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ABBREVIATIONS

AIAF	Association of Securities Dealers
BCBS	Basel Committee on Banking Supervision
BE	Banco de España
BIS	Bank for International Settlements
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
ECB	European Central Bank
ECCO	ECB External Communications Committee
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
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
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
ICT	Information and communications technology
ICO	Official Credit Institute
IGAE	National Audit Office
IMF	International Monetary Fund
INE	National Statistics Institute
INEM	National Public Employment Service
MFIs	Monetary financial institutions
MiFID	Markets in Financial Instruments Directive
MMFs	Money market funds
MROs	Main refinancing operations
MTBE	Banco de España quarterly macroeconomic model
NAIRU	Non-accelerating-inflation rate of unemployment
NCBs	National central banks
NPISHs	Non-profit institutions serving households
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
WTO	World Trade Organisation
XBRL	Extensible Business Reporting Language

COUNTRIES AND CURRENCIES

In accordance with Community practice, the EU countries are listed using the alphabetical order of the country names in the national languages.

BE	Belgium	EUR (euro)
BG	Bulgaria	BGN (Bulgarian lev)
CZ	Czech Republic	CZK (Czech koruna)
DK	Denmark	DKK (Danish krone)
DE	Germany	EUR (euro)
EE	Estonia	EEK (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

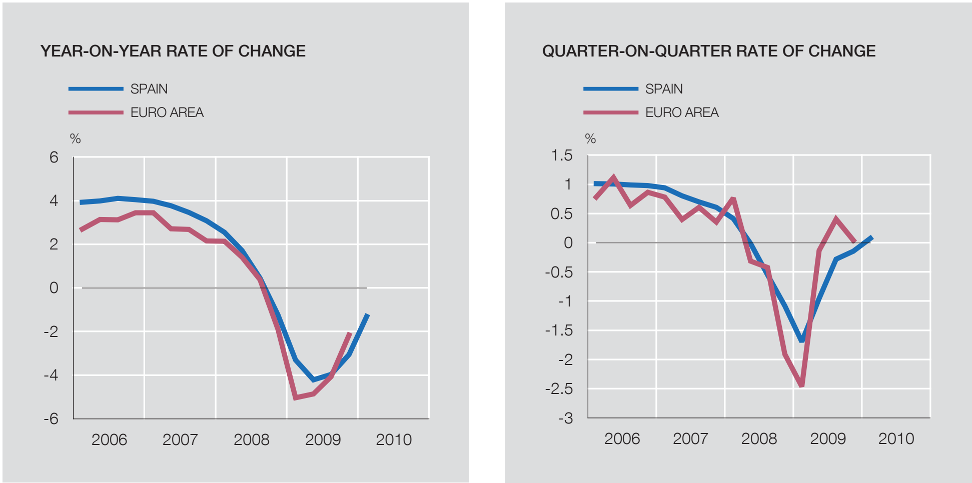
The Spanish economy underwent a marked contraction in 2009. This was at its worst in Q1 and eased thereafter, posting a quarter-on-quarter rate of decline in GDP of 0.1% at the close of the year. For the year as a whole, output fell by 3.6%, in response to the annual decline of more than 6% in national demand, whereas net external demand, with a positive contribution of 2.8 pp, helped soften the adverse impact of demand on GDP.

The gradual improvement in the Spanish economy continued in the opening months of 2010, in an environment marked by the progressive recovery of the world economy, the continuation of the effects of the public measures supporting demand and the increase in agents' confidence. Estimates based on the conjunctural information available suggest that, in Q1, GDP grew at a quarter-on-quarter rate of 0.1%, following six consecutive quarters of declines. Nonetheless, in terms of the year-on-year rate, which measures the conjunctural situation with some lag, output is estimated to have declined by 1.3%. On the expenditure side, the rate of decline of national demand slackened to -2.6% (-5% in 2009 Q4) and the positive contribution of net external demand lessened to 1.4 pp (2.2 pp in the three previous months), with a pick-up both in exports and in imports. The plans to support the private sector were influential in rekindling certain spending components, in particular household consumption, although their impact has progressively diminished, while the outcome of the completion of projects linked to the State Local Investment Fund was reflected in something of a fall-off in investment in non-residential construction. In step with this all the productive branches were somewhat less depressed than in previous quarters, and the pace of decline in employment slackened, with this variable posting a year-on-year fall of 3.6% on EPA figures. However, the unemployment rate rose again in Q1, up to 20%, owing to the slowdown in the rate of decline of the labour force. Against this backdrop of low growth and sluggish recovery, inflation continued to moderate. The rate of change of the CPI rose in the opening months of 2010 (1.4% in March) as a result of dearer energy, while the CPI excluding unprocessed food and energy held at a rate of virtually zero. The leading indicator of the HICP showed an increase in its year-on-year rate to 1.6% in April.

Turning to the international economic outlook, the recovery in train - as has been the case since it began - showed different rates across countries and regions. The recovery in the emerging Asian and Latin American economies was prominent, although the United States also contributed decisively to the growth of world GDP. Nonetheless, certain factors persist in the developed economies that weigh on and pose risks to the recovery, including most notably the weakness of the labour market and the generalised deterioration in fiscal positions. Global inflation rose in the opening months as a result of the increase in oil and commodities prices, although expectations about its future course remain moderate. Finally, the ongoing stabilisation of international financial markets, though taking root in numerous segments, was interrupted from February as a result of the fiscal crisis in Greece. This gave rise to various episodes of instability, which were particularly severe in the second half of April, especially in the euro area. Initially, the focal point of these episodes was the sovereign debt markets, but they subsequently spread to stock and foreign exchange markets. Against this background, the exchange rate of the euro depreciated from the start of the year against the dollar by around 7.6%.

In the absence of inflationary pressures, monetary policies retained an expansionary stance, while the central banks of the main developed countries began to implement the plans an-

GROSS DOMESTIC PRODUCT (a) CHART 1



SOURCES: ECB, INE and Banco de España.

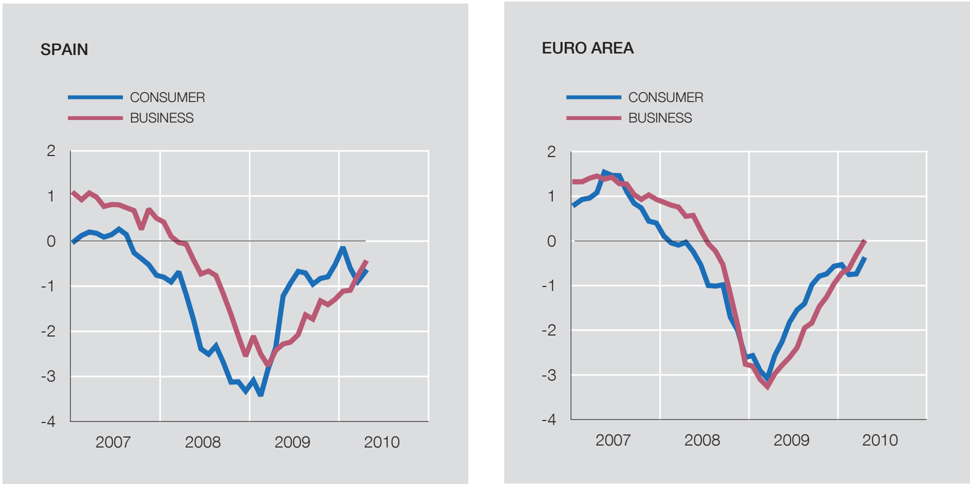
a. Seasonally adjusted series.

nounced for the withdrawal of the non-conventional liquidity-support measures. In the United States, the Federal Reserve held its official interest rate in a range of 0% to 0.25% and ended its asset purchase programme in March. The Bank of England left Bank Rate unchanged at 0.5% and, from February, interrupted its asset purchase programme. Finally, the Bank of Japan held its official interest rates at 0.1%, although it extended the fixed-term open market operations running since December.

The general trend of recovery was also discernible in the euro area, albeit at a somewhat more muted rate, as was already the case in late 2009. The impulse of the external sector has not yet translated into greater strength in internal demand, in a setting in which some of the temporary factors that boosted the recovery, such as the fiscal stimulus and the change in the inventory cycle, are beginning to lose momentum, and in which bad weather may have adversely affected activity in certain productive branches. Inflation rose somewhat in the opening months of the year, although this was due mainly to temporary factors as a result of transitory increases in the more volatile components (energy and unprocessed food). The foreseeable scenario of mild recovery, wage moderation and slack capacity means risks to price stability are not envisaged in the medium term. Against this backdrop, the ECB Governing Council decided at its meetings in the year to date (to May) to keep its official rate unchanged at 1% for the main refinancing operations, at which level they have held for a year, while the rates for its marginal lending and deposit facilities stand at 1.75% and 0.25%, respectively.

The ECB took further steps in defining the strategy of gradual withdrawal from the extraordinary measures introduced during the financial crisis, although it retained its policy of abundant liquidity provision. In March, the ECB Council confirmed that the conditions under which its weekly and special one-month tenders are made will remain in place at least until 12 October. It also agreed that its regular three-month refinancing operations would resume their habitual variable-rate tender procedure, as from 28 April, although allotment would take into account market conditions. Finally, the ECB decided to keep its collateral requirements relatively unchanged, beyond the end of 2010. However, on 3 May, after issuing a favourable opinion on the ambitious fiscal adjustment programme sanctioned by the Greek government under the aid plan approved by the Eurogroup and the IMF, the ECB Governing Council decided to suspend application of the minimum credit rating threshold to Greek government debt.

CONFIDENCE INDICATORS (a) CHART 2



SOURCE: European Commission.

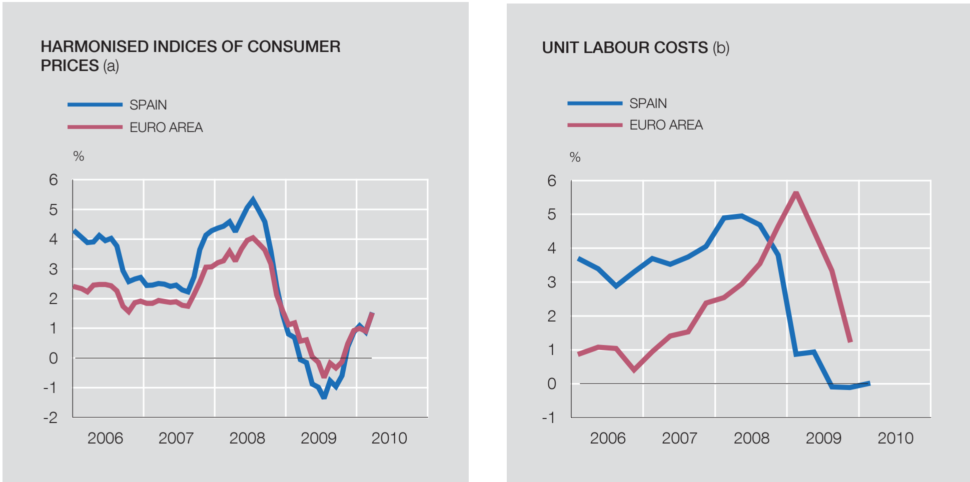
a. Normalised confidence indicators (difference between the indicator and its mean value, divided by the standard deviation).

Following the fiscal disaster in 2009, a slight deterioration is expected in the public finances for the euro area as a whole in 2010 further to the various fiscal consolidation strategies adopted nationally. In the countries with the biggest deficits, these strategies envisage the application in 2010 of adjustment programmes, while in the remaining countries they will be put back to 2011. Nonetheless, the doubts raised by the budgetary adjustment initially presented by Greece ultimately gave rise to an acute fiscal crisis which has required the adoption of a series of unprecedented measures, both by the Greek government and by the European authorities, as detailed in Box 2. The Greek government formally requested on 23 April that the exceptional financial support mechanism defined by the Eurogroup at its meeting on 11 April be activated. This request was dealt with by the euro area ministers of finance on 2 May. They unanimously approved an unprecedented programme envisaging bilateral loans of up to €110 billion over three years, €80 billion (€30 billion the first year) of which would correspond to the euro area Member States, and the remaining €30 billion to the IMF. The first payments will take place prior to 19 May, when a sizeable amount of instruments issued by the Greek Treasury mature. It should be stressed that this aid package which has now been approved entails strict conditionality terms. Indeed, on 2 May the Greek government approved, as a prior step to the activation of the aid, an ambitious and stringent program of fiscal consolidation and far-reaching structural reforms, negotiated beforehand with the European Commission, the IMF and the ECB. The progress made by the Greek authorities in complying with these demanding commitments will be evaluated each quarter. What is involved, therefore, is a not only a great effort by Greece but also an innovative institutional drive to restore confidence, curtailing the serious risks that the potential insolvency of one of its Member States would entail for the stability of the area.

The Greek crisis has in fact highlighted the need to strengthen governance of the euro area and to set in place multilateral mechanisms that ensure greater coordination of domestic economic policies. Heeding these demands, the Commission has announced its intention in May to unveil initiatives in three areas considered essential: first, the reinforcement of multilateral procedures for monitoring competitiveness and for the early detection of external imbalances; second, the reform of the Stability and Growth Pact, and third, the formalisation of a crisis resolution mechanism and a permanent framework that ensures financial support to member countries in difficulties, under the appropriate terms of conditionality. In parallel, progress 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.

made during the quarter in defining the most suitable strategies for withdrawing the economic policy impulses exceptionally applied during the economic crisis.

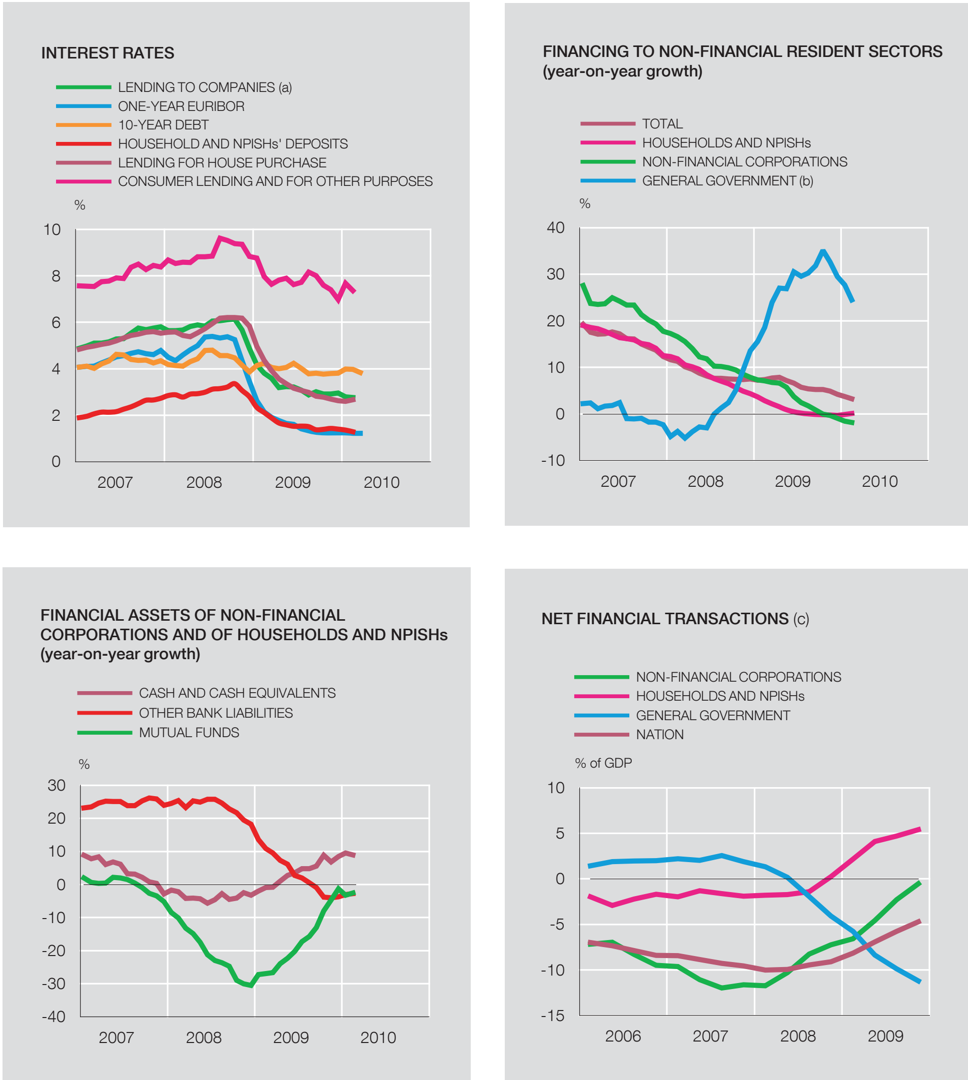
Despite the bouts of instability on the government debt markets from February, interbank market interest rates held stable at low levels, both globally and in the euro area, and risk premia on private fixed-income markets remained relatively stable. However, the main stock market indices posted losses in Europe and sovereign risk premia held at very high levels in Greece and Portugal. The Spanish economy was affected by this episode of instability; in the four months to end-April, the IBEX registered a loss of 12.1%, a more unfavourable performance than that of the Eurostoxx 50 index of the euro area stock markets (which had fallen by 5% as at the same date). In Spain, the 10-year government debt yield spread over the German *Bund* widened by almost 40 bp to around 100 bp. Lastly, on 28 April a credit rating agency downgraded Spain's long-term rating from AA+ to AA, to a much lesser extent than was the case for sovereign debt issued by Greece and Portugal.

Household and business financing costs held at similar levels to those of the previous quarter, as did the degree of tightness of lending standards, which are in any event stricter than those applied at the start of the financial crisis. In the real estate market, and on Spanish Ministry of Housing figures, the pace of the fall in open-market housing prices slowed, posting a year-on-year rate of decline of 4.7% in Q1 (-6.3% in December 2009).

There was confirmation of the incipient signs of improvement in household spending seen in the past two quarters, while business investment remained relatively depressed. Specifically, the quarter-on-quarter growth rate of household consumption is expected to have risen for the second quarter running, slowing the year-on-year rate of decline in this demand component to -0.7% (-3.4% in the previous quarter). Unlike in the second half of 2009, the consumption of services and, to a lesser extent, of durable goods other than cars is estimated to have played a pivotal role in this recovery, while the effects of the government plan providing direct aid for car purchases are expected to have lost steam. Yet the presence of exceptional factors, also of a temporary nature, cannot be fully ruled out in the rise in specific spending items, which might slacken later (the digital switchover and the bringing forward of purchases before the

FINANCIAL INDICATORS OF THE SPANISH ECONOMY

CHART 4



SOURCE: Banco de España.

a. 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.
b. Consolidated financing: net of securities and loans that are general government assets.
c. Four-quarter cumulated data.

VAT rise in July). Over the rest of the year, a continuation of the modest pick-up in consumption may be expected. It will, however, be conditioned by the unfavourable behaviour of disposable income (as a result, above all, of the lower growth in wage income and of the lower contribution of other sources of income, in particular those arising from general government measures), the reduction in household wealth, the need for households to reduce their level of debt and uncertainty over labour market developments. However, the saving rate would begin to turn downwards during 2010 from its peak in 2009 Q4 (18.8% in four-quarter terms).

Residential investment remained firmly set on its path of adjustment, although its rate of decline slowed once more, and a year-on-year rate of around -20% (-25% in 2009 Q4) is estimated for this demand component. This figure was compatible with some stabilising of certain indicators of the demand for housing (such as the number of transactions or of mortgage approvals). In the opening months of the year, levels of affordability continued to improve. These developments might take the form of some recovery in the demand for housing in the coming months and, alongside this, a somewhat more rapid absorption of the overhang of unsold houses, after this variable peaked in the opening months of this year, although the estimated excess capacity in the sector is subject to great uncertainty. Over the rest of the year the fall in residential investment is expected to slacken, although the behaviour of this variable will continue to weigh on output growth during 2010. In this setting of lesser slackness of household spending, the outstanding balance of household credit stabilised (its year-on-year rate edged up slightly to 0.1% in February) as a result of a slight increase in credit for house purchases (0.5%) and a small fall-off in credit for consumption and other purposes.

Business investment plans showed no signs of picking up. Compounding the factors that have held back non-financial corporations' investment decisions in the past two years (weak prospects of demand recovering, especially domestic demand, a contraction in business profits, high debt levels and a build-up of excess capacity) has been the lesser effect of the stimulus plans on this demand component (the plans mainly affect transport equipment purchases and participation in civil engineering projects). Indeed, investment in equipment might have resumed a negative quarter-on-quarter growth rate after having risen in the second half of 2009, precisely in those investment components. Nonetheless, a most significant correction is foreseen in the year-on-year rate of decline of investment in equipment, which is estimated to be around -3.5%, compared with -15.3% the previous quarter.

The component of investment in other construction, which also includes public investment in this item, showed signs of sluggishness as a result of the completion of infrastructure projects linked to the State Local Investment Fund and of the potential lag that the start of the projects to be financed by the State Fund for Employment and Local Sustainability (which will, in any event, be for a lesser amount) will most probably entail. As to the financing of non-financial corporations, credit continued to contract (its year-on-year rate turned even more negative, to -4.3% in February), which had a relatively generalised effect on all the productive branches.

The expansionary nature of general government conduct is expected to have begun to moderate as a result of the implementation of the 2010-2013 fiscal consolidation plan, bearing on both government consumption and public investment. Subsequent to the publication of the January quarterly report on the Spanish economy, details were released on this consolidation plan, which the government approved in late January. Specifically, it proposes cutting the deficit by 1.6 pp of GDP in 2010 and by 2.3 pp of GDP annually between 2011 and 2013. It would essentially target the structural deficit, as it is based above all on public spending cuts to 2013 - distributed among employee compensation, inputs, transfers, public investment and subsidies - although also on the tax increases approved under the 2010 budget. Given the scale of the budgetary imbalance resort will inevitably have to be made to increasing resources by means of the taxes offering the greatest revenue-raising capacity and those which generate least distortions. The aims of the programme are ambitious, but based on an optimistic macroeconomic scenario. Accordingly, strict compliance with the programme may require the adoption of complementary measures that prevent deviations from the established targets.

As regards trade with the rest of the world, the as yet incomplete information available indicates that the contribution of net external demand to annual GDP growth was positive (1.4 pp) in 2010 Q1, with substantial increases in both exports and imports. The take-off of exports is connected to the recovery in economic activity globally - although the reactivation of our export markets was more moderate - in a setting in which the favourable performance of price-competitiveness in recent months continued. However, the contribution of the external sector was smaller than in the previous quarters, as goods imports began to rise in response to the slight recovery in certain domestic spending components. To date, however, this rise is weak, and its trajectory is not free from oscillations. Trade in services, of which tourism is a part, also picked up in Q1. The outcome of these developments was a further improvement in the nation's net borrowing, which continued to decline in January and February.

On the supply side, the year-on-year rate of decline in value added in the market economy eased, as was the case with employment, since there was a significant slowdown in job destruction (-3.6% on EPA figures, against -6.1% in 2009 Q4). Nonetheless, compared with the previous quarter, only value added and employment in market services showed positive rates of growth. The remaining non-farm productive branches posted declines, which were more acute in the construction industry, in light of the completion of some of the projects linked to the State Local Investment Fund and, perhaps, relatively bad weather.

The latest information on collective bargaining indicates that the start of the year is being marked by greater wage moderation. Wage agreements reached in the period to March show average settlements of 1.4%, 1 pp down on 2009. The influence of the agreement on employment and collective bargaining entered into by the social partners last February, which sets 1% as the ceiling for wage increases in 2010, is proving limited so far owing to the majority presence of revised agreements in collective bargaining. However, in the immediate future the agreement should allow wage growth to be adjusted to a greater extent to the economic situation and to provide for a downturn in compensation per employee and a slowdown in unit labour costs.

The government has put a labour reform proposal to the social partners which, though specific details have yet to be ironed out, suggests setting limits on temporary hiring, promoting permanent contracts and boosting part-time contracts and the youth employment plan. All these aspects, depending on how they finally materialise, may prove very relevant for the functioning of the Spanish labour market. Nonetheless, the proposal diverts the amendment of collective bargaining arrangements to the agreement between the social partners, which may unfortunately delay the necessary reform of this key labour market aspect.

Finally, the growth rate of the CPI has risen at the start of this year to 1.4% in March, as a result of the increase in oil prices. But core inflation held on the declining trend of recent quarters, and the year-on-year rate of change of the CPI excluding unprocessed food and energy (the two most volatile variables) stood at 0.1% in Q1. That meant the core inflation differential vis-à-vis the euro area remained favourable to Spain, by 0.6 pp. With a view to the future this inflation performance should desirably become entrenched, as it may make a decisive contribution to improving competitiveness and the recovery in growth.

2 The external environment of the euro area

During the opening months of 2010 the recovery on international financial markets and in global economic activity has continued. These processes have been mutually reinforcing, despite the fact that there have been bouts of growing instability related chiefly to the situation of public finances in certain European countries. During the quarter a gradual and bigger-than-expected improvement in world economic activity was perceptible, albeit at different rates across countries and regions, with a prominent firming of the recovery in the emerging Asian and Latin American economies. China and the other emerging Asian countries, on one hand, and the United States, on the other, were the main contributors to world GDP growth. In any event, in the developed economies output remains below its pre-crisis levels, and there are still factors weighing on and posing risks to the recovery, such as the weakness of the labour market (despite the first signs of improvement being observed), the fragility of the recovery in the housing market (especially in the United States and the United Kingdom), the slackness of bank credit and, above all, the public finances position (see Box 1).

On the international financial markets the recovery has been taking root in many segments. Following a correction in February and, also, in late April, the main stock market indices showed gains of between 2% and 7% in the first four months of the year, and both volatility and credit spreads on corporate bonds and emerging market sovereign spreads have diminished. Nonetheless, market developments have been very closely linked to news relating to the fragility of the Greek fiscal position, and the possible contagion to other European countries, which has given rise to various bouts of instability during the period. The improved economic outlook prompted an increase in private-sector bond issues in 2010 Q1, which were up 25% on 2009 Q4. At the same time, a very high volume of government bond issues - especially medium and long-term issues - is forecast for 2010, which has contributed to the slope of the US yield curve reaching a high. On the foreign exchange markets, the dollar has since the start of the year strengthened against the euro (although it has only partly corrected the depreciation recorded in 2009), sterling and the yen, while it has depreciated against most of the main emerging economies' currencies, which have been boosted by the return of capital flows to these countries. On the commodities markets, the pick-up in demand in many emerging and in some developed economies has led to a notable increase in prices, which have reached highs not seen since autumn 2008. The price of Brent oil is currently at around $85 per barrel, and oil futures do not anticipate significant increases in this price.

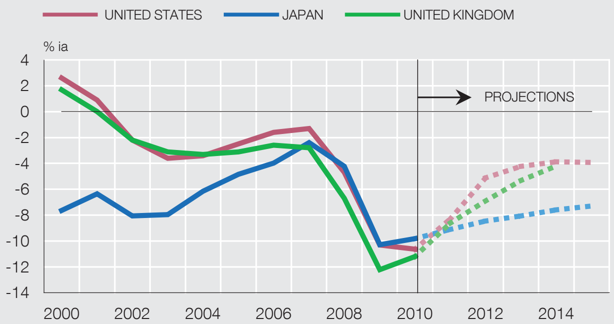
In the United States, the GDP estimate for Q1 was for quarterly growth of 0.8% (3.2% in annualised terms), down on the figure of 1.4% for 2009 Q4. This was due above all to the momentum of private consumption and stockbuilding. This initial estimate confirmed the increases reflected in the supply-side and employment indicators, although doubts persist about the recovery in consumption. Net employment was created in the labour market in Q1 for the first time since end-2007, and the unemployment rate dipped to 9.7%, 0.3 pp down on Q4. Conversely, the housing market continues to show signs of weakness, as reflected in the stabilisation of prices and in the flatness of constructors' confidence, although both housing starts and sales rose in March, moving ahead of the phasing out of government aid. The CPI measure of inflation eased during the quarter to a year-on-year rate of 2.3% in March, while core inflation fell to 1.1%. Against this background, the Federal Reserve held its official interest rate unchanged in a range between 0% and 0.25% at its April meeting, reiterating that the rate would remain at a low level over a prolonged period, in step with developments in the economy. Furthermore, its asset purchase programme ended in March. On the fiscal front, the reform of

The deep recession experienced by the advanced economies against the background of the global economic and financial crisis, the forceful fiscal activism pursued (essential for averting the collapse of aggregate demand), and, to a lesser extent, the support to the financial system have resulted in a drastic increase in these economies' budget deficits and debt, to levels unprecedented in the post-Second Word War period. This poses major policy challenges and risks to the economic and financial outlook.

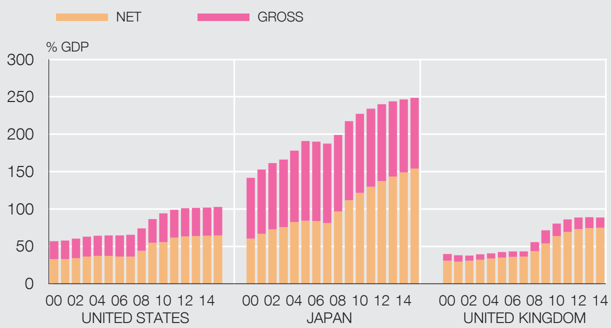
The three main developed economies outside the euro area (the United States, the United Kingdom and Japan) faced the effects of the crisis from relatively similar starting points as far as general government financial balances were concerned, but markedly different ones in terms of their public debt. The three countries showed deficits of between 1% and 3% of GDP in 2007 (see Panel 1), although their structural deficits - which take into consideration the cyclical position of the economy - were concentrated in a range of 2.5%-3%. Nonetheless, Japan reached these levels following a fiscal consolidation process which enabled it to reduce its budget deficit by more than 5 pp from 8% of GDP in 2002, while in the United Kingdom and the United States the structural deficit remained relatively unchanged over this period, although the expansionary phase of the business cycle prompted an improvement in their general government balance. As regards debt, the legacy of the banking crisis in the 1990s in Japan and its unfavourable economic performance since then, which has been accompanied by persistent deflation, were reflected in public debt that amounted to 188% of GDP - in gross terms - in 2007, compared with 62% in the United States and 44% in the United Kingdom. However, as Panel 2 shows, the differences in terms of net debt, i.e. taking into account State assets and the debt holdings of other public-sector entities, were substantially less. In the United States and the United Kingdom, the net debt ratio was similar, at around 40% of GDP, while it stood at 82% in Japan.

In the wake of the crisis, treasuries contributed very actively to sustaining aggregate demand and implemented financial sector support plans. The support for aggregate demand was both through discretionary measures and stimulus plans, and through the operation of the automatic stabilisers. Among the discretionary measures adopted from 2008 were the increase in public investment (or the bringing forward of that scheduled for 2010 and 2011), support for employment (including training and placement programmes), direct transfers, tax cuts and, in some cases, aid to specific industries, such as the automobile and real estate sectors.

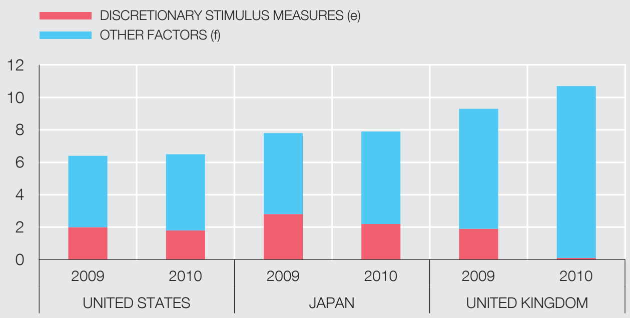
1 **BUDGET DEFICIT** (a) (b)



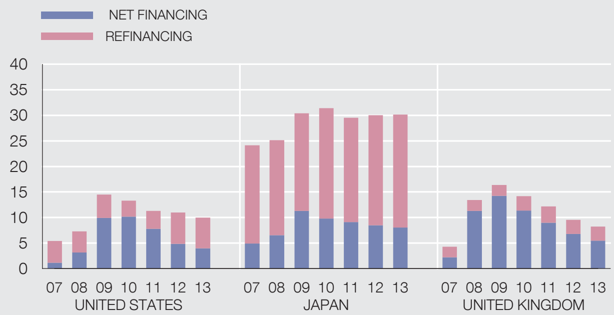
2 **GROSS AND NET PUBLIC DEBT (a) (b) (c)**



3 **FISCAL SUPPORT TO AGGREGATE DEMAND** (d)



4 **GROSS ISSUE OF PUBLIC DEBT SECURITIES** (a) (c) (g)



SOURCES: IMF, US Treasury, Congresional Budget Office, UK Treasury, Cabinet Office and Japanese Ministry of Finance.

a. The UK and Japanese debt and defecit figures refer to fiscal years.
b. The US, Japanese and UK projections are from the CBO, the IMF and the UK Treasury, respectively.
c. UK gross debt refers to the general government sector (central and local government), while net debt refers to the overall public sector (including public corporations).
d. Excludes financial-sector support measures, in order to analyse the fiscal measures with a direct effect on demand.
e. Budgetary cost of discretionary measures related to the crisis, compared with 2007.
f. Includes the impact of the automatic stabilisers and the impact on revenue of factors other than the cyclical change (e.g. the fall in house prices or in financial sector profits).
g. The US, Japanese and UK projections are from the CBO, Japanese Ministry of Finance and the UK Treasury, respectively.

The scale of the discretionary fiscal stimulus differs across the three countries analysed (see Panel 3). In Japan it exceeded two percentage points of GDP in 2009 (2.8%) and it is projected to be reduced by only half a point this year; in the United States it stood at around this figure in 2009 and is expected to hold at a similar level this year; finally, in the United Kingdom the fiscal impulse was on a similar scale to that of the other two countries in 2009, although it will be practically zero in 2010. This difference is due to the lesser room for manoeuvre offered by the strong deterioration in the UK's fiscal balance and the additional increase in debt arising from support to the financial sector. Regarding the first point, Panel 3 shows that the greater deterioration in the UK fiscal balance - by almost 10 pp in the past two years - came about due both to the greater weight of its automatic stabilisers and to the strong decline in tax receipts from the real estate and the financial sector; the latter has a greater relative weight in the United Kingdom than in the other two economies.

Turning to support for the financial system, the main developed economies implemented a series of measures which included, inter alia, capital injections, asset purchases and guarantees of assets or liabilities, and whose direct cost accounted for around 3.5% of the GDP of these economies. However, there were substantial differences among the countries, in accordance with the relative size of their financial systems, the degree of exposure to impaired assets and funding needs on wholesale markets. Thus, in the United Kingdom and in the United States, the amount of earmarked resources exceeded 80% of GDP overall as at mid-2009, while in Japan this figure was scarcely over 30% (a similar ratio to that of the euro area). Nonetheless, the differential characteristics of the types of support meant that the impact of these measures on public finances was notably greater in the United Kingdom (8.2% of GDP) than in the United States, while in Japan the impact was relatively insignificant.

As a result, the crisis has caused a very marked increase in budget deficits and in public debt. Deficits exceeded 10% of GDP in the three aforementioned countries in 2009, while public debt increased between 2007 and 2009 by 20 pp of GDP in the United States, by 28 pp in the United Kingdom and by 30 pp in Japan. These high deficits and public debt levels pose a difficult fiscal policy challenge. On one hand, the recovery of private-sector demand is still fragile, whereby fiscal stimuli would need to be maintained during 2010. On the other, the swift increase in debt, in a setting in which concerns over its sustainability in other developed economies have increased, points to the need to diligently design and communicate credible fiscal consolidation plans for the medium term. In this respect, both the United States and the United Kingdom have unveiled budgetary projects that provide for a very gradual reduction in their deficits (reaching around 4% of GDP in the United States and 5% in the United Kingdom by 2013), based both on spending restraint and an increase in the tax burden (through higher taxes in the United Kingdom and through the phasing out of prior tax cuts in the United States). In both cases, these fiscal plans are based on revenue-raising forecasts on what are deemed optimistic assumptions. Although Japan has not presented deficit projections for the coming years (a medium-term fiscal plan is expected to be announced in June 2010), the IMF estimates that the Japanese deficit will fall slightly to 8% of GDP in 2013. Despite the envisaged pick-up in activity, the still-high deficits in the next four years mean the gross debt of the three countries will move on a rising path, which in 2013 would amount to 244% of GDP in Japan, to 100% in the United States and to 90% in the United Kingdom. Furthermore, there has been little specific headway in these three countries as regards reducing the fiscal burden stemming from population ageing.

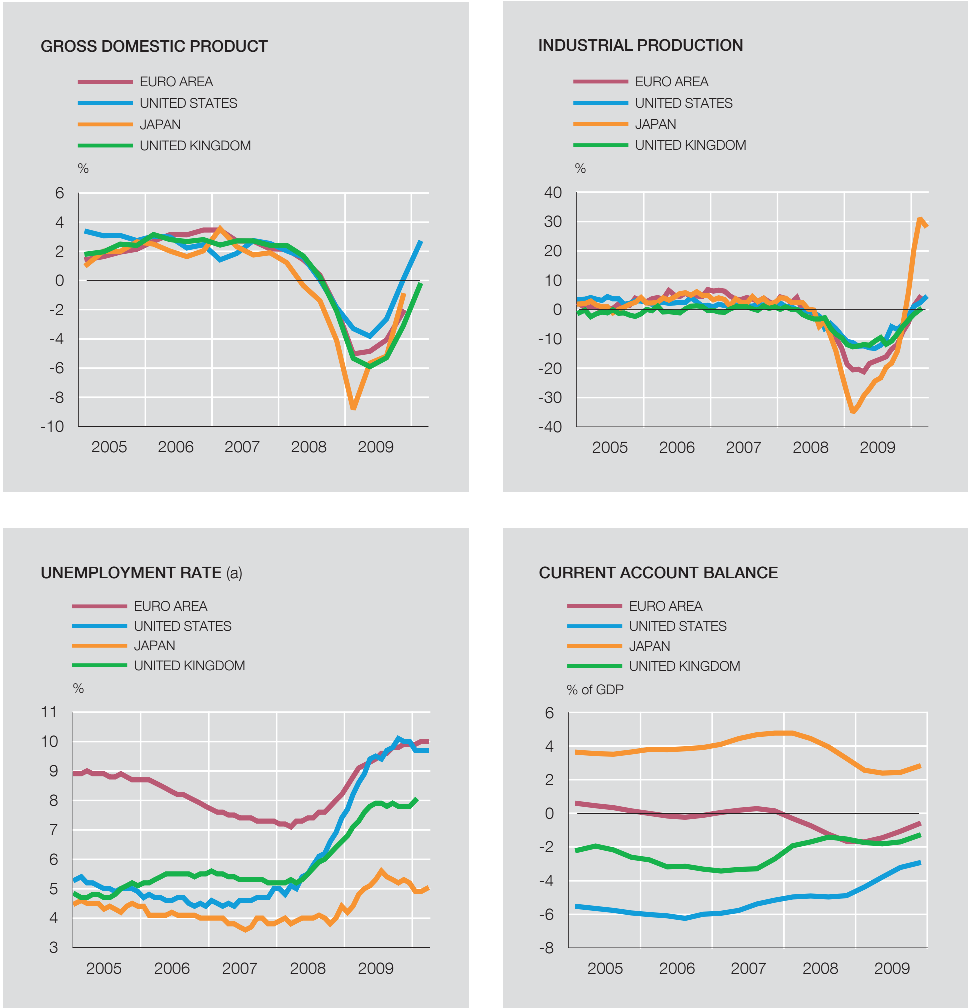
This fragile public finances situation harbours factors of risk for the economic recovery and for financial stability. Firstly, an increase in agents' uncertainty over debt sustainability may force through a faster-than-expected fiscal adjustment. At the same time, the still-high deficits in the coming years in these three economies, combined with the need to refinance growing volumes of debt (see Panel 4), may give rise to upward pressures on long-term interest rates, as the economic and financial situation normalises. And such pressures might compromise the incipient recovery in private-sector demand. Also, it is important to generate further fiscal policy headroom so as to be able to tackle any demand shocks arising in the future. All these factors point to the need to present credible fiscal consolidation strategies, along with a reform programme that promotes an increase in potential growth and which contributes to the sustainability of public finances in the long run.

the US health care system was approved, and in February the executive branch unveiled the draft budget bill for fiscal year 2010-2011, which proposes a gradual reduction in the deficits over the period to 2013.

In Japan, GDP in 2009 Q4 grew at a quarterly rate of 0.9% (-1% year-on-year), reversing the decline of 0.1% the previous quarter. The expansion was essentially underpinned by the strength of external demand, and by the improvement in domestic demand, boosted by various fiscal support measures. In 2010 Q1, the economy continued to show signs of recovery. Industrial production continued to grow and the Tankan business confidence index regained its highest level since the crisis began, reflecting signs of improvement both in the services

MAIN MACROECONOMIC INDICATORS
Year-on-year rate of change

CHART 5



SOURCES: Banco de España, national statistics and Eurostat.

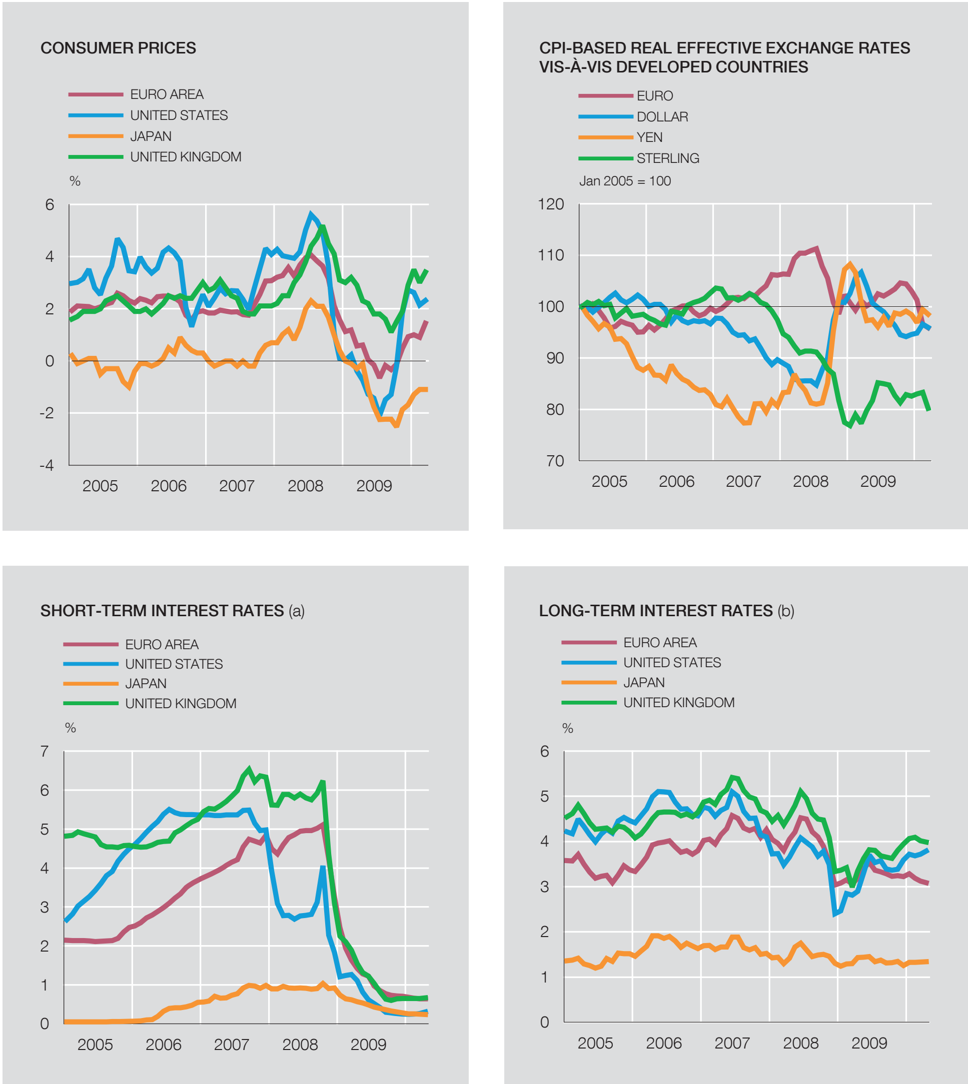
a. Percentage of labour force.

sector and in SMEs. Despite the sluggishness of disposable income, consumption benefited from the government incentives for goods purchases. In the labour market, the unemployment rate stood at 5% in March (0.2 pp down on the December figure), due to the pick-up in employment in Q1. Consumer and wholesale prices continued to fall in year-on-year terms, albeit with less intensity, owing to oil price rises. Against this backdrop, the Bank of Japan kept its official interest rate on hold at 0.1%, but decided to extend the fixed-rate money market operations approved in December, up to an amount equivalent to 4.2% of GDP. Further, in late April it revised its growth forecasts for fiscal year 2010-2011 upwards from 1.3% to 1.8%.

The gradual recovery in the UK economy continued in Q1, with a preliminary estimate for quarterly GDP growth of 0.2% (-0.3% year-on-year), compared with 0.4% in 2009 Q4. The Q1 industrial production and business sentiment indicators had already anticipated this development, offering a positive outlook for external demand and a somewhat gloomier picture for domestic demand (especially for investment spending). Retail sales remained sluggish in March, still under the effects of the January rise in VAT and persistent credit restrictions. The labour market, while fragile, continues to show signs of some stability, although the unemployment rate edged up in February to 8%. Diminished activity was observed in the real estate

PRICES, REAL EXCHANGE RATE AND INTEREST RATES

CHART 6



SOURCE: Banco de España.

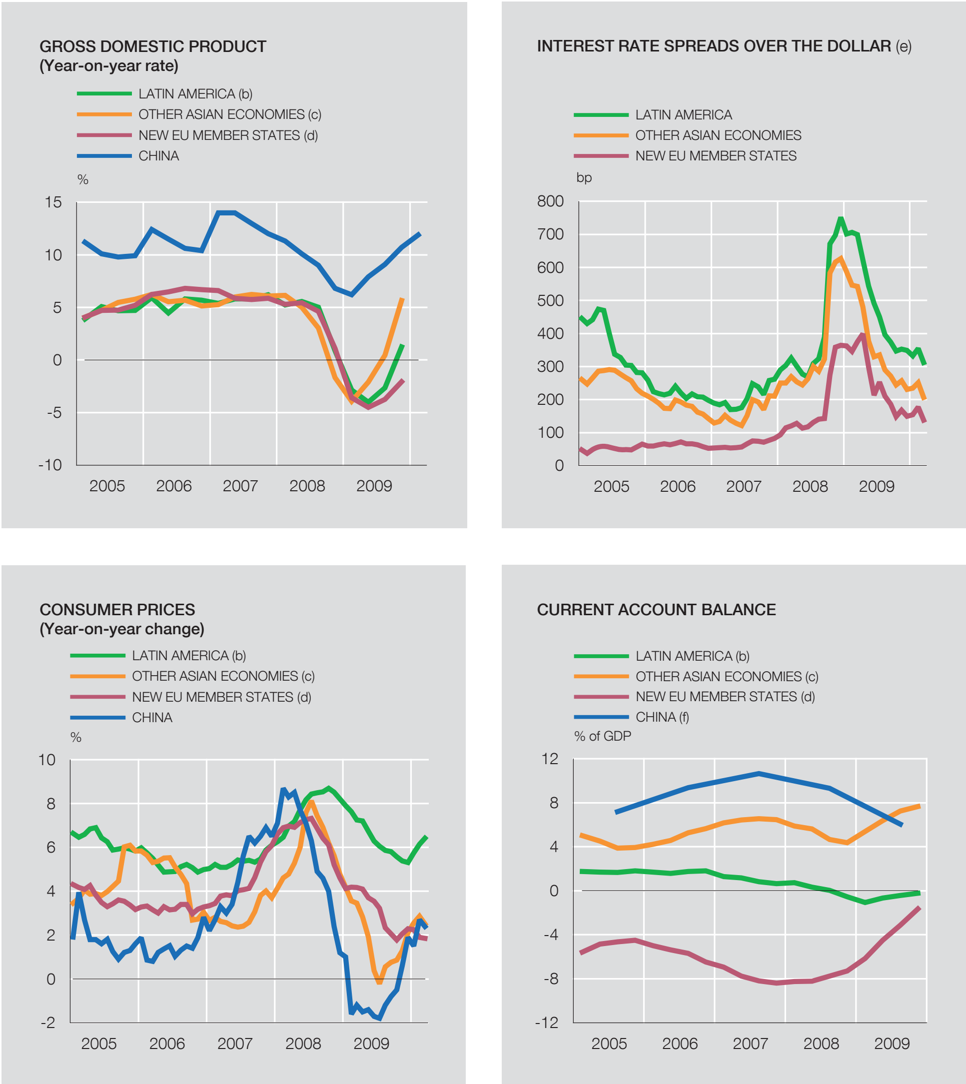
a. Three-month interbank market interest rates.
b. Ten-year government debt yields.

market, a development partly attributable to the fact that the tax exemption for house purchases ended in December. Inflation increased notably in Q1, rising to 3.4% year-on-year in March, owing to the temporary effects derived from the increase in oil prices and the rise in VAT at the start of the year. Against this background, the Bank of England held its official interest rate unchanged at 0.5% and, from February, it halted its asset purchase programme. Finally, the government presented the budget for 2010, which includes measures to continue supporting the recovery, while drawing up medium-term fiscal consolidation plans.

