.6	110.3	111.9	103.0	106.7	110.5	113.5	124.4	104.7
08 *Q1*	108.4	110.8	114.6	103.4	101.0	107.4	109.8	113.5	102.4	107.6	110.0	115.1	122.3	104.7
Q2	109.1	112.2	115.0	102.9	101.4	107.6	110.7	113.4	101.6	108.1	111.0	115.0	125.1	104.3
Q3	109.1	111.7	114.2	104.4	101.3	107.7	110.2	112.7	103.1	108.2	110.6	114.3	125.3	105.8
Q4	108.8	112.9	113.5	103.3	102.3	106.4	110.3	110.9	101.0	107.1	110.8	112.4	120.8	103.9
09 *Q1*	110.4	112.9	112.3	102.6	103.7	106.5	108.9	108.3	98.9	107.6	109.5	109.6	115.9	103.1
Q2	110.0	112.9	112.4	102.1	103.2	106.6	109.4	108.9	98.9	107.8	110.0	110.4	118.7	103.0
Q3	109.9	112.4	111.0	...	102.9	106.7	109.2	107.8	...	108.0	109.9	109.4	119.6	...
09 *Mar*	110.6	112.8	...	102.9	103.9	106.4	108.6	...	99.0	107.7	109.1	...	...	103.4
Apr	110.3	113.2	...	103.1	103.5	106.6	109.4	...	99.6	107.9	110.0	...	...	104.0
May	110.0	112.8	...	101.9	103.2	106.5	109.2	...	98.7	107.8	109.9	...	...	102.8
Jun	109.8	112.8	...	101.2	103.0	106.6	109.5	...	98.3	107.8	110.2	...	...	102.2
Jul	109.7	112.4	...	103.5	102.9	106.5	109.2	...	100.6	107.8	110.0	...	...	104.5
Aug	109.9	112.3	...	103.2	102.8	106.9	109.3	...	100.4	108.2	110.0	...	...	104.4
Sep	110.1	112.4	...	...	103.1	106.8	109.0	...	...	108.0	109.8	...	...	...
Oct	110.4	113.4	...	...	103.5	106.7	109.6	...	...	108.0	110.4	...	...	...
Nov	110.0	113.8	...	...	103.3	106.5	110.2	...	...	107.9	111.0	...	...	...
Dec	...	113.4	...	...	103.3	...	109.8	...	...	...	110.6	...	...	...

INDICES OF SPANISH COMPETITIVENESS VIS À VIS THE EU-27



INDICES OF SPANISH COMPETITIVENESS VIS À VIS THE EURO AREA

Source: BE.
a. Outcome of multiplying nominal and cost/price components. A decline in the index denotes an improvement in the competitiveness of Spanish products.
b. Geometric mean calculated using a double weighting system based on 1995-1997 (until 1999) and 1999-2001 (since 1999) manufacturing foreign trade figures.
c. Relationship between the price indices of Spain and of the group.
d. The index obtained drawing on Manufacturing Labour Costs has been compiled using base year 2000 National Accounts data.

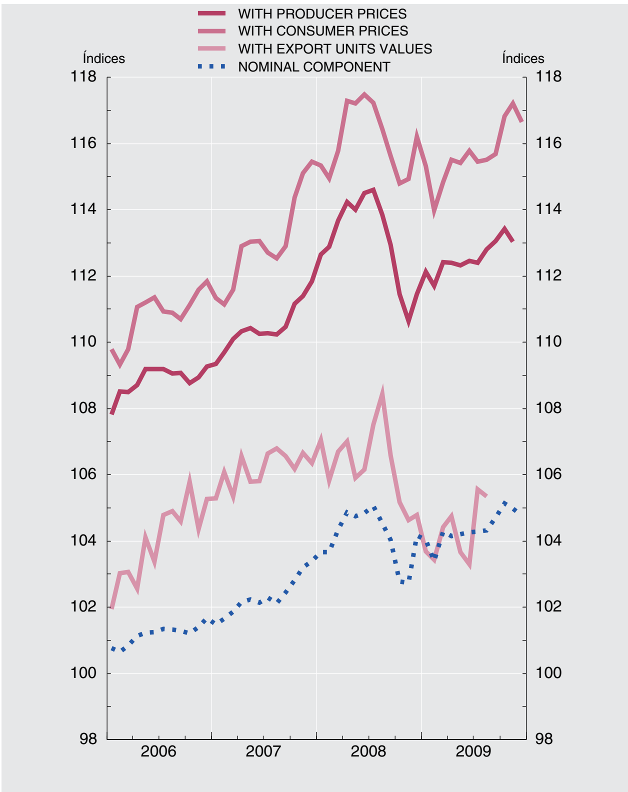
9.5 INDICES OF SPANISH COMPETITIVENESS VIS-à-VIS THE DEVELOPED COUNTRIES AND INDUSTRIALISED COUNTRIES

■ Series depicted in chart.

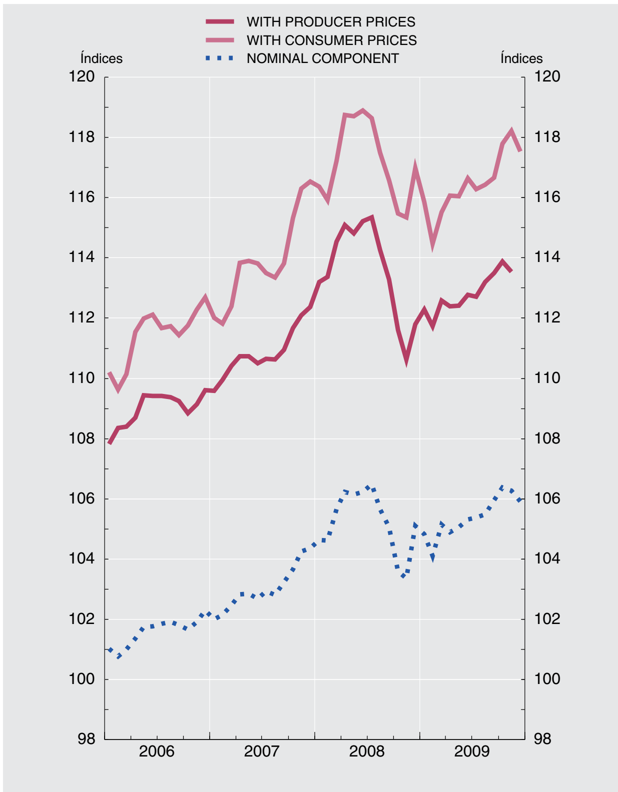
Base 1999 QI = 100

	Vis-à-vis developed countries									Vis-à-vis industrialised countries				
	Total (a)				Nominal compon-ent (b)	Prices component (c)				Total (a)		Nominal compon-ent (b)	Prices component(c)	
	Based on producer prices	Based on consumer prices	Based on manufac - turing unit labour costs (d)	Based on export unit values		Based on producer prices	Based on consumer prices	Based on manufac - turing unit labour costs (d)	Based on export unit values	Based on producer prices	Based on consumer prices		Based on producer prices	Based on consumer prices
	1 ■	2 ■	3	4 ■	5 ■	6	7	8	9	10 ■	11 ■	12 ■	13	14
06	108.9	110.8	120.7	104.0	101.2	107.6	109.5	119.3	102.8	109.0	111.4	101.6	107.3	109.7
07	110.5	113.0	125.8	106.2	102.3	108.0	110.5	122.9	103.8	110.9	113.9	103.0	107.6	110.6
08	113.1	116.1	130.3	106.3	104.1	108.6	111.5	125.1	102.1	113.6	117.2	105.2	107.9	111.4
07 *Q4*	111.5	115.0	129.5	106.4	103.1	108.1	111.5	125.5	103.2	112.0	116.1	104.1	107.6	111.5
08 *Q1*	113.1	115.4	128.4	106.5	103.9	108.8	111.0	123.6	102.5	113.7	116.5	105.0	108.3	111.0
Q2	114.2	117.3	132.7	106.3	104.8	109.0	111.9	126.6	101.5	115.0	118.8	106.2	108.3	111.9
Q3	113.8	116.4	132.9	107.5	104.5	108.9	111.4	127.1	102.8	114.3	117.6	105.7	108.1	111.2
Q4	111.2	115.3	127.1	104.9	103.2	107.7	111.7	123.2	101.6	111.3	115.9	104.0	107.0	111.5
09 *Q1*	112.1	114.7	123.4	103.9	103.9	107.9	110.4	118.8	99.9	112.2	115.3	104.7	107.2	110.1
Q2	112.4	115.6	127.2	103.9	104.2	107.9	110.9	122.1	99.7	112.5	116.3	105.1	107.1	110.6
Q3	112.8	115.5	128.3	...	104.4	108.0	110.6	122.8	...	113.1	116.5	105.6	107.1	110.3
09 *Mar*	112.4	114.8	...	104.4	104.3	107.8	110.1	...	100.1	112.6	115.5	105.2	107.1	109.8
Apr	112.4	115.5	...	104.8	104.1	107.9	110.9	...	100.6	112.4	116.1	104.9	107.2	110.6
May	112.3	115.4	...	103.7	104.2	107.8	110.8	...	99.5	112.4	116.1	105.1	107.0	110.5
Jun	112.5	115.8	...	103.3	104.3	107.9	111.0	...	99.1	112.8	116.7	105.3	107.1	110.8
Jul	112.4	115.5	...	105.6	104.3	107.8	110.7	...	101.2	112.7	116.3	105.4	106.9	110.3
Aug	112.8	115.5	...	105.4	104.3	108.1	110.7	...	101.0	113.2	116.4	105.5	107.3	110.4
Sep	113.1	115.7	...	...	104.7	108.0	110.5	...	...	113.5	116.7	106.0	107.1	110.1
Oct	113.4	116.8	...	...	105.1	107.9	111.1	...	...	113.9	117.8	106.4	107.1	110.7
Nov	113.0	117.2	...	...	105.0	107.7	111.7	...	...	113.5	118.2	106.3	106.9	111.3
Dec	...	116.7	...	...	104.8	...	111.3	...	...	...	117.5	105.9	...	111.0

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 (until 1999) and 1999-2001 (since 1999) manufacturing foreign trade figures.

c. Relationship between the price indices of Spain and of the group.

d. The index obtained drawing on Manufacturing Labour Costs has been compiled using base year 2000 National Accounts data.

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