In the new EU Member States outside the euro area, the decline in GDP in Q4 eased to -2.2% year-on-year on average, compared with -3.6% in Q3. There were, however, marked differences across countries; while there was a decline of around 18% in Latvia, Poland posted growth of 3.1%, the only country with a positive year-on-year rate. In 2009 as a whole, aggregate GDP fell by 3.6% on 2008. The gradual economic recovery continued to be underpinned by the pick-up in exports, while domestic demand – both consumer and investment demand – remains flat. Nonetheless, industrial production continued to improve in Q1, thanks

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 these areas in the world economy, drawing on IMF information.
b. Argentina, Brazil, Chile, Mexico, Colombia, Venezuela and Peru.
c. Malaysia, Korea, Indonesia, Thailand, Hong Kong, Singapore, Philippines and Taiwan.
d. Poland, Hungary, Czech Republic, Slovak Republic, 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 aggregate for Asia does not include China.
f. Annual data.

to the expansion in the export sector, while there are still no signs of recovery in private consumption. During the quarter, inflation remained moderate and declined by 0.1 pp in March to 2.7% year-on-year. In this situation, Latvia, Romania and Hungary lowered their official interest rates. On the fiscal front, there was a notable deterioration across the board in budget balances and in gross debt in 2009 (with the exception of Estonia). On average, the budget deficit amounted to 6.6% of GDP and gross debt rose to 43%. At the second plenary meeting under the so-called “Vienna initiative” (with the participation, inter alia, of national authorities, of the main international organisations and of the banking groups with interests in the region) it was proposed to boost the development of local-currency-denominated capital markets and to lay down an appropriate prudential policy regulating the extension of foreign-currency-denominated loans. Indeed, some countries, such as Hungary and Poland, had already moved in this connection and set limits on granting loans.

In China, GDP quickened in Q1 to a year-on-year growth rate of 11.9%, up on 10.7% in Q4. This strong expansion confirmed the momentum indicated by industrial production, investment in fixed assets and retail sales. Conversely, regarding the external sector, the trade surplus fell significantly in Q1 (posting in March its first deficit since 2004), owing to the strong growth of imports (65% year-on-year), while exports rose by around 24%. However, reserves continued to build up, amounting at the end of March to $2.4 trillion. Set against the gradual slowdown in the money supply and in bank loans (owing to the effect of the restrictive measures), inflation dipped by 0.3 pp in March to a year-on-year rate of 2.4%. In the rest of Asia, economic activity and the external sector continued to show notable dynamism in Q1, and in some countries there were signs of overheating. Inflation tended to fall in most countries, with the notable exception of India, where it rose to a year-on-year rate of 9.9% in March. These price developments led India (on two occasions) and Malaysia to raise their official interest rates during the quarter. The strong acceleration in activity in Singapore prompted it, along with inflationary pressures, to revalue its exchange rate in mid-April and to announce the gradual widening of its intervention bands in the future.

In Latin America, GDP grew at a year-on-year rate of 1.3% in Q4, following three consecutive quarters of declines. This meant that in 2009 as a whole activity contracted by 2.1%, having grown by 4.2% in 2008. Underpinning the recovery was the positive contribution of external demand and the reactivation of domestic demand, particularly private consumption. The indicators for Q1 would suggest an acceleration in the recovery, more markedly so in Brazil and less vigorously so in Mexico. During the quarter, inflation moved on a rising path, owing to the increases in food and fuel prices, and it stood in March at a year-on-year rate of 6.5% for the region as a whole, while the core inflation rate held at 6.6%. In Brazil, price developments, combined with the buoyancy of activity, prompted the central bank to raise its official interest rate by 75 bp. Conversely, Colombia surprisingly cut its rate by 50 bp, while in the other countries rates remained unchanged. The aggregate current account deficit declined in 2009 (from 0.7% to 0.1% of GDP), thanks to the improvement in trade balances. Portfolio investment flows increased most notably, as both governments and companies raised their bond issues on international markets, especially in Q4, whereas direct investment inflows fell to their minimum 2006 levels. On the fiscal front, primary balances improved across the board late in the year, owing to the pick-up in receipts. Argentina offered a further debt swap for holders who did not avail themselves of it in 2005.

The information available on the first quarter of the year indicates that the recovery in the euro area continued, albeit at a subdued pace. The momentum of the external sector has still not fed through into stronger domestic demand, against a background in which some of the temporary factors fuelling recovery, such as the tax stimulus and the change in the inventory cycle, are petering out, and the poor weather seems to have had a highly negative impact on the activity of the construction sector in that period. In the medium term, the forecasts published recently by international agencies continue to affirm that the end of the crisis will arrive only very gradually over the coming months, underpinned primarily by the buoyancy of external demand and by the progressive normalisation of the financial situation.

Inflation rose more than expected in 2010 Q1, as a result of increases in the more volatile components, namely energy and unprocessed food, which seem to have been affected by the harsh winter weather. However, the hesitant nature of the recovery in activity projected for the coming months, along with the under-utilisation of installed capacity and the foreseeable wage moderation owing to the sluggish labour market, seem to rule out significant inflationary pressures within the time horizon relevant to monetary policy. Against this backdrop, the latest ECB Governing Council meetings decided to hold official interest rates unchanged at 1% for main refinancing operations, and to push ahead (in view of the progressive normalisation of financial markets) with the gradual withdrawal of the extraordinary measures adopted at the height of the crisis. Through these decisions, the Eurosystem has maintained its policy of providing liquidity on favourable terms, while avoiding the market distortions which would result if these measures were held in place for longer than required.

In the fiscal arena, the latest data furnished by the euro area Member States evidence the sharp deterioration of public finances in 2009, since the budget deficit for the area as a whole is 6.3% of GDP, up 4.3 pp on 2008. For 2010, the aggregation of the stability plans points to a slight worsening of budget balances, mainly as a consequence of the maintenance of fiscal stimuli by France and Germany, which will postpone correction of their deficits to 2011-2013. By contrast, the countries with the highest negative balances (Ireland, Greece, Portugal and Spain) have submitted stability plans proposing ambitious fiscal consolidation for the current year. At present,13 of the 16 euro area countries are subject to the excessive deficit procedure, the most important case being that of Greece, whose deficit and volume of debt stood, respectively, at 13.6% and 115% of GDP in 2009.

Indeed, the deterioration of the fiscal situation in Greece and the resulting financial tensions were the principal factors shaping economic developments in the euro area in the early months of the year (see Box 2). The action of the Greek authorities to strengthen the credibility of the fiscal consolidation programme and the measures agreed by the Eurogroup to ensure the financial stability of the euro area were initially unable to stabilise the situation and on 23 April the Greek government formally requested financial support, the basic terms of which had been defined in the meeting of euro area finance ministers on 11 April. This request was met by the Eurogroup on 2 May through the unanimous approval of a programme of bilateral loans of up to €110 billion in three years (€80 billion from the euro area Member States and the remainder from the IMF). This plan imposes strict conditionality and quarterly assessment of the progress made under the severe programme of fiscal adjustment and structural reforms negotiated by the Greek authorities with the European Commission, the IMF and the ECB and approved by the Greek government on 2 May as a prior step to the activation of the assistance plan. As this

In early 2010 the fiscal crisis of the Greek economy caused an increase in the level and volatility of government debt spreads in the euro area countries. These tensions also spread to the debt markets of other euro area countries, particularly those with the highest budget deficits; to the stock markets, which fell sharply, particularly in the banking sector due to its exposure to sovereign debt; and to the foreign-exchange markets.

The origin of this turmoil dates back to autumn 2009, when the Greek authorities revealed the serious condition of their public finances, which had been concealed by severe statistical deficiencies. This precipitated an institutional crisis of confidence in Greece which is making it harder to remedy its imbalances. At the end of October 2009 the Greek government revealed that the estimated deficit for that year amounted to 12.7% of GDP, nearly eight percentage points more than announced previously and the prelude to a subsequent upward revision to 13.6%. Greece's debt exceeds 115% of GDP and is the highest in the euro area after Italy. This debt burden led the main agencies to progressively downgrade the credit rating of Greek sovereign debt. Simultaneously, its yield moved substantially higher, raising the financing costs of the Greek economy (see Chart 1).

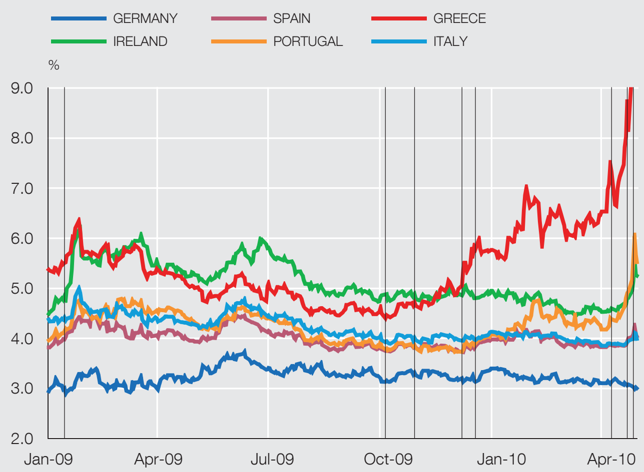
In January 2010 the Greek government presented its stability programme with a 2010 deficit-reduction target which is relatively ambitious (4 pp), but based mainly on measures to increase revenue. On 11 February the euro area heads of government issued a political declaration of support to the Greek economy. Subsequently, the ECOFIN of 16 February established the correction path to be followed by Greece's deficit, and, at the same time, pressed for more precise details of the measures needed to achieve the 2010 deficit target and the introduction of additional reforms in subsequent years. Furthermore, the mechanisms for monitoring Greek public finances were strengthened by requiring the Greek government to submit successive reports on the status of approval and execution of the initiatives adopted.

At the beginning of March the Greek government adopted supplementary fiscal measures, including most notably wage cuts for civil servants and higher VAT rates. However, the deterioration in Greek public finances had been so sharp that it was difficult to overcome the uncertainty about their sustainability in the medium and long term. In this climate, doubts arose as to whether the Greek economy would be able to refinance the high debt repayments it will have to make in the next three years.

In view of the seriousness of the situation and the attendant risks to euro area stability, the European institutions had to set in place an emergency mechanism at the end of March to forestall the possible financing difficulties of the Greek government. On 11 April the Eurogroup mapped out the details of this mechanism. However, in late April the yield on Greek bonds rose to a new all-time high and CDSs, which approximate the cost of insuring against the risk of default on sovereign debt, increased at all maturities, particularly shorter ones. This showed that the markets still assigned a not-insignificant probability to the prospect of debt restructuring by this economy (see Chart 2).

On Friday 23 April, Greece formally requested the activation of this support mechanism. Its request was met at the Eurogroup's extraordinary meeting on 2 May, where an agreement of historic proportions in terms of its ambitiousness and degree of consensus was reached to support the Greek government. The mechanism approved envisages a joint programme of loans by the euro area countries and the IMF over three years. The euro area countries will grant bilateral loans for €80 billion (€30 billion in the first year), which will be increased by an IMF contribution of €30 billion. Hence the total amount of the loans is 45% of Greece's GDP. The interest rate on this support facility will be, for the variable-rate loans, 3-month EURIBOR, and for the fixed-rate loans, that of the related EURIBOR swap, plus an additional cost of 300 bp (plus another 100 bp if the loan maturity is longer than three years). Additionally, operating costs will be covered by a fee of 50 bp.

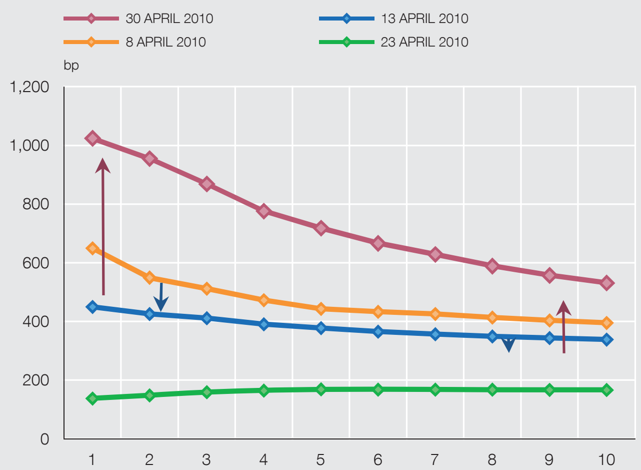
1 10-YEAR TREASURY BOND RATE (a)



SOURCES: ECB and Datastream.

a. Vertical lines indicate the dates when Greek debt was downgraded.

2 CDS TERM STRUCTURE (YEARS)



For example, in mid-April a three-year fixed-rate loan would accrue interest of nearly 5%, mid-way between the IMF's usual soft terms for these loans and market rates. The first disbursements will take place before 19 May, the date when the Greek government has to refinance a significant volume of debt.

The granting of this loan is subject to strict conditionality in that it depends on compliance with a reform programme which the IMF, the European Commission and the ECB have agreed with the Greek authorities. In fact, on 2 May the Greek Council of Ministers approved a new package of wide-ranging fiscal measures which establish, among other things, an additional increase in VAT rates (the average rate is up by a further two percentage points to 23%), larger cuts in civil servants' wages and the freezing of pensions for the next three years. The final purpose of this new package is to reduce Greece's deficit by 5 pp of GDP in 2010 and to bring it below 3% in 2014. The application of this set of measures is subject to strict quarterly monitoring by the IMF, the ECB and the European Commission. The package also contains structural reforms designed to restore confidence in the institutions of the Greek economy.

bulletin went to press, the interest rates on Greek debt remained high and there had been some outbreaks of contagion to other euro area economies, particularly Portugal, although also Ireland, Italy and Spain.

The Greek crisis has increased the realisation that there is a need to strengthen euro area governance and to establish multilateral mechanisms to ensure that domestic economic policies are more closely coordinated. In this respect, the Commission announced that in May it will present initiatives in three key areas: first, the strengthening of multilateral procedures for monitoring competitiveness and for early detection of external imbalances; second, the reform of the Stability and Growth Pact, strengthening both the mechanisms for detecting fiscal imbalances and the instruments for ensuring stricter compliance with commitments given; and, third, the establishment of a crisis resolution mechanism and a permanent framework to ensure, subject to the appropriate conditionality, that member countries in difficulty will receive financial support.

3.1 ECONOMIC DEVELOPMENTS

According to the second National Accounts estimate, euro area GDP showed zero growth in 2009 Q4, down 0.4 pp on the period July-September (see Table1). This slowdown came about because the most buoyant components in the previous quarter (government consumption and stockbuilding) made a markedly smaller contribution, while private sector spending continued to hold back the momentum of activity. Despite further improvement in confidence, private consumption held unchanged and investment fell sharply due to the worsening of all of its components (see Chart 8). As a result, the contribution of domestic demand to GDP growth (excluding inventories) was negative, while that of net external demand was positive thanks to the higher growth of exports compared with imports. In year-on-year terms, GDP fell by 2.1%. The sectoral breakdown of GDP reveals an across-the-board decline, except in intermediation services and in government.

The slowdown in growth of activity in the last quarter of the year and its composition were uneven across the member countries of the euro area. The GDP of Germany remained steady, since the positive contribution from the external sector fully offset the fall in domestic demand and the negative contribution from inventories. In France, however, the marked pick-up in private consumption and, to a lesser extent, in government consumption raised the quarter-on-quarter growth rate of GDP to 0.6%. However, the external sector detracted from the buoyancy of activity. Finally, the GDP of Italy decreased by 0.3% with respect to Q3, due to the decline in consumption, investment and net external demand, partly offset by a positive contribution from inventories.

EURO AREA ECONOMIC INDICATORS (a)

TABLE 1

	2008		2009				2010	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
NATIONAL ACCOUNTS (q-o-q rates of change, unless otherwise indicated)								
GDP	-0.4	-1.9	-2.5	-0.1	0.4	0.0		
Private consumption	0.0	-0.6	-0.5	0.1	-0.1	0.0		
Public consumption	0.5	0.6	0.6	0.6	0.7	-0.1		
GFCF	-1.3	-4.1	-5.2	-1.6	-0.9	-1.3		
Imports	0.1	-4.8	-7.6	-2.8	2.9	1.3		
Exports	-1.1	-7.3	-8.0	-1.1	2.9	1.9		
Contributions to quarter-on-quarter GDP growth (pp)								
Domestic demand (exc. stocks)	*-0.2*	*-1.1*	*-1.2*	*-0.1*	*-0.1*	*-0.3*		
Change in stocks	*0.3*	*0.3*	*-1.0*	*-0.7*	*0.5*	*0.1*		
Net foreign demand	*-0.5*	*-1.1*	*-0.2*	*0.6*	*-0.1*	*0.2*		
GDP (year-on-year rate of change)	*0.4*	-1.9	-5.0	-4.9	-4.1	-2.2		
ACTIVITY INDICATORS (quarterly average)								
IPI seasonally and working-day adjusted	-3.4	-5.9	-7.7	-2.7	0.9	2.0	3.0	
Economic sentiment	92.4	80.0	71.5	75.6	84.1	91.9	96.6	100.6
Composite PMI	47.6	40.2	37.6	43.2	49.5	53.6	54.4	57.3
Employment	-0.3	-0.4	-0.8	-0.5	-0.5	-0.3		
Unemployment rate	7.6	8.0	8.8	9.3	9.7	9.8	10.0	
PRICE INDICATORS (y-o-y change in end-period data)								
HICP	3.6	1.6	0.6	-0.1	-0.3	0.9	1.4	
PPI	7.8	1.2	-3.2	-6.5	-7.6	-2.9	-0.4	
Oil price (USD value)	98.1	40.5	46.8	68.8	67.7	74.4	78.8	84.5
FINANCIAL INDICATORS (end-period data)								
Euro area ten-year bond yield	4.5	3.8	4.1	4.2	3.8	4.0	4.0	4.6
US-euro area ten-year bond spread	-0.88	-1.76	-1.31	-0.63	-0.47	-0.17	-0.08	3.78
Dollar/euro exchange rate	1.430	1.392	1.331	1.413	1.464	1.441	1.348	1.332
Appreciation/ depreciation of the NEER-21 (b)	-1.0	2.5	-0.6	-0.9	0.2	-1.0	-4.5	-5.5
Dow Jones EUROSTOXX 50 index (b)	-30.9	-44.3	-15.5	-2.0	17.2	21.0	-1.2	-5.0

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

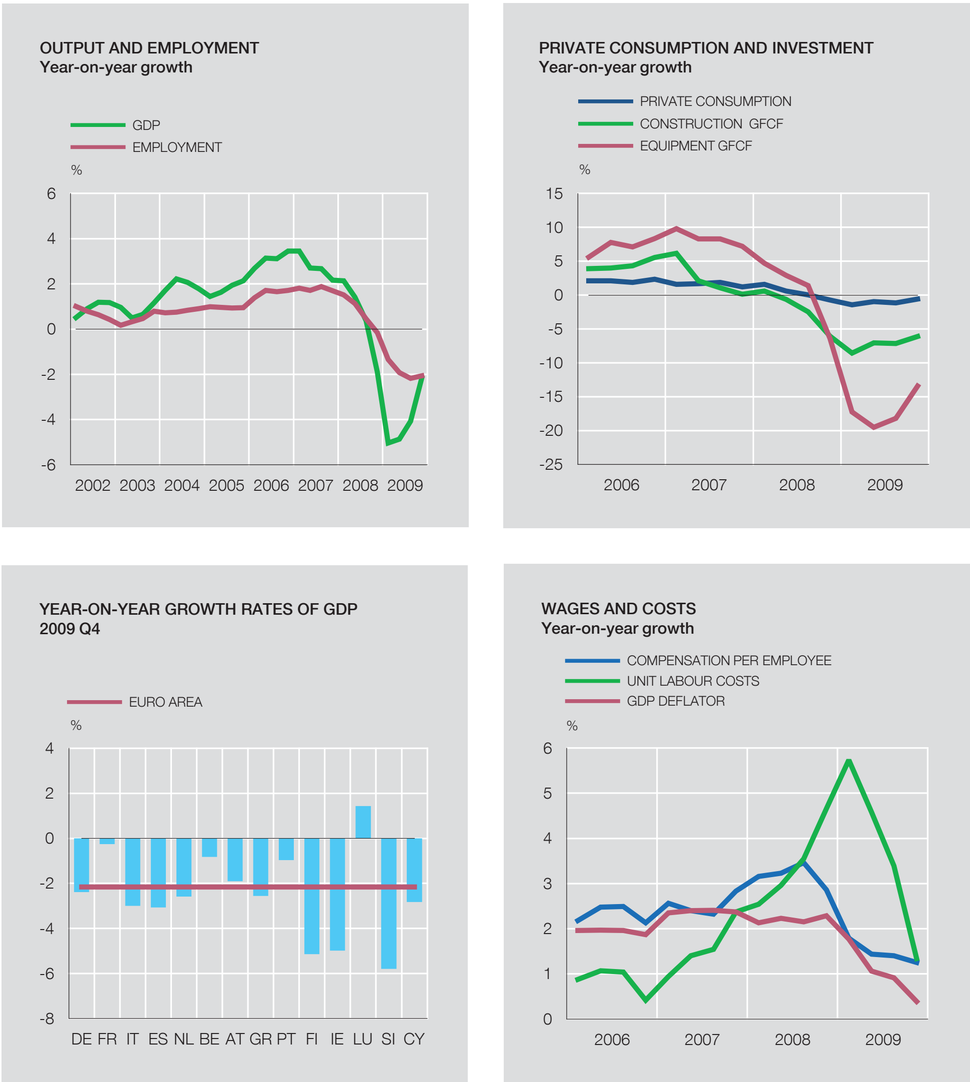
a. Information available up to 30 April 2010.
b. Percentage change over the year.

The fall in employment moderated in 2009 Q4 to a contraction of 0.2%, with a year-on-year fall of 2%. Although all economic sectors posted job losses, these were sharper in industry (-1.1% with respect to the previous quarter). The rates of slowdown of employment and GDP were similar, and this substantially eased the year-on-year fall in apparent labour productivity, leaving it at -0.3% (see Box 3). These developments, along with the wage moderation, brought a significant slowdown in unit labour costs, the year-on-year growth rate of which declined to 1.6%. Nevertheless, they rose more quickly than the GDP deflator, so business margins narrowed further (see Chart 8).

The latest conjunctural information suggests that euro area real activity grew at a positive, albeit subdued, rate in the first quarter of the year (see Chart 9). On the supply side, with data to February, industrial orders and, in particular, industrial production increased with respect to the previous quarter. However, construction sector production contracted strongly, largely because of the harsh winter weather. Confidence indicators held on their upward path and stood above the long-term average in European Commission surveys and, in particular, in purchasing manager surveys, such behaviour continuing in April. Meanwhile, the unemployment rate increased to 10% in February, while the qualitative indicators of the labour market improved, although they still remain below their historical averages.

EURO AREA NATIONAL ACCOUNTS

CHART 8



Sources: Eurostat and national statistics.

On the demand side, the indicators reflect continuing sluggish domestic expenditure and a certain buoyancy in foreign sector demand. Thus, on data to February, retail sales and car registrations fell, the latter affected by the phasing-out of car purchase incentive plans, and consumer confidence scarcely advanced in the opening months of the year. As to investment in capital goods, the level of capacity utilisation increased in the early months of the year, while the assessment of industrial order books by the European Commission increased notably in Q1 and in April, although both remained well below their long-term averages. In addition, the information for January and February reflects, on average, a moderate increase in sales abroad, while the outlook for exports and the assessment of foreign orders continue to improve. Lastly, the European Commission's stock level assessment indicator suggests that, in the first quarter of the year, the contribution of inventories to GDP may be zero or slightly positive.

In short, the latest available data point to a moderate expansion of GDP in the opening months of the year, against a background of weak domestic demand and a gradual petering-out of the temporary factors that were underpinning the recovery, such as the contribution from economic policies and from inventories. In the medium term, the latest forecasts of international agencies point to a slow and gradual economic recovery over the next two years, shaped by diverse fac-

SENSITIVITY OF EURO AREA EMPLOYMENT TO THE DETERIORATION IN ACTIVITY

The unprecedented economic and financial crisis which has swept through the euro area has brought a sharp contraction in activity, which, however, has not been accompanied in the euro area as a whole by a significant adjustment in employment (see Table 1). Thus, during the cyclical downturn between 2008 Q1 and spring 2009, the fall of 5.2% in GDP far exceeded the decline of 1.7% in the number of employed.

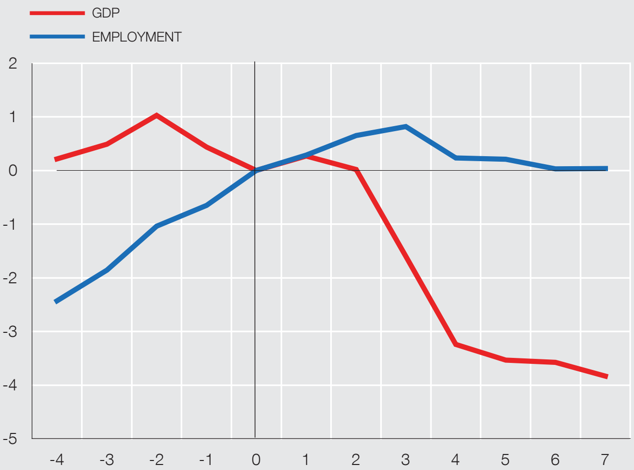
The scant response of the labour market in this period contrasts with that seen in the recession of the early 1990s, when employment was more responsive to the deterioration in activity (see Chart 2). Indeed, the elasticity of employment with respect to GDP in the latest crisis is approximately 4 times less than in the period 1992-1993. This is even more surprising if it is taken into account that, in the latest crisis, real compensation per employee has increased despite the sharp fall in productivity (unlike in the 1990s), which should have led to greater job destruction. Furthermore, the increase in contract flexibility in recent years, should have also heightened the sensitivity of employment to the cycle (see Chart 3).

In this context, the information on the total number of hours worked suggests that the low elasticity of employment with respect to the economic situation is partly due to the fact that, at the level of the overall euro area, firms and workers have opted to reduce working hours while preserving jobs (see Table 1). This strategy has drawn basically on the short-time work programmes introduced, or expanded, in most European countries, Germany being the archetype. Thus, the German Kurzarbeit allows all workers, including those hired through a temporary employment agency, to avail themselves of short-time work programmes for a maximum period of 24 months, the government undertaking to finance up to 67% of the wage reduction and 50% of social security contributions for the hours not worked.

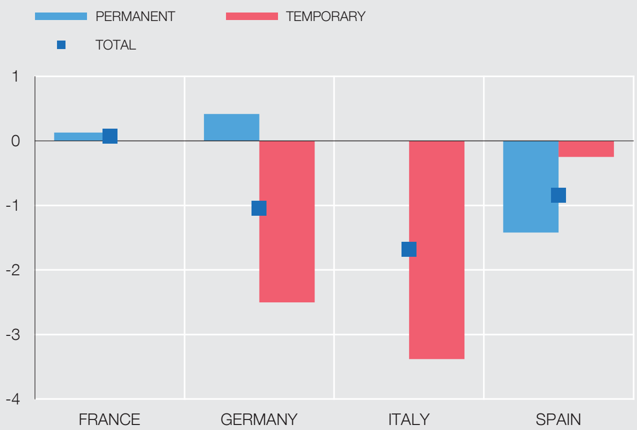
1 CUMULATIVE GROWTH IN RECESSIONS (a) (b)

	1992 Q1 - 1993 Q2	2008 Q1 - 2009 Q2	2009 Q2 - 2009 Q4
GDP	-1.6	-5.2	0.4
EMPLOYMENT			
Total employees	-1.9	-1.7	-0.8
Total hours worked	-2.8	-3.3	-0.1
Hours per employee	-0.9	-1.5	0.7
Elasticity of employment to GDP	*1.2*	*0.3*	*-1.7*
Elasticity of hours worked to GDP	*1.8*	*0.6*	*-0.1*
NOMINAL AND REAL COMPENSATION			
Total nominal compensation	2.7	0.5	0.0
Nominal compensation per employee	4.7	2.2	0.8
Nominal compensation per hour worked	3.6	2.1	-0.7
GDP deflator	4.6	1.8	0.2
Total real compensation	-2.9	-1.3	-0.2
Real compensation per employee	-0.9	0.5	0.6
Real compensation per hour worked	0.0	2.0	-0.2
PRODUCTIVITY			
Productivity per employee	0.3	-3.4	1.2
Productivity per hour worked	1.2	-1.9	0.5

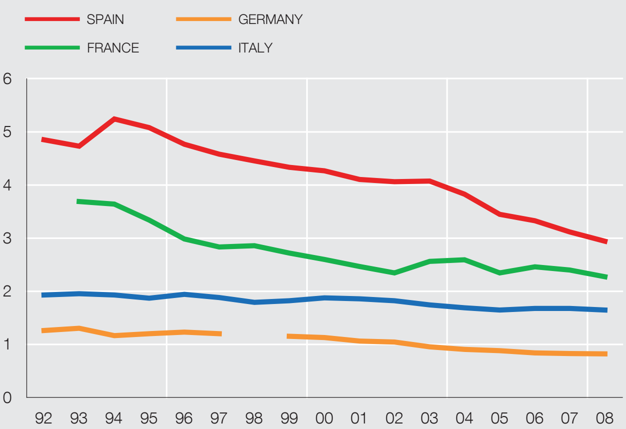
2 GDP AND EMPLOYMENT. DIFFERENCE BETWEEN THE 2008 AND 1992 RECESSIONS (a)
INDICES NORMALISED TO 100 AT THE CYCLICAL PEAK



3 CHANGE IN THE LEVEL OF EMPLOYMENT PROTECTION BETWEEN 1990 AND 2008



4 RATIO BETWEEN 25-34 AND 50-59 COHORTS. WORKFORCE WITH UNIVERSITY STUDIES.



SOURCES: Eurostat and OECD.

a. Contractionary phases are defined as the period between the last quarter of positive quarter-on-quarter growth and the last quarter of quarter-on-quarter decline.
b. The last column shows the two latest figures available. These two quarters are not considered to be a recession.

The programmes of other countries are fairly similar, although there are some differences in duration and, to a lesser extent, in the amounts provided. Most notable regarding duration is the extreme case of Italy, where certain firms can make a subsidised reduction of hours worked under programmes lasting for up to four years, while in the Netherlands the maximum time is 15 months. With regard to the percentage of pay that is subsidised, nearly all governments guarantee between 70% and 80% of pay. An exception is Austria, where, if the reduction in hours worked is not linked to training, the government subsidy may not exceed 55% of net pay.

Additionally, the relative containment of employment may have been driven not only by government support programmes, but also by the response of firms themselves, which, faced with a demand shock which they judge to be temporary, opt to retain their workers in an environment in which the number of skilled workers is declining. The data on the education of the labour force show how the proportion of skilled workers has increased significantly in the last two decades. Thus, for example, in countries like France or Spain, the relative weight of young people with university studies within their age cohort (25-34 years) increased from 25% and 28%, respectively, to more than 40% at the end of 2009. However, as the inversion of the population pyramid proceeds, the new cohorts entering the labour force are narrowing and the greater investment in the human capital of young people may not be sufficient to replace the outgoing cohorts. This seems to be the situation in Germany, where the rate of replacement of employees with university studies shown in Chart 4 has moved below the critical value of unity in the last few years.

In both cases, however, it should be kept in mind that the medium- and long-term effectiveness of these actions will depend crucially on the persistence of the demand shocks. In particular, if in certain firms or sectors the economic contraction is due to factors of a more structural nature (for example, oversized sectors), the decisions taken might end up being counter-productive. In fact, the receipt of subsidies is currently subject to the employee remaining in the same firm, disincentivating the adjustments in productive structure needed to correct sectoral imbalances, which could make it more difficult to exit the crisis.

tors (see Table 2). In particular, the unfavourable outlook for the labour market and the lacklustre consumer confidence will foreseeably limit the strength of private consumption, while the excess plant capacity and the depressed earnings expectations will hinder the resumption of investment. The expected world growth will foreseeably not feed through in full to demand for euro area exports because of the euro area's specialisation in trade in areas undergoing a less buoyant recovery, such as eastern Europe. Finally, the need for the private sector of the economy to rebuild its balance sheets following the crisis, along with the fiscal consolidation initiated in some countries, will tend to moderate the rate of recovery of domestic demand.

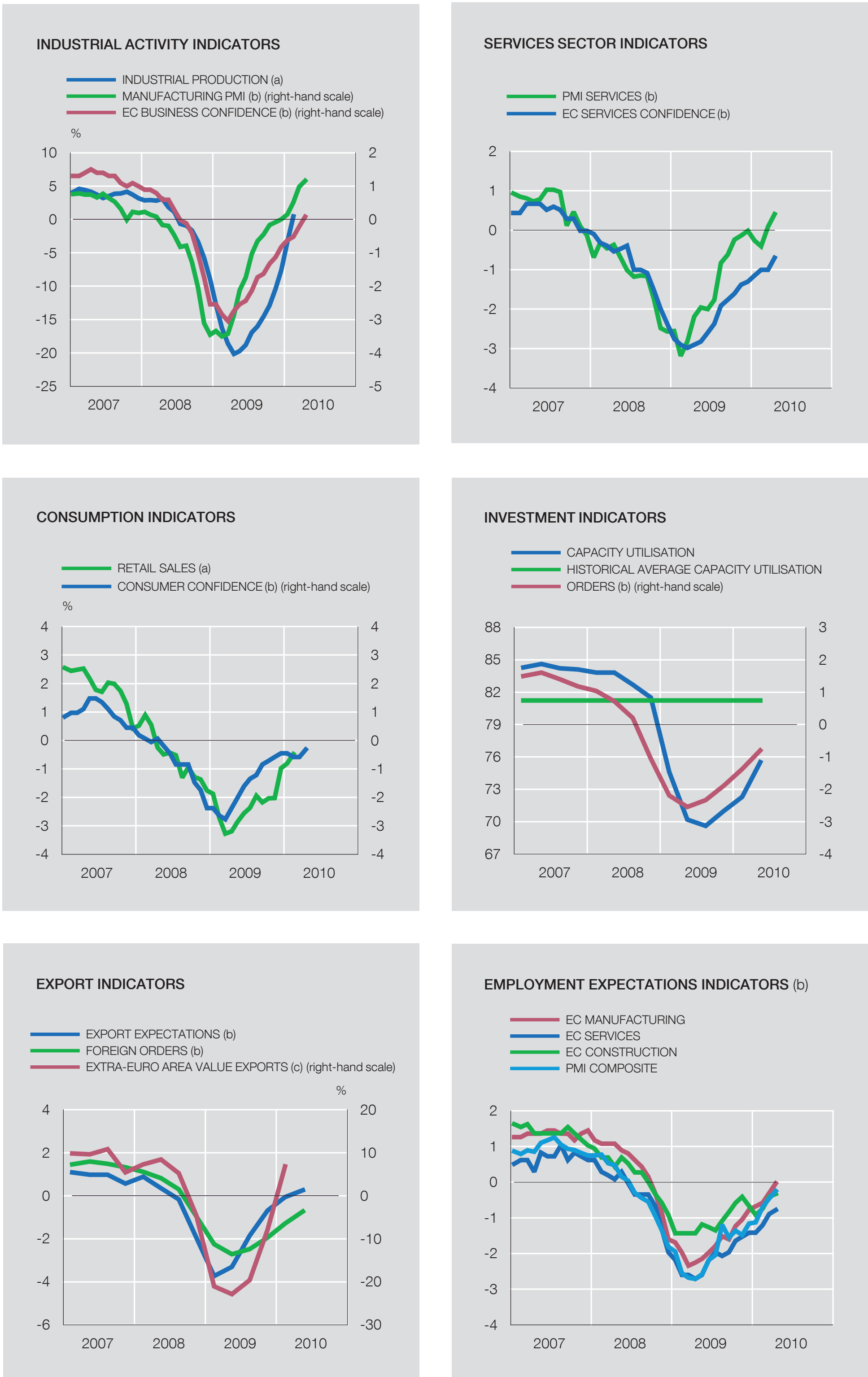
According to the Eurostat preliminary estimate, in 2010 Q1 euro area inflation rose to 1.5% in April (see Chart 10). This unexpected rise was due to temporary factors which will foreseeably peter out in the coming months. In particular, the especially adverse winter weather may explain a part of the increase in energy prices and the reversal of the falling trend in unprocessed food prices, while the effect of the unusually early Easter week may have pushed up the prices of some services, such as tourism packages, somewhat more than expected. Underlying inflation, as measured by the CPI excluding unprocessed food and energy, fell by 0.1 pp between December and March to 0.9%. Meanwhile, the year-on-year fall in industrial prices slackened to -0.5% in November, after recording -1.1% in January, basically as a result of movements in the energy component.

Foreseeably, inflation will continue to be subdued in the coming months due to the weak demand, reflected in the sizeable slack in productive capacity. Thus the latest IMF forecasts, published in late April, estimate that inflation will stand at 1.1% and 1.3% in 2010 and 2011, respectively. Possible upside risks to this scenario may derive from sharper commodity price rises and from possible increases in indirect taxes and administered prices to meet the fiscal consolidation targets contained in the stability plans recently approved by the European Commission.

On estimates published by the ECB, the euro area current account deficit amounted to €20 billion (1.3% of GDP) between January and February 2010, down from €29 billion (2% of GDP)

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 data.
c. Original series year-on-year rates. Quarterly average.

GDP AND HICP PROJECTIONS FOR THE EURO AREA (a)

TABLE 2

	2010		2011	
	GDP	HICP	GDP	HICP
ECB (March 2010)	0.4-1.2	0.8-1.6	0.5-2.5	0.9-2.1
European Commission (February 2010)	0.7	—	1.1	—
IMF (April 2010)	1.0	1.1	1.5	1.3
OECD (November 2009)	0.9	0.9	1.7	0.7
Consensus Forecast (April 2010)	1.2	1.2	1.5	1.4
Eurobarometer (March 2010)	1.2	1.1	1.6	1.4

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

a. Annual growth rates.

in the same period of the previous year. This improvement was because, except for the current transfers balance, on which the deficit increased slightly, the other components performed more favourably. Thus the goods balance remained negative, albeit smaller in magnitude, as a result of exports increasing by more than imports, while the surplus on the services balance increased and the deficit on the income balance became zero. As regards the financial account during the same period, the net outflows of capital in the form of direct investment amounted to €3 billion, one-tenth of the €37 billion in the same period of 2009, while net inflows of portfolio investment amounted to €10 billion, down on the €53 billion in the same period of 2009. As a result, the basic balance, which is the sum of these two types of investment and the current account balance, scarcely changed, showing a deficit of €12.8 billion (see Chart 11).

According to the latest data notified by the euro area Member States to the European Commission in spring, the budget deficit of the euro area as a whole in 2009 increased by 4.7 pp to 6.3% of GDP (see Table 3). This figure will, based on the aggregated data of the stability plans submitted in recent months, increase by 0.4 pp in 2010, and then it will gradually be corrected over the following years, reaching in 2013 the target of 3% set in the Stability and Growth Pact. At present,13 of the 16 euro area countries (Cyprus, Finland and Luxembourg are exceptions) are subject to the excessive deficit procedure, the most important case being that of Greece, whose deficit and volume of debt stood, respectively, at 13.6% and 115% of GDP in 2009 (see Box 2).

The slight worsening of public finances expected in 2010 for the euro area as a whole is a result of the different fiscal consolidation strategies adopted at national level. Thus the countries with the highest deficits (Greece, Ireland and Spain) have established adjustment programmes for 2010, while France and Germany will maintain the fiscal stimulus this year, concentrating their consolidation in the period 2011-2013. Finally, according to these plans, public debt will reach 83.8% of GDP in 2010, up from the 78.6% estimated for 2009 and the 69.3% in 2008.

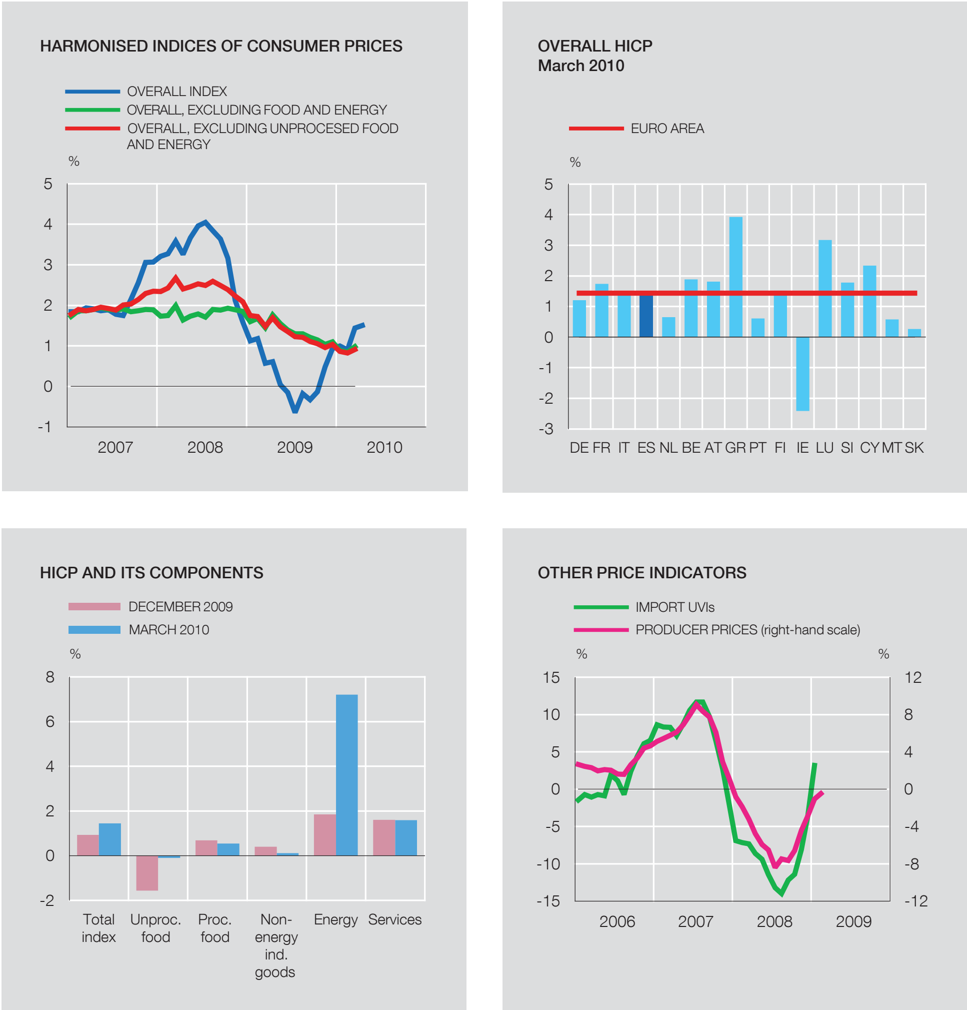
At the end of March the European Commission assessed positively the stability plans submitted by the Member States, since they will allow the government balances of those subject to excessive deficit procedures to be corrected within the proposed time frame. However, it expressed certain reservations as to the relative optimism of the macroeconomic scenarios on which these projections are based, requested more specific details of the measures to be adopted and stressed the need for strict compliance with the measures set out in the stability plans.

3.2 MONETARY AND FINANCIAL DEVELOPMENTS

The deterioration of the fiscal situation in Greece gave way in early 2010 to a financial crisis which pushed the yields on Greek debt up to unprecedented levels since the inception of the euro area. The euro area financial markets were severely affected by the crisis, which through-

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

CHART 10



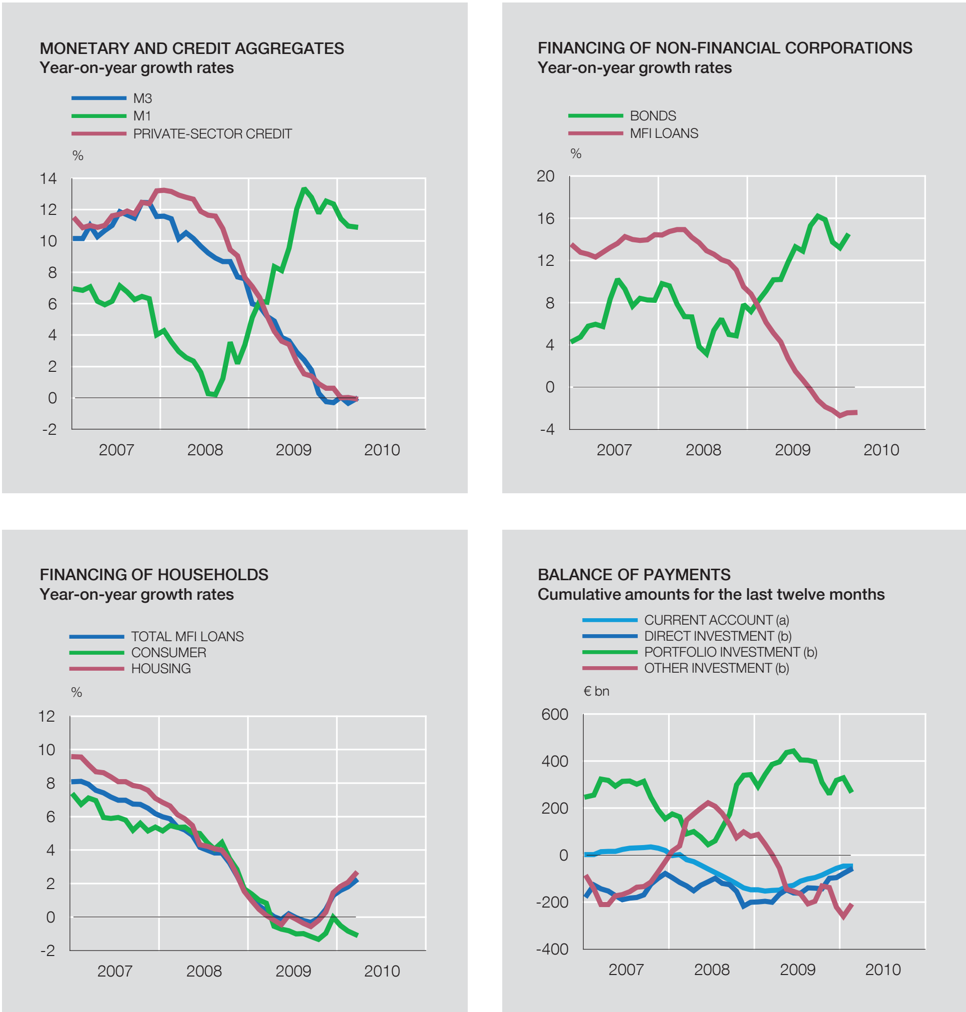
SOURCES: Eurostat and ECB.

out Q1 brought repeated bouts of instability in the government debt, foreign exchange and stock markets of the euro area. The diverse measures adopted by Greece and the governments of the other euro area countries (see Box 2) were unable to contain the situation and on 23 April the Greek government formally requested financial support from the other euro area countries and the IMF, as previously provided for by the Eurogroup. The support was finally granted on 2 May, subject to strict conditionality (see Box 2).

Regarding developments in support schemes for the euro area banking system, it should be mentioned that in April, after obtaining the consent of the European Commission, the Irish agency NAMA, entrusted with the restructuring of impaired assets on the balance sheets of financial institutions, carried out the first acquisition of real estate loans, with a value of €16 billion on the institutions' balance sheets, to which it applied an average haircut of 47%. This is the first tranche of a programme which will have a cost of €54 billion, more than 30% of Ireland's GDP, and is conducted by five institutions constituting the bulk of the Irish banking sector.

The absence of significant inflationary pressures in the medium term, against a background in which recovery is expected to be slow, meant that, in its meetings up to April, the ECB Gov-

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).

erning Council held official interest rates unchanged. Hence the rate on main refinancing operations has stood at 1% since May 2009, while those on marginal lending and deposit facilities were 1.7% and 0.25%, respectively (see Chart 12).

in Q1 the ECB continued its policy of providing ample liquidity while at the same time gradually withdrawing some extraordinary measures. Specifically, the Governing Council meeting in March decided that the weekly tenders would continue to be fixed rate with full allotment as long as necessary and at least until 12 October. By contrast, from 28 April the regular three-month refinancing operations will return to the usual variable-rate tender procedure, although the amounts allotted will be determined with the aim of easing market conditions and avoiding significant spreads with respect to the rate on main refinancing operations. Also, with regard to collateral requirements, the April Governing Council meeting decided to hold the minimum credit quality threshold at the BBB–/Baa3 investment grade level beyond the end of 2010, except in the case of asset-backed securities. It also introduced stepwise valuation haircut schedules for lower quality assets, although it maintained the additional uniform haircut of 5% currently applied to general government debt instruments rated at BBB+/BBB/BBB– by Fitch or Standard & Poor's or at Baa1/Baa2/Baa3 by Moody's. However, on 3 May the ECB Governing Council decided to suspend application of the minimum credit quality threshold to Greek

EURO AREA GENERAL GOVERNMENT.
BUDGET BALANCES AND PUBLIC DEBT

TABLE 3

% of GDP

	BUDGET BALANCE (a)					
	2007	2008	2009		2010	
			EDP (b)	SP (c)	IMF (d)	SP (c)
Belgium	-0.2	-1.2	-6.0	-5.9	-5.1	-4.8
Germany	0.2	0.0	-3.3	-3.2	-5.7	-5.5
Greece	-3.7	-7.7	-13.6	-12.7	-8.7	-8.7
Spain	1.9	-4.1	-11.2	-11.4	-10.3	-9.8
France	-2.7	-3.4	-7.5	-7.9	-8.3	-8.2
Ireland	0.3	-7.2	-14.3	-11.7	-12.1	-11.6
Italy	-1.5	-2.7	-5.3	-5.3	-5.3	-5.0
Luxembourg	3.7	2.5	-0.7	-1.1	-3.8	-3.9
Netherlands	0.2	0.7	-5.3	-4.9	-5.9	-6.1
Austria	-0.6	-0.4	-3.4	-3.5	-4.8	-4.7
Portugal	-2.6	-2.7	-9.4	-9.3	-8.7	-8.3
Finland	5.2	4.5	-2.2	-2.2	-3.6	-3.6
Slovenia	0.0	-1.8	-5.5	-5.7	-6.1	-5.7
Cyprus	3.4	0.9	-6.1		-7.6	
Malta	-2.2	-4.7	-3.8	-3.8	-5.0	-3.9
Slovakia	-1.9	-2.3	-6.8	-6.3	-8.0	-5.5
MEMORANDUM ITEMS: Euro area (including Cyprus, Slovakia and Malta)						
Primary balance	2.4	1.0				
Total balance	-0.6	-2.0	-6.3	-6.3	-6.9	-6.7
Public debt	66.0	69.3	78.7	78.6		83.8

SOURCES: European Commission, Eurostat and IMF.

a. Deficit (-) / surplus (+). The deficits that exceed 3% of GDP have been shaded.
b. Spring 2010 Excessive Deficit Procedure notification.
c. Stability and Convergence Programmes presented in early 2010.
d. April 2010 IMF projections.

debt, following the approval of an assistance plan by the Eurogroup and the IMF and of an ambitious fiscal adjustment programme by the Greek government.

Against this background, interbank interest rates held steady at low levels in 2010 Q1. The average levels of three-month and one-year EURIBOR remained at 0.66% and 1.2%, respectively. The long-term yield for the euro area 10-year government bond index rose at the end of April to 4.6%, while demand increased for German government bonds, the interest rate on which fell slightly to around 3% (see Chart 13). Sovereign risk premia held at high levels in the first four months and a ratings agency downgraded the sovereign debt of Greece, Portugal and Spain to varying extents. Following a temporary improvement achieved by the agreement to lend financial assistance to Greece, the yield on Greek debt again rose to all-time highs a few days ago, with the 10-year bond yield exceeding 10%.

The risk premia in private fixed-income markets held relatively steady. Meanwhile, the cost of bank loans tended to steady around the low levels reached at the end of summer, with slight falls in the case of household credit. However, financing conditions remained tight. According to the latest bank lending survey, which relates to 2010 Q1, the lending standards for new loans to households and firms tightened very slightly and institutions do not foresee significant changes in Q2. Moreover, the demand for loans seems to have fallen, although institutions expect a certain recovery in Q2. Against this background, the balance of bank loans to the private sector fell

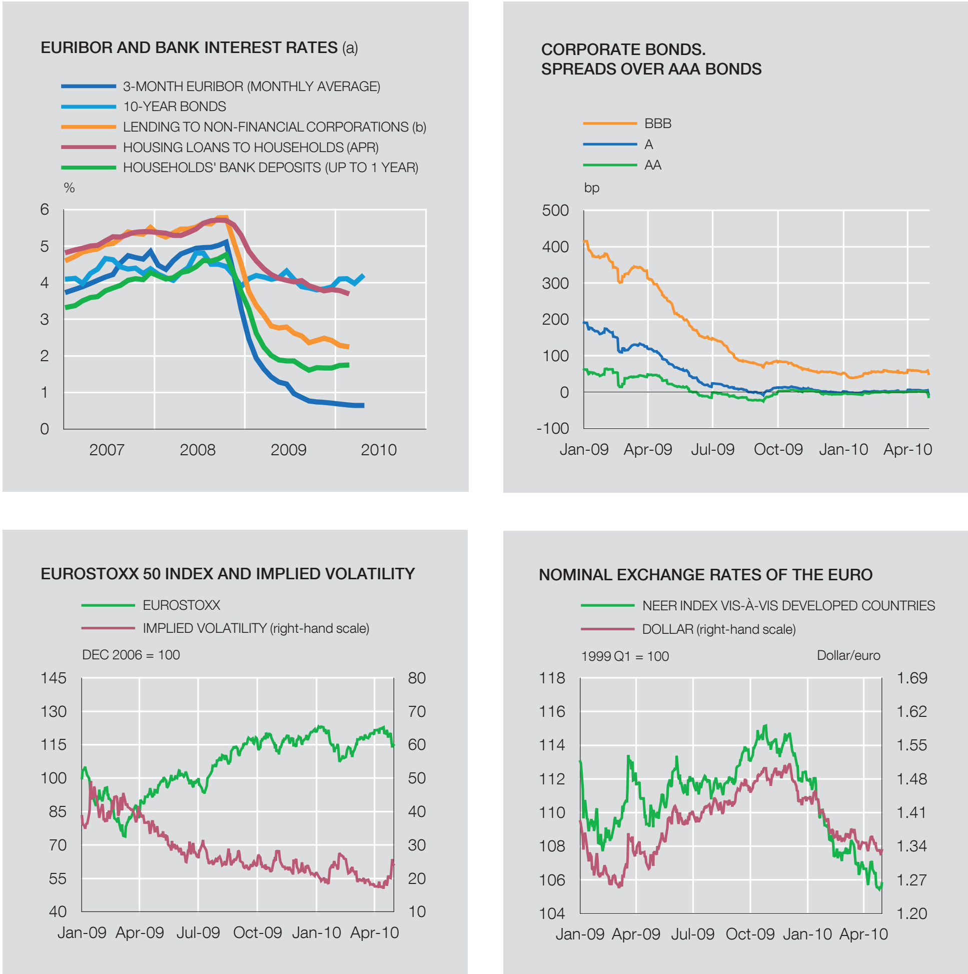
EURO AREA INTEREST RATES

CHART 12

SOURCES: ECB and Banco de España.

a. ECB estimate using swap market data.

EURO AREA INTEREST RATES, EXCHANGE RATE AND STOCK MARKET INDEX CHART 13



SOURCES: ECB and Banco de España.

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

slightly in year-on-year terms in March, behaviour differing by type of borrower. Lending to non-financial corporations fell off somewhat more markedly than it did at end-2009, while lending to households recovered a little thanks to the greater buoyancy of credit for house purchases.

Equity markets were affected by the tensions and news relating to the Greek fiscal crisis. Thus the EURO STOXX 50 index has fallen by more than 5% since end-2009. The banking sub-index was hardest hit because of its exposure to sovereign debt markets, falling more than 12% in the year.

In the foreign-exchange markets, the euro exchange rate depreciated in 2010 Q1, trading at below $1.33 per euro at the end of April. In the year to date, the euro has depreciated by 7.6% against the dollar and by around 5.5% in nominal effective terms against the main currencies.

Finally, the M3 monetary aggregate showed scant dynamism in Q1, posting a year-on-year fall of 0.1% in March, similar to that at end-2009. This performance of the aggregate contrasts with the high buoyancy of its most liquid component (M1 - cash and sight deposits), against a background in which low interest rates drive the shift of M3 assets towards M1.

On QNA estimates, the pace at which GDP had been contracting in year-on-year terms moderated in 2009 Q4, posting a decline of 3.1% which was 0.9 pp lower than in the previous period. The quarter-on-quarter rate remained negative (-0.1%), although the decline was less steep than in Q3. The smaller year-on-year decrease in GDP was due to the slower decline in national demand, while the external sector's contribution to GDP growth remained high. The lower drop in activity fed through into employment which posted a year-on-year fall of 6.1%.

On the available information, in 2010 Q1 the quarter-on-quarter rate of change in GDP turned marginally positive (0.1%) against a background marked by the gradual recovery of the world economy, a slight improvement in agents' confidence and the ongoing effects of certain government measures to support demand. It is estimated that the year-on-year fall in GDP in the early months of 2010 continued to slacken to -1.3%, 1.8 pp down on the decline seen in the closing months of 2009 (see Chart 14). These developments would testify that national demand was gradually performing less unfavourably, although it still fell considerably (-2.6% in year-on-year terms) but less markedly than at end-2009, especially since private consumption progressively picked up. The external sector's contribution to year-on-year GDP growth remained relatively high at 1.4 pp, due to buoyant exports boosted by the improvement in the international climate and the depreciation of the euro.

On the supply side, the year-on-year rate of decline in the market-economy value added moderated substantially in Q1, while available labour market indicators point to an easing of the process of job destruction with a year-on-year fall in employment of approximately 3.7% in comparison with the same period in 2009. Thus, productivity growth is estimated to have weakened, following the strong rises seen throughout 2009. In turn, the growth rate of compensation per employee continued to be restrained which, given productivity developments, allowed corporations' unit labour costs to remain stable. Finally, the year-on-year rate of change in the CPI climbed in the early months of 2010 to reach 1.4% in March as a result of higher energy prices, whereas the rate of change in the CPI excluding energy and unprocessed food prices held close to zero.

4.1 Demand

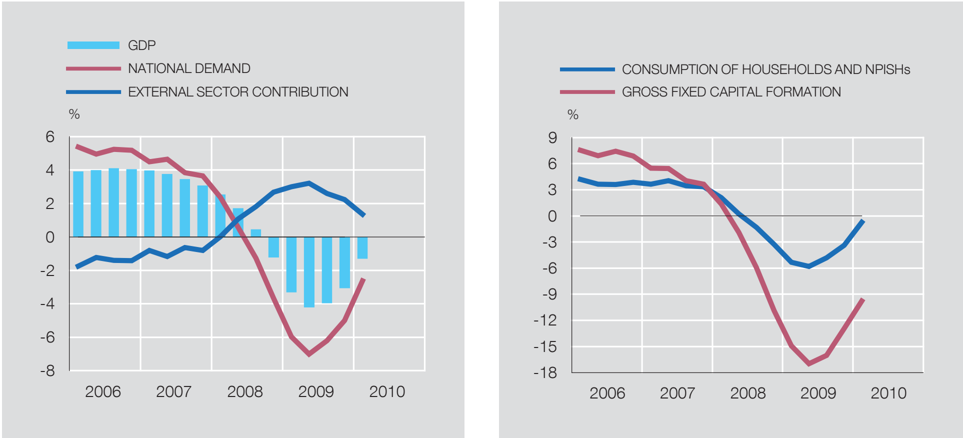
In 2010 Q1 the year-on-year rate of decline in household consumption continued to lose momentum after posting, as at end-2009, a positive quarter-on-quarter rate of change. The various available indicators show widespread lower rates of contraction with respect to the same quarter last year (see Chart 15). Confidence indicators rose in quarterly average terms, especially retail trade confidence, while the improvement in consumer confidence centred on January and decreased in the following two months. Among the quantitative indicators, once again worth noting was the sharp year-on-year growth in new car registrations (up 44% in Q1), although, in quarter-on-quarter terms, they were less buoyant than at end-2009. The retail trade index also improved substantially in the quarter, posting its first positive year-on-year growth rate since end-2007.

Although there are still a few months before VAT is increased, it cannot be ruled out that some consumer decisions in the early months of the year (especially decisions to buy durable goods) involved households bringing forward their spending, meaning that the more buoyant consumption seen could be transitory.

In any event, household spending decisions continue to be affected by the labour market deterioration, in terms of current wage income and uncertainty about its future perform-

MAIN DEMAND AGGREGATES (a)

CHART 14

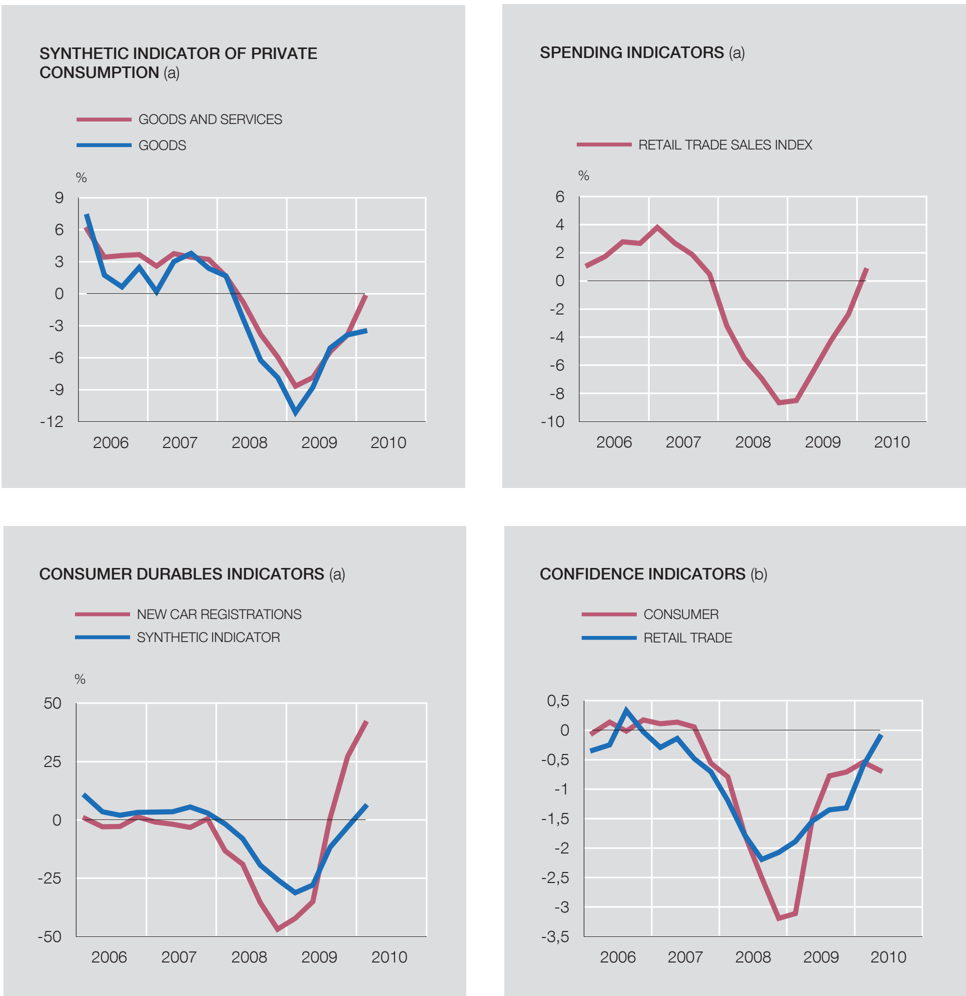


SOURCES: INE and Banco de España.

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).

ance, in addition to ongoing relatively tight credit standards and the fall in wealth associated with the drop in house prices. Accordingly, on the information of the non-financial accounts of institutional sectors to 2009 Q4, weak consumption triggered a significant rise in the household saving rate in 2009 to 18.8% of gross disposable income, nearly 6 pp higher than in the previous year and very notably above the figures for recent decades. While household spending has seemingly been stronger into 2010, it is expected that the upward path in household saving will be reversed, taking into account, furthermore, that in the context of the fiscal consolidation plan, general government will have to reduce its contribution to sustaining household disposable income. The improvement in consumer and retail trade confidence indicators in April suggests that more buoyant consumption could continue into 2010 Q2.

It is estimated that the year-on-year increase of final general government consumption remained relatively low in 2010 Q1 and was similar to that at end-2009. Based on State budget outturn data, net purchases of goods and services and expenditure on wages and salaries would have contributed to these developments.

Following the quarter-on-quarter rise seen in investment in capital goods in 2009 H2, the available information suggests that this type of investment fell off slightly in 2010 Q1. Among the quantitative indicators, new commercial vehicle registrations (boosted by the Plan 2000E) once again posted positive rates in the early months of 2010, although they were more moderate than at end-2009. Similarly, the indicator of apparent investment in capital goods, albeit based on incomplete information for the quarter as a whole, points to a year-on-year decline in this spending component. In any event, these developments are consistent with a substantial improvement in year-on-year rates in 2010 Q1 (see Chart 16). Business confidence in this segment of industry rose slightly in Q1, the clearest increase was seen in opinions about the forecast order book. Lastly, capacity utilisation in manufacturing still remained below its long-term average, although in Q2 it rose to 70.9%, 2 pp higher than in Q1.

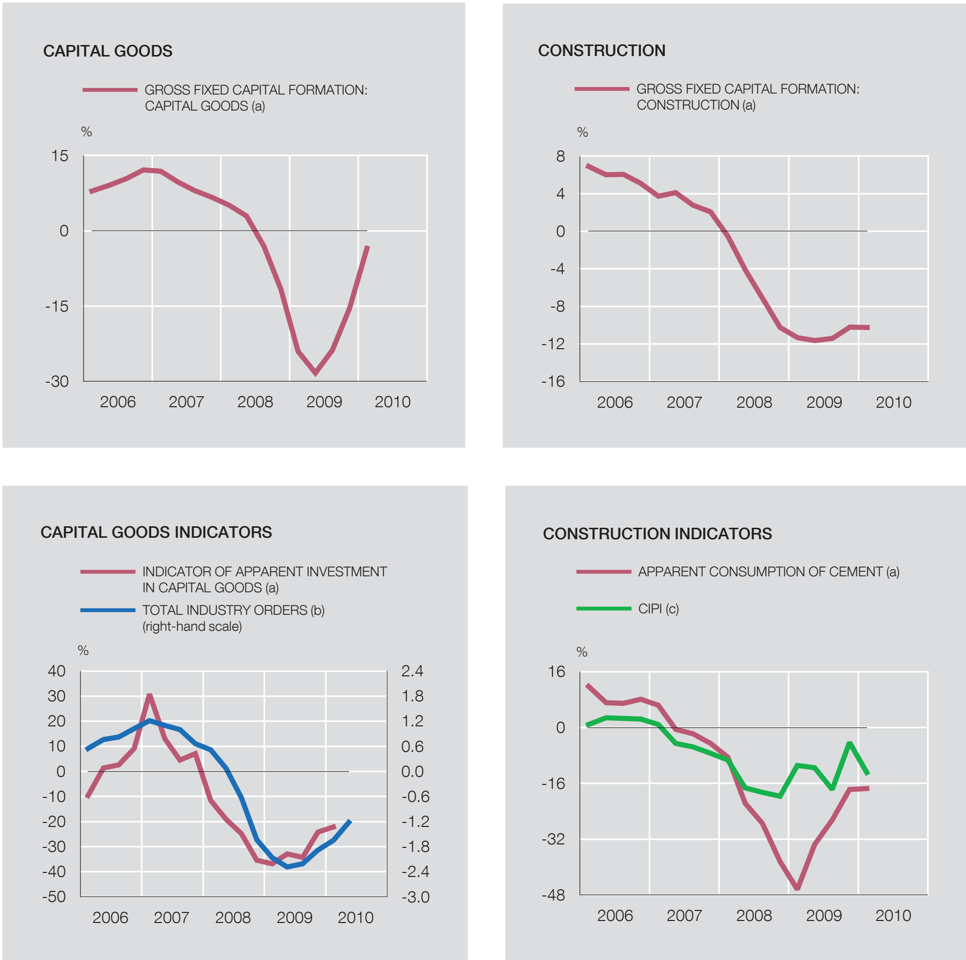
As in the case of private consumption, some of the investment in capital goods might be indicative of purchase decisions being brought forward, as a result of the public stimulus plans, which would tend to moderate the rise in investment in future quarters. Likewise, it is estimated that uncertainty about the strength of the recovery and continuing tight credit conditions might further check the implementation of new investment projects by non-financial corporations. At the same time, corporations seemed to have restructured their balance sheets slightly with the result that at end-2009 their net borrowing amounted to 2.2% of GDP, more than 5 pp lower than the previous year, and they had net lending capacity in Q4 for the first time in the last five years.

As for investment in construction as a whole, the coincident indicators of employment and inputs for the sector showed smoother rates of decline in year-on-year terms, except for cement consumption. However, in terms of quarter-on-quarter rates, there was a slight decline possibly linked to the completion of the projects related to the Local Investment Fund and pending the start of new projects which will be financed by the State Fund for Employment and Local Sustainability.

In the opening months of 2010, the adjustment of residential investment is expected to have continued intensively, with the stock of housing under construction falling further since the projects completed at the beginning of the year continued to outpace housing starts. These developments reflected, in particular, the performance of open-market housing starts, while the decrease in subsidised housing starts was much more moderate, giving rise to a further increase in the relative weight of this segment in the total. On the de-

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.

mand side, according to the data on transactions and new mortgages granted, there have been signs in recent months that sales and purchases have stabilised which has meant a return to positive year-on-year growth rates. This picture might be related to the improvement in the affordability indicators due to the cuts in interest rates and in house prices. It is estimated that the fiscal changes already approved (the VAT increase in July 2010) or announced (the partial abolition of house-purchase tax credits in January 2011) could also be encouraging households to bring forward certain spending decisions. According to the figures for new project approvals, both non-residential building and civil engineering works continued to contract in the quarter.

As mentioned above, the latest information available suggests that in 2010 Q1 the contribution of net external demand to year-on-year GDP growth is expected to have remained positive, albeit lower than at end-2009, as a result of progress in exports and imports (see Chart 17). Exports recovered further in Q1, in keeping with the rise in international trade and a slight improvement in price-competitiveness indices, driven by exchange rate depreciation. The quickening of imports is linked to the gradual pick-up seen in final demand, mainly for exports which have a relatively high import content.

FOREIGN TRADE CHART 17
Percentage change on year ago

SOURCES: INE, 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 were up 13.6% in the first two months of 2010 in comparison with 4.3% in 2009 Q4, with strong rises in sales of non-energy intermediate goods and consumer durables, especially cars, which possibly continued to benefit from the incentives for new car purchases in certain European countries. By geographical area, noteworthy was the rise in sales to non-EU countries which might reflect the greater vigour of certain emerging economies and the depreciation of the euro.

As regards exports of tourist services, available information suggests their year-on-year rate of decline slowed further based on the gradual pick-up in tourists inflows and overnight hotel stays which showed positive year-on-year rates of change in 2010 Q1 (amounting to 0.3% and 3.3%, respectively), although these figures might be biased upwards since this year the Easter holiday straddled March and April. Also, nominal tourist expenditure rose in Q1 to 2.1% according to EGATUR (the tourism spending survey). Similarly, the decline in exports of non-tourist services is estimated to have slackened in Q1 in line with the recovery of the goods trade and passenger traffic.

On the imports side, Customs data showed real growth of 2% in the first two months of the year compared with a decline of 1.7% posted in the closing months of 2009. By product group, imports of non-energy intermediate goods (in principle, those very closely linked to industrial activity and exports) were more vigorous, as were consumer durables other than cars, which could be related to purchases of electrical household appliances due to the digital switchover and ahead of future tax rises. In contrast, car imports fell off significantly. Finally, on balance of payments nominal figures for January and February, the rate of decline of real services imports eased in 2010 Q1, reflecting the less unfavourable trend of the travel heading and of purchases of non-tourist services.

4.2 Production and employment

During 2010 Q1, the gross value added of the total market economy was expected to remain stable with respect to 2009 Q4, after posting declines for seven consecutive quarters. These developments, which represent a significant easing of year-on-year rates of decline extended to most productive sectors (see Chart 18).

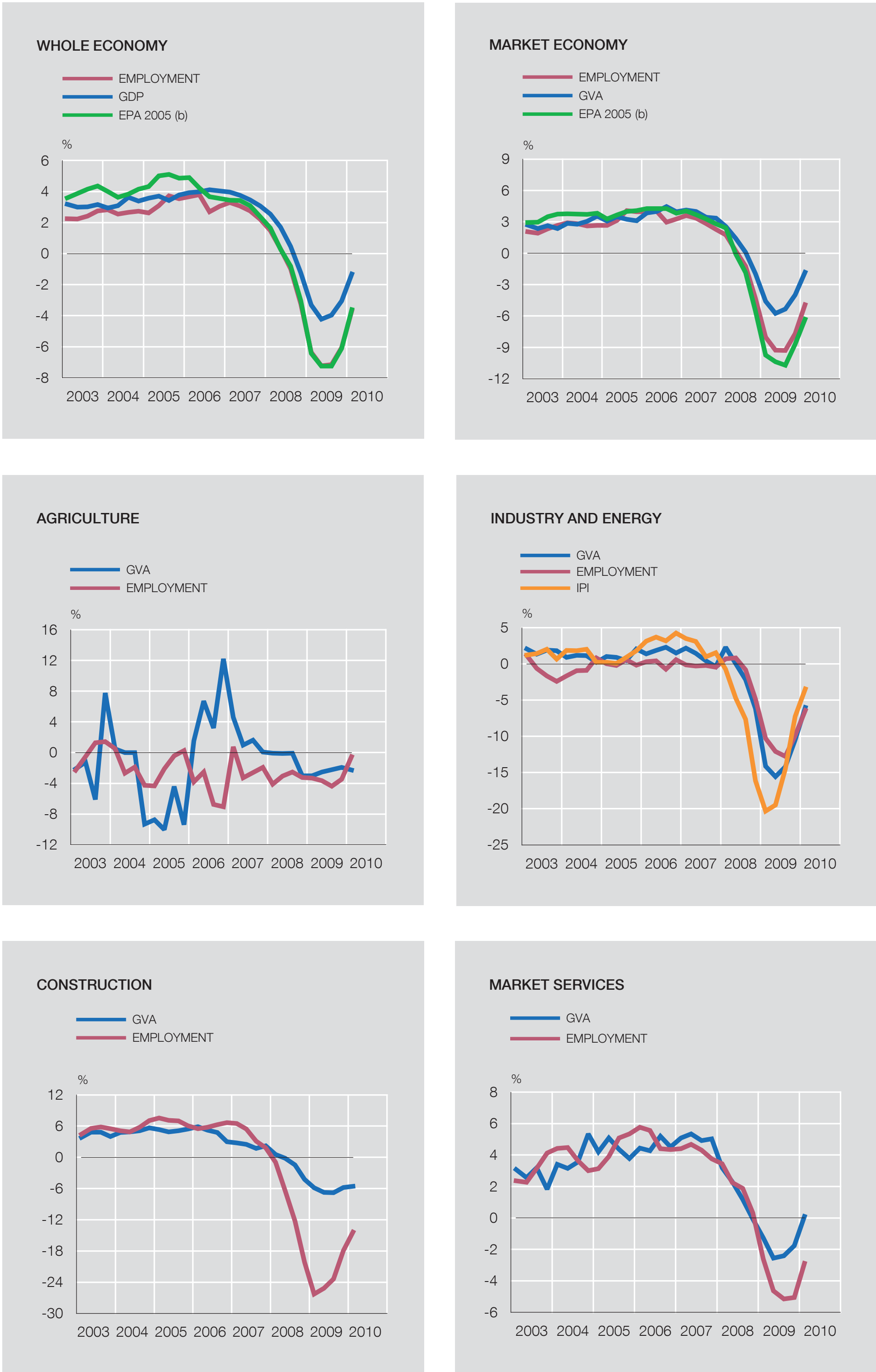
The contraction of value added in industry was expected to continue in year-on-year terms in the January-March period, albeit at a lower rate than that posted at end-2009. The industrial production index (IPI) had a mixed performance in the first two months of 2010, slowing down in January then gaining momentum in February. The year-on-year declines in the labour market indicators also eased throughout Q1. In the same vein, the sector's main opinion-based indicators continued to show signs of improvement: the European Commission's confidence indicator increased four points on average in Q1 with respect to 2009 Q4, while the Purchasing Managers' Index (PMI) also picked up and breached the 50-point level for the first time since November 2007, this level is interpreted as the threshold between expansion and contraction in the sector. In April, the European Commission's survey showed again an increase in industrial confidence of four points with respect to March.

The year-on-year decline in the value added of construction is expected to be very similar to that seen at end-2009, as a result of sluggish residential investment and the completion of projects related to the Local Investment Fund.

Conjunctural information shows a rise in the quarter in market services' activity which is expected to lead to a flat year-on-year rate of change in the value added of this sector in comparison with the declines of previous quarters. Qualitative indicators improved across the board with a two-point increase in average confidence in services in Q1 according to the European Commission's survey and the PMI indicator also rose notably and, as in the case of industry, breached the 50-point level in March. The quantitative indicators such as the turnover index fell less in year-on-year terms in January and February. According to large firms' sales data, the improvement was particularly pronounced in some sectors such as transport and communications, wholesale and retail trade, and accommodation and food service activities, where there were year-on-year increases in activity on data to February. Lastly, employment indicators also showed more moderate year-on-year decreases in average Social Security registrations and the quarter-on-quarter rate of change turned slightly positive in Q1. As for Q2, the services confidence indicator for April is already available and it dropped three points with respect to March.

The various conjunctural labour market indicators suggest that the rate of deterioration of employment was lower in 2010 Q1. Specifically, the average number of Social Security registrations fell by 3% in year-on-year terms, compared with the 4.6% decline in October-December 2009, although in quarter-on-quarter terms employment continued to fall. Following the steep declines in 2009, INEM-registered hires posted a 2% rise in Q1 which was centred on temporary employment.

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.

EPA figures for Q1 show a 3.6% decline in employment compared with the same period a year earlier, 2.5 pp down on the previous quarter, although in quarter-on-quarter terms there was only a slight easing in the fall in the seasonally adjusted employment figures. This lesser year-on-year decline in employment affected all the market economy branches, especially services, while construction and industry continued to post highly considerable falls. The slowdown in the rate of decline of employment fed through to wage-earners, whose numbers decreased by 3.7% in year-on-year terms, compared with 5% the previous quarter, and to the numbers of self-employed which fell by 3.4%, following rates of decline of more than 10% in recent quarters. By nationality, although employment continued to decrease more among the foreign-nationality group (-4.6%), the differences narrowed with respect to Spanish workers, whose numbers decreased by 3.5%. With regard to contract duration, the year-on-year rate of decline of temporary workers eased again (-7.6%), though labour shedding continued to be higher in this group than among those with permanent contracts (which was down 2.4%, somewhat higher than the decline of 1.3% in the previous quarter). As a result, the proportion of temporary to total employees stood at 24.4%, 1 pp down on a year earlier. Lastly, part-time hires picked up slightly in 2010 Q1 (-1.2%), while full-time employees dropped by 4.4%. As a result of these developments, the part-time employment ratio stood at 13.3% compared with 12.7% a year earlier.

The year-on-year rate of decline in the labour force stabilised in 2010 Q1 at the figure of 0.4% seen at end-2009, checking the progressively slowing path observed throughout 2009. The population aged over 16 showed a slight further deceleration, which increased by 0.1% (against 0.2% the previous quarter) while the participation rate stabilised around the 59.8% mark seen in the two previous quarters. As regards the breakdown by sex, the female labour force grew by 1.4% in Q1 (1% in 2009 Q4), while the male labour force held on a downward path, falling by 1.8% which was slightly higher than the decline recorded three months earlier. In terms of nationality, there was a 1.4% reduction in foreign nationals, for the first time in recent years, as a result of a 0.4% decline in the foreign population in comparison with the same period the previous year. The participation rate of this group, however, rose to 77.3% in 2010 Q1, after posting successive declines in the last three quarters. Spanish nationals continued to show a similar year-on-year decline to that seen the previous quarter (-0.2%) and their participation rate remained stable at 57.4%.

Finally, numbers unemployed increased by around 286,000 in Q1 to 4.6 million. However, the year-on-year increase eased to around 700,000, with the year-on-year rate of change of 15%, below the figure of 35% in the previous quarter. The unemployment rate rose by 1.2 pp during the quarter to 20% of the labour force, although, once again, 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 opening months of 2010, with a year-on-year rise of 18.5%, following a figure of 29.8% in 2009 Q4.

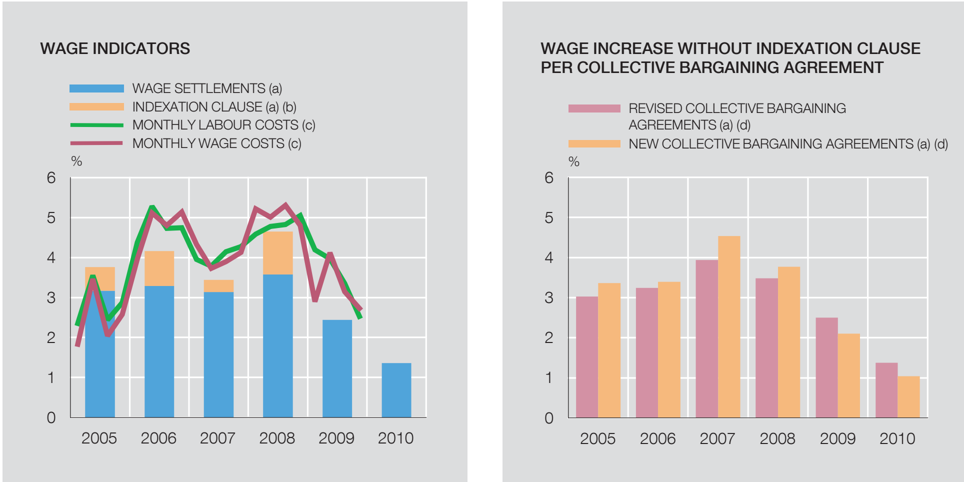
4.3 Costs and prices

There was greater wage restraint in collective bargaining in the early months of 2010 which was encouraged, in particular, by the fall in inflation in the final months of 2009, although the influence of the multi-year agreement signed by social agents last February has begun to be felt. The agreements signed so far this year are nearly all prior years' revised agreements and include a pay rise of 1.4% for 2010, 1 pp below the rise agreed in the previous year (see Chart 19). However, the still-few newly signed agreements include, on average, slightly lower wage rises for 2010 in line with the upper limit of 1% set in the wage agreement signed for 2010-2012.

In terms of compensation per employee, this deceleration in wage rates is expected to contribute to a further slowdown in the increase of firms' labour costs following growth of more

WAGE INDICATORS AND LABOUR COSTS

CHART 19

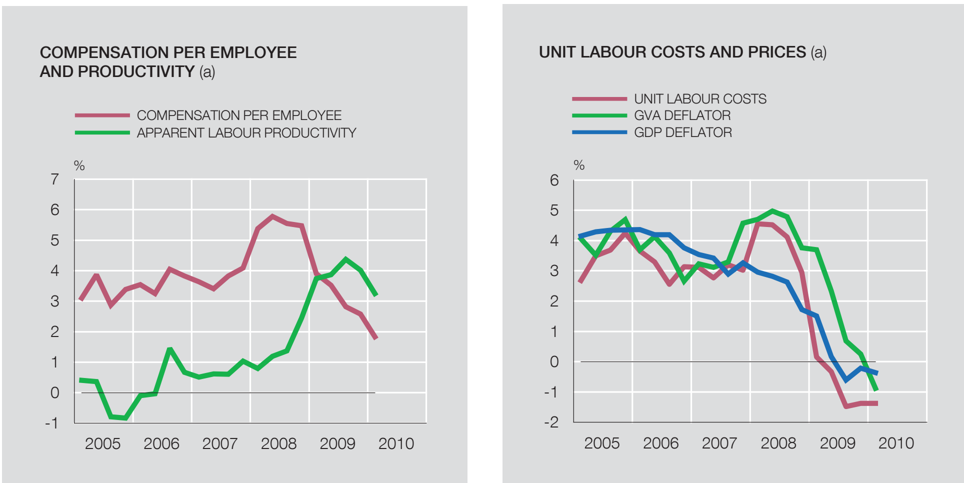


SOURCES: INE and Ministerio de Trabajo e Inmigración.

a. The last year, with information from collective bargaining agreements to March 2010.
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.

than 3% in 2009 (see Chart 20). Furthermore, productivity growth is expected to keep unit labour costs stable.

Following the fall in the GDP deflator in 2009 H2, 2010 is also expected to have begun with a year-on-year decrease in the domestic component of inflation, with declines in the deflators of the main investment components. The private consumption deflator rose, although this is mainly explained by the increase in import prices.

The main consumer price indicators posted a rise in Q1, thus, in terms of CPI, growth is estimated to have been 1.1% in comparison with 0.1% recorded at end-2009 (see Chart 21).

PRICE INDICATORS (a)
Spain

CHART 21

SOURCE: INE.

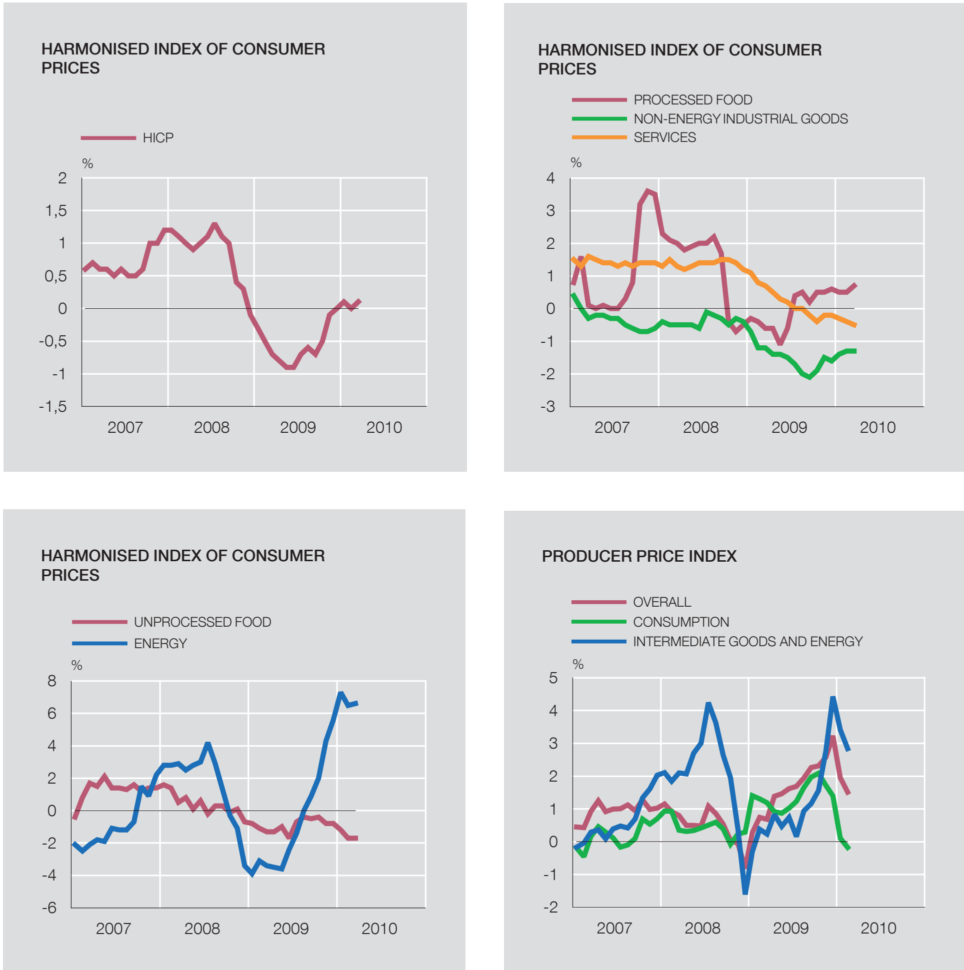
a. Year-on-year rate of change based on the original series.

These developments were mainly in response to the quickening of energy prices following the previous year's decline and the recent rise in oil prices. In general, the downward trends of recent quarters continued in the other components. In particular, the fall in food prices continued to steepen slightly and the year-on-year growth rate of services prices decreased for the sixth consecutive quarter. The rate of decline of non-energy industrial goods prices eased slightly. As a result of the trend of its different components, the CPI excluding unprocessed food and energy posted a year-on-year rate of 0.1% in Q1, 0.1 pp less than in the closing months of 2009).

The rise in HICP inflation was slightly higher in Spain than in the euro area, which meant that the differential was no longer negative (see Chart 22). This was the result of the trend in the energy component, whose differential widened notably in 2010 Q1. By contrast, the growth rates of the prices of services, non-energy industrial goods and unprocessed food were lower in Spain. As a result, the core inflation differential remained favourable for Spain, shedding 0.1 pp to 0.6 pp. The year-on-year rate of the leading indicator of the HICP climbed to 1.6% in April, 0.1 pp higher than in March, while in the euro area inflation also rose to 1.5% with the result that the differential is expected to have remained at around 0.1 pp.

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.

Lastly, the producer price index remained on the rising course begun at the end of 2009 and grew 1.5% in Q1, reflecting higher energy prices and the tailing off of the decline in input prices, while the growth rates for consumer goods prices remained slightly negative. On data to February, producer prices in the euro area grew at a slightly lower rate than those in Spain, except for consumer goods whose differential was close to zero.

Finally, the price indices for imports and exports of industrial products began to post positive rates of change, standing in February at respective rates of 4.7% and 1.7%, mainly due to the strong increase of energy prices.

4.4 The State budget

On a cash basis, the State budget outturn in 2010 Q1 showed a deficit of €15,546 million, in comparison with a deficit of €11,345 million for the same period in 2009 (see Table 4). State revenue increased 4.8% in year-on-year terms, which was lower than the rise of 13.5% in expenditure. Although the figures for the early months of the year are usually erratic, these data suggest a quickening of revenue and a slowdown of expenditure in 2010, which should intensify in the coming months due to certain measures approved for this year. These measures include, most notably, the partial abolition of the €400 personal income tax credit, the envisaged increase in VAT rates as from July, the spending cuts in the Immediate Action Plan and the

STATE BUDGET OUTTURN

TABLE 4

€m and %

	Outturn 2009	Percentage change 2009/2008	Initial budget 2010	Percentage change 2010/2009	Outturn		
					2009 Jan-Mar	2010 Jan-Mar	Percentage change
	1	2	3	4 = 3 / 1	5	6	7 = 6 / 5
1 REVENUE	102,038	-21.1	121,206	18.8	31,269	32,759	4.8
Direct taxes	54,096	-27.0	66,393	22.7	13,594	14,516	6.8
Personal income tax	*30,432*	*-29.9*	*42,633*	*40.1*	*11,678*	*12,924*	*10.7*
Corporate income tax	*20,188*	*-26.1*	*20,184*	*-0.0*	*1,023*	*693*	*-32.2*
Other (a)	*3,476*	*2.8*	*3,576*	*2.9*	*894*	*899*	*0.5*
Indirect taxes	28,664	-26.9	40,736	42.1	12,567	14,314	13.9
VAT	*15,784*	*-36.7*	*26,111*	*65.4*	*9,559*	*11,311*	*18.3*
Excise duties	*10,141*	*-9.6*	*11,964*	*18.0*	*2,304*	*2,292*	*-0.5*
Other (b)	*2,739*	*-11.2*	*2,661*	*-2.9*	*703*	*712*	*1.2*
Other net revenue	19,277	20.4	14,076	-27.0	5,108	3,929	-23.1
2 EXPENDITURE	189,319	27.8	184,542	-2.5	42,614	48,305	13.4
Wages and salaries	26,570	5.3	27,572	3.8	5,635	6,017	6.8
Goods and services	4,860	7.2	3,515	-27.7	903	954	5.7
Interest payments	17,650	10.8	23,224	31.6	6,151	7,579	23.2
Current transfers	112,412	35.8	103,137	-8.3	22,144	26,348	19.0
Investment	10,468	-1.6	9,390	-10.3	2,785	2,883	3.5
Capital transfers	17,360	94.1	14,452	-16.7	4,997	4,522	-9.5
3 CASH-BASIS BALANCE (3 = 1 – 2)	-87,281	—	-63,336	—	-11,345	-15,546	—
MEMORANDUM ITEM: TOTAL TAXES (State plus share of regional and local governments)							
Personal income tax	63,857	-10.5	65,734	2.9	19,002	19,212	1.1
VAT	33,573	-30.1	29,281	-12.8	14,274	14,584	2.2
Excise duties	19,349	-1.1	20,450	5.7	4,546	4,655	2.4

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.

lower amount of the State Fund for Employment and Local Sustainability in 2010 compared with the Local Investment Fund approved in 2009.

For a more detailed analysis of changes in revenue, information is 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, receipts had still not posted positive rates and fell 1.9% in Q1 as a result of weak non-tax revenue, while the main taxes began to show year-on-year increases. Thus, direct taxes began to feel the impact of the partial abolition of the €400 tax credit under personal income tax, although this revenue was weighed down by sluggish withholdings from movable capital and investment fund gains. As for indirect taxes, noteworthy was the recovery of VAT revenue which posted positive rates of 2.2% following eight consecutive months of declines. Excise duties posted an increase of 2.4% due to the impact of the rate rise that was implemented in June 2009.

State cash-basis expenditure climbed 13.4% in Q1, also in this case because some of the measures approved have not had time to affect expenditure. Interest payments posted a strong rise, reflecting the high volume of debt issued last year.

BALANCE OF PAYMENTS: MAIN COMPONENTS (a) TABLE 5

€m

		January-February		% change
		2009	2010	2010/2009 (b)
CREDITS	Current account	45,487	46,020	1.2
	Goods	*23,858*	*26,444*	*10.8*
	Services	*12,920*	*12,399*	*-4.0*
	— Tourism	4,589	4,520	-1.5
	— Other services	8,331	7,879	-5.4
	Income	*6,129*	*5,058*	*-17.5*
	Current transfers	*2,579*	*2,118*	*-17.9*
	Capital account	799	1,688	111.2
	Current + capital accounts	46,286	47,708	3.1
DEBITS	Current account	60,916	59,125	-2.9
	Goods	*33,303*	*33,631*	*1.0*
	Services	*10,256*	*9,710*	*-5.3*
	— Tourism	1,799	1,765	-1.9
	— Other services	8,457	7,946	-6.0
	Income	*12,424*	*9,650*	*-22.3*
	Current transfers	*4,933*	*6,133*	*24.3*
	Capital account	210	222	5.8
	Current + capital accounts	61,125	59,347	-2.9
BALANCES	Current account	-15,429	-13,105	2,324
	Goods	*-9,445*	*-7,188*	*2,257*
	Services	*2,664*	*2,689*	*25*
	— Tourism	2,790	2,755	-35
	— Other services	-126	-66	59
	Income	*-6,295*	*-4,592*	*1,704*
	Current transfers	*-2,353*	*-4,015*	*-1,661*
	Capital account	590	1,466	877
	Current + capital accounts	-14,839	-11,639	3,201

SOURCE: Banco de España.

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

As for the Social Security budget outturn, complete data are only available until February 2010. On the latest information released by the Social Security Treasury for February, revenue is estimated to have fallen by 0.9% and expenditure is estimated to have increased by 5.1%. The decrease in revenue was due to the fall in transfers from the State and in transfers of other revenue since revenue relating to Social Security contributions, the largest item, is estimated to have risen 0.9%. The drop in the number of social security contributors gradually slowed down during 2010 Q1, posting a decline of 2.6% at end-March, compared with a fall of approximately 4% in December 2009. Spending on contributory pensions increased 5.6% to February, somewhat lower than the increases seen throughout 2009, while the number of contributory pensions grew 1.7% in the same month of 2010 in line with the rises recorded in the last twelve months. On data of the National Public Employment Service (SPEE, by its Spanish abbreviation), expenditure on unemployment benefits slowed notably during 2010 Q1, posting an increase of 16% to March, in contrast with increases of more than 50% in the closing months of 2009. This slowdown reflects the changes in registered unemployment and the numbers drawing unemployment benefit. In particular, the rate of change in beneficiaries stood at 26.8% in February, compared with an average increase of

55.6% in 2009, the eligibility ratio remained slightly higher than 80% during the first two months of the year.

4.5 Balance of payments

In the first two months of 2010, the combined current and capital account balance was a deficit of €11,639 million, 22% lower than in the same period a year earlier (see Table 5). Most of this correction is explained by the 15% decrease in the current account deficit. This adjustment is accounted for by the decrease in the goods and, to a lesser degree, income deficits, which offset the widening of the negative current transfers balance. The surplus on the services balance remained practically stable.

In the first two months of 2010 the trade deficit fell by 24% due to the improvement in the non-energy balance which offset the increase in the energy bill against a background of sharp rises in oil prices. The services balance showed a surplus of €2,689 million in January and February, hardly 1% up on the same period in 2009. This modest improvement is explained by the correction of the non-tourism services deficit which offset the slight decrease in the tourism surplus. The deficit on the income balance narrowed notably in the first two months of 2010 to €4,592 million. The current transfers deficit amounted to €4,015 million in the first two months of 2010, as a result of the 18% decline in revenue related to EU funds. By contrast, payments rose noticeably, although migrants' remittances decreased. Finally, in the first two months of 2010 the capital account surplus rose to €1,466 million owing to the increase in general government receipts from the Cohesion Funds.

5.1 Overview

In 2010 Q1 and Q2 to date, Spanish financial markets have been influenced by the episodes of tension linked to participants' concern about the sustainability of Greek government debt, which affected to a greater degree those euro area countries whose public finances had deteriorated most. This tension eased somewhat from mid-February, coinciding with the announcement of fiscal consolidation plans in Greece but it resurfaced at the end of April. Thus, on 30 April the IBEX 35 was 12.1% down on its level at the beginning of the year, performing more unfavourably than the EUROSTOXX 50 for the euro area (which slipped 5% on the same day) and than the S&P 500 which gained 6.4% (see Chart 23). The yield on Spanish ten-year government debt, whose long-term credit rating was downgraded on 28 April by S&P from AA+ to AA, scarcely rose by 3 bp over this period, nevertheless, its spread over the German bund at the same term widened by almost 40 bp (to nearly 100 bp) as a result of price developments in the latter. The credit risk premia of Spanish corporations traded on derivatives markets followed a similar trajectory but the cost of insuring the assets issued by financial institutions was higher. On the interbank market, interest rates showed little movement, with the 12-month EURIBOR averaging 2 bp less than the figure for December (1.24%).

On the real estate market, the price of unsubsidised housing continued to fall in 2010 Q1, according to the latest Ministry of Housing data, although once again at a slower year-on-year pace than three months earlier. Thus, the year-on-year rate of decline stood at 4.7% in March compared with the fall of 6.3% in December 2009.

During the opening months of 2010 the cost of borrowing for households and firms did not show, in general, any substantial changes compared with the average for 2009 Q4 (see Chart 23). Conditions other than interest rates did not change significantly either. Thus, according to the April Bank Lending Survey (BLS) financial institutions were expected to have maintained (and even slightly relaxed) their lending standards for new loans between January and March, a trend that the intermediaries surveyed expected would continue into 2010 Q2.[1] Nevertheless, these standards are seemingly still more restrictive than at the onset of the financial crisis, as a result of the tightening accumulated in the preceding period.

The latest data available on credit to the private sector (relating to February) show stable household credit balances (the year-on-year rate rose slightly from -0.3% in December to 0.1%). By contrast, corporate debt continued to contract at an increasingly sharp rate in year-on-year terms (by 1.8% in February in comparison with the decline of 0.9% two months earlier). In annualised quarter-on-quarter terms, the differences in the rates of increase in these sectors' borrowed funds are even more pronounced. The breakdown of corporate borrowing shows that the various instruments, sectors and sizes of firm performed differently (see Box 4). In particular, the credit received from resident institutions has continued to fall in recent months (by -4.3% in year-on-year terms), while debt securities issued, access to which is essentially available only to large corporations, continued to expand notably (29%). The latest information, relating to end-2009, on the breakdown by type of lending by resident institutions, shows declines in all productive branches, except in real estate services where bank credit was still increasing at a positive, albeit very low rate of 1.7%. This is partly explained by the fact that, against a background of less buoyant house sales, funds remain on real estate service firms'

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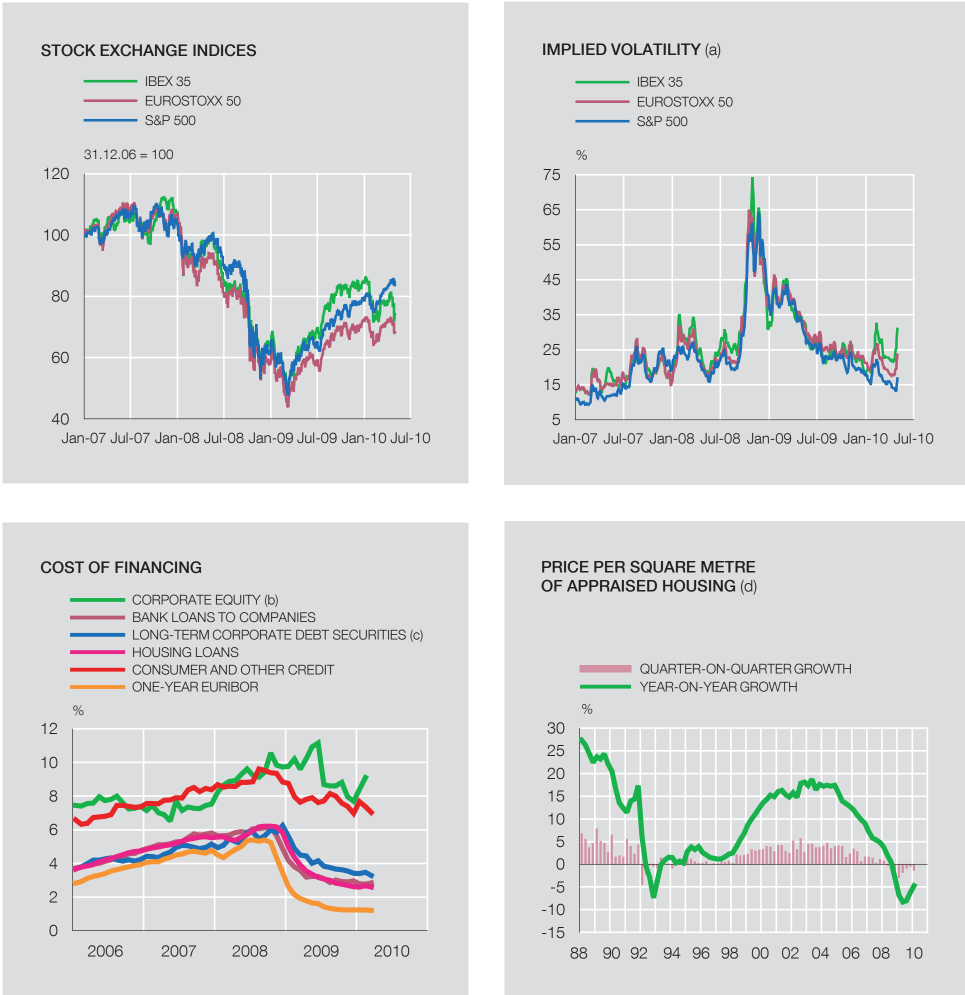
1. For more details, see the article entitled "Encuesta sobre Préstamos Bancarios en España: abril de 2010", by Jorge Martínez Pagés, in the Banco de España's *Boletín Económico,* April 2010.

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 the 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.

balance sheets for a longer period. The provisional data for March do not show any significant changes in household and corporate debt in comparison with the preceding month.

Sluggish household credit combined with income stability, meant that in 2009 Q4 this sector's ratio of debt to gross disposable income (GDI) was virtually unchanged. However, the debt burden ratio continued to decline due to the lower average costs of financing the outstanding debt. These developments were accompanied by fresh increases in the sector's savings rate and net lending capacity. Lastly, household net wealth remained relatively stable, as the recovery in the financial component was offset by the drop in the real estate component. The preliminary estimates for the opening months of 2010 suggest that the debt burden ratio will continue to decline and the debt ratio will remain the same.

During 2009 Q4 the corporate debt/income ratio continued to increase despite the contraction of debt which is indicative of the unfavourable performance of corporate surpluses. However, the debt burden ratio fell again as a result of the decline in the average cost of outstanding

Since mid-2007, lending to Spanish non-financial corporations has slowed down very notably, posting negative year-on-year rates of change in the closing months of 2009 and the opening months of 2010. However, behind this general pattern there is great variety in terms of instruments, productive sectors and borrower size.

Thus, firstly, by instrument, while the credit extended by Spanish banks slowed down more sharply than overall lending to the sector, credit from the rest of the world decelerated to a much lower degree – and still posted positive year-on-year growth at end-2009. Additionally, issuance of fixed-income securities slowed initially until end-2008 and subsequently recovered high growth rates (see accompanying table). Higher recourse to securities markets – and, to a lesser degree, also to credit from abroad – is very closely related to the activity of a small number of large Spanish multinational groups which regularly use this type of financing. Just four entities were responsible for more than 70% of net issuance in the last three years. The international reach of these corporations means that their business performance is influenced less by the economic cycle in Spain. In fact, some of these groups expanded in 2009 which helps to explain the growth of security issuance. Similarly, the relatively favourable financing conditions on these markets – due to the fact that, although risk premia have not returned to pre-crisis levels, they did fall notably during the recent period and benchmark interest rates remained very low – contributed to an increase in the volume of funds raised by some of these groups, in anticipation of future funding requirements. In any event, it cannot be completely ruled out that corporations have also replaced bank credit by market financing to a certain degree.

For the other non-financial companies, the main source of funds is credit from resident institutions which has been less buoyant. This credit also varies significantly from one productive sector to another: in 2009 credit earmarked for real estate services increased slightly; in the construction and agriculture and fishing sectors there were high year-on-year rates of decline; meantime, other sectors recorded moderate falls (see accompanying table). Although the declines in credit and the drop in the volume of activity are slightly interconnected, this relationship is not uniform, as shown particularly by the case of property development companies. Sustained lending to this sector could be partly explained, in the current context of sharp adjustment in production, by the lower pace of property sales which means that the related financing has to be maintained for a longer period.

One final important dimension is borrower size. The information available (both from the Central Credit Register and statistics on new loans to firms) indicates that funds granted to small and medium-sized enterprises (SMEs) were less buoyant compared with new lending to large corporations. Nevertheless, as seen in Panel 1, this pattern is not found in the construction and real estate services sectors. If the category of firms with debt of less than €1 million is excluded (this category generally performs atypically since it includes most of the new debtors recorded in the Central Credit Register), there was a substantial cut in lending in construction, affecting all firm sizes (proxied by the outstanding balance of bank credit), while in real estate services credit fell, year-on-year, in terms of loans to companies with a higher volume of debt, and yet increased among other firms. Therefore, it is in the other productive sectors where the more contractionary performance of lending to SMEs can be clearly seen, at the same time as the positive growth of funds granted to companies with a higher level of bank liabilities has continued.

There are undoubtedly several factors behind this difference in terms of size. An important component is the borrowers' financial position. Panel 2 shows that the pre-crisis debt levels of SMEs in the other productive sectors were significantly higher than those of the large corporations, which is indicative of the former's greater financial vulnerability. Likewise, the impact of the crisis on small companies also seems to be stronger and, as shown in Panel 3, the fall in their profits in 2008 was higher. The information available for 2009 (for example, such as the results of Spanish firms in the ECB survey on access to finance) suggests that this situation continued throughout that year. In this setting, it should be no surprise that the doubtful assets ratio has risen more among SMEs in sectors other than construction and real estate services (see Chart 4) than among large firms. By contrast, in the two branches mentioned both the initial situation and the recent performance of profits suggest that the financial position of larger corporations is more delicate, which would help to explain the different behaviour of credit in these sectors.

The more negative profit performance by SMEs in sectors other than construction and real estate services and their more difficult financial situation is estimated to have contributed to depressing their demand for funds to a greater degree than for larger corporations, since SMEs' spending plans have been revised downwards, at the same time as their solvency, as seen by financial institutions, is expected to have deteriorated more in comparative terms. In fact, the findings of the ECB survey of SMEs (see Panel 5) show a high correlation between, on the one hand, the percentage of rejection of bank loan applications and the changes perceived by firms in loan availability and, on the other, their financial performance.

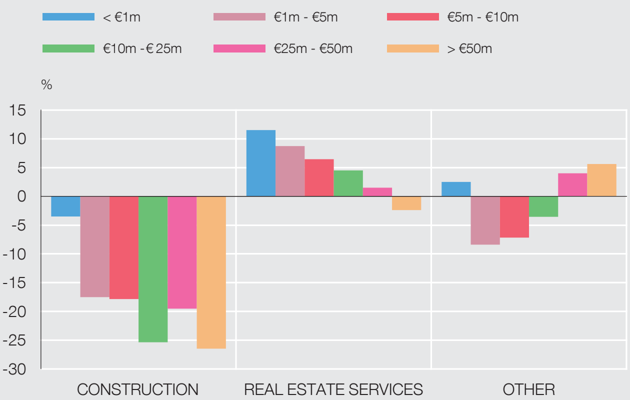
Furthermore, it is possible that, taking into account the generally riskier nature of bank loans to SMEs and the lower collateral usually provided by them, against a backdrop of a general repricing of risk worldwide following the financial crisis, institutions have tightened more than proportionally the lending standards for this type of companies, whose individual solvency is always more complicated to assess.

BREAKDOWN OF LENDING TO NON-FINANCIAL CORPORATIONS

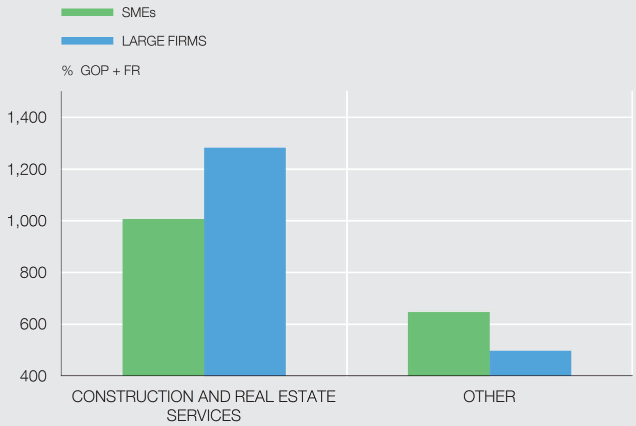
%

	YEAR-ON-YEAR RATE OF CHANGE	RELATIVE WEIGHT
TOTAL BORROWING	-1.0	100.0
Credit from resident banks	-3.5	70.1
Credit from rest of the world	1.9	25.6
Securities	37.0	4.3
BREAKDOWN OF CREDIT FROM RESIDENT BANKS BY SECTOR		100.0
Agriculture and fishing	-11.9	2.3
Construction	-14.1	13.2
Industry except for construction	-2.5	15.4
Real estate services	1.7	32.6
Other services	-0.7	36.5

1 BREAKDOWN OF CREDIT BY BORROWER SIZE (a)
Year-on-year rate of change. December 2009

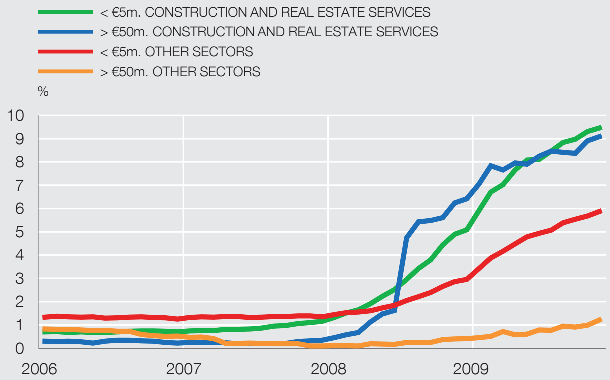


2 LEVEL OF DEBT BY SIZE AND SECTOR. 2007

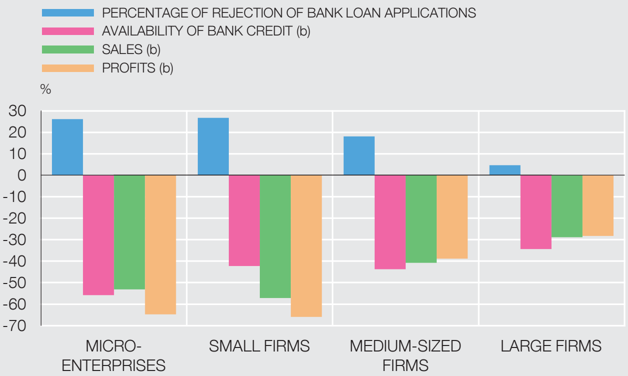


3 GROWTH OF ORDINARY NET PROFIT BY SIZE AND SECTOR

4 DOUBTFUL ASSETS RATIO BY SIZE AND SECTOR



5 RESULTS OF SPANISH FIRMS IN THE SURVEY ON SMEs' ACCESS TO FINANCING IN THE EURO AREA. 2009 H2



SOURCES: Banco de España and European Central Bank.

a. Proxied by data from the Central Credit Register. Firms are classified by size according to the total volume of their debt recorded in the Central Credit Register as of December 2008. The new debtors which appeared in 2009 are classified according to their total debt level at end-2009.
b. Percentage of respondents which indicates an increase less the percentage of those which indicated a decrease.

NET FINANCIAL TRANSACTIONS
Four-quarter data

TABLE 6

% GDP	2004	2005	2006	2007	2008	2009			
					Q4	Q1	Q2	Q3	Q4
National economy	-4.8	-6.5	-8.4	-9.6	-9.1	-8.1	-6.9	-5.8	-4.7
Non-financial corporations and households and NPISHs	-5.1	-8.4	-11.1	-13.5	-7.0	-4.4	-0.5	2.4	4.9
Non-financial corporations	*-4.5*	*-7.1*	*-9.5*	*-11.6*	*-7.2*	*-6.6*	*-4.6*	*-2.3*	*-0.5*
Households and NPISHs	*-0.6*	*-1.3*	*-1.7*	*-1.9*	*0.2*	*2.2*	*4.1*	*4.7*	*5.4*
Financial institutions	0.6	0.9	0.7	2.1	2.0	2.0	1.9	1.7	1.6
General government	-0.4	1.0	2.0	1.9	-4.1	-5.8	-8.4	-9.9	-11.2
MEMORANDUM ITEM:									
Financing gap of non-financial corporations (a)	-8.7	-11.4	-17.8	-15.9	-10.9	-9.6	-6.7	-3.5	-1.0

SOURCE: Banco de España.

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

debt, which was accompanied by the sector's lower net borrowing. The provisional data relating to the early months of 2010 point to a stabilisation of the debt ratio and to fresh declines in the debt burden ratio.

The data, relating to 2009 Q4, on firms contributing to the Central Balance Sheet Data Office Quarterly Survey (CBQ) show that there was a slight recovery in the income generated by these firms, which are predominantly large corporations. Ordinary net profit fell in the year as a whole at a lower rate than in the previous year. The rate of decline in corporate surpluses also eased but to a lesser degree than the fall in borrowed funds and, consequently, both the debt ratio, particularly in the case of the large corporations, and the debt burden ratio decreased. As a result of all the above, the indicators of financial pressure on investment and employment fell somewhat, checking the upward trend in recent months, although they remain high from a historical perspective.

The volume of doubtful loans has also begun to show signs of lower growth in line with the trend towards a stabilisation of the degree of financial pressure. However, the doubtful assets ratio continued to climb. Specifically, this indicator for the whole of the other resident sectors (which include, in addition to households and firms, financial intermediaries other than credit institutions) stood at 5.4% in February, 0.3 pp higher than the December figure.

As for general government, the rate of expansion of debt remained very high, albeit more moderate than in previous months (24% in February 2010 compared with 35% in October 2009). This, together with the decline in GDP, has continued to be reflected in rises in the debt-to-GDP ratio (which reached 53% of GDP at end-2009), and in an increase, albeit more moderate, in the associated debt burden.

The latest Financial Accounts data, corresponding to end-2009, reflect a further decline in the nation's net borrowing, down to 4.7% of GDP in cumulative 12-month terms (1.1 pp below the September level; see Table 6). Once again, 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 11.2% of GDP) and the marginal decline in financial institutions' savings. In line with the rise in the government deficit, the bulk of the funds raised abroad was channelled through government debt securities bought by the rest of the world.

In short, the most recent information suggests that indicators of financial pressure on the private sector have stabilised slightly, it is estimated that this has been favoured by the lower cost of borrowing, flagging borrowed funds and the performance of GDP. However, household and corporate debt ratios remained high. As for general government, although the rise in liabilities eased, they continued to grow at a high rate.

5.2 Households

The most recent information on interest rates on new loans for households, relating to March, shows that they remained virtually unchanged in comparison with the December figures (down by hardly 2 bp in the case of home loans and up by only 6 bp in the case of consumer and other loans). Similarly, according to the BLS, financial institutions are estimated to have maintained (and even relaxed) lending standards, a trend which they projected would continue in Q2.

In this setting, household debt is estimated to have remained stable during the opening months of 2010, with a year-on-year growth rate of hardly 0.1% in February, in comparison with a rate of decline of 0.3% in December. The breakdown by type of loan shows that, while home loans grew in December by around 0.5% in comparison with the same period in 2009, funds earmarked for consumption and other purposes continued to contract by close to 1%. The quarter-on-quarter seasonally adjusted rates posted slightly higher values for home loans and similar values for loans for other purposes.

As for portfolio decisions, according to the latest Financial Accounts data for 2009 Q4, during the final stretch of the year household investment in financial assets continued to pick up (see Box 7). Thus, in cumulative year-on-year terms, the funds earmarked for these purposes accounted for 4.2% of GDP, up 0.7 pp on their level in September 2009. These flows were invested mainly in holdings of cash and cash equivalents (4% of GDP, up 0.7 pp on three months earlier), at the same time as the relative share of flows invested in shares and insurance technical reserves increased, respectively, to 1% and 0.9% of GDP. Likewise, net purchases of mutual fund shares turned positive again, while investment in time deposits (included in the heading "Other deposits and fixed-income securities") was negative.

Given the stability of credit and income, the household debt ratio remained in 2009 Q4 at around 125% of household gross disposable income - GDI - (see Chart 24). Conversely, the debt burden ratio declined once again to values close to 17% of GDI, due to the fall-off in the average cost of on-balance sheet liabilities. The sharp fall in consumer spending together with the downward stickiness of income (partly linked to the easing of debt servicing obligations) resulted in an increase in the sector's ability to save, net of the expenses associated with their liabilities. Meanwhile, household net wealth hardly changed since the decline in the real estate component, associated with the fall in house prices, was broadly offset by the recovery in the value of net financial assets.

On the latest data for 2009 Q4, the household doubtful assets ratio stabilised to some extent, due apparently to the moderation of the debt burden and the slowdown in the pace of job destruction. Thus, this indicator fell by 0.1 pp in the case of house purchase and refurbishment loans (from 3% in September to 2.9% in December) and by 0.2 pp in the case of consumer and other loans (from 7.1% to 6.9%).

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

TABLE 7

% GDP	2006	2007	2008	2009		
				Q2	Q3	Q4
HOUSEHOLDS AND NPISHs:						
Financial transactions (assets)	10.9	7.1	2.8	2.9	3.5	4.2
Cash and cash equivalents	3.1	-1.0	-0.4	2.5	3.3	4.0
Other deposits and fixed-income securities (a)	5.9	7.5	6.8	1.8	0.3	-1.3
Shares and other equity (b)	-1.2	0.4	-0.1	0.5	0.7	1.0
Mutual funds	0.2	-1.1	-3.4	-1.9	-0.7	0.0
Insurance technical reserves	1.8	0.9	0.2	0.3	0.4	0.9
Of which:						
Life assurance	*0.6*	*0.2*	*-0.2*	*0.0*	*0.1*	*0.6*
Retirement	*1.0*	*0.4*	*0.3*	*0.3*	*0.3*	*0.3*
Other	1.0	0.4	-0.3	-0.3	-0.6	-0.4
Financial transactions (liabilities)	12.6	9.0	2.5	-1.2	-1.2	-1.2
Credit from resident financial institutions (c)	13.0	9.4	3.4	0.1	-0.3	-0.5
House purchase credit (c)	*10.0*	*7.1*	*2.7*	*0.7*	*0.2*	*0.1*
Consumer and other credit (c)	*3.0*	*2.1*	*0.8*	*-0.3*	*-0.2*	*-0.4*
Other	-0.4	-0.4	-0.9	-1.3	-0.9	-0.7
NON-FINANCIAL CORPORATIONS:						
Financial transactions (assets)	23.7	13.6	4.9	-2.1	-5.2	-6.5
Cash and cash equivalents	2.3	-0.4	-1.1	-0.9	-0.8	-0.1
Other deposits and fixed-income securities (a)	2.3	2.1	2.3	-0.1	0.1	-0.6
Shares and other equity	11.4	7.9	3.0	1.9	0.7	-0.5
Of which:						
Vis-à-vis the rest of the world	*8.3*	*6.6*	*3.3*	*1.6*	*1.2*	*0.1*
Trade and intercompany credit	6.9	2.5	0.1	-3.8	-5.3	-5.8
Other	0.9	1.5	0.6	0.8	0.0	0.6
Financial transactions (liabilities)	33.2	25.3	12.2	2.4	-2.9	-6.0
Credit from resident financial institutions (c)	17.6	13.9	5.5	1.2	-1.6	-3.0
Foreign loans	3.3	2.8	2.8	2.9	1.8	0.6
Fixed-income securities (d)	1.8	0.5	0.3	0.3	0.9	1.3
Shares and other equity	2.9	4.8	2.6	1.8	1.1	1.3
Trade and intercompany credit	7.0	3.6	-0.4	-4.2	-5.7	-6.2
Other	0.7	-0.4	1.3	0.4	0.5	0.0
MEMORANDUM ITEM: YEAR-ON-YEAR GROWTH RATES (%):						
Financing (e)	24.2	15.5	6.4	2.4	0.5	-0.7
Households and NPISHs	19.6	12.5	4.4	0.5	-0.1	-0.3
Non-financial corporations	27.9	17.7	7.9	3.7	0.8	-0.9

SOURCE: Banco de España.

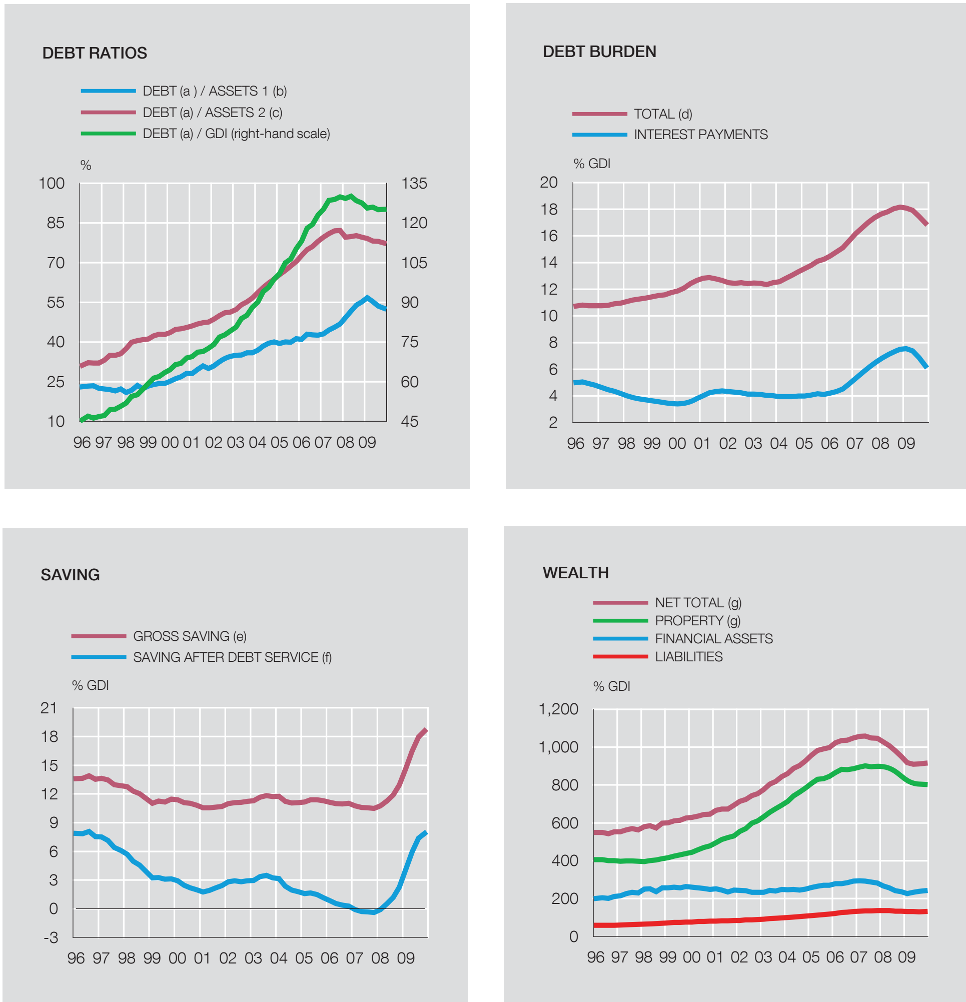
a. Not including unpaid accrued interest, which is included under "Other".
b. Excluding mutual funds.
c. Including off-balance sheet securitised loans.
d. Including issues of resident financial subsidiaries.
e. Defined as the sum of bank credit extended by resident credit institutions, foreign loans,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

5.3 Non-financial corporations

In 2010 Q1, borrowing costs for firms varied according to the type of liability concerned. Therefore, interest rates on new loans of less than €1 million to corporations fell by hardly 4 bp to 4.21%, while those on loans of over €1 million declined by 23 bp to 2.24%. However, it should be taken into account that the latter is usually more volatile. In fact, if the data for interest rates on loans of over €1 million is compared with the average for 2009 Q4, the decline would amount to 7 pb. The returns demanded for fixed-income securities rose by 7 bp for short maturities and fell by 13 bp for longer maturities. On the latest data available relating to February, the issuance cost of shares rose 141 pb, reflecting an increase in the risk premium,

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.

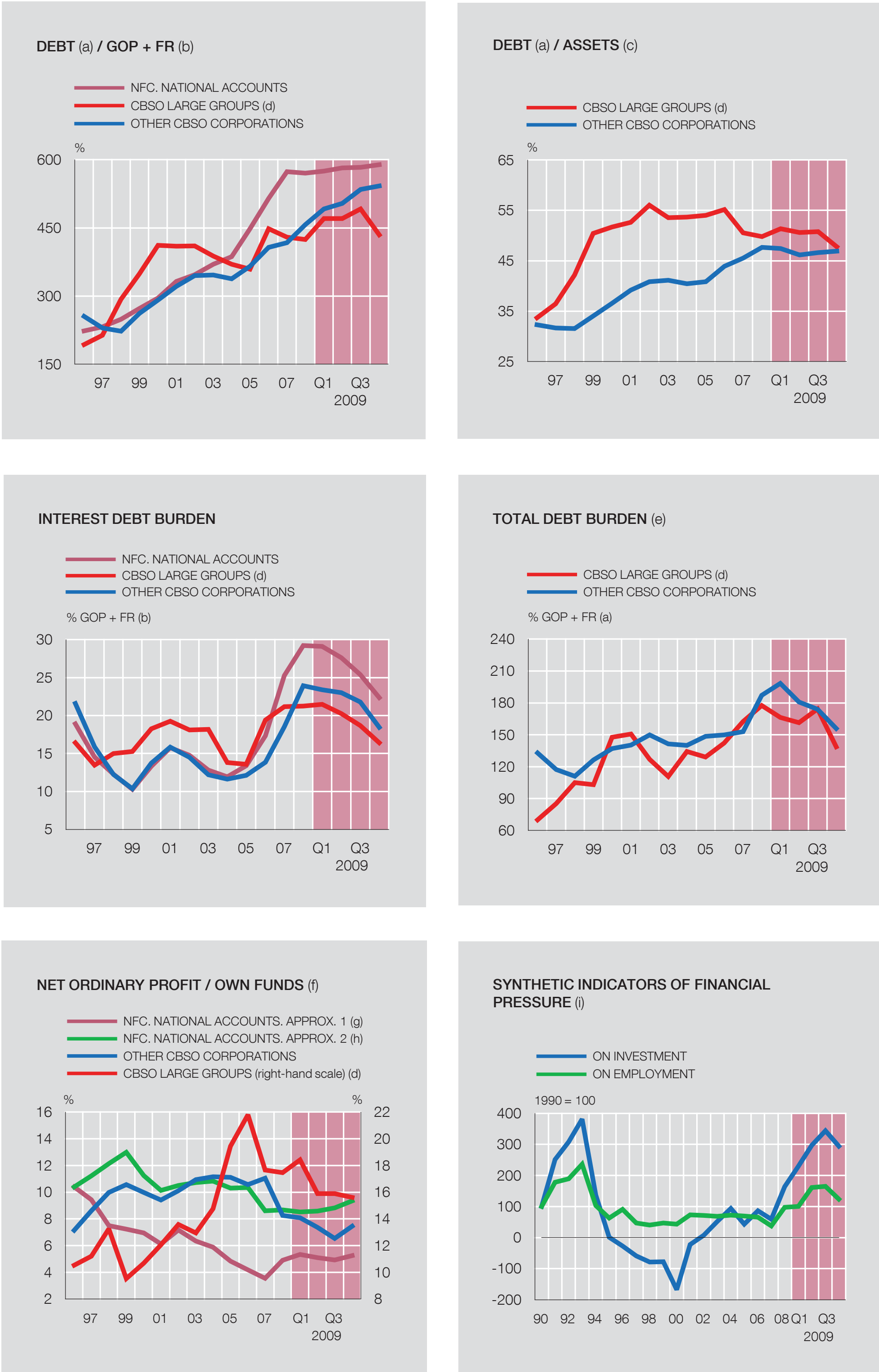
although this indicator is estimated more imprecisely. Lastly, according to the April BLS, institutions are estimated to have slightly relaxed lending standards for corporations during 2010 Q1, at the same time as they expected to leave them unchanged for the next three months.

Despite relatively stable credit conditions, corporate debt has continued to contract, in February its year-on-year growth rate stood at -1.8%, 0.9 pp less than in December 2009). The annualised quarter-on-quarter rates of growth (-3%) indicate that this decline has stepped up in recent months. By instrument, credit extended by resident institutions is seen to be decreasing more rapidly (by 4.3% in year-on-year terms), while the positive expansion of funds obtained from abroad and through fixed-income issuance (both vehicles being used mainly by large firms) has continued, albeit at a slightly lower pace than in the previous quarter.

The most recent information on the breakdown of lending by purpose, relating to December 2009, shows that negative growth was posted in all sectors, except for real estate activities,

INDICATORS OF THE FINANCIAL POSITION OF NON-FINANCIAL CORPORATIONS

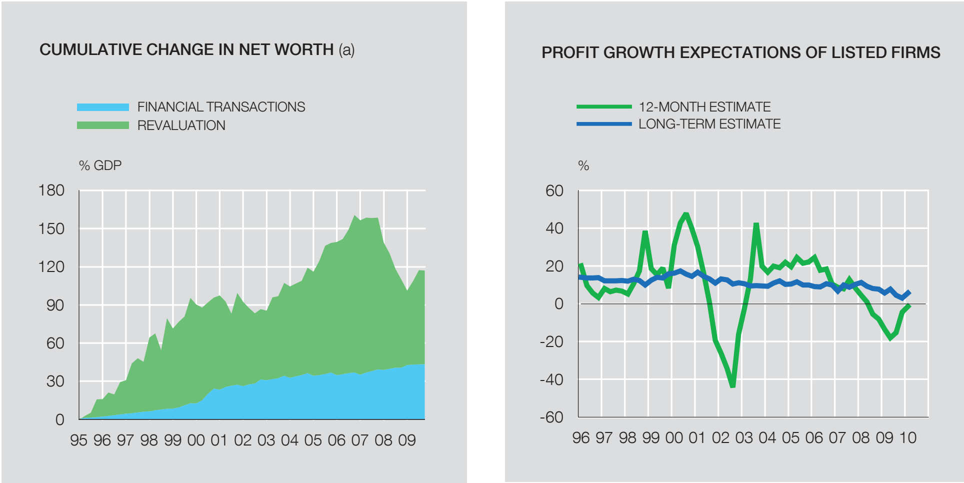
CHART 25



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 Telefónica 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.

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.

which showed a growth rate of 1.7% (2.9% in the previous quarter). By contrast, construction is the sector where debt is falling fastest (14.1% in year-on-year terms), a considerably higher figure than the decline of 2.5% in industry (down 1 pp more than in September) and that of 0.7% in non-real estate services (compared with positive growth of 2.8% three months earlier).

In line with these developments, Financial Accounts data for 2009 Q4 show that borrowing by firms stood at 0.5% of GDP (in cumulative 12-month terms), which is lower than the September figure of 2.3%. Likewise, the financing gap, an indicator that approximates the funds needed to cover the difference between the firms' gross saving and gross capital formation plus foreign investment of a permanent nature, also declined by 2.5 pp to 1% of GDP.

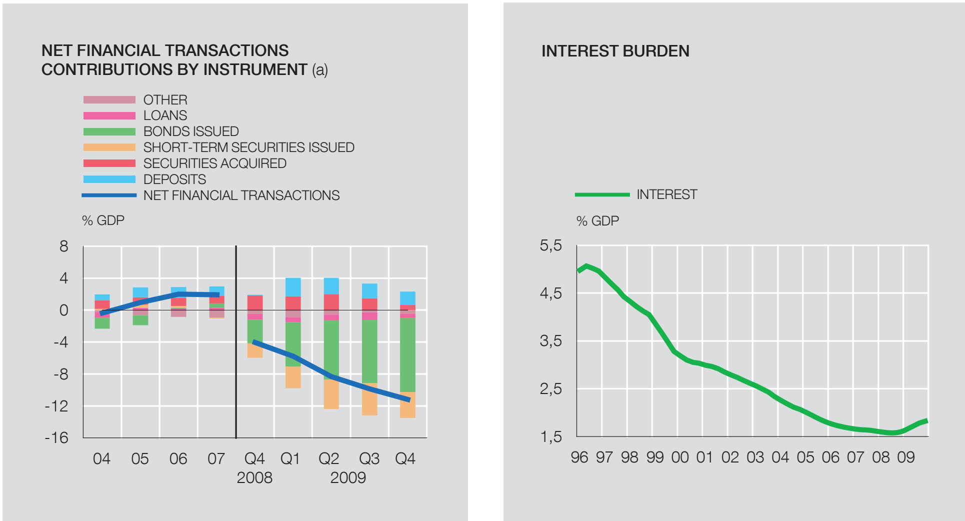
The latest National Accounts estimates of corporate surpluses (corresponding to December 2009) show that the latter continued to move on the declining path of recent months, in year-on-year terms. This decrease in revenue, despite the contraction of liabilities, drove the corporate debt ratio slightly higher (see Chart 25). However, the decline in the average cost of on-balance-sheet debt was reflected once again in the fall in the debt burden ratio.

The data on firms contributing to the Central Balance Sheet Data Office Quarterly Survey (CBQ), which are predominantly large corporations, recorded during the closing months of 2009 a slight recovery in profits in comparison with the same period of the previous year, reflecting a moderate pick up in profit ratios and a decrease in debt and debt-burden ratios (also as a result of the decline in the cost of funds). This resulted in declines in the indicators of financial pressure on investment and employment, although they remain at historically high levels. In this same connection, analysts have refrained from projecting short-term declines in listed non-financial corporations' profits at the same time as they have upgraded the outlook for profits rising in a longer time frame (see Chart 26).

The non-financial corporations' doubtful loans ratio continued to rise during the closing months of 2009 and stood at 6.2% in December, 0.5 pp up on 2009 Q3. This increase is basically explained by the performance of lending to construction and real estate services firms whose ratio rose from 8.5% to 9.6%, while in the other sectors the ratio climbed by only 0.1 pp to 3.4%.

GENERAL GOVERNMENT
Four-quarter data

CHART 27



SOURCE: Banco de España.

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

5.4 General government

Rising public spending and declining revenues led to continued growth in general government net borrowing in 2009 Q4 to 11.2% of GDP in cumulative annual terms, 1.3 pp above the September figure (see Table 6).

The main channel for financing the general government deficit continued to be the issuance of fixed-income securities, through which a net volume of funds equivalent to 12.6% of GDP was raised in 2009 (see Chart 27). The bulk of these placements took the form of securities maturing at over one year while the relative weight of those maturing at short-term decreased. By contrast, funds obtained through loans hardly accounted for the equivalent of 0.4% of GDP. On the assets side, financial flows stood at close to 2.3% of GDP, 1 pp down on three months earlier.

Although the growth rate of general government debt moderated, it remained high at 24%. This, together with the decline in GDP, has led to a further increase in the debt-to-GDP ratio which stood at more than 53% of GDP in December 2009, 3 pp above the September figure. However, the low level of the cost of debt contributed to curbing the rise in the interest burden associated with these liabilities which at the end of last year stood at approximately 1.8% of GDP.

5.5 The rest of the world

In 2009 Q4, the nation's net borrowing continued to fall to 4.7% of GDP in cumulative 12-month terms, 1 pp below the September level and 4.4 pp below the figure at end-2008. This was due to households' increased net lending capacity and to firms' lower debit balance, which were partially offset by the rise in the general government deficit and, to a lesser degree, by the decline in financial institutions' savings.

In line with the improvement in international financial markets throughout 2009 H2, financial flows of assets and liabilities vis-à-vis the rest of the world recovered during the final months of 2009 in comparison with the same period of the preceding year, which was reflected in an increase in the volume of transactions (see Table 8). Thus, in cumulative 12-month terms, capital inflows represented the equivalent of 5.7% of GDP, in comparison with 3.3% three

FINANCIAL TRANSACTIONS OF THE NATION
Four-quarter data

TABLE 8

% GDP

	2006	2007	2008	2009 Q2	2009 Q3	2009 Q4
NET FINANCIAL TRANSACTIONS	-8.4	-9.6	-9.1	-6.9	-5.8	-4.7
FINANCIAL TRANSACTIONS (ASSETS)	18.0	14.7	2.5	-2.8	-2.5	1.1
Gold and SDRs	0.0	0.0	0.0	0.0	0.0	0.0
Cash and deposits	5.2	2.1	-0.3	-6.0	-5.9	-1.8
Of which:						
Interbank (a)	*3.4*	*4.2*	*-0.5*	*-5.6*	*-5.6*	-1.7
Securities other than shares	-1.2	1.6	1.3	0.5	0.5	0.0
Of which:						
Credit institutions	*-2.0*	*1.8*	*1.6*	*1.6*	*1.5*	1.3
Institutional investors (b)	*0.7*	*0.0*	*-1.3*	*-1.2*	*-1.3*	-0.5
Shares and other equity	10.8	8.8	1.9	2.0	2.1	1.5
Of which:						
Non-financial corporations	*8.3*	*6.6*	*3.3*	*1.6*	*1.2*	0.1
Institutional investors (b)	*1.2*	*-1.1*	*-1.6*	*-0.5*	*-0.1*	0.3
Loans	2.1	1.2	0.8	1.2	0.4	0.7
FINANCIAL TRANSACTIONS (LIABILITIES)	26.4	24.2	11.6	4.1	3.3	5.7
Deposits	0.3	7.3	9.0	1.9	1.5	0.9
Of which:						
Interbank (a)	*0.6*	*6.7*	*6.2*	*0.9*	*-0.2*	0.7
Securities other than shares	21.3	8.1	-2.6	-1.0	-1.2	3.8
Of which:						
General government	*1.0*	*-1.3*	*1.2*	*3.3*	*3.3*	5.1
Credit institutions	*8.0*	*3.6*	*-1.9*	*-1.2*	*-0.6*	1.1
Other non-monetary financial institutions	*12.3*	*5.8*	*-1.9*	*-3.0*	*-3.7*	-2.4
Shares and other equity	0.5	4.6	3.3	1.0	1.7	0.9
Of which:						
Non-financial corporations	*0.1*	*4.7*	*2.4*	*0.2*	*0.5*	0.1
Loans	3.5	3.1	2.7	3.1	2.1	1.0
Other, net (c)	-0.4	0.3	0.4	-0.3	-1.2	-1.5
MEMORANDUM ITEMS:						
Spanish direct investment abroad	8.4	9.5	4.7	3.5	2.4	1.1
Foreign direct investment in Spain	2.5	4.5	4.6	2.3	2.0	1.0

SOURCE: Banco de España.

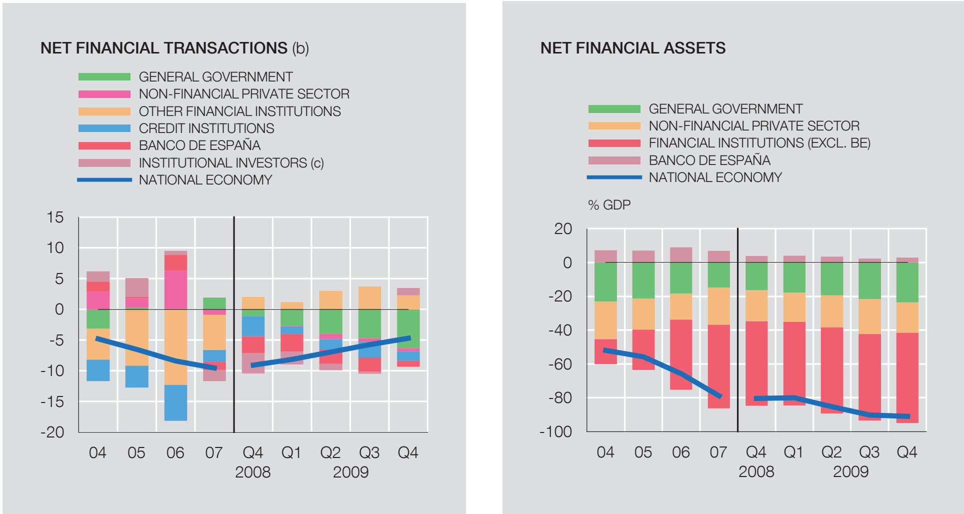
a. Correspond only to credit institutions and include repos.
b. Insurance corporations and collective investment institutions.
c. Includes, in addition to other items, the asset-side caption reflecting insurance technical reserves and the net flow of trade credit.

months earlier. By instrument, the bulk of these funds was channelled through non-residents' purchases of fixed-income securities which increased to 3.8% of GDP. This increase in activity centred in particular on securities issued by general government, the flow of which amounted to more than 5% of GDP. Noteworthy, however, were net non-resident purchases of credit institutions' debt, which posted positive figures again. By contrast, other assets were seen to be less buoyant. In particular, foreign direct investment in Spain fell to 1% of GDP, 1 pp less than in 2008.

In turn, capital outflows represented in cumulative 12-month terms 1.1% of GDP, compared with -2.5% in September 2009. By instrument, there was a notably smaller contraction in

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.

loans extended on the interbank market to foreign institutions, which eased from a flow equivalent to -5.6% of GDP in 2009 Q3 (in cumulative 12-month terms) to -1.8% at year-end. Conversely, net purchases of fixed-income securities amounted to zero, while shares and other equity decreased by 0.6 pp (to 1.5% of GDP). In line with these developments, Spanish direct investment abroad fell by 1.3 pp to 1.1% of GDP.

As a consequence of changes in cross-border financial flows, asset prices and the exchange rate, the Spanish economy's accumulated net debt was equivalent to 91% of GDP in December 2009, nearly 1 pp more than the September figure (see Chart 28). By institutional sector, this rise was essentially due to the increase in debit positions vis-à-vis non-residents of financial institutions (excluding the Banco de España) and general government, which was partly offset by the 2.8 pp reduction in the non-financial private sector's net liabilities and by the moderate 0.6 pp increase in the Banco de España's credit balance.

3.5.2010.

Summary

This report analyses the situation of and outlook for the Spanish economy. It has been prepared by the Directorate General Economics, Statistics and Research of the Banco de España, taking into account the information available to 12 March. The projection period covers 2010 and 2011. The previous projections were set against a background of great economic uncertainty, some of which has gradually abated; but doubts persist regarding the future implications for economic growth of the severe crisis experienced both in Spain and worldwide, and the future effects of the economic policy measures taken in response to the crisis and of their gradual withdrawal.

Following a brisk and severe deceleration in activity in Spain, resulting in negative GDP growth rates since mid-2008, the recession was at its worst in 2009 Q1 when GDP fell by 1.7% in quarter-on-quarter terms. Since then, activity has continued to decline in quarter-on-quarter terms, but more moderately, standing at -0.1% in 2009 Q4. In the year as a whole, output fell by 3.6%, meaning that 2009 was clearly the worst year on record in terms of economic performance in several decades. As in 2008, national demand also declined in 2009, although in this case very sharply, recording an annual fall of more than 6%, while net external demand, with a positive contribution of 2.8 pp, helped offset the negative impact of national demand on GDP.

The severe recession that shook the world economy, especially in the second half of 2008 and early 2009, has given way to a gradual recovery. This is proving more intense in the emerging economies and more moderate in the industrialised countries where it is, in addition, heavily reliant on the extraordinary stimuli provided by the highly expansionary monetary and fiscal stance and by the exceptional measures adopted to support the financial system and credit institutions. Economic activity worldwide should expand again in 2010 and 2011 at rates of around 3.5%, in comparison with the decline of 1% seen in 2009.

The projections for Spain envisage a gradual improvement in activity in 2010, albeit insufficient to bring annual average growth back into positive territory, with GDP posting a decline of 0.4%. In 2011, GDP growth is expected to be somewhat more dynamic, climbing at a still moderate rate of 0.8% for the year as a whole. These projections signify a slow reversal of the severe adjustment in spending by firms and households and of the sharp deterioration in agents' confidence that have characterised the marked downturn of the past 18 months. Export markets and the increased competitiveness of the Spanish economy are both expected to drive activity, via the contribution of exports to growth. But this momentum may be offset by other factors limiting the intensity of the recovery, such as a persistently high level of uncertainty, the protracted effects of the real estate adjustment and high private-sector indebtedness, which will need to be pared back before another spending expansion phase may start.

This projections report also considers the possible influence of the fiscal consolidation measures laid down in the recently approved Stability Programme. The consolidation proposed is essential to halt the escalating growth in public debt and ensure there are no adverse implications for the borrowing costs for the economy, to reduce the degree of uncertainty under which agents take their decisions and, in short, to lay the foundations for sustained economic growth in the medium and long term. However, if there is no significant change in expectations, the fiscal adjustment may have contractionary effects in the short term.[1]

1. The fiscal consolidation programme is a fundamental part of these projections; the way in which the measures contained in the Stability Programme have been incorporated into this report is described in detail in the accompanying Box.

The course of private consumption will be a key element in the recovery. After the exceptional increase in the household saving ratio (up almost 8 pp, to over 18%) in the past two years, in 2010 private consumption is expected to gradually resume a more dynamic profile, meaning that the saving ratio should decline over the course of the projection horizon. However, the persistently high unemployment rate, the drop in household wealth (particularly in housing wealth) and the financial constraints facing some households suggest that the decline in the saving ratio will be moderate and that it will remain above its historical average.

Household consumption is the only private expenditure component set to grow (by just 0.2%) in 2010, after declining by almost 5% in 2009. Investment in housing should continue to fall sharply, although not as much as in 2009, while business investment is expected to continue adjusting to a situation of low capacity utilisation, strong pressure on profits and uncertainty over the economic outlook. The pace of general government consumption and investment is also expected to diminish sharply, although positive rates are estimated for government consumption. Finally, economic activity will be chiefly underpinned by exports, which will increase by 5%, a far higher rise than is estimated for imports.

For 2011, this process of gradual recovery is expected to continue for the Spanish economy, with private consumption and productive investment increasingly buoyant. The effects of these variables on activity will be offset by the envisaged strong contraction in government consumption and investment in construction, particularly on the public investment side. The external sector should continue to uphold the economy's growth rate, in line with the expected favourable performance of global markets and of the price-competitiveness indicators of the Spanish economy.

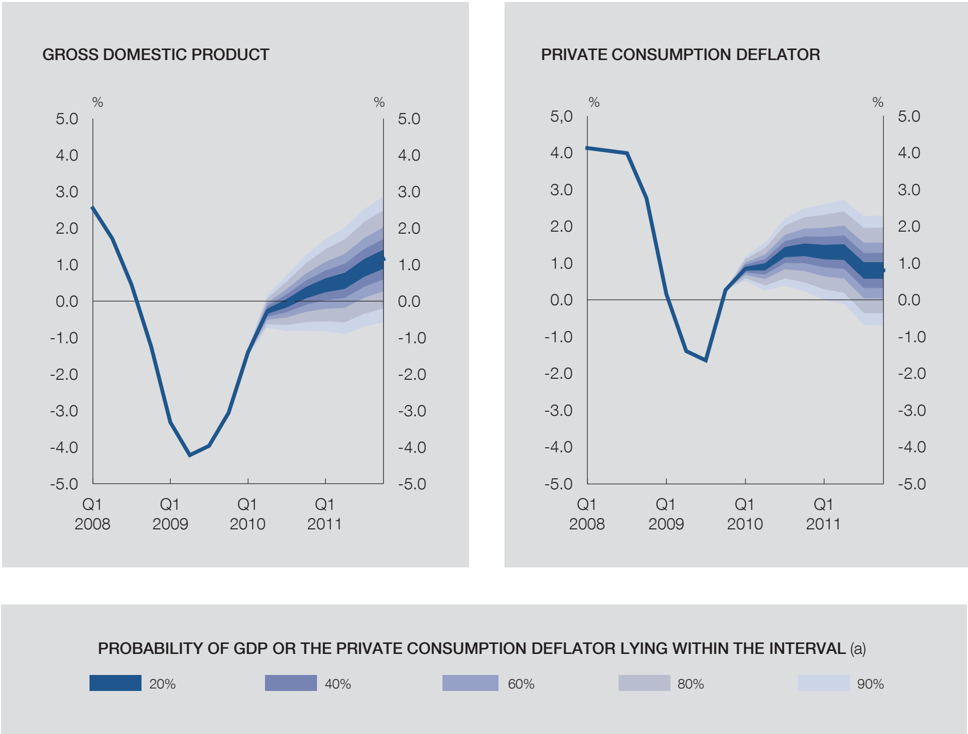
Inflation dynamics have also changed markedly in the recent crisis. Compared with relatively high price growth rates – higher than those of the rest of the euro area – since the start of the monetary union in 1999, the Harmonised Index of Consumer Prices (HICP) fell by 0.3% on average in 2009, 0.5 pp below the rate observed in the euro area as a whole. Admittedly, this outturn was affected by the fall in oil prices in 2009, but core inflation, which excludes the habitually more volatile energy and unprocessed food prices, also posted very moderate levels and its rate moved on a declining course throughout the year, standing in February 2010 at 0.2%, 0.6 pp below the related figure for the euro area. These unusually low inflation rates suggest that the sluggishness of demand has sharply influenced price-setting, squeezing margins and requiring firms to make an exceptional cost-cutting and productive efficiency drive. Some increase is expected for 2010 in the inflation rate, up to an annual average of around 1%, which is in any event a low figure given the potential impact of the rise in VAT as from the summer. This moderate price trajectory is expected to continue in 2011, assisted by the slow recovery in demand.

The gradual improvement in economic activity should allow for further correction of the imbalances the Spanish economy had built up in the previous upturn. Hence, not only will inflation move more in keeping with euro area prices, but the external deficit will also continue to shrink and household and business spending plans will be compatible with the ongoing restructuring of their financial balance sheets, following the sharp increase in their debt in the previous phase.

Some of the sources of uncertainty identified in last year's report have been partly dispelled, but the level of uncertainty remains very high. The world economy has circumvented the threat of a great global depression and international markets are once more expanding. That said, the magnitude of the challenge the economic and financial authorities have had to face, and

GROWTH AND INFLATION OUTLOOK FOR SPAIN

CHART 1



SOURCES: INE and Banco de España.

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

Latest data: 2009 Q4.

the scale of the economic policy responses adopted – and which must now, in part, be withdrawn – mean that the way forward cannot be said to be free of obstacles. In Spain's case, the intensity of the recession has been compounded by the strong deterioration in the labour market and the sharp worsening of the budgetary situation, which has necessitated the adoption of major measures, some still to be accurately defined, and whose effects, in any event, are difficult to quantify.

One habitual way of technically depicting the uncertainty surrounding macroeconomic projections is to calculate past forecasting errors and, on this basis, to show the bands around which each macroeconomic variable might trend to some degree of likelihood. This is the approach used in this report to illustrate the uncertainty surrounding the central scenario for the growth and inflation projections (see Chart 1).

In the balance of possible risks of deviation affecting these projections, no defined bias is discernible. Evidently, some of the assumptions on which they are based may not materialise, for instance if the world economy or certain key countries in the international arena are not capable of maintaining a sustained growth path or if further financial market instability or fragility should arise. A rise in commodities prices, in particular oil prices, would also hinder the return to a stable growth pattern. Likewise, fiscal adjustments in certain economies that were not deemed sufficient by agents could give rise to a fall-off in confidence and a bleaker economic outlook, with adverse effects on spending plans. Set against this group of risks, it should also be said that there may be positive surprises: indeed, revisions in recent months of world GDP and of international trade have been predominantly on the upside. It cannot be ruled out on the domestic front that the ongoing restructuring of private-sector balance sheets may exert a somewhat greater contractionary pressure on spending or that there may be an occasional distortion in the functioning of credit channels that might hamper the recovery. Conversely, the improvement in certain key indicators in recent quarters, such as confidence, competitiveness and productivity, and the improved consumer and investment spending figures in the second half of 2009 might lead to further dynamism in 2010, giving rise to a bigger cut in the household saving ratio, which should not be ruled out in light of the exceptional level of this ratio in 2009, and to the better performance of the external sector.

Economic policies may play a very important role in terms of potential upward deviations from the central scenario for these projections. In particular, the rigorous application of the Stability Programme and the introduction of far-reaching structural reforms in the labour market and to increase competition in the markets for goods and services would enhance the economic outlook, boosting agents' confidence, employment and competitiveness. Overall, the outcome would be greater economic dynamism.

Regarding inflation, no clearly defined upside or downside risks are discernible either. The slowness of the economic recovery warrants the containment of prices, even in the presence of a potential inflationary shock, as is the case of the rise in VAT. Wage restraint, which should be ensured by the multiannual agreement recently entered into by the social partners, would entrench such behaviour. Were the dynamics of economic activity to be different, that might affect price projections. But given the output gap that has built up and the high unemployment rate, a somewhat sharper increase in demand would seem unlikely to translate into far higher price rises than those projected here.

In sum, following the sharp contraction the Spanish economy underwent in 2009, the outlook for 2010 and 2011 is one of a scenario of slow recovery and improvement, albeit not one free of obstacles. On the one hand, an ongoing adjustment is required of certain imbalances that built up in the upturn, the reflection of which was a high level of private-sector debt, a heavy concentration of resources in the real estate sector and, as a corollary, a sizeable external deficit. These imbalances have been adjusting at differing speeds in the past two years, but their correction is not complete; accordingly, they will continue to check national demand to some extent over the projection horizon. On the other hand, the need to partially withdraw the stimuli and to bring public finances back onto a path of stability will affect growth possibilities in the short run, despite the expansionary role that the monetary policy stance may be expected to play in the projection horizon, given the containment also observable in euro area inflation. In any event, the pattern of slow exit from the recession described here might be quickened by the momentum provided by structural adjustments that allow greater use of the labour factor, increase productivity in the long run and promote productive investment.

The section following this summary explicitly sets out the external assumptions underlying the projections given in this report. Section 3 makes a detailed diagnosis of the outlook for the Spanish economy, and the final section analyses the main risks to the central scenario described.

External assumptions underlying the projections

The projections presented in this report have been prepared from a set of assumptions about the future course of a series of exogenous variables conditioning the expected path of the Spanish economy over the next two years.

In particular, assumptions about developments in exchange rates, interest rates, share prices and oil prices, which are made using procedures identical to those usually employed in the Eurosystem and ECB experts' projection exercises, are based on changes in the respective

INTERNATIONAL ENVIRONMENT AND MONETARY AND FINANCIAL CONDITIONS (*)

TABLE 1

Annual rates of change, unless otherwise indicated							Projection		Difference between current and March 2009 projections report	
	2004	2005	2006	2007	2008	2009	2010	2011	2009	2010
INTERNATIONAL ENVIRONMENT										
World output	5.3	5.3	4.9	5.0	2.9	-1.0	3.6	3.6	-0.4	1.6
Global markets	10.8	7.9	9.2	6.9	3.1	-11.3	7.0	5.3	-4.8	5.1
Spain's export markets (a)	8.3	6.6	8.3	6.5	2.9	-11.2	5.5	4.3	-6.5	4.3
Oil price in dollars (amount)	38.3	54.4	65.4	72.7	97.7	61.9	79.9	83.3	15.4	28.9
Competitors' export prices in euro (b)	-0.7	3.5	3.0	0.2	2.5	-3.8	2.5	1.6	-4.5	1.9
MONETARY AND FINANCIAL CONDITIONS										
Dollar/euro exchange rate (amount)	1.24	1.24	1.26	1.37	1.47	1.39	1.37	1.36	0.12	0.10
Short-term interest rate (3-month EURIBOR)	2.1	2.2	3.1	4.3	4.6	1.2	0.8	1.6	-0.4	-1.1
Long-term interest rate (10-year bond yield)	4.1	3.4	3.8	4.3	4.4	4.0	4.0	4.3	-0.3	-0.7

SOURCES: Banco de España and INE.
(*) Projection cut-off date: 12 March 2010.

Latest QNA data published: 2009 Q4.

a. Weighted according to their share in Spain's exports.
b. Weighted according to their share in Spain's exports, adjusted for the effect of third markets.

markets in the days immediately prior to 12 March, the cut-off date for gathering information for this report.[2] It is assumed that the euro exchange rate will remain constant over the projection period at the value observed in the spot markets in the reference period. This means that the average exchange rate against the dollar in 2010 and 2011 will depreciate by scarcely more than 2% compared with the average for 2009 (see Table 1). The short-term interest rate path, obtained from expectations implicit in futures markets about changes in the three-month EURIBOR, is relatively stable, with the result that this interest rate is expected to average 0.8% in 2010, 0.4 pp below the figure for 2009, and to rise to 1.6% in 2011. Long-term interest rates, measured on the basis of market expectations about Spanish ten-year government bond yields, are also relatively stable. This variable was 4% in 2009 and is expected to stand at 4% in 2010 and 4.3% in 2011. Oil prices, according to futures markets for this commodity, would be approximately $80 and $83 per barrel in 2010 and 2011, respectively. The level for 2010 would be 30% up on that of the previous year. Lastly, house prices which, together with share prices, are the other major determinant of household wealth, are expected to continue to move on a declining path over the projection period.

As regards credit conditions,[3] it is assumed that the margins on interest rates on business loans will remain approximately stable at their current levels, while those on loans to households will perform differently depending on the purpose of the loan (rising slightly in the case of consumer credit and declining modestly for mortgage loans). These levels are, however, higher than pre-crisis ones. Moreover, with the aid of the latest findings of the Bank Lending Sur-

2. In order to mitigate the possibility that the values of any of these variables are affected by volatility in the corresponding market on a specific trading day, the average of the values traded on the ten working days prior to the cut-off date for information was used. **3.** Here an estimate has been made of the future course of the margins separating the interest rates on financial intermediaries' loans to private agents and the rates on which the assumptions for future developments are formulated (three-month EURIBOR and ten-year government bond yields).

vey, it is estimated that, although there will be no further tightening of credit standards over the projection period, previous tightening will continue to exert some restraint on activity in 2010. The aim of incorporating these factors into the projection exercise is to contribute to determining the effects of the financial crisis, although the difficulties of measuring this impact on agents' spending must be acknowledged.

The developments in world markets for goods and services included in this exercise are those underlying the ECB's macroeconomic projections in its March 2010 *Monthly Bulletin*. This year, growth of global GDP and trade is expected to recover, led by the emerging economies. In 2011, it is estimated that the growth rates of these variables will not exceed those observed in 2010. On that basis, it is projected that Spanish export markets will grow 5.5% this year and 4.3% the next, in stark contrast to their decline by more than 11% in 2009. Finally, turning to fiscal policy (which, as mentioned above, is an important exogenous conditioning factor of the projections presented in this report), Box 1 describes how it is reflected in the projections of measures that have already been approved and in those included in the Stability Programme.

Outlook for the Spanish economy

The Spanish economy's GDP shrank by 3.6% in 2009, 0.6 pp worse than the figure projected in the March 2009 edition of this report (see Table 2). This deviation confirms the materialisation of the short-term downside risks indicated in those projections. The discrepancy between projected and actual growth was due to the more unfavourable performance of national demand – whose contribution to GDP growth was 0.8 pp less than projected in March 2009 – and, under this heading, household consumption fell almost 2 pp more than projected. In contrast, the contribution of net external demand to GDP growth was more than 0.3 pp higher than projected.

At the beginning of 2009, the Spanish economy underwent the most virulent phase of the recession, set against the continuing strong deterioration in the international financial environment dating back to autumn 2008. Under these circumstances, Spanish GDP posted its highest quarter-on-quarter decline in 2009 Q1, which even exceeded that foreseen in the previous projections report. Mounting uncertainty and the brisk, pronounced deterioration in the labour market prompted a sharp decline in household consumption. At the same time, the abrupt adjustment to world trade flows resulted in a very severe contraction of exports. From last spring, financial markets began to stabilise and trade flows ceased to decline, giving rise to a gradual improvement in agents' confidence and external demand. Ultimately, this eased the quarter-on-quarter pace of decline of the Spanish economy, and from Q2 the attendant rates were more in keeping with those set out in the previous projections report. Furthermore, demand-side government stimulus measures and, in particular, the Local Investment Fund and the Plan 2000E (assistance for new car purchases) contributed to tempering the declines in GDP. Given the continuation of the crisis which began in 2008, 2009 as a whole was marked by the deepest and longest recession of the Spanish economy in several decades and there were six consecutive quarters of negative quarter-on-quarter growth until 2009 Q4.

Spanish output is projected to recover slowly in 2010. Nonetheless, given that in comparison with the projections prepared one year ago, 2009 ended slightly more favourably than projected and developments in 2010 as a whole are also forecast to be slightly better, it is estimated that GDP will decline by 0.4%, an improvement of 0.6 pp on the March 2009 projection. This revision of the projection for 2010 tends to corroborate the view previously held that risks to growth for this year were predominantly on the upside. Expectations of a better performance by the external environment of the Spanish economy contributed to this slightly more favourable outlook. However, the strength of the recovery envisaged is modest, due firstly to the fact that so too is the improvement in the world economic outlook, which is also shrouded

As regards the fiscal policy assumptions, this year's projection exercise has several singular features, in light of the fiscal consolidation announced by the government that will signify the adoption of numerous measures on both the revenue and the public spending side. The exceptional nature of this consolidation process and its macroeconomic repercussions make it advisable to treat the fiscal policy measures in these projections with particular caution.

The projections published by the Directorate General Economics, Statistics and Research of the Banco de España in the last two years were based, as is customary, on the assumption that there would be no change in fiscal policy in the projection horizon. Accordingly, the projections took into account only those fiscal measures already approved, and did not factor in the effects of any possible future budget measures. However, considering its scope and the measures it includes, the fiscal consolidation process to be implemented in Spain in the coming years will be one of the main conditioning factors of macroeconomic performance. In this setting, it seems inappropriate to base the macroeconomic projections solely on fiscal measures that have already been approved, as this would signify excluding the impact of many of the measures announced which, though not yet fully defined or approved, are very likely to be introduced. For this reason it was decided, in this case, to include in the central projection scenario not only fiscal measures already approved, but also others which, although pending approval, are relatively well defined. However, there are still differences vis-à-vis the government's fiscal assumptions, essentially as a result of the differences in the macroeconomic scenario and of different underlying expenditure dynamics.

On 29 January 2010 the Spanish government presented a new Stability Programme Update (SPU). This includes significant budget consolidation up to 2013, by which time the overall general government deficit should stand at 3% of GDP, compared with 11.2% in 2009. The deficit reduction would amount to 1.6 pp of GDP in 2010, followed by 2.3 pp of GDP each year from 2010 to 2013. In line with the SPU, the deficit reduction would be essentially structural, as a result not only of the tax increases already introduced but also, and above all, of the public spending cuts envisaged in the programme. In particular, in addition to the moderation in spending envisaged in the State and regional government budgets for 2010, the SPU announced a further public spending cut for 2010 (the "Immediate Action Plan"). This measure, which amounts to 0.5% of GDP, has now been approved and includes a cut, without exceptions, in public-sector vacancies in 2010 to 10% of the replacement rate, together with the decision to make no new temporary hires. The SPU also includes an Austerity Plan for the period 2011-2013 and the Framework Agreements on the Sustainability of Public Finances with the regional and local governments that will signify further public spending cuts of 3.8 pp of GDP up to 2013. The breakdown of the spending cuts envisaged between 2009 and 2013 is as follows: employee compensation (-1.9% of GDP); inputs, transfers and other expenses (-1% of GDP); public investment (-0.9% of GDP); and subsidies (-0.5% of GDP).

For 2010, the fiscal assumptions used as a basis for these macroeconomic projections factor in, first, the contents of the State and the regional government budgets for 2010, which include the reversal of some of the previous years' measures (such as, for example, the bringing forward of tax refunds and, on the expenditure side, the State Local Investment Fund and the Special State Fund to Invigorate the Economy and Employment), together with the impact of the new measures adopted (including, in particular, elimination of the €400 tax credit on earned income, higher tax rates on saving, the VAT rate rise and the State Fund for Local Environmental Sustainability). They also include for 2010 the spending cuts deriving from the Immediate Action Plan, including the restriction announced in public-sector vacancies. For 2011, the fiscal assumptions incorporate the main guidelines of the above-mentioned Austerity Plan and Framework Agreements, which translate, inter alia, into significant cuts in public-sector employment and investment. The terms of the Government-Trade Union Agreement for the Public Sector are also taken into account over the two years, within the framework of the 2010-2012 social dialogue agreement signed in 2009 in connection with the setting of wage growth rates for public-sector employees. On the basis of these assumptions, the rate of growth of government consumption is projected to slow in nominal terms, to 2% in 2010 and 0.7% in 2011, in comparison with 5.3% in 2009. Likewise, public investment is expected to decline by around 15% in nominal terms, in 2010 and in 2011, after rising by 10.5% in 2009.

Given the magnitude of the fiscal adjustments factored into the macroeconomic and fiscal projections, these are highly dependent on the fulfilment of these assumptions. In this respect, it should be underlined that the public spending-cut targets of the central scenario are highly ambitious and are, in many cases, unprecedented. Moreover, public spending has traditionally shown a high level of inertia, which makes curbing its growth all the more difficult, especially considering that this depends largely on the regional and local governments. Accordingly, there are upside risks in terms of public spending and the government deficit that could be minimised if the measures were more clearly detailed.

in uncertainty. But, more crucially, the causes underlying this projection are more closely linked to the determinants of national demand. These include, most notably, the persistence of unfavourable labour market conditions, meaning that employment will continue to be destroyed, albeit at considerably lower rates than those seen in 2009, and that the unemployment rate will post a further slight rise in annual average terms. Furthermore, the prolonged adjustment of residential investment is not yet over, meaning that it will continue to weigh down growth in 2010, albeit to a much lesser extent than in 2009. It is also to be expected in 2010 that the

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

Annual rate of change in volume terms and as a % of GDP

							Projection		Difference between current and March 2009 projections report	
	2004	2005	2006	2007	2008	2009	2010	2011	2009	2010
GDP	3.3	3.6	4.0	3.6	0.9	-3.6	-0.4	0.8	-0.6	0.6
Private consumption	4.2	4.2	3.8	3.6	-0.6	-4.9	0.2	1.0	-1.8	0.6
Government consumption	6.3	5.5	4.6	5.5	5.5	3.8	1.2	-0.2	0.3	-0.9
Gross fixed capital formation	5.1	7.0	7.2	4.6	-4.4	-15.3	-9.8	-3.5	-0.2	0.5
Investment in capital goods	*5.1*	*9.2*	*9.9*	*9.0*	*-1.8*	*-23.1*	*-3.2*	*1.1*	*1.2*	*9.4*
Investment in construction	*5.4*	*6.1*	*6.0*	*3.2*	*-5.5*	*-11.2*	*-12.7*	*-7.2*	*1.7*	*-1.1*
Exports of goods and services	4.2	2.5	6.7	6.6	-1.0	-11.5	5.0	4.8	-2.6	2.1
Imports of goods and services	9.6	7.7	10.2	8.0	-4.9	-17.9	-1.5	0.7	-2.8	1.1
National demand (contribution to growth)	4.9	5.3	5.5	4.4	-0.5	-6.4	-1.9	-0.3	-0.8	0.5
Net external demand (contribution to growth)	-1.7	-1.7	-1.4	-0.9	1.4	2.8	1.6	1.0	0.3	0.2
Private consumption deflator	3.6	3.4	3.6	3.2	3.7	-0.6	1.1	1.1	-0.8	-0.4
Unit labour costs	2.4	3.3	3.3	3.8	4.6	0.4	-0.8	0.3	-0.4	-2.3
Compensation per employee	3.0	3.7	4.0	4.5	6.1	3.7	1.5	1.4	0.6	-1.2
Apparent labour productivity	0.6	0.4	0.7	0.7	1.5	3.3	2.3	1.1	1.0	1.1
Employment (equivalent jobs)	2.7	3.2	3.3	2.8	-0.6	-6.7	-2.6	-0.3	-1.5	-0.5
Unemployment rate (% of labour force)	10.6	9.2	8.5	8.3	11.3	18.0	19.4	19.7	0.9	0.0
Saving ratio of households and NPISHs	11.3	11.3	11.1	10.6	12.9	18.3	16.6	15.6	2.1	0.0
Nation's net lending (+) / net borrowing (–) (% of GDP)	-4.8	-6.5	-8.4	-9.6	-9.1	-4.6	-3.6	-2.9	0.7	0.8
General government net lending (+) / net borrowing (–) (% of GDP)	-0.4	1.0	2.0	1.9	-4.1	-11.2	-10.2	-8.9	-2.9	-1.5

SOURCES: Banco de España and INE.
(*) Projection cut-off date: 12 March 2010.

Latest QNA data: 2009 Q4.

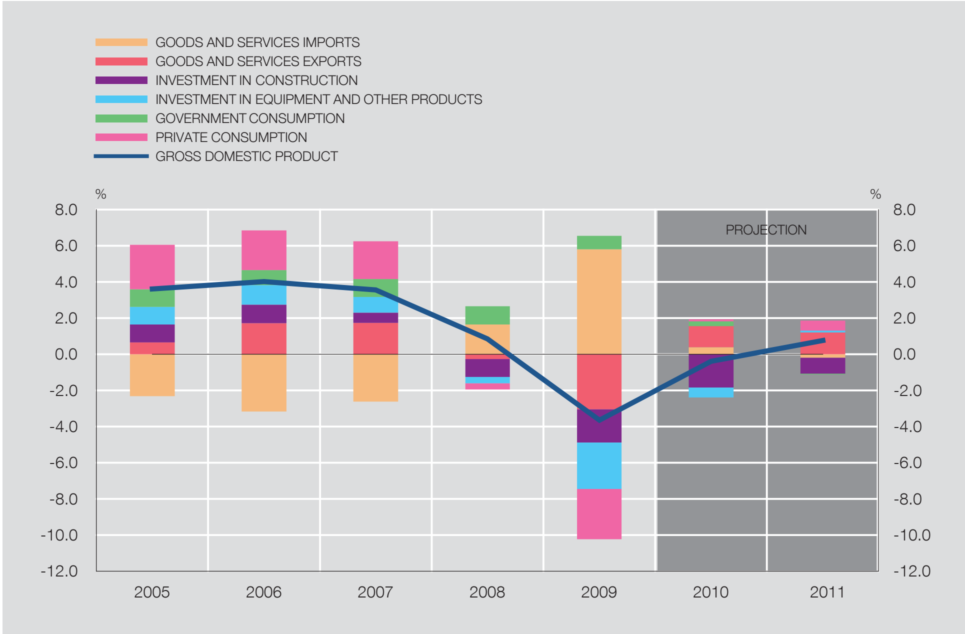
ongoing adjustment of private agents' financial position will continue, given the high levels of debt attained. Lastly, the impaired creditworthiness of certain borrowers, with the subsequent increase in doubtful asset ratios, will influence institutions' lending policies.

The fall in output in 2010 is the outcome of the expected declines in the various components of gross fixed capital formation (see Chart 2). Specifically, investment in construction in 2010 is expected to make a negative contribution of almost 2 pp to output growth, split in practically equal portions between the residential component and that of other construction (see Chart 3). As regards investment in housing, an annual average fall of somewhat more than 15% is foreseen, given that the number of housing starts in each quarter in 2010 is expected to be below the number of finished houses. However, the gap between the paths of both variables will tend to close over the course of the year, whereby the decline in investment in housing will also tend to ease off. Weighing down investment in other construction in 2010 will be the portion of the attendant demand by general government. Specifically, the temporary fiscal stimuli relating to this construction investment component will be initially lower compared with 2009 (as the State Local Investment Fund from last year will be replaced by the State Fund for Local Environmental Sustainability, the overall amount of which is lower) and will subsequently disappear. Adding to this will be the cut in public investment announced in the Stability Programme.

Investment in equipment and in other products is expected to post negative growth rates in 2010, although these will be appreciably lower than those observed in 2009. The weakness

CONTRIBUTIONS TO GDP GROWTH

CHART 2

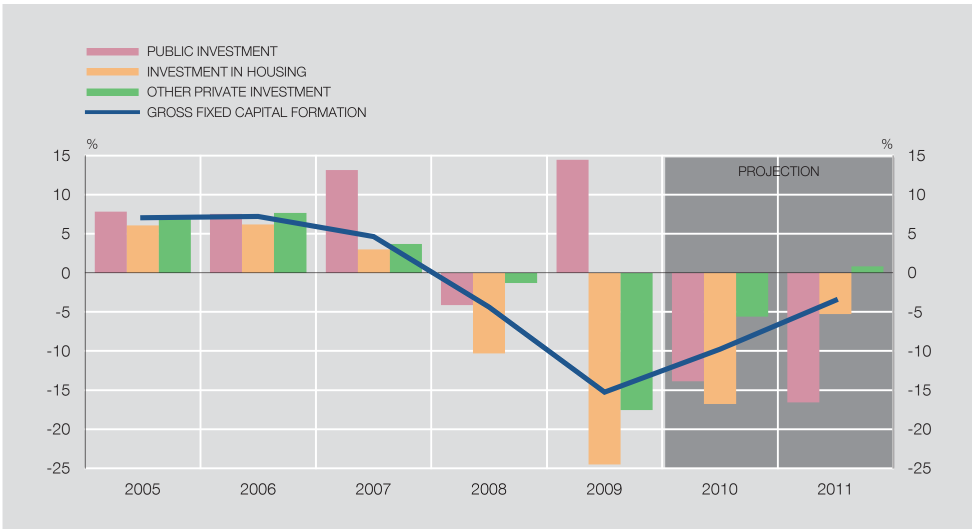


SOURCES: INE and Banco de España.

Latest data: 2009 Q4.

BREAKDOWN OF INVESTMENT
Rates of change in real terms

CHART 3



SOURCES: INE and Banco de España.

Latest data: 2009 Q4.

of these demand components of investment, undertaken mainly by private companies, is due to the continuing slackness of demand (mainly national demand), in a setting in which non-financial corporations have the possibility of expanding their output without increasing their capacity, as capacity utilisation is close to its historical lows. In addition, one factor that may have a negative bearing on decisions to embark on new investment projects may be companies' wish to improve their financial position through the reduction of their current high levels of debt.

In the central scenario, private consumption is estimated to grow by 0.2% in 2010, following its strong rate of decline last year. The more favourable performance of this aggregate demand component is due essentially to improved household confidence, the far-reaching deterioration in which in 2009 raised the saving ratio to an all-time high since records began. The gradual reversal of this loss of confidence, which has become patent since last spring as uncertainty has gradually abated, will mean that the saving ratio will begin to turn downwards in 2010. Nonetheless, the projected recovery in private consumption is a modest one, owing to several reasons. First, disposable income in real terms is expected to undergo a relatively marked decline in 2010. In part, this reduction is due to the fact that the behaviour of employment will continue making a negative contribution to income growth, albeit one considerably lower in absolute terms than that observed in 2009. Further, the contribution of other sources of income that had contributed to sustaining household income in 2009 will diminish. This is the case of interest income and, especially, of the general government contribution via benefits and taxes. Second, the fall in the value of household wealth, households' wish to lower their high debt and uncertainty over the extent of the improvement in the labour market in the medium term will also mean that the recovery in household spending will be modest. Finally, the expected growth in population over the projection horizon is significantly lower than that recorded in recent years, which is a further factor substantiating the lacklustre nature of the recovery in this demand component. All told, the strength of the pick-up in private consumption in 2010 is one of the factors of the current projections that is most shrouded in uncertainty.

Of significance for the path of private consumption in 2010 is the rise in VAT which will take place on 1 July this year, and which forms part of the drive needed to push fiscal consolidation through. The Spanish economy's experience in the face of previous rises in this tax (such as those in the 1990s) and similar recent rises in other countries (Germany, in January 2007) suggest that agents tend to bring forward certain types of expenditure – in particular that on durable goods purchases – so as to avoid this tax increase. Set against this, in the months following such rises, a moderation in consumption is usually discernible, as a result of household decisions being brought forward. This pattern would feed through in 2010 to projected private consumption, which might rise temporarily during Q2, although this would be offset by greater slackness in Q3. In addition to this effect, continuing demand weakness suggests that the impact of the VAT rise on prices and, therefore, on household purchasing power will be limited.

Export growth will benefit from some improvement in external competitiveness and from the pick-up in foreign markets, although this is not expected to be sufficiently robust as to make up for the heavy decline in 2009. The positive contribution of the net external balance to GDP growth will diminish compared with 2009 since it is expected that the growth rate of imports, whose weight in GDP exceeds that of exports, will improve on a similar scale to that of exports.

Spanish GDP in 2011 is expected to return to a positive annual average growth rate. It will do so in a setting which will see the accentuation of some of the characteristics shown by its demand components in 2010. In particular, the strengthening of household consumption and the fall-off in various items of gross fixed capital formation will both continue over the coming year, although the improvement in investment in other construction is expected to be less. These developments will be in light of the greater intensity of the budgetary consolidation process, which would translate into a fall in government consumption. The contribution of net exports is expected to diminish once again, in step with the greater robustness of imports that will accompany firmer final demand.

If no structural reforms are undertaken, the decline in activity in 2010 and the moderate increase in 2011 will result in a further drop in employment in both years, although in annual average terms the rate of job destruction should be very small in 2011 and should decrease as the year progresses, so that by the second half of the year the Spanish economy should once again be generating employment. Moreover, this improvement in employment towards the end of the projection horizon should be more noticeable in the market economy, in light of the commitment to cut the public-sector workforce that forms part of the budget consolidation programme. The accelerating trend of apparent labour productivity, linked largely to adjustment in the residential building sector, seemingly peaked in 2009, and is expected to gradually lose momentum, to reach 2.3% in 2010 and 1.1% in 2011. The rate of growth of compensation per employee should also slow very significantly in 2010 (to 1.5%), becoming virtually flat in 2011 (1.4%), in line with the multiannual collective bargaining agreement signed by the social partners in February and the low salary increases in general government. In comparison with 2009, compensation per employee, and the increased ease of application of opt-out clauses, would thus be much more consistent with the severity of the recession, laying the foundations for enhanced competitiveness.

Specifically, the private consumption deflator is expected to rise by around 1% in 2010 and again in 2011, although the unwinding of the year-on-year impact of the VAT increase should bring the inflation rate down below 1% again in the second half of 2011. This estimate is based on past experience of indirect tax increases, in Spain and in other countries, bearing in mind that they will be passed through differently to different kinds of goods, according to factors such as the level of competitiveness in the respective markets and consumer preference, and that the most impact will be seen in energy goods. Moreover, this projection envisages a lower level of pass-through than in similar cases in the past, as a result of demand weakness. This factor also explains the high degree of moderation attributed to the inflationary pressure factored into the projection, after discounting the impact of the VAT rate rise. In fact, the sharp cumulative decrease in household spending will prompt Spanish firms to contain their margins and their unit labour costs, holding their prices at moderate levels, throughout the projection horizon. And this in a setting in which, in contrast to 2009, energy and food prices, which are much more vulnerable than other prices to international market fluctuations, will drive up inflation, and in which the euro exchange rate is expected to depreciate.

As domestic demand slowly and sluggishly firms, as envisaged in these projections, the nation's net borrowing will continue to decline, albeit at a slower pace than in 2009. It is estimated that net borrowing will fall by up to a further 2 pp over the two-year projection horizon, to 2.9% of GDP in 2011, almost 7 pp lower than the high recorded in 2007. This improvement expected in the projection period is essentially due to the sharp fall in the goods trade deficit, although the services balance (especially non-tourism services) is also expected to make a significant contribution. In contrast, the deficit on net current transfers and income is expected to grow. By 2011, the income deficit, which has risen notably over the past decade as external debt has risen, is expected to stand not far short of the nation's net borrowing, meaning that, in terms of size, the external deficit would match the net interest burden associated with the net liabilities accumulated in the past.

The nation's net borrowing should improve as a result of the cut in the budget deficit, while households' net lending capacity should remain relatively high, following the sharp turnaround in 2009, and firms should record limited net borrowing, also following the major adjustment in 2009. In recent quarters, financing raised by households and firms has decelerated sharply, with a decline in outstanding credit levels at end-2009, especially in the case of loans to non-financial corporations and to households for consumer goods purchases. The relative weight of the different factors that underpin this credit contraction is not readily discernible, but the lower net borrowing deriving from the sluggishness in activity has clearly played a significant role, as have tighter credit standards, in light of the higher risk perception.

Nonetheless, the considerable slowdown in households' and firms' income in the current phase of the cycle has meant that debt ratios have fallen only marginally. In this respect, the moderate increase in private expenditure envisaged in these projections would be consistent with the continued deleveraging of the private sector that is essential to lay the foundations for future growth. Even so, tight credit standards that would have most impact on the agents most dependent on bank credit, such as households and SMEs, cannot be ruled out.

The general government sector posted a deficit of 11.2% of GDP at the close of 2009, more than 7 pp worse than the previous year and substantially worse than initially projected. This considerable increase is due to a variety of factors, including most notably: the sharp drop in revenue, which had a substantial transitory component, linked above all to the property boom; the operation of the automatic stabilisers; the various discretionary measures adopted to soften the effects of the crisis on demand, and the tendency of public expenditure not linked to the economic cycle to outgrow the trend GDP of the economy. The fiscal projections, based on the assumptions discussed in detail in Box 1, point to a deficit reduction of 1 pp of GDP in 2010 and of a further 1.2 pp in 2011, in a setting in which GDP growth is expected to remain subdued. Lastly, the public debt ratio is expected to climb to 66% of GDP in 2010 and to 75% in 2011.

Risks to the projections

The projections presented in this report outline a gradual recovery in activity in 2010 and 2011, due to a gradual gain in momentum in private sector expenditure plans, a positive contribution from external demand and a sharp contraction in government consumption and investment demand. Growth will remain negative in 2010 as a whole, even though the rate of growth of GDP should be positive in almost all quarters, while in 2011 GDP should gradually move towards its long-term trend rate, even though the output gap will remain negative.

Although most of the main industrialised countries have now come out of recession, the level of uncertainty surrounding these projections remains high. The risks are probably quite evenly balanced, despite the large number of potential sources of uncertainty. There are doubts about how sound the international economic recovery may be and about how long it may take to resume pre-crisis activity and trade levels, but these factors reflect both upside and downside risks. Similarly, the exceptional expansionary stance of economic policies worldwide may have further – and so far unforeseen – positive effects on activity, although the necessary withdrawal of these stimulus measures may also affect the recovery. In Spain, despite the severity of the crisis and the pressing need for adjustment in private expenditure, both consumer and business confidence indicators have picked up in recent quarters. In this respect, the planned fiscal consolidation may help boost the credibility of the macroeconomic stability framework and enhance the economic outlook to a greater extent than is factored into these projections.

As regards inflation, the risks are also evenly balanced. Inflation, as is known, is very sensitive to fluctuations in the price of oil and other commodities. Although these projections are based on the price of oil futures during the first half of March, which headed upward, the possibility that firmer global economic growth may prompt renewed tension in demand on the crude oil market and price rises cannot be ruled out. Increases in certain indirect taxes, such as excise duties, are also an option for authorities looking to shore up their fiscal consolidation plans, and this is another upside risk to inflation. The projections continue to reflect the dampening effect that the weakness of spending has had on the price-setting process in recent quarters, in line with the greater sensitivity consumer prices have been showing in recent months to more fragile demand. But it remains in doubt whether this increased sensitivity is due to cyclical changes, in which case a recovery in demand could lead to renewed inflationary pressures, or whether it also includes structural elements.

17.3.2010.

RESULTS OF NON-FINANCIAL CORPORATIONS TO 2009 Q4 AND SUMMARY YEAR-END DATA

Results of non-financial corporations to 2009 Q4 and summary year-end data

Overview[1]

The information gathered by the Central Balance Sheet Data Office Quarterly Survey (CBQ) to 2009 Q4 represents the preliminary results of changes in the year as a whole experienced by non-financial corporations. These preliminary results will be finalised, in November 2010, with the dissemination of the results of the Central Balance Sheet Data Office Annual Survey (CBA), which includes a broader sample of corporations and provides more detailed information. The quarterly data provided by the CBQ confirms the sharp contraction in the rate of productive activity of non-financial corporations in 2009, reflected in the drop of 9.5% in their gross value added (GVA), in comparison with a decline of 3.1% in 2008 (see Table 1 and Chart 1). This negative performance extended across all sectors of activity, but it was especially severe in the industrial sector, where GVA fell by 24.6% as a result of the decline in investment in capital goods and in the sub-sectors most closely linked to construction. GVA in the energy sector also fell very significantly in 2009 (-11.6%), in this case as a result of the decline both in electricity demand and crude oil prices and of the narrowing of margins at the refining companies. However, the rates of decline of activity in 2009 are less negative than those analysed in the previous article on the results of non-financial corporations of the first three quarters of the year, due to the marginal improvement in GVA in 2009 Q4.

Personnel costs headed down throughout 2009, falling by 1.6%, in comparison with the increase of 3.5% recorded in 2008 (see Table 2.A). This decline in personnel costs is due to the moderation in growth of average compensation, and especially to the decrease in the average number of employees, which declined by 2.7% in 2009. This was a widespread decrease, across all sectors of activity and affecting corporations of all sizes, although, as in the case of productive activity, the sharpest cuts in the average number of employees were in the industrial sector (-6.1%). Temporary employment bore the brunt of this workforce restructuring, falling by 15.1%, while permanent employment declined by just 0.4%. In turn, average compensation continued to grow moderately, at a rate of 1.1%, in 2009, clearly below the 2008 figure (2.9%). This containment of wage costs was also widespread across all sectors of activity and corporations of all sizes in the sample, against a backdrop of lower wage increases in collective bargaining agreements that have begun to reflect the climate of low inflation rates and labour demand.

The decline in personnel costs was not sufficient to offset the sharp contraction in productive activity. Accordingly, gross operating profit (GOP) fell at a rate of 15.9% in 2009, the highest rate of decline recorded in the entire quarterly series. Once again this performance was widespread across all sectors of activity and affected corporations of all sizes in the CBQ sample, although, as in the case of productive activity, GOP recorded a positive performance in 2009 Q4, after falling during the first three quarters of the year.

Financial costs and revenue both declined in 2009, as a result of the interest rate cuts. In the case of financial revenue, which fell by 10.4%, the increase in the dividends received from (mainly foreign) subsidiaries (5.5%) was insufficient to offset the impact of lower interest rates on the interest received. The decline in financial costs, which was even more acute (–28.7% in the year as a whole), was due purely to the above-mentioned lower interest rates, as debt levels remained virtually unchanged, against a backdrop of sluggish investment. The com-

1. The information which serves as a basis for this article is that sent by the 730 corporations which, on average, have reported their data to the Central Balance Sheet Data Office to 15 March 2010. The GVA generated by this aggregate accounts for 11.6% of the total GVA of non-financial corporations for said period.

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

TABLE 1

	CBA STRUCTURE	CBA		CBQ (a)		
DATABASES	2008	2007	2008	07 Q1-Q4/ 06 Q1-Q4	08 Q1-Q4/ 07 Q1-Q4	09 Q1-Q4/ 08 Q1-Q4
Number of corporations		9.243	8.206	846	814	730
Total national coverage		33,7%	27,8%	14,3%	13,0%	11,6%
PROFIT AND LOSS ACCOUNT						
1 VALUE OF OUTPUT (including subsidies)	100.0	8.0	0.1	6.4	0.7	-14.2
Of which:						
— Net amount of turnover and other operating income	*147.3*	*5.9*	*1.4*	*4.0*	*0.1*	*-14.4*
2 INPUTS (including taxes)	67.4	8.7	1.6	7.1	2.7	-16.6
Of which:						
— Net purchases	*95.0*	*4.4*	*1.1*	*4.6*	*0.5*	*-24.7*
— Other operating costs	*21.2*	*8.9*	*1.4*	*7.8*	*5.2*	*-4.8*
S.1 GROSS VALUE ADDED AT FACTOR COST [1 – 2]	32.6	6.4	-2.9	5.0	-3.1	-9.5
3 Personnel costs	18.0	6.9	3.4	4.7	3.5	-1.6
S.2 GROSS OPERATING PROFIT [S.1 – 3]	14.6	5.9	-9.7	5.2	-7.9	-15.9
4 Financial revenue	5.9	19.4	9.5	34.6	11.7	-10.4
5 Financial costs	5.1	38.1	14.8	37.8	18.7	-28.7
6 Net depreciation, impairment and operating provisions	6.4	-0.2	15.0	-0.9	16.6	-5.4
S.3 ORDINARY NET PROFIT [S.2 + 4 – 5 – 6]	8.9	4.2	-22.4	9.0	-24.2	-10.3
7 Gains (losses) from disposals and impairment (c)	-2.1	-34.2	(b)	-5.9	(b)	(b)
7' As a percentage of GVA (7/S.1)		2.7	-6.4	11.8	-9.5	6.1
8. Changes in fair value and other gains (losses) (c)	-1.1	39.1	-51.2	-15.9	(b)	(b)
8' As a percentage of GVA (8/S.1)		-1.6	-3.4	-8.9	-3.1	-1.0
9 Corporate income tax	0.7	-15.3	-66.1	-29.0	-88.8	-2.6
S.4 NET PROFIT [S.3 + 7 – 8]	4.9	8.6	-47.3	12.3	-50.8	11.9
S.4'. As a percentage of GVA (S.4/S.1)		25.5	15.1	38.1	16.8	20.8
PROFIT RATIOS						
R.1 Ordinary return on investment (before taxes)	(S.3 + 5.1) / PN	8.9	7.6	8.9	7.2	6.1
R.2 Interest on borrowed funds/interest-bearing borrowing	5.1 / RAC	4.8	5.0	4.5	5.1	3.4
R.3 Ordinary return on equity (before taxes)	S.3 / PN	12.5	9.9	13.0	9.1	8.4
R.4 ROI – cost of debt (R.1 – R.2)	R.1 – R.2	4.1	2.6	4.4	2.1	2.7

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

bined performance of financial costs and revenue had a positive impact on the profit and loss account, owing to the marginal increase in dividends, mentioned earlier, and the heightening of the impact of lower interest rates on financial costs. Lastly, net depreciation and operating provisions fell at a rate of 5.4% in 2009, in contrast to the extraordinary rate of growth recorded in 2008, when the real estate sector companies corrected the overvaluation of their stocks, making high provisions for the depreciation in value of their commercial property. The decline in this item in 2009, together with the above-mentioned behaviour of financial costs and revenue, moderated the negative performance of gross operating profit (GOP), resulting in a drop of 10.3% in ordinary net profit (ONP). This decrease in ONP was also widespread across all the sample sectors, save in “Other activities” where the increase in dividends received by the holding companies and the decline in real estate sector provisions were more significant. The scale of these operations also explains why the GOP performance at larger

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	8,206	—
	CBQ	830	811	829	846	814	730
% of GDP of the sector	CBA	32	33	34	34	28	—
non-financial corporations	CBQ	14.9	14.6	14.4	14.3	13.0	11.6

SOURCE: Banco de España.

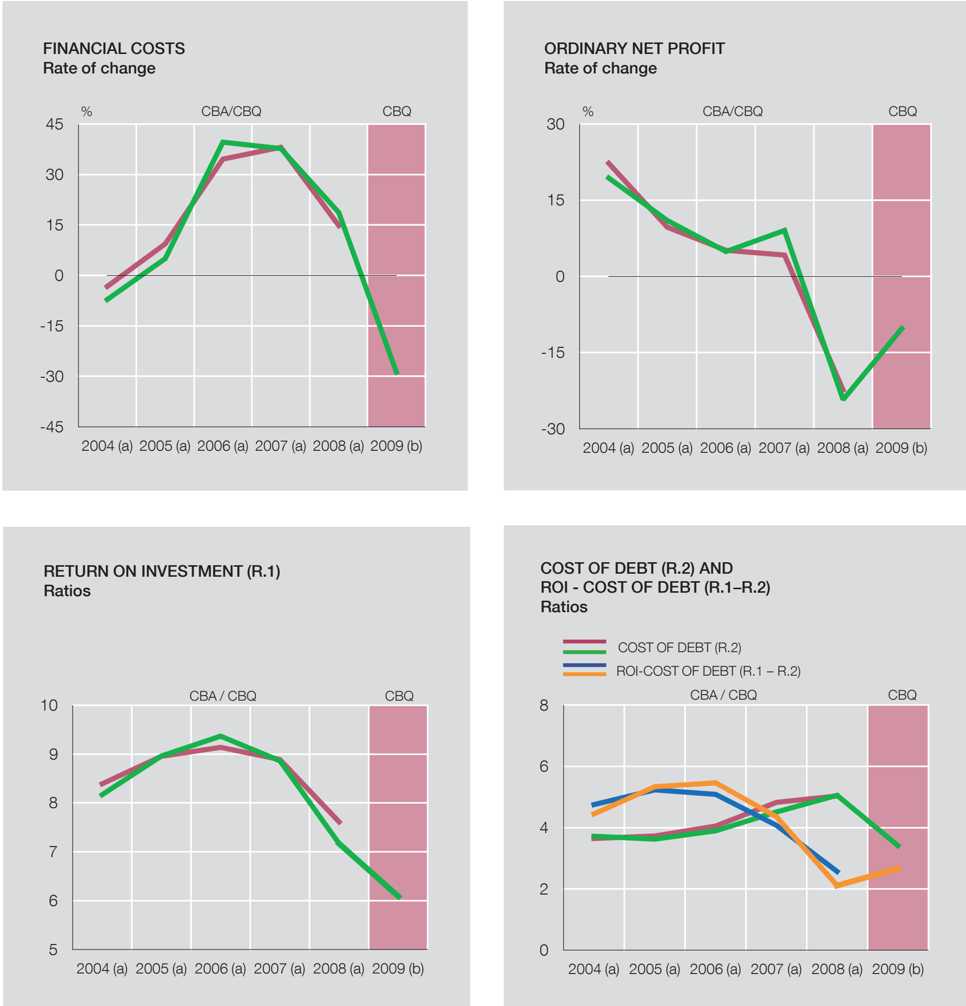
a. 2004, 2005, 2006, 2007 and 2008 data drawn from corporations reporting to the annual survey (CBA), and average data of the four quarters of each year in relation to the previous year (CBQ).
b. Average of the first four quarters of 2009 relative to the same period in 2008.

sample firms was much less negative than at their medium-sized peers. Lastly, as indicated earlier in connection with the quarterly profile of GVA, it should be noted that ONP posted positive growth rates in most of the sectors analysed in 2009 Q4.

ONP and financial costs combined (the numerator used to calculate ROI) headed down throughout 2009, prompting a worsening of the ratios measuring corporate profitability. Thus, return on investment (R.1) stood at 6.1%, slightly more than 1 pp below the figure a year earlier (7.2%), and return on equity (R.3) at 8.4% in 2009, below the 2008 figure of 9.1%. In turn, the ratio that measures the cost of debt (R.2) fell in 2009 as a result of the interest rate cuts, standing at 3.4%, slightly more than 1.5 pp below the 2008 figure (5.1%). This decrease in the

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

CHART 1



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% of GDP of the sector non-financial corporations	CBA	32	33	34	34	28	—
	CBQ	14.9	14.6	14.4	14.3	13.0	11.6

cost of debt offset the decline in returns, meaning that the ratio that measures the difference between ROI and the cost of debt remained positive in 2009 at 2.7, slightly higher than the 2008 figure (2.1). By sector of activity, the poor performance of the industrial sector was notable, as this ratio was negative in 2009 (–0.9), reflecting the severity of the deterioration in productive activity and surpluses at industrial firms. By contrast, both the wholesale and retail trade and accommodation and food service activities, and the information and communication aggregates improved slightly in 2009, in comparison with a year earlier.

Lastly, an analysis of extraordinary items in 2009 underlines a sharp reduction in extraordinary costs, mainly due to the strong depreciation of financial assets in 2008 owing to the drop in share prices. Also, in 2009 extraordinary revenue was posted as a result of realised gains (on the sale of financial assets) and of unrealised gains (from the recovery in value of large corpora-

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)	
	2007	2008	08 Q1 -Q4	09 Q1 -Q4	2007	2008	08 Q1 -Q4	09 Q1 -Q4	2007	2008	08 Q1 -Q4	09 Q1 -Q4	2007	2008	08 Q1 -Q4	09 Q1 -Q4
Total	6.4	-2.9	-3.1	-9.5	3.1	0.6	0.6	-2.7	6.9	3.4	3.5	-1.6	3.7	2.8	2.9	1.1
SIZE:																
Small	3.4	-8.6	—	—	-0.4	-3.7	—	—	5.0	2.1	—	—	5.4	6.1	—	—
Medium	6.0	-3.5	-1.0	-14.3	1.8	-1.1	-2.2	-5.9	6.7	4.0	2.5	-5.1	4.8	5.2	4.8	0.9
Large	6.6	-2.7	-3.2	-9.3	3.4	1.0	0.8	-2.5	7.0	3.4	3.6	-1.5	3.5	2.4	2.7	1.1
BREAKDOWN BY ACTIVITY:																
Energy	2.7	3.0	2.2	-11.6	2.4	3.5	2.2	-0.1	5.9	6.0	4.4	1.3	3.4	2.4	2.1	1.4
Industry	8.3	-9.8	-12.9	-24.6	0.4	-1.7	-1.0	-6.1	4.2	1.3	1.2	-6.9	3.8	3.1	2.3	-0.9
Wholesale & retail trade and accommodation & food service activities	7.0	-1.5	-4.4	-6.1	4.0	0.9	2.0	-4.3	7.2	3.5	4.3	-4.9	3.1	2.6	2.3	-0.7
Information and communication	7.6	0.4	-1.0	-5.9	0.5	-0.3	-2.6	-0.7	4.8	1.9	0.0	1.1	4.3	2.2	2.7	1.8
Other activities	5.6	-2.8	-2.8	-4.9	4.4	1.2	1.1	-0.6	9.4	4.5	5.2	1.2	4.8	3.3	4.1	1.8

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 - Q4	CORPORATIONS INCREASING (OR NOT CHANGING) STAFF LEVELS	CORPORATIONS REDUCING STAFF LEVELS
Number of corporations		730	294	436
PERSONNEL COSTS:				
Initial situation 08 Q1-Q4 (€m)		28,433.2	10,805.4	17,627.8
Rate 09 Q1-Q4/ 08 Q1-Q4		-1.6	5.1	-5.8
AVERAGE COMPENSATION:				
Initial situation 08 Q1-Q4		44,575.0	47,000.4	43,208.3
Rate 09 Q1-Q4/ 08 Q1-Q4		1.1	-0.6	1.9
NUMBER OF EMPLOYEES:				
Initial situation 08 Q1-Q4 (000s)		638	230	408
Rate 09 Q1-Q4/ 08 Q1-Q4		-2.7	5.8	-7.5
Permanent	Initial situation 08 Q1-Q4 (000s)	538	192	346
	Rate 09 Q1-Q4/ 08 Q1-Q4	-0.4	4.0	-2.8
Non-permanent	Initial situation 08 Q1-Q4 (000s)	100	38	62
	Rate 09 Q1-Q4/ 08 Q1-Q4	-15.1	14.8	-33.2

SOURCE: Banco de España.

tions' share portfolios, for which provisions had been recorded previously in 2008). Extraordinary items had a completely mixed impact in 2008 and 2009, prompting an increase in net profit which grew by 11.9% in 2009 and accounted for 20.8% of GVA, far below its all-time high of 38.1% in 2007. However, this increase centred on certain large corporations in the sample, where extraordinary items had a greater impact in 2008 and 2009.

In short, in 2009 there was a widespread sharp contraction in the productive activity of non-financial corporations, which notably hampered their capacity to generate surpluses and create employment. At the same time, corporations adjusted both wage and financial costs, boosted by a backdrop of smaller price rises, lower interest rates and more stable debt levels. However, profitability levels continued to fall throughout 2009. Finally, the completely mixed impact of extraordinary items in the last two years triggered a recovery in profit in 2009 with respect to 2008, although profit levels remained notably lower than in 2007.

Activity

The productive activity of non-financial corporations experienced a severe contraction in 2009, prompting a strong deterioration of 9.5% in GVA, which was higher than the decline of 3.1% in 2008. This contraction of activity is particularly noticeable when analysing the main GVA items: output and inputs fell considerably in 2009 by 14.2% and 16.6%, respectively. However, the Q4 data show a moderately positive change in GVA which slightly softens the decline recorded for the year as a whole. External activity's positive contribution to GDP continued throughout the year thanks to the rise in net external demand, although this was because of a sharper slowdown in imports than exports throughout the period (see Table 3).

By sector, the contraction of activity in 2009 as a whole affected all aggregates across the board. Nevertheless, the industrial sector continued to experience the sharpest adjustment of productive activity. Its GVA posted a decline of 24.6% for 2009 as a whole, nearly double that for 2008 (a negative rate of 12.9%), as a result of the impact of worsening capital goods investment and of the decline in the industrial sub-sectors most closely linked to construction. Also, the energy sector's GVA decreased significantly by 11.6% in 2009 (it had risen by 2.2% the previous year) mainly due to the performance of oil refining firms and utility companies (electricity, gas and water). In the case of the former, GVA fell by 50.4% due to the contraction of surpluses at refining companies in view of sharp falls in oil prices compared with their average level in the previous year (see Chart 2). In 2009 utility companies' GVA also experienced a decline, albeit more moderate, of 6.2%, mainly as a result of the fall-off in demand in this period (according to sources at Red Eléctrica, electricity demand fell 4.3% in 2009). In turn, the GVA of corporations in the wholesale and retail trade and accommodation and food service activities sector and that of information and communication firms reflected similar declines in 2009 of approximately 6% which were sharper than those posted a year earlier (-4.4% and -1%, respectively) and were due to weak consumption in that year. Lastly, the GVA of the "Other activities" aggregate (which includes construction and real estate firms) posted a decline of 4.9% in 2009, down on the more moderate decrease of 2.8% in the previous year.

Chart 3 analyses the distribution of firms on the basis of changes in their GVA, irrespective of their size or sector of activity. The main conclusion to be drawn from this chart is that in 2009 the percentage of firms with GVA declines increased very significantly (up 61.4% compared with 49.1% in 2008) and, especially, in the segment with reductions in GVA of more than 20%, which grew by more than 10 pp from 24.2% in 2008 to 34.5% in 2009.

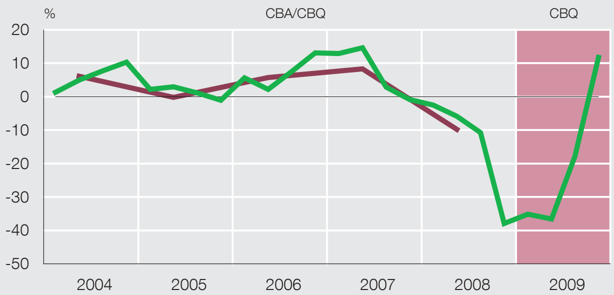
Employment and personnel costs

In 2009 personnel costs decreased by 1.6%, in contrast with the increase of 3.5% posted a year earlier, owing to the more restrained growth rate of average compensation and, in particular, to the workforce reductions at corporations throughout the year.

The productive activity of CBQ industrial firms contracted sharply in 2009 as shown by the rate of change in their GVA which fell by 24.6% in the year, the largest decline in this variable posted by the industrial sector in the entire quarterly series. However, as with the total for the sample firms, a slight improvement was seen in 2009 Q4 that softened to a certain extent the decline posted for the year as a whole. The worsening of industrial activity affected nearly all the sub-sectors, reflecting the decline in capital goods investment and the negative developments in some industrial sub-sectors more closely linked to the construction business. A noteworthy exception is the manufacture of transport equipment sub-sector, the only one to have experienced GVA growth in 2009 (7.3%), mainly due to the Government's plans to boost automobile sales which have invigorated activity in this sector in recent months. The external activity of the industrial firms aggregate was marked by the strong decline in imports and exports, although the sharper drop in imports meant that net external demand (exports less imports) remained positive for the year as a whole (see Table 3). In 2009 personnel costs decreased sharply by 6.9%, in contrast to 1.2% growth the previous year. This change is the result, on the one hand, of the strong decrease in employment, in keeping with the downturn in productive activity, which triggered a 6.1% decline in the average number of employees, and, on the other, the trajectory of average compensation, which in the year as a whole slipped 0.9%. In any event, the reduction in personnel costs was not sufficient to avoid the worsening of productive activity from passing through to gross operating profit (GOP), which also clearly deteriorated to a rate of –51.7%. Also, in 2009 ordinary net profit posted a similar decrease of 57.6%, notwithstanding the positive change in financial costs and revenues in 2009; the former fell by 21.7% and the latter rose by 9.5%. Against this backdrop, ordinary profitability levels continued to fall, in the case of the return on investment to 2.9%, which was considerably lower than the figure of 5.1% posted in 2008. The return on equity was 2.1%, more than 3 pp lower than its value a year earlier. The financial cost also headed downwards from 5% in 2008 to 3.8% in 2009, and partially offset the decrease in returns; however, it was not sufficient to avoid the difference between the two ratios (the return on investment and the cost of borrowing) posting a negative value (-0.9), which has not been recorded for this aggregate in the CBQ since 1996. This figure sums up the difficult situation facing the industrial sector during 2009, when the contraction of its productive activity seriously hampered its capacity to generate profit and employment and, as a result, to maintain previous years' profitability levels.

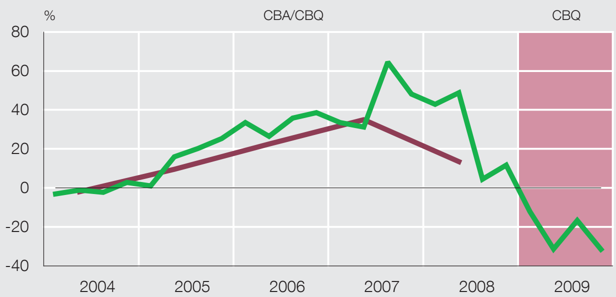
PERFORMANCE OF THE INDUSTRIAL CORPORATIONS REPORTING TO THE CBSO

GROSS VALUE ADDED AT FACTOR COST
Rate of change

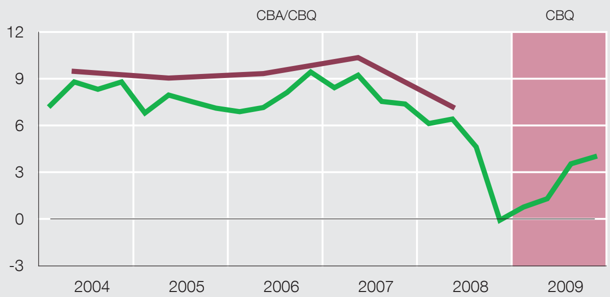


EMPLOYMENT AND WAGES
Rate of change

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	2,069	—
	CBQ	347 337 330 328	320 309 302 294	315 300 288 279	309 299 285 280	283 272 258 245	245 241 228 164
% of GDP of the sub-sector industrial corporations	CBA	28.7	28.7	31.1	33.6	24.5	—
	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 8.8	10.4 10.6 11.9 8.6

SOURCE: Banco de España.

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

TABLE 3

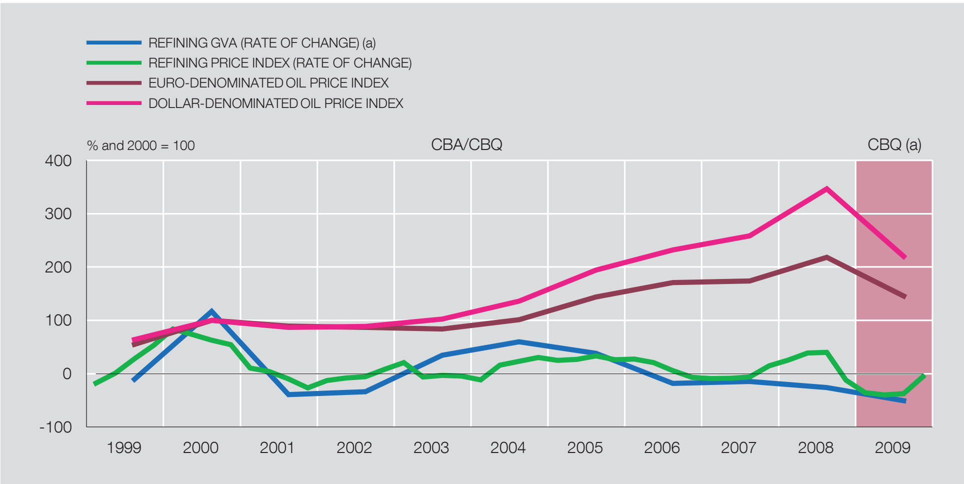
		CBA		CBQ (a)	
		2007	2008	08 Q1-Q4	09 Q1-Q4
Total corporations		8,206	8,206	730	730
Corporations reporting source/destination		8,206	8,206	680	680
Percentage of net purchases according to source	Spain	66.4	65.5	80.5	83.0
	Total abroad	33.6	34.5	19.5	17.0
	EU countries	*18.6*	*17.2*	13.1	11.9
	Third countries	*15.0*	*17.3*	*6.4*	*5.1*
Percentage of turnover according to destination	Spain	85.0	84.7	91.2	91.6
	Total abroad	15.0	15.3	8.8	8.4
	EU countries	*10.5*	*10.3*	*6.5*	*6.2*
	Third countries	*4.4*	5.1	*2.3*	*2.2*
Change in net external demand (exports less imports), rate of change	*Industry*	*-11.5*	*-19.1*	*(b)*	*141.9*
	Other corporations	*-5.8*	*1.4*	*28.1*	*37.4*

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.

IMPACT OF OIL PRICES ON THE REFINING SECTOR

CHART 2



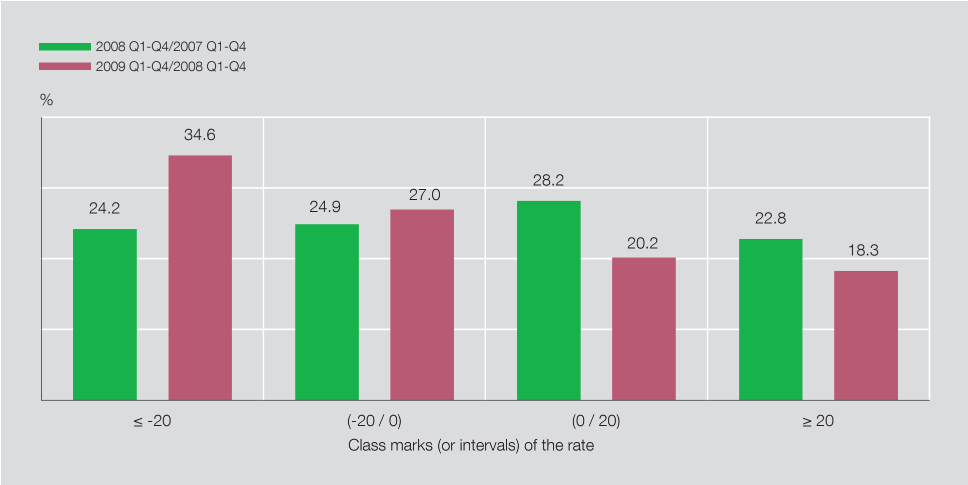
SOURCES: Banco de España and Ministerio de Industria, Turismo y Comercio (Informe mensual de precios).

a. 2009 data relate to the CBQ.

This adjustment triggered a reduction of 2.7% in the average number of employees at corporations in the CBQ sample, compared with a rise of 0.6% in 2008. The decrease in staff levels affected more and more corporations as the year unfolded and the average number of employees fell at 62.1% of the sample firms (see Table 4), in contrast with 46.2% of firms in this situation in 2008. The analysis of the fall in employment by contract type shows that the workforce reductions centred especially on temporary employment which was down by 15.1%, since permanent employment remained practically stable, posting a rate of decline of 0.4% in 2009. By sector of activ-

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

CHART 3



SOURCE: Banco de España.

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

TABLE 4

	CBA			CBQ (a)		
	2006	2007	2008	07 Q1-Q4	08 Q1-Q4	09 Q1-Q4
Number of corporations	9,286	9,243	8,206	846	814	730
PERSONNEL COSTS	100	100	100	100	100	100
Falling	25.4	26.0	32.1	28.8	33.5	57.4
Constant or rising	74.6	74.0	67.9	71.2	66.5	42.6
AVERAGE NUMBER OF EMPLOYEES	100	100	100	100	100	100
Falling	31.0	31.4	41.6	38.8	46.2	62.1
Constant or rising	69.0	68.6	58.4	61.2	53.8	37.9

SOURCE: Banco de España.

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

ity, the decline extended to all aggregates, although staff levels fell furthest in industry and in the wholesale and retail trade and accommodation and food service activities (–6.1% and –4.3%, respectively), which is in keeping with the downturn in the productive activity of both aggregates. Declines in employment were posted in the other sectors of activity, although they were more moderate. Thus, staff numbers fell by 0.1% at energy firms, by 0.7% at firms in the information and communication sector and by 0.6% at firms in the aggregate including other sectors.

Average compensation continued to grow moderately in 2009 at rates which were considerably lower than those of the previous year (1.1% in 2009 compared with 2.9% in 2008). This containment of average compensation reflects the lower wage increases negotiated in the latest collective bargaining agreements, against the backdrop of low inflation and weaker labour demand. This trend towards greater wage restraint can be seen across all sectors of activity and, in certain sectors, such as industry and wholesale and retail trade, and accommodation and food service activities, negative rates of change were posted (0.9% and 0.7%, respectively). This is explained by the strong impact on average compensation of the drastic cut in 2009 in variable compensation; the latter is tied to changes in activity and business results and particularly affects large corporations in the above-mentioned aggregates. Compensation performed very uniformly in the other sectors of activity averaging increases of less than 2%, which in all cases were lower than in the previous year. Lastly, Table 2.B analyses separately those corporations that created employment or did not change average staff levels and those that cut their average staff levels; there was a clear difference between the two groups. The firms that destroyed employment in 2009 were, at the same time, those that experienced an above-average increase in wage costs (1.9%), whereas firms, whose staff levels remained unchanged or increased during 2009, witnessed practically zero growth in average compensation in this period (–0.6%).

Profits, rates of return and debt

The reduction in personnel costs in 2009 did not prevent the much sharper contraction in productive activity from feeding through to GOP and causing the latter to decline by 15.9%, practically double the previous year's fall (7.9%). However, the combination of lower financial costs and revenue had a positive impact on business profits. The decrease in financial revenue (10.4%) was solely due to the contraction of interest received, against a backdrop of interest rate cuts. These developments were partially offset by the growth of dividends received from (mainly foreign) subsidiaries. The fall of 28.7% in financial costs was considerably sharper than that in financial revenue, thus permitting a significant reduction in 2009 in the interest burden (see Chart 4), following three years of uninterrupted growth. The following table provides a more accurate picture of the reasons for the reduction in financial costs:

	09 Q1-Q4 / 08 Q1-Q4
Change in financial costs	**-28.7%**
A. Interest on borrowed funds (1 + 2)	*-29.6%*
1 Due to the cost (interest rate)	-31.1%
2 Due to the amount of interest-bearing debt	1.5%
B. Commissions and cash discounts	*0.9%*

The above data show that the decrease in financial costs is exclusively a result of interest rate cuts and their gradual pass-through to corporate costs since the influence of changes in debt on financial costs was virtually zero in 2009. On CBQ data, the investment in tangible fixed assets of sample firms (except for those in the refining sector) fell steeply by 23.9% in 2009, which explains why there were no new financing flows.

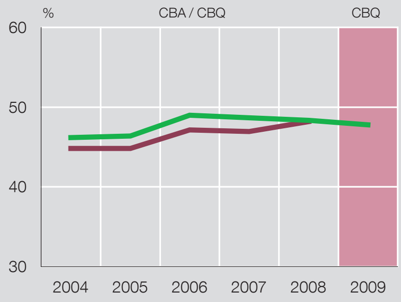
Ratios E1 and E2 (see Chart 4) complete the study of firms' financial positions. The former (interest-bearing borrowing divided by net assets) shows a slight reduction in debt levels in 2009, in keeping first, with the fact that firms' resort to new external financing was virtually zero, and second, with the debt restructuring undertaken by some large corporations. Ratio E2 (interest-bearing borrowing/GVA) continued to deteriorate in 2009, essentially owing to the decrease in its denominator (GVA).

The fall in GOP was softened by the above-mentioned reduction in financial costs and by the decrease in "Net depreciation, impairment and operating provisions". The rate of decline in this caption in 2009 was 5.4% since in the previous year it included very high inventory impairment losses on the balance sheets of some large construction and real estate companies, as part of the restructuring process undertaken by this sector in 2008. Consequently, ONP fell considerably by 10.3% in 2009 (see Table 5), although this decline was far lower than that recorded in 2008 (24.2%). This less negative change, however, is almost solely due to the growth posted at real estate firms and holding companies (both are included in the "other sectors" aggregate), while in the other sectors of activity ONP fell strongly in 2009: 8% at energy firms, 57.6% at industrial firms, 15.3% at wholesale/retail trade and accommodation/food activity firms and

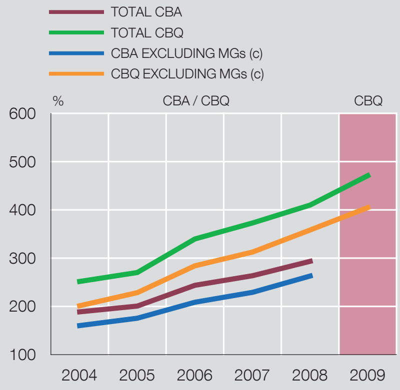
DEBT RATIOS

CHART 4

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



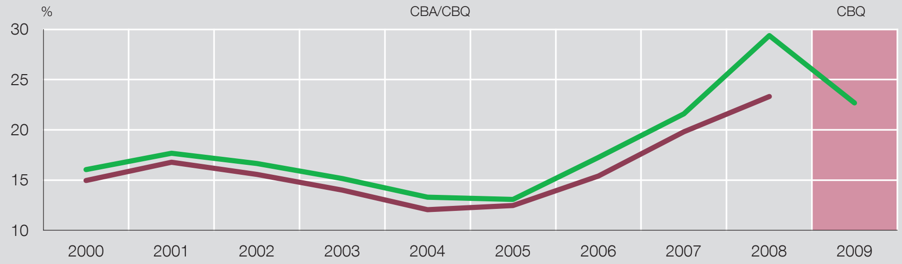
E2. INTEREST-BEARING BORROWING/GVA (b)
Ratios



	2004	2005	2006	2007	2008	2009
CBA	44.8	44.8	47.2	47.0	48.2	
CBQ	46.2	46.4	49.0	48.7	48.4	47.8

	2004	2005	2006	2007	2008	2009
CBA	188.6	200.7	243.5	263.5	293.4	
CBQ	251.9	270.2	339.7	373.2	410.1	470.9
CBA excl. MGs	160.5	175.8	208.6	229.2	263.2	
CBQ excl. MGs	201.1	228.7	283.9	313.0	358.1	404.9

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	23.3	
CBQ	16.0	17.7	16.7	15.2	13.3	13.1	17.3	21.6	29.4	22.7

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 (ROI) AND ROI-COST OF DEBT (R.1 - R.2). BREAKDOWN BY SIZE AND MAIN ACTIVITY OF CORPORATIONS

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

TABLE 5

	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)	
	2007	2008	08 Q1 -Q4	09 Q1 -Q4	2007	2008	08 Q1 -Q4	09 Q1 -Q4	2007	2008	08 Q1 -Q4	09 Q1 -Q4	2007	2008	08 Q1 -Q4	09 Q1 -Q4
Total	5.9	-9.7	-7.9	-15.9	4.2	-22.4	-24.2	-10.3	8.9	7.6	7.2	6.1	4.1	2.6	2.1	2.7
SIZE:																
Small	0.8	-27.0	—	—	-1.4	-50.0	—	—	7.3	4.3	—	—	2.5	0.3	—	—
Medium	5.2	-14.2	-5.3	-26.4	-2.2	-29.6	-5.4	-39.9	8.1	6.0	7.0	4.2	3.3	1.4	0.8	0.6
Large	6.1	-9.0	-8.0	-15.5	5.0	-21.4	-24.8	-9.4	9.0	7.7	7.2	6.1	4.2	2.7	2.1	2.7
BREAKDOWN BY ACTIVITY:																
Energy	1.3	1.6	1.6	-15.0	2.3	-1.9	-2.0	-8.0	8.6	7.7	8.3	6.6	4.2	2.8	3.5	3.1
Industry	13.6	-22.8	-29.3	-51.7	12.8	-34.6	-49.9	-57.6	10.3	7.2	5.1	2.9	5.2	2.0	0.1	-0.9
Wholesale & retail trade and accommodation & food service activities	6.8	-8.2	-16.9	-8.4	4.7	-17.6	-17.4	-15.3	10.2	8.9	5.5	4.8	5.2	3.7	0.7	1.4
Information and communication	8.8	-0.3	-1.3	-7.8	27.8	6.0	8.7	-14.5	21.9	23.6	26.9	28.7	16.2	18.1	21.0	23.7
Other activities	-1.3	-18.8	-16.5	-17.1	-16.6	-61.7	(b)	(b)	7.0	5.8	5.5	4.9	2.2	0.9	0.4	1.7

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-Q4	09 Q1-Q4	08 Q1-Q4	09 Q1-Q4
Number of corporations		814	730	814	730
Percentage of corporations by profitability bracket	R <= 0%	26.8	33.7	34.3	38.4
	0% < R <= 5%	22.0	23.9	14.8	16.9
	5% < R <= 10%	17.2	15.1	12.0	11.5
	10% < R <= 15%	9.1	6.3	8.3	6.5
	15% < R	24.9	20.9	30.6	26.7
MEMORANDUM ITEM: Average return		7.2	6.1	9.1	8.4

SOURCE: Banco de España.

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

14.5% at information and communication firms, although they experienced a clear improvement in 2009 Q4. The combined developments of ONP and financial costs were not sufficient to leave ordinary profit levels unchanged; these continued to decline in comparison with those of previous years. Thus, the return on investment (R.1) stood at 6.1% in comparison with 7.2% in 2008 and the return on equity decreased to 8.4%, slightly more than 0.5 pp below the previous year’s level. The ratio that measures the cost of debt (R.2) decreased by slightly more than 1.5 pp to 3.4% (down from 5.1% in 2008) and, consequently, the difference between ROI and financial cost remained positive in 2009 and stood at 2.7 pp, even higher (by 0.6 pp) than the figure for 2008.

Lastly, it is worth analysing in detail the changes in extraordinary items since they had a considerable impact on net profit and, especially, on the comparison between the last two years, given that extraordinary operations undertaken by large non-financial corporations were of opposite sign in 2008 and in 2009 and were for substantial amounts. Firstly, “Gains (losses) from disposals and impairment” grew vigorously, switching from negative values in 2008 to positive ones in 2009. This is because in 2008 certain large corporations in the sample recorded substantial asset impairment losses, mainly for their share portfolios, while in 2009 not only did this not recur but these firms even reversed some of these impairment losses. This is consistent with the changes in the stock market where the market capitalisation of listed non-financial corporations fell by 37.9% during 2008. Conversely, in 2009 this item increased by 1.2%. The other extraordinary items showed a degree of volatility in terms of rates of change but their impact on net profit is not significant since they represent small amounts. Therefore, the 11.9% growth in net profit is basically due to the exceptionally high negative amounts recorded under “Gains (losses) from disposals and impairment” in 2008, most of which were of opposite sign in 2009. Similarly, if net profit is expressed as a percentage of GVA, it can be seen that it recovered slightly in 2009 to 20.8%, slightly more than 3 pp up on its value a year earlier (16.8%), although it is a long way off the highs reached in 2007, when this percentage rose to 38.1%.

17.3.2010.

Introduction

The Latin American economies are facing the first half of 2010 in a climate of firming economic recovery, after the region witnessed the biggest decline in activity of the past 30 years (–2.1%) in 2009. Despite this fall, there is a generalised view that the impact of the global financial crisis on Latin America has been comparatively limited, especially bearing in mind the propensity of the area to crises and the depth of such crises in the past. Further, the decline is largely due to the intensity of the recession in Mexico (–6.5%) and, to a lesser extent, in Venezuela (–3.3%), which biases the region's aggregate figure downwards. The fall in activity in Brazil and Chile was relatively slight, and in the remaining economies (Argentina, Colombia, Peru and Uruguay) GDP did not actually decline (see Table 1).

During 2009, Latin America underwent a progressive recovery, resuming a positive year-on-year growth rate of 1.3% in Q4, more than 5 pp up on the low recorded in Q2, although in quarter-on-quarter terms, positive growth could be seen from this quarter onwards. Underpinning this pick-up were two pillars. First, external demand-pull, stemming from the Asian economies, which has essentially benefited the commodities-exporting countries of South America and which has been added to in recent months by something of a recovery in other markets (such as the United States). And further, the progressive recovery in internal demand. This was based on the expansionary effect of the policies applied during the crisis, which continued operating throughout 2009, but also on the sound behaviour of labour markets, the inventory cycle and improved confidence. In line with this support, the latest data confirm a relatively swift recovery in a large number of countries (Brazil, Chile, Peru and also Mexico), while only Venezuela is expected to remain in recession. Undoubtedly, the fact that the global financial crisis has not translated into a financial crisis in the region is a key factor behind this recovery.

In step with these developments, the outlook for 2010 has been revised upwards in almost all the countries. Indeed, economic performance is expected to be more favourable than in the developed countries, though not as positive as in the Asian economies. However, it should be said that the crisis has entailed a significant loss in output in some countries (see Chart 1). The sound economic outlook, along with the continuing positive interest rate spreads vis-à-vis the developed economies, have allowed for the return of capital flows and a generalised improvement in financing conditions, accompanied by the reactivation of reserves-building (reserves are already above previous levels) and, in some cases, the restoring of capital controls. In contrast to this general picture, some factors of vulnerability remain. Cases in point are the substantial devaluation of the Venezuelan bolivar in January, against a persistent recessionary background, and the circumstances surrounding the use of international currency reserves for the payment of external debt in Argentina.

Inflation in the region has tended to rise moderately since the start of 2010, posting a year-on-year rate of 6.5% in March, following a year of continuous declines towards a rate close to 5%. The increase was due in part to base effects, to the pick-up in energy and food prices (affected in some countries by specific weather-related factors), and to the one-off effect of rises in indirect taxes and administered prices. Upside risks are also discernible in some countries, in a setting of more dynamic growth.

In the short run, the recovery phase poses two types of challenges for the region's economic authorities. The first concerns the design of an appropriate exit from the measures applied during the crisis and the re-adaptation of economic policy frameworks to a more normal envi-

LATIN AMERICA: MAIN ECONOMIC INDICATORS

TABLE 1

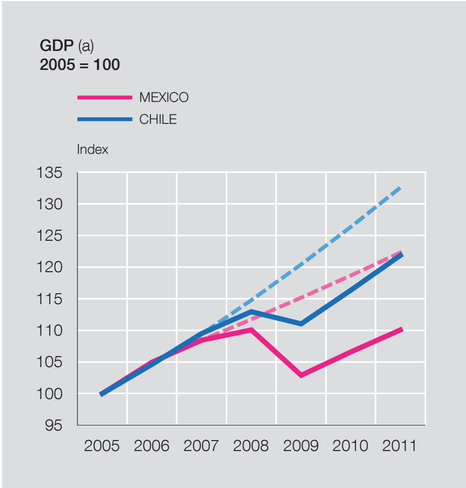
	2007	2008	2009	2008				2009				2010
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	March
GDP (year-on-year rate)												
Latin America (a)	5.8	4.2	-2.1	5.3	5.6	5.0	0.8	-2.8	-4.0	-2.6	1.3	
Argentina	8.7	6.8	0.9	8.5	7.8	6.9	4.1	2.0	-0.8	-0.3	2.6	
Brazil	6.1	5.1	-0.2	6.3	6.5	7.1	0.8	-2.1	-1.6	-1.2	4.3	
Mexico	3.3	1.5	-6.5	2.6	3.0	1.6	-1.1	-7.9	-10.0	-6.1	-2.3	
Chile	4.6	3.7	-1.5	3.7	5.1	5.2	0.7	-2.1	-4.5	-1.4	2.1	
Colombia	7.5	2.4	0.4	4.2	3.7	2.9	-1.0	-0.5	-0.3	-0.2	2.5	
Venezuela	8.1	4.8	-3.3	4.9	7.2	3.8	3.5	0.5	-2.6	-4.6	-5.8	
Peru	8.9	9.8	0.9	10.3	11.8	10.9	6.5	1.9	-1.2	-0.6	3.4	
Uruguay	7.2	8.7	2.7	7.6	10.2	9.4	7.6	2.8	0.9	2.6	4.3	
CPI (year-on-year rate)												
Latin America (a)	5.4	7.8	6.4	6.6	7.7	8.5	8.5	7.6	6.7	5.9	5.4	6.5
Argentina	8.8	8.6	6.3	8.5	9.1	8.9	7.8	6.6	5.5	5.9	7.1	9.7
Brazil	3.6	5.7	4.9	4.6	5.6	6.3	6.2	5.8	5.2	4.4	4.2	5.2
Mexico	4.0	5.1	5.3	3.9	4.9	5.5	6.2	6.2	6.0	5.1	4.0	5.0
Chile	4.4	8.7	0.4	8.0	8.9	9.3	8.6	4.8	1.8	-1.9	-3.0	0.3
Colombia	5.5	7.0	4.2	6.1	6.4	7.7	7.8	6.6	4.8	3.2	2.4	1.8
Venezuela	18.8	31.4	28.6	26.3	31.0	34.6	33.4	29.5	28.2	28.7	28.1	28.2
Peru	1.8	5.8	2.9	4.8	5.5	6.1	6.6	5.6	4.0	1.9	0.4	0.8
Uruguay	8.1	7.9	7.1	7.7	7.6	7.6	8.6	8.2	6.7	7.1	6.3	7.1
BUDGET BALANCE (% of GDP)												
Latin America (a) (c)	-0.3	-0.5	-2.7	0.0	-0.3	-0.2	-0.5	-1.5	-2.1	-3.0	-2.7	
Argentina	1.1	1.4	-0.6	1.5	1.6	1.9	1.4	1.0	0.0	-1.0	-0.6	
Brazil	-2.6	-2.0	-3.2	-1.6	-2.2	-1.8	-2.0	-2.8	-3.1	-4.1	-3.2	
Mexico	0.0	-0.1	-2.3	0.0	-0.3	0.0	-0.1	-1.4	-1.7	-2.4	-2.3	
Chile	8.6	5.0	-4.6	9.2	7.2	6.1	5.0	1.3	-1.5	-3.9	-4.6	
Colombia	-2.8	-1.8	-4.0	-2.1	-2.5	-2.3	-1.8	-2.8	-3.0	-3.3	-4.0	
Venezuela	3.0	-1.2	—	3.4	1.7	0.9	-1.2	-2.2	—	—	—	
Peru	1.8	2.2	-2.0	2.3	3.1	2.1	2.2	1.3	-0.1	-0.8	-2.0	
Uruguay	0.0	-1.5	-1.7	1.0	-0.3	-1.0	-1.5	-2.1	-2.2	-2.2	-1.7	
PUBLIC DEBT (% of GDP)												
Latin America (a)	33.8	30.8	35.8	31.7	31.6	30.4	30.8	31.2	32.8	35.5	35.8	
Argentina	52.6	44.7	47.9	52.4	50.4	45.8	44.7	41.9	44.2	46.1	48.0	
Brazil	45.1	38.4	42.9	40.8	41.8	40.0	38.4	39.1	41.2	43.2	42.9	
Mexico	21.0	24.5	28.2	21.0	20.7	20.8	24.5	25.4	26.7	28.4	28.2	
Chile	4.1	5.2	6.1	3.6	3.9	4.5	5.2	5.0	4.9	5.8	6.1	
Colombia	32.9	33.4	35.5	32.6	32.6	32.8	33.4	36.8	35.2	34.0	35.5	
Venezuela	22.7	13.2	—	20.9	13.6	12.6	13.2	11.5	15.4	17.4	—	
Peru	29.8	24.1	26.7	27.6	25.3	23.9	24.1	24.8	26.1	26.9	26.7	
Uruguay	68.1	52.6	68.9	65.4	63.7	57.8	52.6	56.7	60.4	66.7	68.7	
CURRENT ACCOUNT BALANCE (% of GDP)												
Latin America (a) (b)	0.7	-0.5	-0.1	0.7	0.5	0.4	-0.5	-0.7	-0.6	-0.7	-0.1	
Argentina	2.8	2.2	3.7	2.8	2.2	2.8	2.2	2.1	3.3	3.6	3.7	
Brazil	0.1	-1.7	-1.5	-0.6	-1.1	-1.5	-1.7	-1.5	-1.2	-1.2	-1.5	
Mexico	-0.8	-1.5	-0.6	-0.5	-0.6	-0.9	-1.4	-1.4	-1.3	-1.3	-0.6	
Chile	4.5	-1.5	2.6	3.3	2.4	0.6	-1.4	-2.0	-1.4	0.7	2.6	
Colombia	-2.8	-2.8	-2.8	-2.2	-2.0	-2.1	-2.8	-2.8	-2.8	-2.8	-2.8	
Venezuela	7.9	11.7	2.2	9.7	12.8	15.9	11.7	7.4	2.8	-0.5	2.2	
Peru	1.3	-3.7	0.2	0.3	-1.3	-2.4	-3.7	-3.3	-1.9	-0.8	0.2	
Uruguay	-0.9	-4.8	0.8	-1.5	-4.2	-4.3	-4.8	-3.6	-1.0	-0.1	0.8	
EXTERNAL DEBT (% of GDP)												
Latin America (a) (b)	19.9	17.6	20.5	19.9	19.0	18.2	17.4	18.7	19.6	20.9	20.5	
Argentina	47.8	38.3	38.4	46.6	44.6	40.6	39.2	37.4	38.2	39.3	38.4	
Brazil	14.1	12.1	12.6	14.1	13.3	12.3	11.8	12.2	13.3	14.1	12.4	
Mexico	12.1	11.5	18.6	12.1	11.6	11.3	11.4	14.8	15.9	17.8	18.5	
Chile	34.0	38.0	44.7	33.4	35.1	37.5	37.6	40.0	42.1	45.3	45.0	
Colombia	21.4	19.1	23.2	18.6	18.7	18.7	19.1	20.2	20.0	22.1	23.2	
Venezuela	24.4	18.9	19.2	24.0	22.6	20.1	18.9	18.3	18.1	18.7	19.2	
Peru	30.6	27.3	28.0	31.6	30.0	28.2	27.3	27.5	28.0	28.4	28.0	
Uruguay	51.0	38.5	44.2	48.5	44.6	40.5	38.2	39.2	40.9	45.4	44.0	

SOURCE: National statistics.

a. Aggregate of the eight represented countries, except Uruguay.
b. Four-quarter moving average.
c. Excluding Venezuela.

GDP
Index

CHART 1



SOURCES: Oxford Latin American Economic History Database, Consensus Forecasts and Datastream.

a. Consensus forecasts for 2010 and 2011. The broken lines represent growth since 2008 if the trend of the historic average between 1990 and 2008 had held.

ronment. Generally, the stimuli applied in Latin America have not been of the exceptional nature of those applied in the industrialised economies. Accordingly, exit strategy discussions have focused on the stance to be adopted by conventional policies, i.e. monetary policy and, to a lesser extent, fiscal policy, and on the advisability or not of maintaining external financial support. The limited impact of the crisis in Latin America has seen plaudits for the economic policy framework applied in many countries and, in particular, for the inflation-targeting regimes, the build-up of reserves and the controlled flexibility of exchange rates, which during the crisis allowed interest rates to be reduced and exchange-rate volatility to be mitigated through interventions (see Box 1). A second challenge for economic policy concerns the management of capital inflows, with the dual aim of preventing the overvaluation of assets (and of the exchange rate) and the adverse effects of the volatility of these flows.

In the wake of the crisis, the region also faces other, longer-term challenges. First, the growth outlook in many countries will be adversely affected by the expected lower growth in the United States (albeit offset in part by trade diversification towards Asia) and by a potential rise in the cost of capital, once monetary conditions in the industrialised countries normalise. Further, it should not be forgotten that Latin America remains far behind as regards the level and growth of productivity, in relation to other emerging areas. That reinforces the need to push through the structural reforms which, following the boom years first, and the crisis afterwards, were consigned to the background. Turning to multilateral relations, at the forefront of discussions is the role of international financial institutions in crisis-prevention and, in particular, whether or not they can effectively provide instruments that can replace, albeit partially, self-insurance via the build-up of reserves, the attractiveness of which appears to have increased in the wake of the crisis.

Economic and financial developments: external environment

Since mid-2009, the world economy has grown at a higher-than-expected rate, not far off the average growth during the pre-crisis years, of around 4.5% in annualised quarterly terms. Underpinning this growth have been the public support measures, the progressive improvement in confidence and the gradual restoring of trade and financial flows. Nonetheless, the recovery is not spreading evenly across the different countries and regions, and is very biased

INFLATION TARGETS AND EXCHANGE RATE VOLATILITY IN EMERGING ECONOMIES[1]

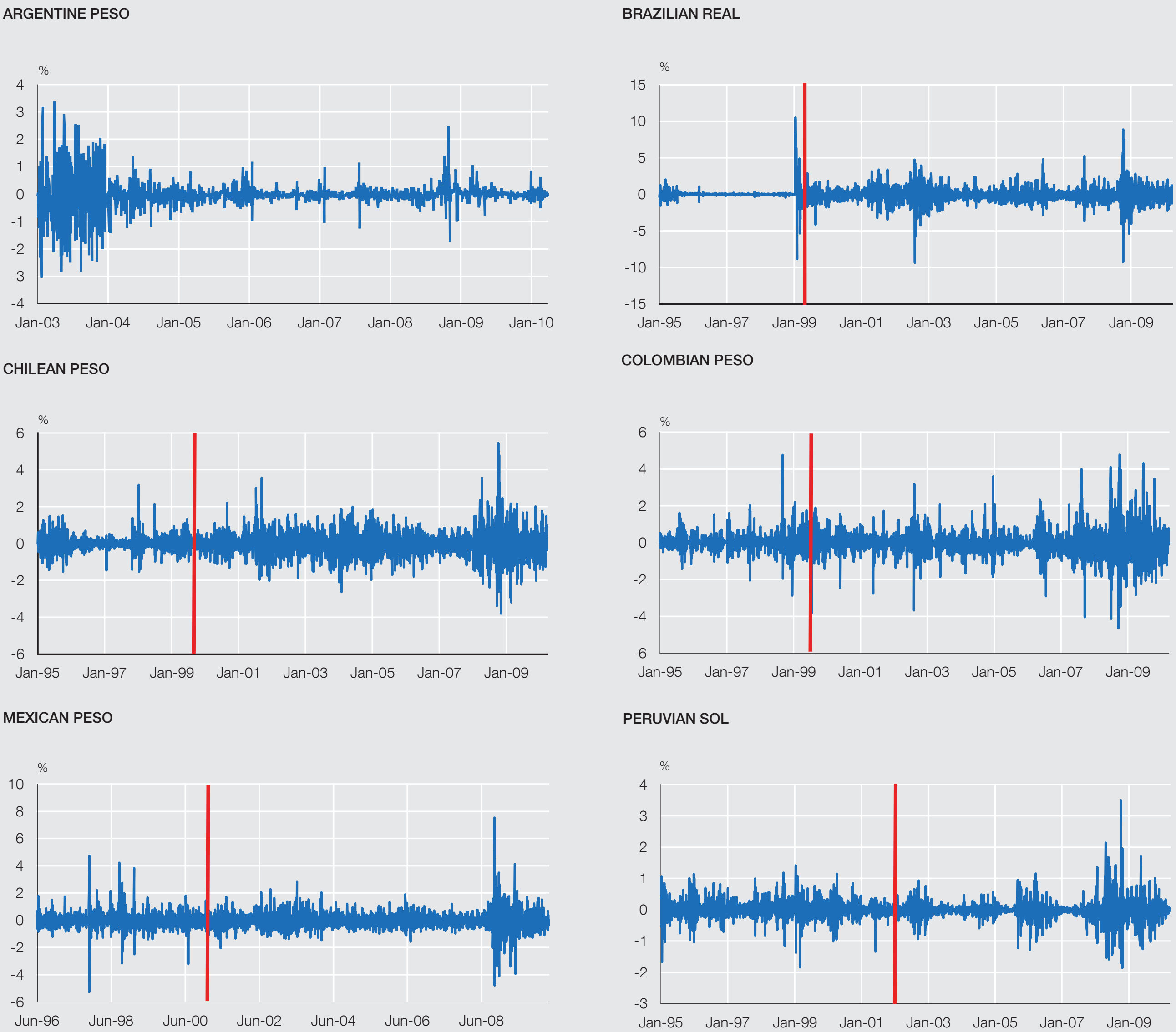
Inflation targeting (IT) is a monetary policy arrangement adopted by an increasing number of countries. The total is 27 at present, 19 of which are emerging economies.[2] In Latin America the main economies, except Argentina and Venezuela, have retained an IT arrangement since 1999.

In these economies the IT regime generally entailed replacing the external anchor provided by the exchange rate with a domestic anchor, based on the credibility and independence of monetary policies. Conceivably, this credibility would help anchor inflation expectations and reduce them. In principle, the free float of the nominal exchange rate is one of the theoretical conditions for the sound functioning of this type of regime since, given unfettered capital movements, an independent monetary policy cannot be combined with a fixed exchange rate or one pegged to another currency by means of foreign exchange interventions (this is habitually known as the "impossible trinity"). Accordingly, some argue that one of the costs of adopting IT is precisely the increase in exchange rate volatility, which may exert adverse effects that are particularly significant for the emerging economies, given their greater real and financial vulnerabilities.

Hence, in the emerging economies, we can observe what Calvo and Reinhardt (2002)[3] coined as "fear of floating". Therefore, de-

1. Based on J.C. Berganza and C. Broto (2010): "Inflation targeting and exchange rate volatility in emerging countries: Credibility vs. flexibility", mimeo.
2. See International Monetary Fund (2005), "Does inflation targeting work in emerging markets?", in IMF, World Economic Outlook, September, Chap. IV, and J.S. Little and T.F. Romano (2009), Inflation targeting – Central Bank Practice Overseas, Public Policy Briefs, no. 08-1, Federal Reserve Bank of Boston.
3. See G. Calvo and C. Reinhart (2002), "Fear of Floating", Quarterly Journal of Economics, 117 (2), pp. 379-408.

DAILY PERCENTAGE CHANGE IN THE EXCHANGE RATE AGAINST THE DOLLAR



SOURCES: Datastream, IMF (2005) and Banco de España.

spite theoretical reservations in this connection, most of the emerging economies with IT usually pursue an active management of the exchange rate, to mitigate its volatility or also its medium-term movements, which translates into interventions on foreign exchange markets. This eclectic means of applying the monetary policy arrangement, which has been called "flexible IT", gave rise to some debate on the validity and viability of this type of arrangement versus so-called "pure IT", where the exchange rate is not in central banks' reaction function.

There is division in the literature on this issue as to whether IT (flexible or not) has proven key to reducing actual inflation in the emerging economies in recent years, although there is a bias towards an affirmative reply [see Mishkin and Schmidt-Hebbel (2006)].[4] However, the relationship between IT and exchange rate volatility in the emerging economies and, more particularly, in Latin America has hardly been studied in the literature, and not in the past two years of crisis. In this context, the economic and financial crisis that began in the summer of 2007 is a very interesting natural experiment for examining this issue which, moreover, may prove useful for drawing some economic policy lessons at a time at which the role of monetary policy in promoting financial stability is under debate.

By way of illustration, the accompanying panel depicts the daily percentage change (return) in the nominal exchange rate against the dollar of the five countries in the region that have IT, along with the date the formal target was adopted. The panel also highlights the change (return) for Argentina, whose currency was highly influenced in the opening months of the sample by the effect of the 2001 crisis. The panel shows that in all the countries of the region with IT, the volatility of their exchange rates against the dollar has increased during the current crisis, which dates back to 2007 Q3, although the rise in exchange rate instability was also recorded in countries without IT, such as Argentina. It can also be seen that, except in Brazil's case, the relationship between the adoption of IT and exchange rate volatility is not evident and, even in Brazil's case, the result is biased by the prior fixed exchange rate regime.

To analyse whether exchange rate volatility was significantly different in countries with an IT arrangement, a more rigorous analysis using an econometric estimation is needed. Here, use has been made of a panel data model that analyses the relationship between exchange rate volatility, the adoption of IT and foreign exchange market interventions for a sample of emerging countries with and without IT, with a particular focus on the crisis period.[5] The role of foreign exchange market interventions is also studied to see whether their effect on exchange rate volatility is different in countries with IT.

Two main conclusions can be drawn from the empirical work for Latin America. First, and in line with other emerging economies, pursuing an IT arrangement appears to entail significantly greater exchange rate volatility than in countries that have not adopted this policy mechanism over the period under analysis. The second conclusion is that although this greater exchange rate volatility for the countries in the region that pursue IT holds after the outbreak of the crisis, foreign exchange market interventions have only proven effective for this group of countries in the region when it comes to moderating exchange rate volatility. In contrast, in those countries without IT, foreign exchange interventions do not appear to have had a significant effect on exchange rate volatility.

These findings appear to support the behaviour of flexible inflation targeting regimes in Latin America. Indeed, they suggest that foreign exchange interventions in periods of particular financial stress may be more effective in lessening exchange rate volatility than other monetary policy arrangements. It remains to be seen whether these episodes of strong foreign exchange market interventions have undermined the credibility of central banks although, as analysed in the main body of the text, no disanchoring of inflation expectations has been observed in these countries.

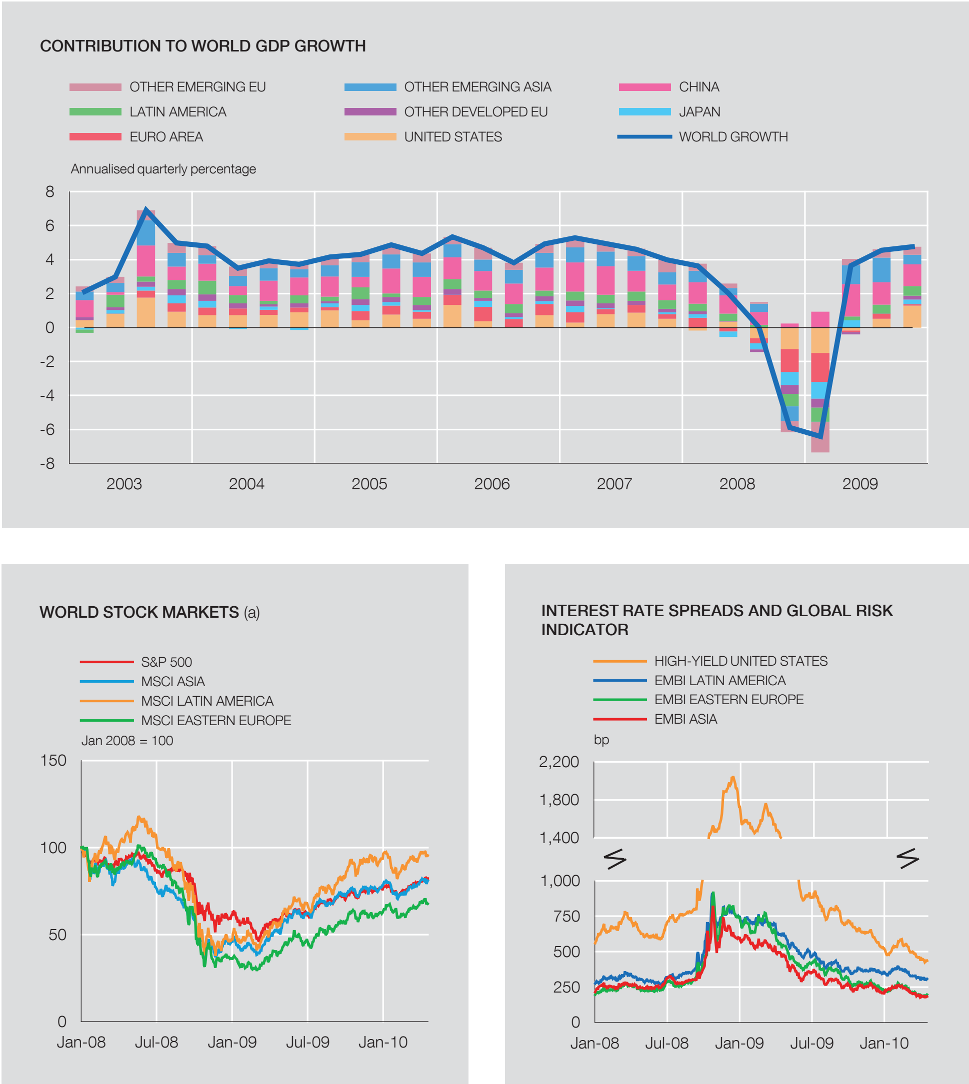
4. Mishkin and K. Schmidt-Hebbel (2006), Does It Make A Difference?, Documento de Trabajo no. 404, Banco Central de Chile.

5. A sample comprising the 18 emerging countries which, according to the IMF, have adopted formal IT and a control group of 15 countries that have not adopted this monetary policy mechanism (excluded from this control group are formally "dollarised" economies or those with a fixed exchange rate) is studied. The following Latin American countries are in this control group: Argentina, Costa Rica, Dominican Republic, Guatemala, Jamaica and Uruguay. The period from 1995 to end-2009 is analysed, as are the sub-samples prior and subsequent to the outbreak of the financial crisis which is dated back to 2007 Q3. The variable that proxies exchange rate volatility is calculated on the basis of the quarterly volatility of the daily returns on the bilateral exchange rate with the dollar. Added in the regressions is a series of control variables such as trade openness, the current-account balance as a proportion of GDP, GDP per capita and certain measures of the volatility of financial variables that proxy global volatility factors.

towards Asia. This region accounted for more than three-quarters of world growth in the second half of 2009, and was the only world region that grew over the course of 2009 (see Chart 2). Among the Latin American economies, this Asian bias in growth tended to favour those South American countries with tighter trade links with Asia. Conversely, it was relatively detrimental to countries such as Mexico, given its closer trade ties with the United States. That said, the US recovery from 2009 Q4 (when it posted an annualised quarterly growth rate of 5.6%) also provided a significant external boost to the Mexican economy. Growth in Europe and Japan was somewhat more moderate than in the United States in late 2009, while Eastern Europe

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

CHART 2



SOURCES: National statistics and Datastream.

a. Indices in dollars.

saw a decline in activity greater than that in Latin America, over the year as a whole, weighed down by the adjustment of private-sector overindebtedness.

International financial markets have continued to trend favourably over the past six months, although their behaviour has not been free from bouts of instability, especially in early 2010 when uncertainty over the fiscal position of certain European countries heightened. This episode is indicative of the risks afoot despite the recovery, and highlights the difficulties that may arise in withdrawing the various monetary, financial and fiscal stimuli. Accordingly, regions that are relatively integrated into international markets in trade and financial terms, such as the Latin American economies, may be affected by the pace at and manner in which these exit strategies unfold.

In the second half of 2009 and in early 2010, the main central banks held their official interest rates at levels close to zero, although they progressively withdrew their exceptional liquidity-provision facilities. Long-term interest rates rose to around 3.9% in the United States, a total increase of 40 bp over the past six months. This may be interpreted, first, as a move towards normalisation following investors' heavy flight towards safe-haven assets during the crisis; and further, as a response to the substantial increase in the volume of sovereign issues taking place, in the face of growing levels of public debt. On the foreign exchange markets, the improved US growth outlook and the uncertainty associated with the fiscal position of certain European economies led to an appreciation of the dollar against the euro in recent months, by around 13%.

The emerging markets largely trended in line with global markets, benefiting to January from the renewed appetite for risk, although they were not immune to the bouts of instability. Sovereign spreads, proxied by the EMBI+, fell by some 85 bp to around 255 bp, marking a low for the period since May 2008. Consequently, the rise in US long rates did not entail a direct rise in the cost of financing for the emerging economies, where sovereign spreads most fell, offsetting this rise in full. Across the different regions, the EMBI indices for Latin America, Eastern Europe and Asia fell virtually in parallel, although in Eastern Europe the movement was marginally more favourable (a decline of around 90 bp), following the severe difficulties the previous year. The emerging economies' stock markets, proxied by the MSCI indices in dollars, also posted similar gains to those of the developed economies (around 6% in the last six months). Both the Latin American and the Asian indices are close to their pre-crisis 2008 high, while the Eastern European index remains down on this level. Despite the strengthening of the dollar against the other main currencies (the euro, sterling and the yen), many emerging currencies - with the notable exception of the Chinese renminbi - tended in turn to appreciate against the US currency.

Activity and demand

The incipient signs of recovery in activity observed in Latin America from Q2 onwards were confirmed and spread across the whole region during the second half of 2009, with the exception of Venezuela. In quarterly rates, activity rose by 1.5% in Q3 and by 1.7% in Q4, which sufficed to allow for a resumption of growth in terms of the year-on-year rate at the end of the year (1.3%), following the low of –4% in Q2 (see Chart 3). In 2009 as a whole there was a significant decline of 2.1% in activity, with Mexico accounting for almost 90% of this. In terms of demand components, the fall in GDP in the region was due principally to a 10.5% decline in gross capital formation and, to a lesser extent, to the fall in private consumption (–0.3%). In contrast, external demand contributed positively to growth (owing to the collapse of imports and, to a lesser extent, of exports), while government consumption (4.6%) was the sole domestic demand component that grew in 2009.

As from Q4 the recovery gathered momentum, proving particularly robust in Brazil (4.3% year-on-year) and Peru (2.4%), followed by Chile, Colombia and Argentina (around 2%). Conversely, Mexico and Venezuela are estimated to have run negative year-on-year growth rates at the end of the year, although the quarter-on-quarter rates (shown in Chart 3) show Mexico to be growing at a similar rate to Brazil in the final two quarters of 2009. As regards the composition of growth, though external demand made the main contribution in Q4, in year-on-year terms the negative contribution of domestic demand lessened considerably. This was because both private and government consumption contributed positively to growth, whereas there was a reduction in the sharp contraction of gross capital formation and stockbuilding observed in the previous quarters (see Chart 4). These developments point to a change in the composition of growth towards domestic demand, a change more evident in the associated quarter-on-quarter rates, where the sign of the contributions has already altered.

Private consumption resumed a positive growth rate (2% year-on-year in Q4), and the recovery in this variable was relatively widespread across the different countries (with the exceptions of

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

CHART 3

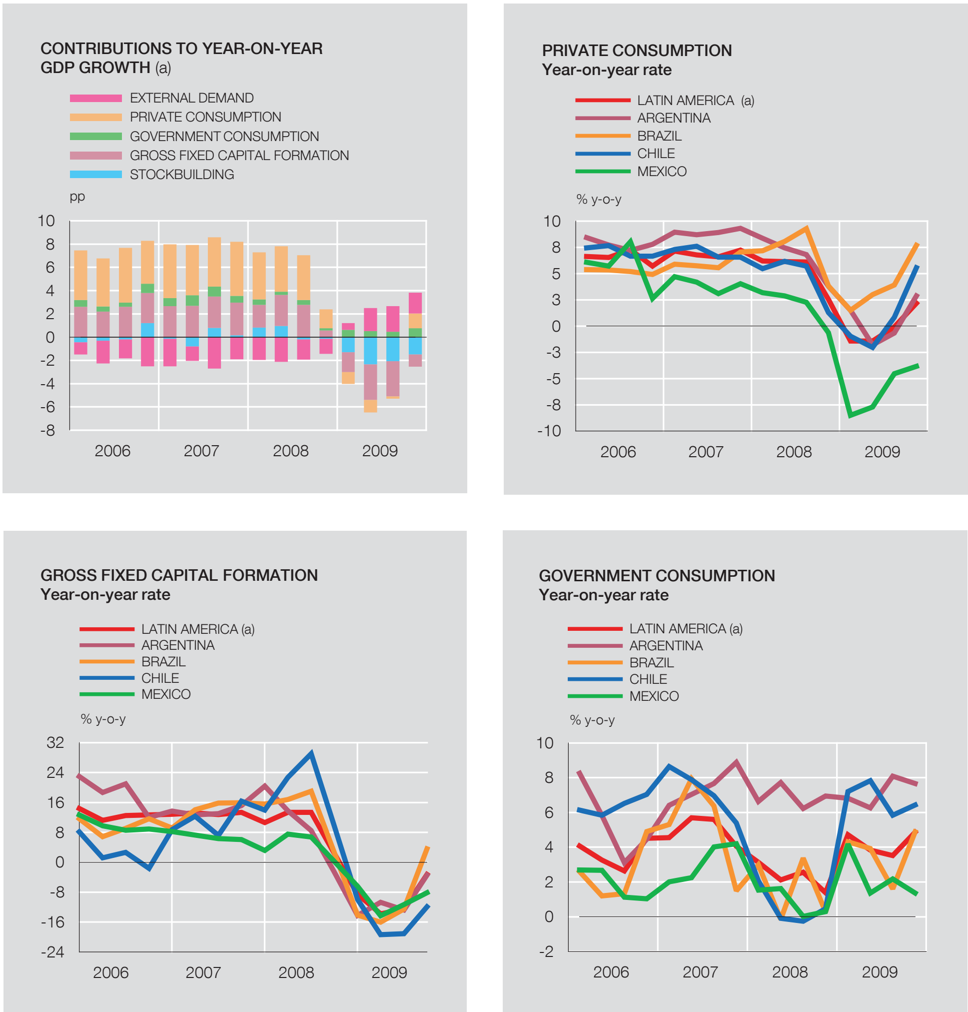
SOURCE: National statistics.

a. Aggregate of the seven main economies.

Mexico, Colombia and Venezuela), although the different conditions in terms of financing and of labour markets explain some of the divergences. In particular, the relative resilience of the labour market in the region as a whole, where the unemployment rate increased relatively little during the crisis (by some 2 pp) and stabilised at around 8% of the labour force, and the contribution of public-sector banks to sustaining credit to the private sector in some countries (especially in Brazil, where the public sector retains a sizeable market share, but also in Chile and Argentina) acted as a prop to private consumption. In this respect, although a clear recovery is not yet discernible in credit, it has tended to stabilise in recent months following the strong slowdown in 2008 and 2009 (see Chart 5); were it not for the role played by public-sector banks, credit to the private sector, measured in real terms, would probably be falling in many countries. The growth of private consumption has been particularly significant in Brazil (7.7% year-on-year in Q4), boosted by the resilience of employment in the face of the crisis (the unemployment rate ended the year at 6.8%, a historical low despite the recession) and by the improvement in financing conditions, supported by public-sector banks and the decline in borrowing costs on markets. At the other extreme, private consumption declined by 6.8% year-on-year in Venezuela. The contributing factors here were companies' limited access to dollar-denominated financing and the depreciation of the parallel exchange rate of the bolivar.

PRIVATE CONSUMPTION, GOVERNMENT CONSUMPTION AND INVESTMENT
Year-on-year rates and percentage points

CHART 4



SOURCE: National statistics.

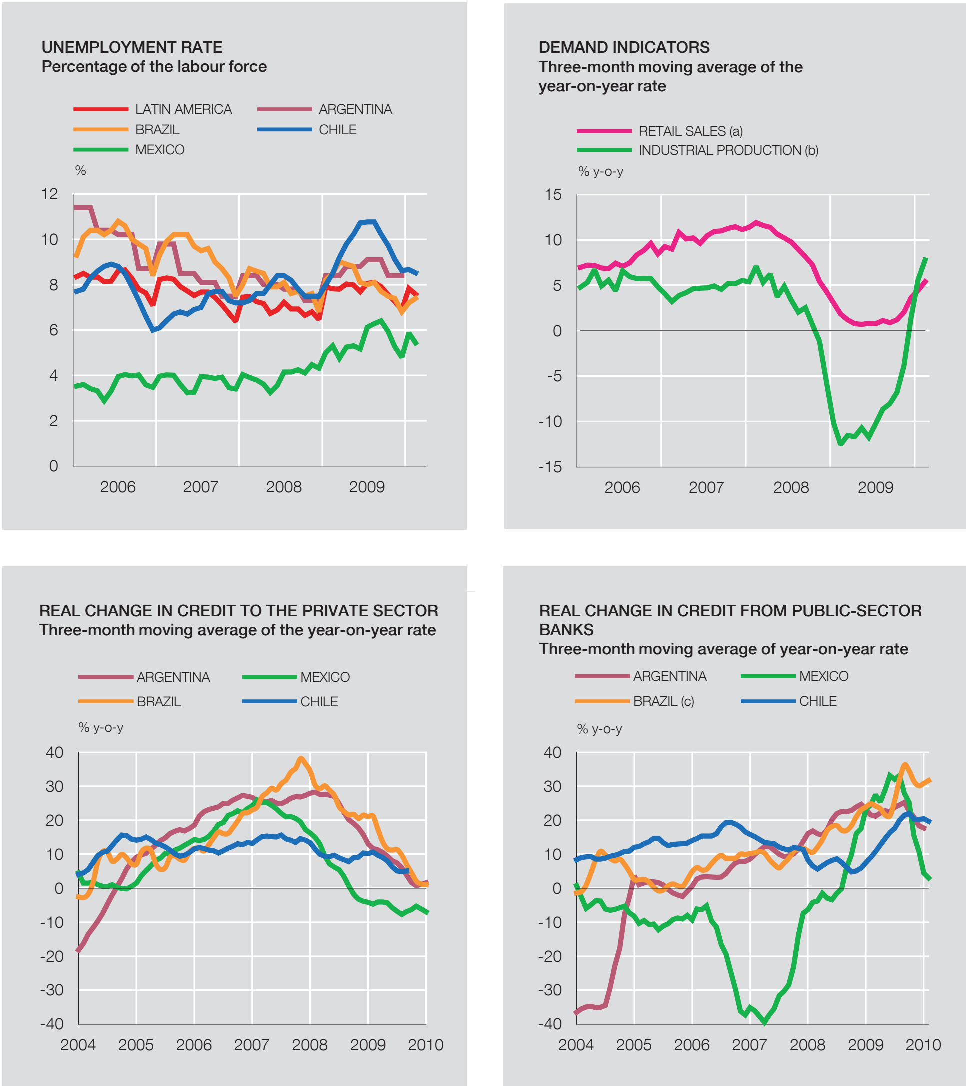
a. Seven biggest economies.

In Mexico, private consumption posted a 3.8% decline in Q4, owing to the weakness of the labour market, the continuing contraction in consumer credit –20% year-on-year) and, most particularly, the fall in remittances (which stand at a six-year low).

However, perhaps the most notable aspect of recent developments in national accounts has been the recovery in investment. After having stabilised at a double-digit negative rate in Q2 and Q3, gross capital formation picked up to some extent, ending the year at a much more moderate negative rate of around –3% year-on-year, although in some countries, such as Brazil, the rate has already turned positive. In this respect, factors such as the recovery in commodities prices (by 35% from their December 2008 low, although they are still 25% below their high), in world trade and in external financing flows have contributed to improving the outlook for investment and even to clearing the way for plans that had been shelved owing to the crisis. Government consumption continued growing in Q4 (4.3% year-on-year), reaching particularly high rates in Argentina and Chile.

From the standpoint of the external sector, the highlight was the return to a trade surplus, to 2% of GDP for the region in 2009 (see Chart 6). The trade surplus was at a record level in 2009

EMPLOYMENT, DEMAND AND CREDIT INDICATORS CHART 5
Three-month moving average of the year-on-year rate, and percentages



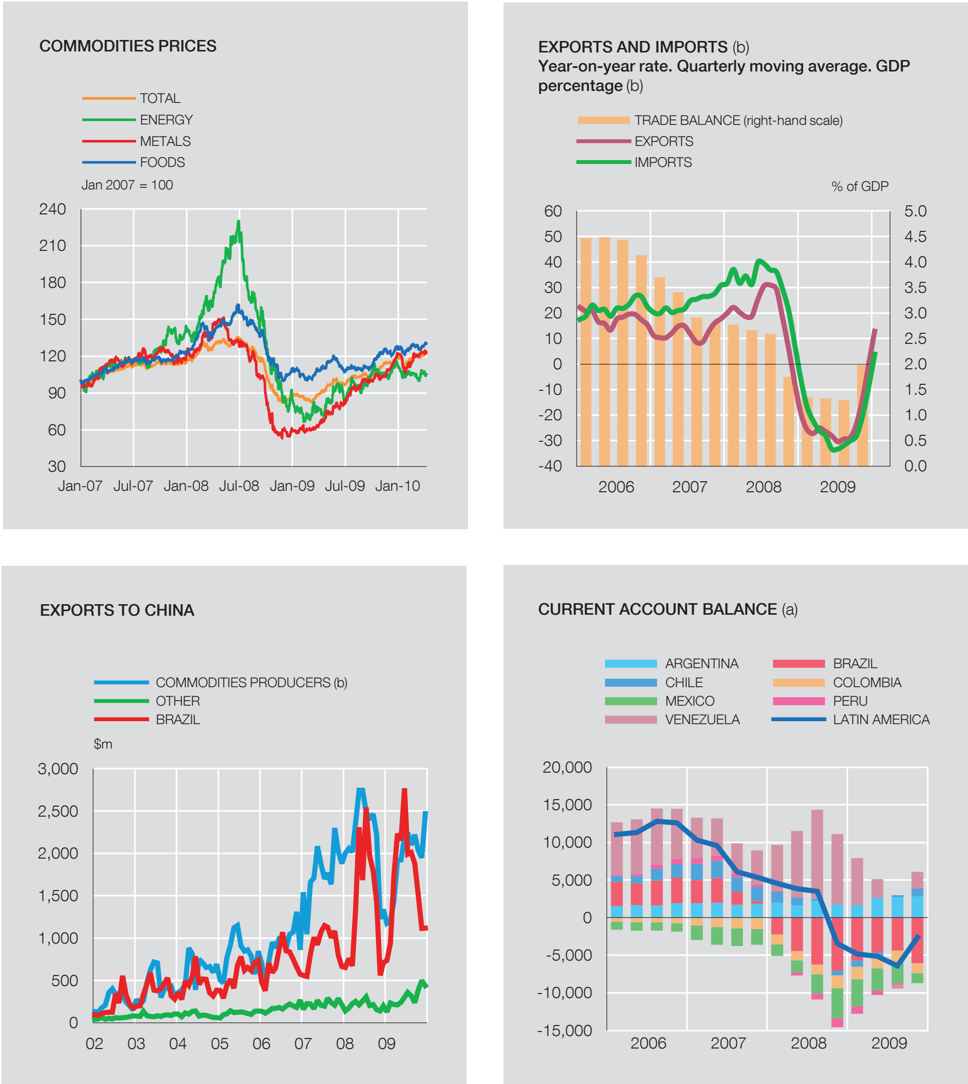
SOURCE: National statistics.

a. Argentina, Brazil, Mexico, Chile, Colombia and Venezuela.
b. Eight biggest economies.
c. Through BNDES

in Argentina and Colombia and unchanged in Brazil; in Mexico the deficit lessened. In Venezuela, the trade surplus for the year fell substantially, although the pick-up in oil prices has contributed to some improvement in recent quarters. Both imports and exports fell at a year-on-year rate of close to –30% in mid-2009, and they continued to run negative rates at the end of the year. However, there has been an appreciable recovery in exports across the region in early 2010, towards a growth rate of 10%, higher than that of imports and in line with developments in world demand. The pick-up in exports was particularly dynamic in the South American commodity-exporting countries (Argentina, Chile and Peru), where exports to China (particularly metals and agricultural produce) account for more than 12% of the total. Conversely, in Mexico, although the external sector contributed positively to growth, external demand only began to pick up towards 2009 Q4, further to the recovery in the US economy with which it is highly integrated. Against this backdrop, the current account held virtually in balance (–0.1% of GDP in 2009), albeit showing significant differences from country to country. The current account deficit tended to widen in Brazil in the second half of the year, to –1.5%, in the face of

EXTERNAL ACCOUNTS AND DETERMINANTS
Year-on-year rates of change, indices and billions of US dollars

CHART 6



SOURCES: National statistics and Banco de España.

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

the deteriorating balances on income and services. Mexico and Colombia also posted a current account deficit at the close of 2009 (–0.6% and –2.8%, respectively), while Argentina, Chile, Peru and Venezuela continued to run a surplus (which has narrowed significantly in this latter country).

Finally, the higher-frequency indicators suggest that the buoyancy of the economy will have stepped up or, at least, have held unchanged in early 2010. Industrial production has resumed a year-on-year rate of over 5%, similar to that recorded in the 2006-2008 pre-crisis period, and capacity utilisation, confidence indicators and retail sales have increased.

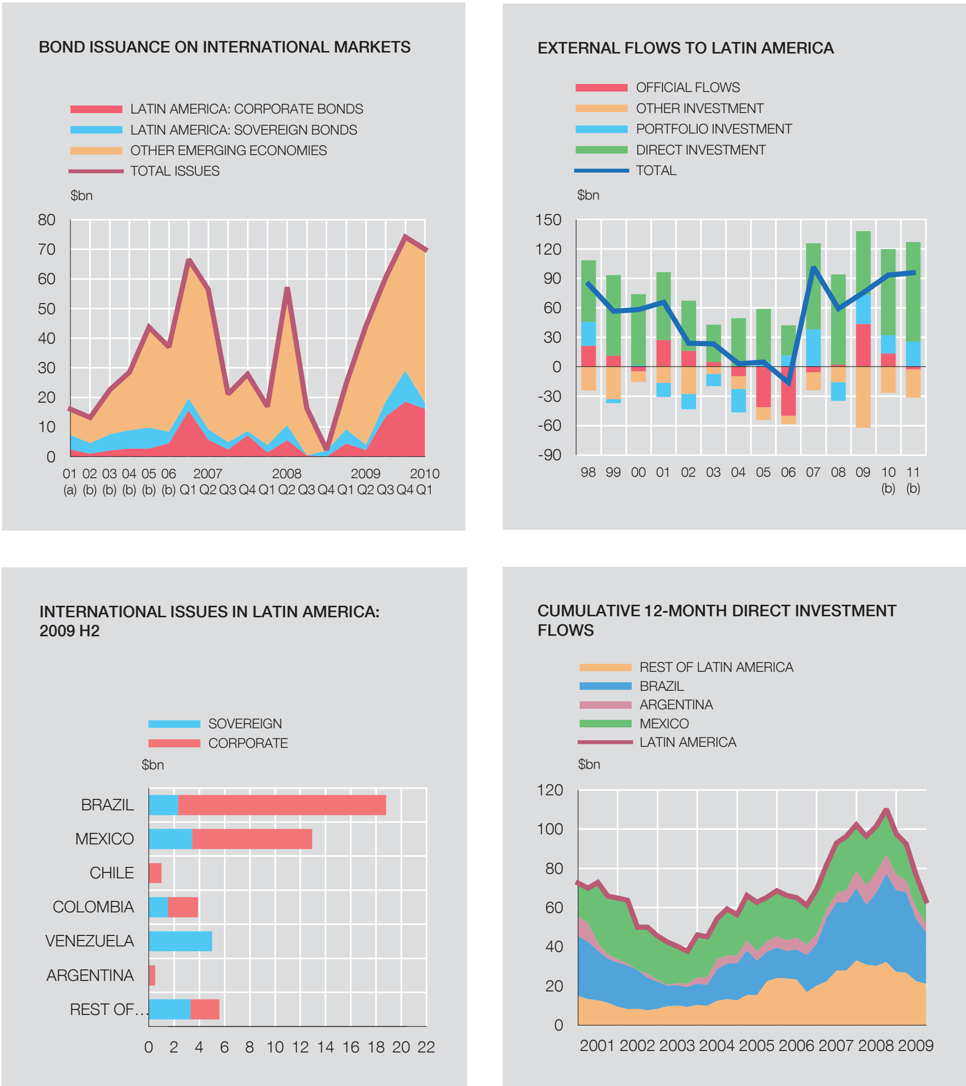
Financial markets and external financing

Over the past six months, the recovery in Latin American financial markets begun in March 2009 firmed, although they were temporarily affected by the bouts of global volatility first, in December, with the rescheduling of the debt of a Dubai fund, and subsequently, in early 2010, with the increased perception of sovereign risk in some European countries, in particular

EXTERNAL CAPITAL FLOWS AND FUNDING

$bn

CHART 7



SOURCE: JP Morgan, IMF and national statistics.

a. Quarterly average.
b. WEO forecasts (April 2010) for 2010-2011.

Greece. There were also episodes of specific instability in some countries in the region (Venezuela and Argentina), which translated into greater asset price volatility on these markets.

Against this background, capital flows recovered forcefully in late 2009, as did private and government issues on international markets ($46 billion, fourfold the amount in the first half of the year). However, over the year as a whole, private capital net flows ($41 billion, according to the IMF) were down on 2008 (see Chart 7), since the rebound in official flows disguised the total figure. Foreign direct investment continued to constitute the main capital flow towards the region (around $70 billion), although it slowed markedly (see Box 2), while portfolio inflows turned positive once again in 2009, following their decline the previous year. Lastly, bank flows (included under “other flows” in Chart 7) posted a fall of close to $60 billion, larger than that of the previous year.

The exchange rates of the main Latin American currencies broadly held on a rising path, although this was much more pronounced than that seen in March to September the previous year (see Chart 8). The Brazilian real, the Chilean peso and the Colombian peso stood during

This box describes recent developments in Spanish investment flows in Latin America[1], stressing the behaviour of foreign direct investment (FDI) as a main flow of financing to the region. To do this, data are drawn from the Banco de España Balance of Payments and International Investment Position from 1999 to the latest published period.[2] In all cases, the FDI data analysed are net, i.e. they constitute residents' investment abroad minus disinvestment.

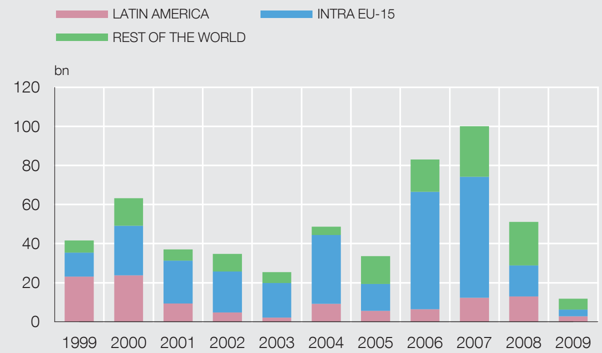
In the past two years there have been significant changes both in terms of the volume and composition of Spanish direct investment flows abroad, in parallel with the reduction seen in global FDI flows, which has also affected Latin America. Spanish FDI peaked in 2007, at over €100 billion. However, in 2008 and 2009, in the context of the international financial crisis, there was a marked decline of practically 70% - taking the average for the two years relative to the 2007 peak - in these flows, down to slightly below the average for the past decade (€31 billion). This fall is essentially a result of a decline in investment within the European Union and, to a lesser extent, in investment to the rest of the world (see Panel 1). The main causes behind this recent behaviour are largely common to most countries: the financing restrictions on international markets evident since the summer of 2007; the high debt of non-financial corporations; the worsening of the financial crisis from September 2008, and the process of adjustment of the Spanish economy.

Conversely, in contrast to the fall in outward Spanish FDI during this period, direct investment in Latin America initially held up somewhat better, since it maintained levels in 2008 similar to those for 2007, at around €13 billion, the highest since 2001. This is in line with the behaviour of global foreign direct investment in Latin America in 2008 (also at record levels that year[3]), which has been partly attributed to the resilience shown by economic growth in these countries during the first year of crisis, to the continuation of high commodities prices for much of 2008, and probably also to the characteristic inertia in foreign investment decisions, which were taken in the pre-crisis boom period.

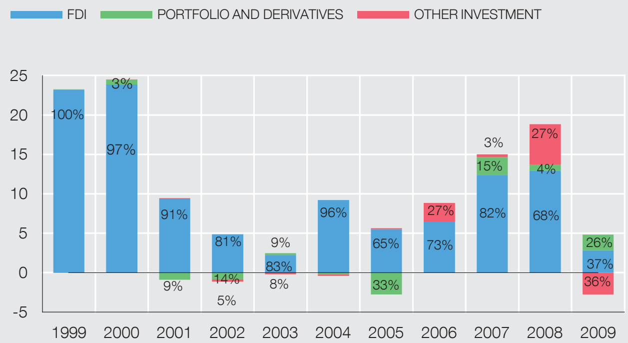
1. Unless otherwise specified, this box will use the aggregate of the seven biggest economies of the region (Argentina, Brazil, Colombia, Chile, Mexico, Peru and Venezuela), which accounted for 88% of Spanish direct investment into Latin America in 2009 **2.** In the case of the Balance of Payments, to December 2009; and for the International Investment Position, to 2009 Q4. The geographical breakdown for the years 2007-2009 is still a preliminary estimate. A revision of the data will be published in The Spanish Balance of Payments and International Investment Position. 2009, later this year.

3. $128 billion according to CEPAL (2009), "La inversión extranjera directa en América Latina y el Caribe, 2008", and $92.2 billion according to the IMF (2010), World Economic Outlook, April 2010.

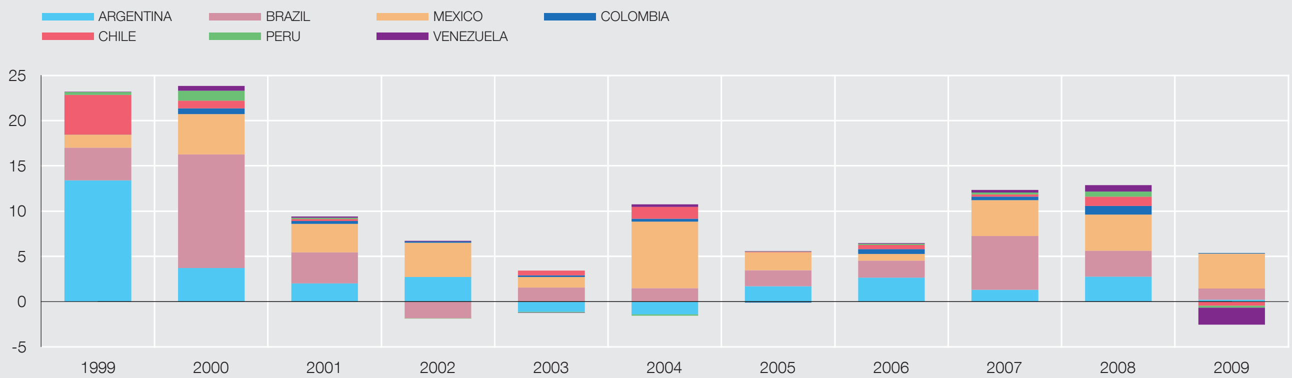
1 NET OUTWARD SPANISH FDI BY REGION



2 SPANISH FINANCIAL FLOWS TO LATIN AMERICA BY COMPONENT (a)



3 SPANISH FDI IN LATIN AMERICA BY COUNTRY



SOURCES: Balance of Payments, UNCTAD, *Bureau of Economic Analysis* and Banco de España.

a. Excluding Banco de España.

In 2009, however, there was a strong decline in Spanish direct investment outflows to Latin America, which stood at €2.8 billion. This decline was in response both to the deterioration in growth and investment in Spain and in Latin America, and to the tightening of borrowing conditions in a setting of greater uncertainty, as well as to some specific factors. The level reached was similar to that of 2003, which marked a low for the decade following the Latin American crisis at the turn of the century. Notwithstanding, direct investment in Latin America has continued to account for a sizeable portion of Spanish FDI (25% on average in the period 2008-2009), and it has remained the most stable component of the financial account (see Panel 2). Moreover, the international investment position in Latin America, where influential factors include not only direct investment flows but also, inter alia, effects relating to exchange rate valuation and asset price changes, increased at end-2009 to 27% (€120 billion) of the total Spanish investment position, with Brazil, Argentina and Mexico respectively ranked second, sixth and seventh in the classification by country, which underscores Spain's continuing sound presence in these countries.

The breakdown of direct investment by country in recent years illustrates differentiated behaviour in this regional overview (see Panel 3). Whereas in 2008 direct investment outflows increased slightly on 2007 in most Latin American countries (with the exception of Brazil, where direct investment grew less than in 2007), in 2009 it slowed in all countries, except Mexico, where it held stable. And in Venezuela, there was notable disinvestment (for a value of €2 billion). This disinvestment is strongly influenced by the sale of Spanish companies' shares in Venezuelan corporations, against the backdrop of the nationalisation programme undertaken by this country since 2008. There was also disinvestment, albeit on a much smaller scale, in Chile and Peru. If the effect of Venezuela were excluded, Spanish direct investment in Latin America in 2009 would stand at around 65% of the average over the past decade. In the remaining countries, both in terms of absolute volume and as a proportion of GDP and of total Spanish FDI, most direct investment in 2009 was targeted on Brazil and Mexico. This is in contrast to the pattern followed to 2005, when the relative weight of Chile and Argentina was greatest.[4]

Finally, the sizeable weight of flows in sectors such as financial services, telecommunications and public services in total Spanish direct investment in Latin America means that this investment is essentially tied to the business cycle and to the growth prospects of domestic demand in the region, although logically it may be influenced by the situation of the Spanish economy. In this respect, the outlook for 2010 is more positive.

4. See Enrique Alberola and Juan Carlos Berganza (2008), "Una evolución cuantitativa y cualitativa de la IED española en América Latina en 1996-2005", in R. Casilda (ed.), Globalización, inversiones y multinacionales españolas en América Latina: huellas y perspectivas, pp. 319-338.

before the end of the year, coinciding with the closure of banks and the emergence of energy problems. But it narrowed to around 800 bp following the devaluation early in the year. Among other factors, this reduction might reflect the fact that the devaluation improves the public sector's bolivar-denominated receipts and, therefore, its solvency. In the remaining countries, CDSs fluctuated while moving on a declining trend, except at the times of greatest tension on international markets. In Mexico, the reduction in the CDS and the narrowing vis-à-vis Brazil was despite the fact that two rating agencies downgraded Mexican debt in November and December, arguing that its fiscal reform was insufficient. Conversely, Moody's upgraded Peru's sovereign debt in December to investment grade. Finally, the earthquake in Chile in late February 2010 prompted a rise in the sovereign CDS which, even so, remains the lowest in the region at around 70 bp.

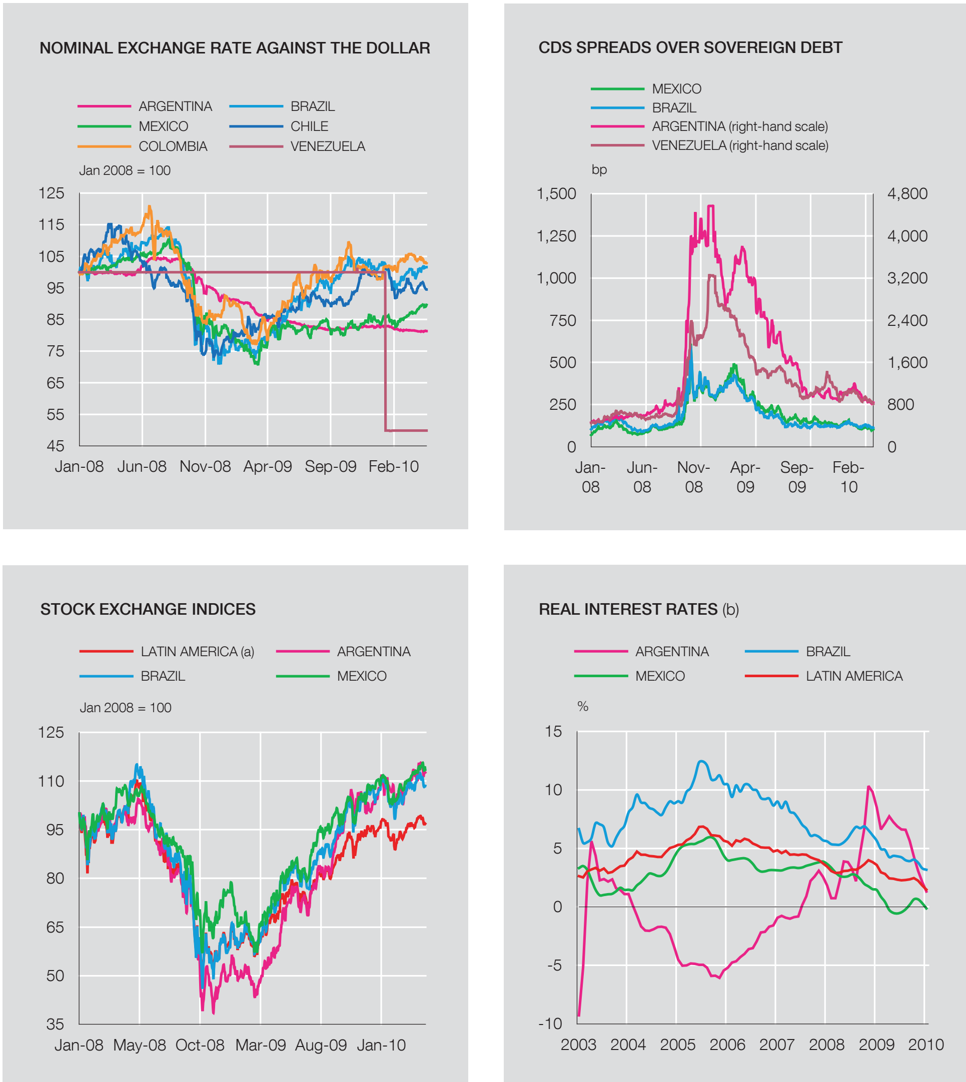
Turning to the stock markets, the regional index for Latin America ended the period with gains of around 5% in local currency, with a similar result in dollars. That means a similar movement to that of emerging Asia and of the developed countries on the whole, although one far below that recorded in the previous six-month period. Country by country, all the region's stock markets posted gains - of around 10% - except for Peru, which held at a similar level to that of the start of the period. That said, the Peruvian stock market showed the biggest rise in 2009, with its index doubling in value.

Prices and macroeconomic policies

Inflation in the region as a whole began to rise in late 2009 from a rate of slightly over 5%, the downward path initiated a year earlier (see Chart 9) having run its course. The disinflation process in Latin America in 2009 was mostly due to food price developments (in particular to the

CDS SPREADS OVER SOVEREIGN DEBT, STOCK MARKETS AND EXCHANGE RATE AGAINST THE DOLLAR
Basis points, indices and level

CHART 8



SOURCES: Datastream and JP Morgan.

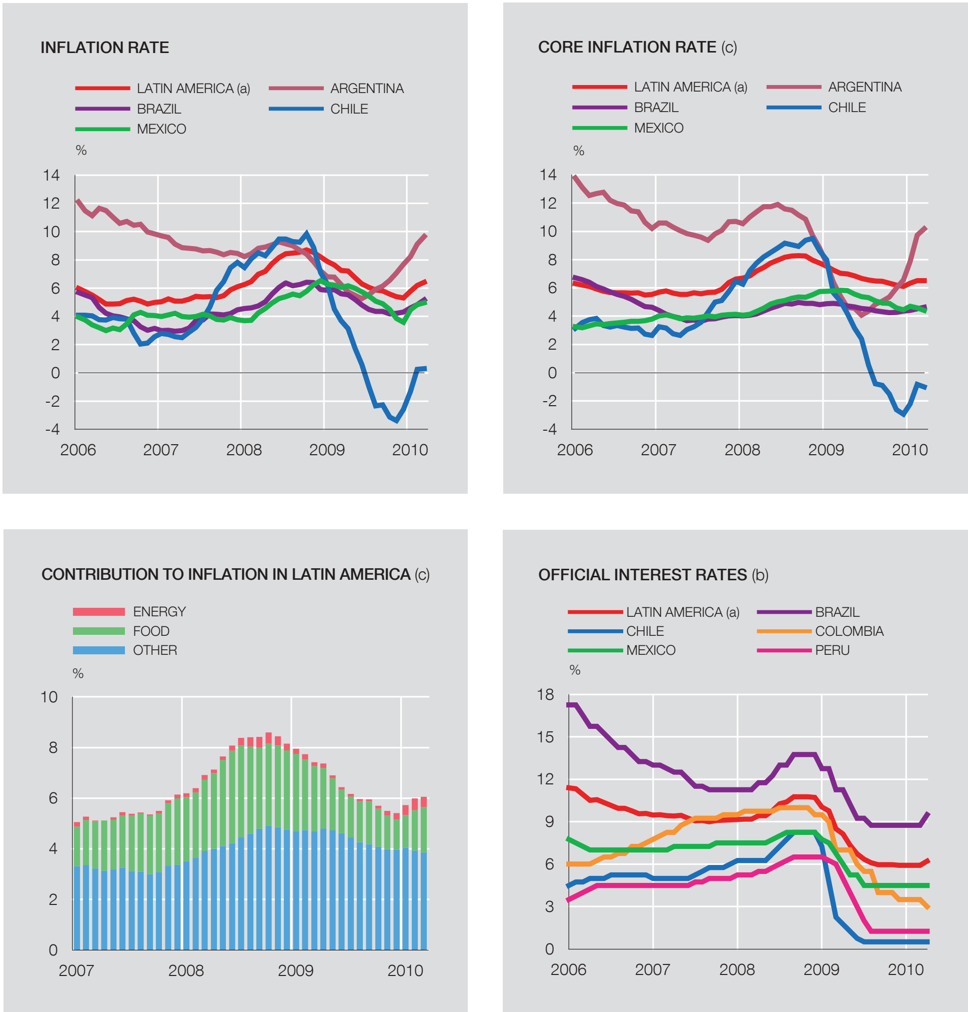
a. MSCI Latin America Index in local currency.
b. Short-term interest rate minus inflation rate.

this period at relatively appreciated levels, only around 10% down on the highs reached in early 2008, before the crisis spread to the emerging economies. The appreciating trend was particularly sharp towards October, and was countered by central banks' heavy purchases of reserves, along with the application of prudential measures and some capital controls (see Table 2). Particularly notable among these was Brazil's reintroduction of the 2% tax on cross-border financial transactions (OIF by its Portuguese abbreviation), which proved effective, at least in the short run, when it came to moderating capital inflows and stabilising the exchange rate. Certain requirements were also reintroduced in Peru for foreign currency transactions, given the rising trend of the sol. The Mexican peso appreciated by around 10% over the past six months, the biggest appreciation in the region, and one possibly related to the recovery in the dollar and the improved growth outlook in North America; that said, the peso is still relatively depreciated in respect of its pre-crisis levels. The Argentine peso held stable for most of the period, moving on something of a depreciating trend as from the end of the year, against

INFLATION AND OFFICIAL INTEREST RATES

Year-on-year rates of change

CHART 9



SOURCES: National statistics and Banco de España.

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

a background of renewed capital outflows related to factors of institutional instability (in particular, those associated with the use of international reserves to repay debt, which led to the resignation of the central bank governor). These factors also affected Argentina's remaining financial variables. Finally, in early January the Venezuelan bolivar was devalued by 50%, and a new system with two official exchange rates was set in place.

Sovereign spreads measured by the EMBI oscillated in a relatively narrow range, between 300 bp and 375 bp throughout the period, following their strong decline in the March-September period. The tendency was one of reduction, with a 75 bp rebound in January (related to Greece's difficulties), which was subsequently reversed in full. In terms of specific factors, mention should be made of the greater volatility of the EMBI and the sovereign CDS in Argentina and Venezuela. In Argentina, the sovereign CDS rose in late January above 1200 bp owing to the heightening of institutional uncertainty. It fell once more towards a low at the end of the period, set against the general improvement in markets and the prospect of the resolution of the debt swap for bond holdouts, whose conditions were made public in mid-April (see the section "Economic developments by country"). In Venezuela, the CDS climbed up to 1400 bp

PRUDENTIAL MEASURES AND CAPITAL CONTROLS TO MITIGATE THE IMPACT OF FINANCIAL FLOWS

TABLE 2

MEASURES	DESCRIPTION	COUNTRY (a) (currently or previously used)
Measures to discourage short-term capital inflows (capital controls)	Reserve requirements on deposits or debt raised abroad	AR, CO*, CL, PE*
	Minimum holding period for foreign investment	AR, CL, CO*
	Taxes on portfolio inflows	BR*
	Taxes on profits arising on derivatives transactions	PE*
Provisions	Dynamic provisions	CO*, PE*
Reserve requirement	Higher requirements during periods of strong capital inflows and lower requirements during periods of outflows	BR*, CO*, PE*
	Higher requirements for foreign-currency deposits than for local-currency deposits	AR (pre-OCT 08), PE*
Currency-based imbalances	Limits on the net foreign-currency position as a percentage of equity	CO, AR, BR, CL, PE
	Limits on the net spot and net derivatives positions in foreign currency as a percentage of equity	CO*

SOURCE: Banco de España.

* Measures taken from 2006 onwards.
a. AR: Argentina , BR: Brazil, CL: Chile, CO: Colombia and PE: Peru.

reversal of the base effect of the 2008 rise), while official core inflation, though it eased, did so to a lesser extent. And this despite the opening of considerable output gaps in several countries. In any event, this moderation in price growth was conducive to an improvement in expectations and allowed inflation to stand below official central bank targets, to the extent that in Chile, Colombia and Peru the rate fell below the target floor (see Table 3). Brazil and Mexico were within target, although inflation stood in the upper range of the target band.

From December 2009 to March 2010, however, consumer prices rose to a year-on-year rate of 6.5% for the region as a whole. At the regional level, this rise is due in equal parts to food and energy (which had fallen to very low year-on-year rates of under 1.5% and 0.5%, respectively), in addition to certain one-off factors such as rises in taxes and administered prices in some countries. Hence, while there are substantial cross-country differences (see the section "Economic developments by country") and although the underlying component - calculated on the basis of national price indices, uniformly stripping out the food and energy indices - has held relatively stable at a rate of close to 4% (see Chart 9), the recent increase in prices has, according to surveys, been accompanied by a moderate but constant rise in inflation expectations since late 2009.

In this setting, monetary policies remained exceptionally lax throughout last year. However, given the recovery in activity, the progressive closing of output gaps in some economies, the relatively expansionary bias still characterising fiscal policies, the sensitivity of inflation to commodities prices and the rise in inflation, some countries have begun to unwind their expansionary monetary policy measures (some of which were exceptional) applied during the crisis. Thus, for instance, Brazil announced in February that it would progressively reverse most of the reduction in bank reserve requirements applied during the crisis, which accounts for a significant drainage of liquidity, and it raised its official interest rate by 75 bp to 9.5% at the end of April. In contrast, it has once again funded the public bank BNDES, and the interest rate

INFLATION
Year-on-year rates of change

TABLE 3

Country	2009			2010		2011	
	Target	dic-09	Fulfillment	Target	Expectations (a)	Target	Expectations (a)
Brazil	4.5 ± 2	4.3	Yes	4.5 ± 2	4.8	4.5 ± 2	4.7
Mexico	3 ± 1	3.6	Yes	3 ± 1	5.2	3 ± 1	3.9
Chile	3 ± 1	-2.6	No	3 ± 1	3.7	3 ± 1	3.2
Colombia	4.5 a 5.5	2	No	3 ± 1	3.8	3 ± 1	3.8
Peru	2 ± 1	0.3	No	2 ± 1	2.2	2 ± 1	2.5

SOURCES: National statistics and *Consensus Forecasts*.

a. *Consensus Forecasts*, March 2010.

applied by this institution, applicable to the financing of many large corporations, has held unchanged at the historically low level of 6%. Chile announced in November that it would gradually withdraw its exceptional term liquidity facility before May. The Brazilian and Mexican swap lines with the Federal Reserve were not renewed upon their expiry in February, which may also be interpreted along the same lines as the withdrawal of exceptional measures and the normalisation of the functioning of the markets.

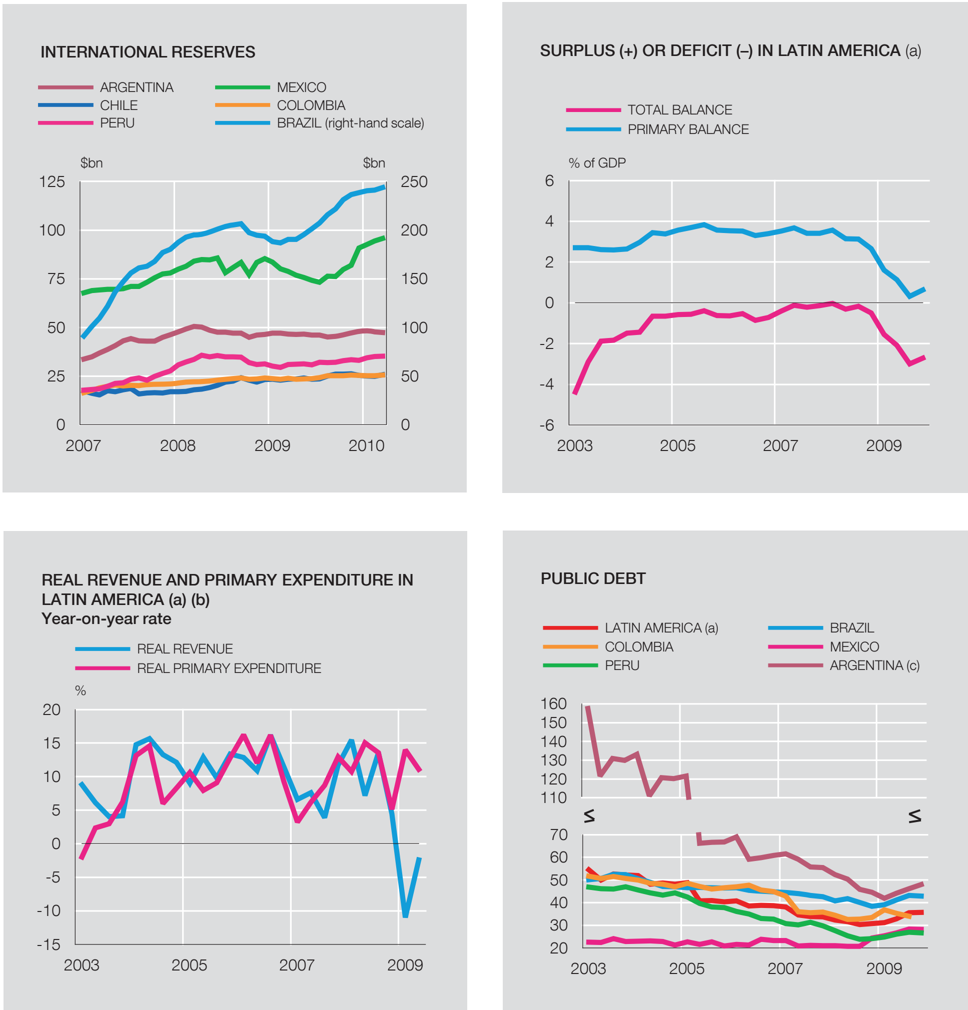
The financial markets expect some central banks in the region (including most notably Brazil's) to progressively reverse the sharp reductions in rates applied during the crisis. This may be complemented by alternative measures, such as reserve requirements. But the situation is not homogenous. Continuing wide output gaps (Mexico), the temporary nature of the shocks received (Chile, Colombia) and other considerations (Venezuela, Argentina) suggest that the cycle of official interest rate rises will not begin simultaneously in all countries, and might be delayed in some of them; in fact, Colombia made a fresh cut to its official interest rate, to 3%, in late April.

A second consideration concerning the possible tightening of monetary policy is whether, in a context of recovering capital flows like the present, the management of interest rates might once again face a dilemma; namely, that the upward pressure on currencies it has been sought to avert is actually accentuated, especially in view of the prospect of high liquidity being maintained in the developed countries. In this respect, although only some countries (Brazil, Peru) have limited inflows with specific capital controls, most have opted to build up reserves to above pre-crisis levels (see Chart 10). Conventional ratios of the appropriateness of reserves (such as reserves/imports, or reserves/short-term external debt), and also more demanding ratios, show that reserves are now generally at very high levels (see Table 4).

The foregoing raises the issue of the IMF's capacity to replace the individual accumulation of reserves as an insurance mechanism against potential crises. While it is generally acknowledged that the build-up of reserves as an insurance mechanism is costly and relatively inefficient, and that it generates growing distortions, the countries that accumulate reserves claim that the main advantages are (i) autonomy in respect of the use of reserves; (ii) that during a crisis the volume of reserves needed to instil confidence and prevent capital flight is much greater than what the conventional ratios indicate; and, therefore, (iii) that there is a need to retain very wide margins (to also replace in full capital outflows for a time). Further, some countries consider that accumulation is also in response to a second objective, namely to temper excessive exchange-rate volatility (and/or appreciation), which cannot be achieved through

INTERNATIONAL RESERVES AND MAIN INDICATORS OF PUBLIC SECTOR PERFORMANCE

CHART 10



SOURCE: National statistics.

a. Seven biggest economies.
b. Deflated by the CPI.
c. Excludes untendered debt in the debt swap offer of 2005.

recourse to the IMF. Set against this assessment, they consider that the characteristics of the alternative multilateral instruments, such as the IMF's FCL (flexible credit line), their short term, the size of the amounts that would be considered necessary in some countries, and their imperfect substitutability for reserves in the eyes of the rating agencies may not be sufficient. Accordingly, lines such as the FCL are viewed as useful, although they are considered to be complementary in nature, and the countries appear to continue showing a preference for self-insurance. In this sense, countries such as Colombia and Mexico have decided to renew in full or in part this line with the IMF, while Mexico announced that it will accumulate reserves, a change on its previous policy.

Finally, given the circumstances, developments in public finances will be a relevant factor in 2010, with the start of an electoral cycle in many countries (Chile, Colombia, Brazil, Venezuela and Peru) that will run into 2011 (Peru and Argentina). In 2009, the fiscal position weakened as a result of the cyclical collapse of revenue and, in some countries, of the momentum of spending. The primary surplus of 3% in 2008 was practically erased and the

RESERVE REQUIREMENTS AS A PERCENTAGE OF DIFFERENT VARIABLES. 2008 TABLE 4

2008	GDP	Exports + Imports	Investment portfolio liabilities	Investment portfolio liabilities + other investment	Short-term external debt	M2	Monetary base
Argentina	13.8	35.0	236.0	56.5	214.6	72.0	128.9
Brazil	12.3	50.7	67.1	48.0	497.0	33.0	239.7
Mexico	8.7	15.4	40.9	31.0	259.9	16.9	183.3
Chile	13.6	18.0	112.6	33.1	153.8	22.5	285.0
Colombia	9.7	30.3	142.4	48.5	416.4	27.5	—
Venezuela	10.4	27.9	244.8	88.5	194.8	—	—
Peru	23.7	49.3	157.5	65.9	482.8	—	396.8
South Korea	21.6	23.5	80.1	40.4	—	15.5	—
China	45.0	76.1	1,209.2	371.3	1,317.1	28.5	—
India	20.5	48.1	264.8	83.3	585.1	—	—
Malaysia	41.1	24.4	141.6	84.4	—	33.7	—
Poland	11.2	15.8	75.5	28.2	90.7	21.6	—
Hungary	21.7	15.8	57.3	22.8	123.4	40.8	159.4
Russia	24.6	52.0	370.2	77.6	563.6	76.0	—

SOURCES: IMF (IFS and WEO) and IIF.

budget moved from a balanced position to a deficit of 2.7% in the region as a whole (see Table 1 and Chart 10). Public debt/GDP ratios rose by around 5 pp of regional GDP (to 35.8% of GDP in the aggregate), breaking the downward trend of recent years, although the increase was much more moderate than that in the industrialised economies (around 17 pp of output).

Exceptions aside, this situation does not appear to pose risks in the short run, but it might influence monetary policy and, more specifically, the balance and timing of exit strategies. Given that expansionary fiscal packages in Latin America (with the exception of Chile and, to some extent, Peru) were much more limited than in the industrialised economies, the need to design an exit or fiscal consolidation strategy would now also be less pressing. However, the dynamism shown by some economies in recent months would probably advise tightening fiscal policy now that the recovery allows it, which in turn would lessen pressure on monetary policy and, indirectly, on the exchange rate. Although there are clear divergences from country to country, the budgets for 2010 are generally of a continuist nature (in Brazil and Colombia priority is not given to expenditure consolidation) or even a procyclical bent (in the case of Argentina and Peru) in a year in which the electoral cycle may make the containment of spending somewhat more difficult. Chile, which had envisaged withdrawing most of its fiscal stimulus measures in 2010 (although it had not yet returned to the 0.5%structural surplus rule), has announced a fund for the reconstruction of earthquake-affected areas comprising more than 5 pp of GDP. Mexico is expected to be the main exception, after having announced a budget that includes a rise in VAT and spending cuts aimed at reducing the State deficit to 0.75% in 2010. Conceivably, and although there may be differences from one country to another, in the region as a whole the monetary impulse will probably be reversed before the fiscal one is.

Trade integration and structural policies

Set against declining global trade in 2009, trade integration processes in Latin America have once again shown the duality present in the region for several years now. Chile, Colombia and

Peru further pursued their strategy of bilateral agreements, particularly with Asian countries. During the period under study, Chile entered into free trade agreements with Turkey and Malaysia, while Peru did so with Singapore, Thailand, China, Canada and the EFTA countries (Switzerland, Iceland, Liechtenstein and Norway). In early March 2010, Peru and Colombia reached a free trade agreement with the European Union which will be ratified at the joint summit in May. Colombia extended the ATPDEA with the United States. Conversely, Mercosur and the Andean Community have continued to face serious obstacles, including the application of trade restrictions among their own members and the lack of agreement on Venezuela finally joining. More positively, Uruguay might shortly follow the Argentine-Brazilian initiative to use local currency in trade, although this initiative currently covers very few transactions (scarcely 1.6% of bilateral trade). Also, the first sucre-denominated transactions between the ALBA (Bolivarian Alternative for the Americas) countries were carried out, the sucre being conceived as a common unit of exchange.

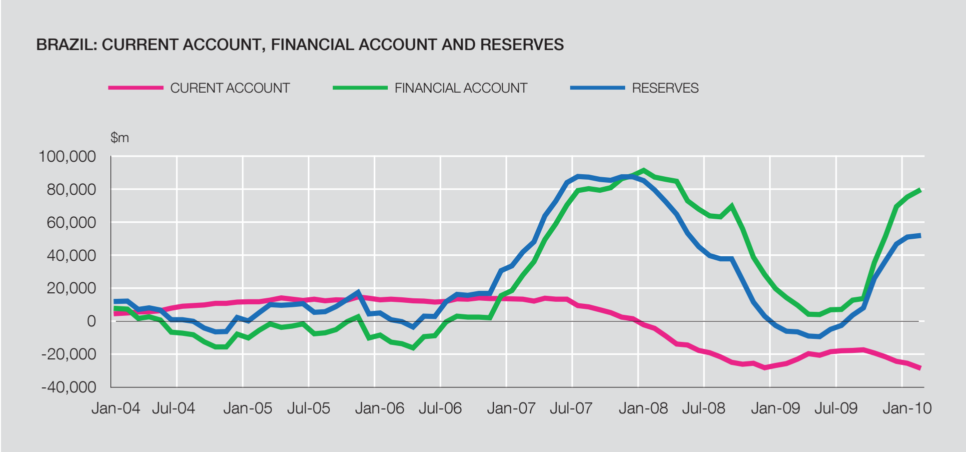
As regards structural reforms, no substantial progress was made. Venezuela put new oil fields out to tender under the new rules for access by the domestic or foreign private sector to this type of business within Venezuela (majority State holding, prior financing of the State oil company and non-use of reserves as collateral for debt), and State control of the financial sector was reinforced with the nationalisation of several of the banks taken over at the end of the year. As to the international measures adopted, both Brazil and Chile and Mexico undertook to increase the financing they grant to the International Monetary Fund. Moreover, Chile became the second Latin American country to join the Organisation for Economic Co-Operation and Development (OECD).

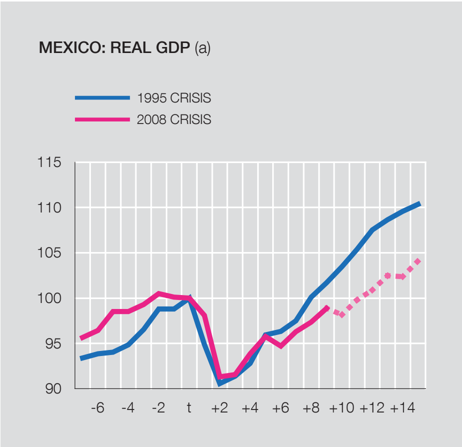
Economic developments by country

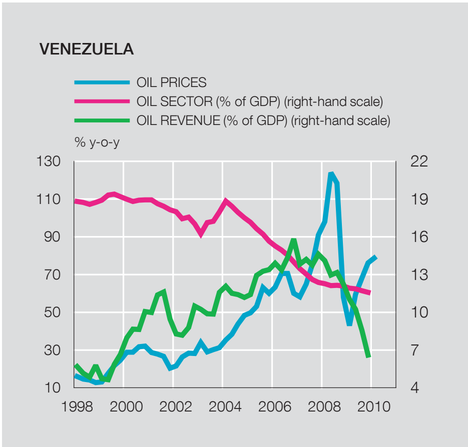
The pick-up in economic growth in Brazil continued during Q3 and Q4 (at respective quarterly rates of 1.3% and 2%). As a result, the year-on-year decline in GDP eased in Q3, and activity rose strongly to 4.3% in Q4. The recovery was boosted by domestic demand (which contributed more than 5 pp to growth), with private consumption expanding strongly and investment resuming a positive growth rate after the sharp adjustment during the three previous quarters. External demand subtracted several tenths of a point from growth in Q4 owing to the pick-up in imports. The indicators for 2010 Q1 point to a further acceleration in activity. In the labour market, the unemployment rate fell, reaching a historical low in late 2009, although it subsequently rose by several tenths of a point, possibly due to seasonal factors. The recovery in the economy came about against a background of moderating inflation to December, within the central bank's target range. However, the incipient rise in prices (5.2% in March, owing largely to food prices, given that the core inflation rate held practically stable) and some increase in inflation expectations raised the issue of whether the economic stimuli should be withdrawn. In this setting, the central bank set out a timetable for the progressive raising of reserve requirements, largely reversing the decrease applied during the crisis, and the cycle of official interest rate rises began with a 75 bp increase to 9.5% at the end of April. Turning to fiscal policy, certain tax exemptions were extended, with others being introduced, and the provision of new funds to the development bank was announced. Public finances continued to worsen, due partly to cyclical factors. As a result, the primary surplus at the close of the year stood at 2.1% of GDP, below the government's target of 2.5%, and the budget deficit duly widened. The primary surplus improved to some extent early in the year, owing to the moderation of spending and the increase in revenue, but the proximity of presidential elections (in October) may hamper the containment of spending this year. In any event, the aim of the draft budget for 2010 is a primary surplus for the consolidated public sector of 3.3% of GDP, up on the 2009 figure. The current account balance posted a moderate deficit in 2009 of 1.6% of GDP. However, in early 2010 it showed a clear deterioration owing to the significant recovery in imports, reflecting the thrust of domestic demand. The second half of 2009 saw a strong rise in

BRAZIL, MEXICO AND VENEZUELA

CHART 11







SOURCES: Central Bank of Brazil, Bank of Mexico, Central Bank of Venezuela.

a. 1994 Q4 and 2008 Q3 = 100. The dotted line plots projections based on Bank of Mexico surveys.

financial flows to Brazil, particularly portfolio flows, which generated significant upward pressure on the currency (see Chart 11). Against this background, the authorities introduced a tax (IOF by its Portuguese abbreviation) on financial inflows relating to the purchase of bond and stock market instruments, and the notable build-up of international reserves continued (this has eased in early 2010). Given this propitious external backdrop, Brazil was able to resort to the international markets under favourable conditions, and did not renew its swap facility with the Federal Reserve, which expired in February. Furthermore, Brazil has purchased IMF bonds for a value of $10 billion, and has undertaken to purchase further bonds worth $4 billion.

In Mexico, economic activity picked up markedly in the second half of the year, posting quarterly growth rates of 2.5% and 2%. Even so, year-on-year rates remained strongly negative (–6.1% and –2.3%), and the year closed with the biggest decline in GDP since 1932. The recovery was much more vigorous from November, coinciding with the recovery in industrial activity in the United States, and was underpinned by manufacturing (initially in the car industry, but subsequently in other sectors too), while construction remained weak. The breakdown of GDP confirms, in turn, that the recovery is external demand-led, whereas private consumption and investment, despite improving somewhat, continued to post negative year-on-year rates. The Q1 indicators suggest some acceleration in activity, which is expected to continue to be based on external demand. Hence, whereas exports and industrial production have shown signs of renewed dynamism, the consumer confidence, retail sales and gross investment indicators are holding at very low levels. In this setting, and despite the fact that the growth outlook for 2010 and 2011 has improved significantly in recent months, the decline in activity in 2009 means that Mexico will continue to evidence a negative output gap until late 2011 (see Chart 11). The inflation rate eased from October thanks to positive base effects, standing within the Mexican central bank's target range at the end of 2009. Core inflation was higher. In the opening months of 2010, inflation has increased by more than 1 pp (to 5%) as a result of the rise in indirect taxes, but this should be a one-off effect. The central bank held its official interest rate at the July level of 4.5%, at which rate it is expected to remain in the coming months. Public finances worsened substantially in 2009, moving from balance to a deficit of –2.1%, the worst figure since 1990. In the case of the primary surplus, the deterioration was from 1.8% to –0.1% of GDP. The fall in oil revenue was propitious to fiscal reform and the rise in taxes in 2010. These measures did not prevent the downgrading of Mexico's sovereign rating by Fitch and Standard and Poor's. And, at the end of March, the government unveiled a new, moderately ambitious multi-year saving plan. The current account balance posted a deficit of 0.6% of GDP in 2009, compared with 1.7% in 2008, and this despite the fact there was a strong deterioration in Q3 stemming from the trade balance having moved from surplus into deficit owing to the forceful increase in imports. Incoming foreign direct investment was 75% lower than in the first half of the year, when the figure was already low compared with previous years. Conversely, portfolio investment inflows increased strongly in the period, offsetting in full the outflows in late 2008 and early 2009. The swap line with the Federal Reserve was not renewed, but faced with the return of portfolio flows the Mexican central bank decided to replenish its foreign currency reserves, while the FCL with the IMF (for $47 billion) was renewed.

In Argentina, GDP grew at a quarter-on-quarter rate of 1.9% in 2009 Q4, after posting a figure of 0.2% in Q3 (the respective year-on-year rates were –0.3% and 2.6%). The highlight was the improvement in domestic demand, boosted by the recovery in private and government consumption. Investment held at a negative rate. External demand also made a positive contribution to growth in the final quarter of 2009. Inflation, unlike in the rest of the region, rose during the six-month period, returning to a level of around 9.7% in March on official figures, against a background of unchanged and strongly expansionary fiscal and monetary policies, and of a gradual depreciation of the currency. In a setting of lower capital-account pressures, the Argentine central bank cut its seven-day reverse repo interest rate by 25 bp in October to 9.5%, following the cumulative reduction of 125 bp from July to September. The current account surplus widened by 1 pp of GDP in 2009 (to 3.7%), thanks to the bigger trade surplus. Conversely, foreign direct investment was halved, posting its lowest level since 2004, whereas portfolio investment outflows eased towards the end of the year after having been very intense over several quarters; however, they increased once again in early 2010 further to heightened institutional uncertainty. In 2009, the federal government's primary surplus was 1.5% of GDP (against 3.1% in 2008). This figure was higher than expected, due largely to the recording in December of a portion of special drawing rights as revenue, further to increased IMF resources. Underpinning the growth of government revenue during 2009 were social security contributions (largely because of the nationalisation of the so-called AFJP [retirement and pension fund managers]), and primary spending increased to a greater extent. Developments in provincial public finances were much more adverse, which led the government to relax the fiscal responsibility rule for the provinces for two years. The half-year period under analysis also saw the repeal of the law that prevented the country from reopening the external debt swap carried out in 2005, after which a fresh offer was directed at bond holdouts (bondholders who did not avail themselves of the previous offer) for a total of $20 billion of capital plus $10 billion of accrued interest. The bonds offered are the same as those under the 2005 debt swap, although they do not include the arrears since 2005 on the coupons indexed to Argentine GDP. Minor-ity investors will receive the accrued interest in cash. Finally, the government's initiative to create a fund to cover payment of the external debt with international reserves, which has already been drawn down for an amount of more than $1.1 billion, resulted in the central bank governor being replaced.

In Chile, GDP shrank by 1.4% year-on-year in 2009 Q3, but rose by 2.1% in Q4. The improvement in domestic demand, thanks to the pick-up in private consumption (5.5% year-on-year at the close of 2009) and the persistence of very high government consumption growth rates were the main factors behind the recovery. External demand also contributed positively to growth, but much more moderately. The high-frequency indicators for Q1 pointed to an acceleration in growth, but the earthquake in late February substantially changed the outlook. The central bank estimates that the loss of productive capital is of the order of 3%, which has led the growth projections for 2010 and 2011 to be revised downwards and upwards, respectively, by several tenths of a point. Inflation was more volatile than in other countries in the region, giving rise to a reduction from 9.9% in October 2008 to –2.3% in November 2009, and a subsequent rise to 0.3% in March 2010. In respect of inflation, the earthquake has resulted in the temporary confluence of a supply-side shock due to product shortages and a demand-side shock due to the negative wealth effect, which might cause prices to rise somewhat more in 2010, falling thereafter in 2011. The central bank held official rates at 0.5%, and it began to withdraw the extraordinary liquidity facility that it adopted during the crisis. The current account balance posted a surplus of 2.8% of GDP in 2009, compared with the deficit of 1.5% in 2008, the result both of the increase in the trade surplus (8.5% of GDP) and of the reduction in the income deficit. The budget deficit stood at 4.5% of GDP (0.9% in the case of the structural deficit) as a result of the application of a strongly countercyclical fiscal policy. Public debt accounted for 6.3% of GDP, a little more than 1 pp above the 2008 rate, while the Economic and Social Stabilisation Fund, after having fallen during the year by somewhat more than 5 pp of GDP, totalled $11.29 billion (6.5% of GDP) at end-2009, which financed the fiscal stimulus plan. Prior to the earthquake, the budget for 2010 had withdrawn most of the impulse measures, although there was no return, for the second year running, to the 0.5% structural surplus rule. Nonetheless, after the earthquake priorities shifted towards spending on reconstruction, which is expected to account for around 5 pp of GDP over several years, and will be financed by temporary tax increases, the reassignment of budgetary appropriations, the sovereign fund and local and foreign currency-denominated issues. In these circumstances, the central bank has indicated that the official interest rate will be maintained pending observation of the impact of the earthquake on activity and inflation, but that it might stand at around 5% over a horizon of two years.

Following four quarters of negative year-on-year rates, Colombia showed an appreciable recovery in late 2009, expanding at a quarter-on-quarter rate of 1.1% (compared with 0.4% the previous quarter), the highest rate since end-2007. That placed the year-on-year rate at 2.5%. The strong growth of investment, the rise in private consumption and the strength of government consumption offset in part the sluggishness of exports, weighed down by Venezuela's trade restrictions, which are expected to have subtracted up to 1 pp of growth in 2009. Inflation continued to ease, standing at the end of the year at 2%, below the central bank's target (3.5%–5.5%). The central bank cut its interest rates by 50 bp in November and by a further 50 bp in April, to 3%, after announcing in March that it would intervene on the foreign exchange market with purchases of $20 million a day. Furthermore, it partly renewed (for an amount of $3.5 billion) the FCL with the IMF. Turning to the external sector, the current account deficit widened in the second half of 2009 to 2.2% of GDP, the result of an increase in the deficit on the incomes balance. The public sector posted a deficit of 4.1% of GDP in 2009, compared with 2.3% in 2008, while for 2010 a deficit of up to 4.5% of GDP is projected, owing to the decline in revenue and despite the downward revision of public spending. However, external borrowing needs are expected to be covered by the issue made in early April.

Peru recovered substantially in the second half of the year. In year-on-year terms, a positive rate of change (3.4%) was recorded in Q4, following two consecutive quarters of declines. The improvement stemmed from the favourable behaviour of domestic demand, which was boosted by the lagged impact of the fiscal stimulus package and by a notably expansionary monetary policy. The contribution of the external sector continued to be strongly positive. The signs of recovery in private domestic demand at the onset of 2010 have been confirmed and have meant that the growth projections for 2010 in Peru are among the highest in the region. Inflation reached a low in December and rose to 0.8% in March, although it is still below its target range (1%–3%). In these circumstances, the central bank held its official interest rates unchanged at 1.25%, although the tone of its latest announcements augurs a possible tightening of monetary policy given the renewed buoyancy of the economy. January saw the reintroduction of the foreign currency requirement for loans at less than two years, and a tax on gains in dollars arising on futures was set in place. From February, there was substantial intervention on the foreign exchange market. The current account balance posted a surplus of 0.2% of GDP in 2009, following the deficit of 3.7% in 2008, due to the higher trade surplus stemming from the collapse of imports and the lower deficit on the income balance. In the fiscal realm, the primary deficit stood at 0.7% of GDP (after a surplus of 3.6% in 2009) as a result of the application of a countercyclical fiscal policy.

In 2009 Q4, Venezuela showed a decline in GDP of 5.8% (–4.6% in the previous quarter), and this despite the fact that oil prices held practically throughout the year above their historical average (see Chart 11). The factor behind this contraction is the fall in the oil sector, owing to the cut in OPEC production, the weakness of demand from Venezuela's main trading partner, the United States, and the financial difficulties the State oil company underwent in the first half of the year. Domestic demand subtracted more than 24 pp from growth in Q4, in a setting of collapsing investment and heavily declining private consumption. Moreover, the problems of the banking sector in 2009 Q4 (control was taken over several financial institutions accounting for 12% of the system's assets and over various securities houses), along with the increasing contributions to the deposit guarantee fund, might have prompted an additional decline in credit. The inflation rate is holding at over 25%, driven by the strong depreciation of the parallel exchange rate. The difficulties in checking this depreciation led, in early January, to the official exchange rate being devalued from 2.15 to 4.3 bolivar per dollar, and to a new preferential exchange rate (of 2.6 bolivar per dollar) being created for specific goods imports. Notwithstanding this and the parallel measures implemented to increase the supply of dollars on the market, the parallel-market exchange rate remains strongly depreciated against the new central parity, and reached new all-time highs in mid-April. The effect of the devaluation on activity is uncertain, owing to the new dual system, but the inflationary impact will probably be significant. In any event, State oil revenues measured in local currency will increase. Finally, there was a net outflow of foreign direct investment totalling $3.1 billion (0.9% of GDP) in 2009.

30.4.2010.

Employment fluctuations in a dual labour market

The authors of this article are James Costain, Juan F. Jimeno and Carlos Thomas, of the Directorate General Economics, Statistics and Research.[1]

Introduction

During the last two decades, the Spanish labour market has shown high employment and unemployment volatility. In growth phases, job creation and the decrease in the unemployment rate have been very high but during downturns in the cycle, job destruction and the increase in unemployment have also been substantial. This phenomenon has become yet more evident during the recent economic crisis when the unemployment rate, in the face of a slowdown in growth similar to that experienced by other countries, increased by around 10 pp, a far higher figure than that recorded even in countries which have labour markets with low firing costs (for example, Ireland and the United States).

In principle, there may be several explanations for this high employment volatility. In the face of a negative shock, a sectoral breakdown biased towards labour-intensive activities may trigger more pronounced job destruction. Furthermore, the greater wage inertia is, with labour costs not adapting to this shock, the greater job destruction will be. Finally, the level and duality of firing costs directly impact hiring and firing decisions and, consequently, they also determine net job destruction in the face of a negative shock.

This article summarises the main findings of a recent eminently analytical paper [see Costain, Jimeno and Thomas (2010)], the main objective of which is to identify to what extent the third of these above-mentioned factors, duality, generated by the coexistence of very different temporary and permanent employment contracts, contributes to increasing employment and unemployment volatility. In order to achieve this aim, it is necessary to analyse firms' decisions to make temporary employees permanent ones and to hire and fire both types of employees, so as to calculate the effects of different economic shocks on job creation and destruction flows and to compare them with the flows that would be recorded in a labour market with a single contract type.

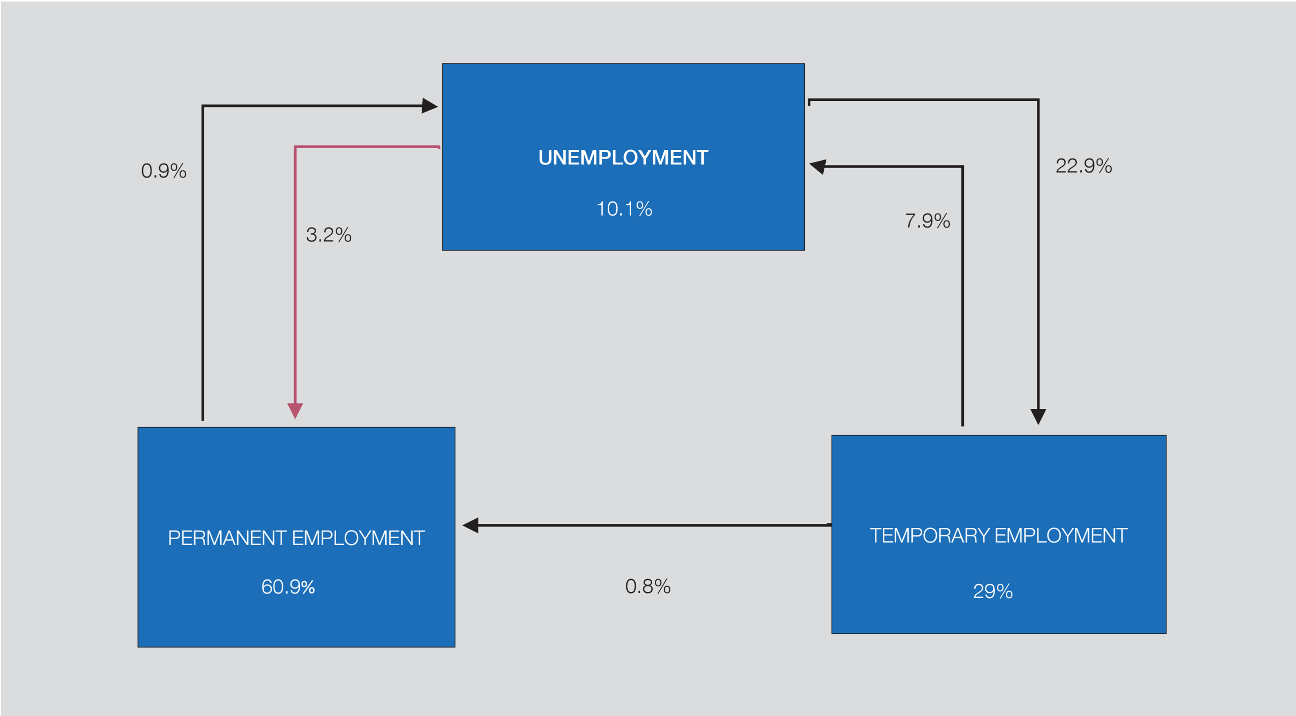
The main findings of this analysis suggest, firstly, that contract duality exacerbates fluctuations in employment and unemployment. If the social costs of unemployment tend to grow more quickly the higher the level of unemployment is, this greater volatility has obvious costs in terms of social welfare. Similarly, contract duality tends to reduce productivity, even without taking into account the negative effects associated with a lower accumulation of experience and smaller investment in training by employees and employers which creates even more temporary employment. These effects cannot be recorded by the analytical model used. Lastly, for the lower volatility that would result from moving away from duality to also translate into a reduction in the average unemployment rate, it would have to be coupled with a reduction in average firing costs.

In any event, it is important to take into account that the analytical model, the results of which are summarised in this article, is not per se designed to act as a basis for a comprehensive proposal for labour reform. In order to draw up a proposal of this type it would be necessary to analyse, for example, other important factors within the regulatory framework of employment contracts and additional aspects on how the labour market operates, such as wage bargaining mechanisms and the management of active policies to boost employment which

1. This article summarises some of the findings of Costain, Jimeno and Thomas (2010), which study the relationship between employment volatility and the system of employment contracts.

STOCKS AND FLOWS IN THE SPANISH LABOUR MARKET (a)

CHART 1



Source: Sample from the EPA (Labour Force Survey) with data from 2001 Q1 to 2008 Q3.

a. Quarterly flows as a percentage of status.

may influence the reduction in the unemployment rate over the cycle and its volatility. All of these matters are clearly beyond the scope of this article.

Job creation and destruction in a dual contract system

Two important characteristics of Spanish labour market dynamics are the prevalence of employees with a temporary contract in employment fluctuations and high worker turnover. As can be seen in Chart 1, from 2001 to 2008, and on average for every 100 participants in the labour market, 10.1 were unemployed, 29 had a temporary job and the remaining 60.9 had a permanent job. Unemployment inflows and outflows were mainly routed through temporary employment. Thus, in each quarter 7.9% of those employed with a temporary contract became unemployed in comparison with 0.9% of those employed with a permanent contract. Also, each quarter 22.9% of the unemployed moved into a temporary job, with only 3.2% moving into permanent employment. The quarterly rate of conversion of temporary employees into permanent ones averaged only 0.8% for this period.

A labour market model with three basic features is used to analyse the implications of duality for employment volatility. These features are: i) the fact that when the unemployed search for jobs and companies search for employees, there is a cost in terms of time and resources; ii) employers create jobs as they expect to earn a positive return from them, and iii) job destruction occurs when the return on the jobs turns negative as a result of adverse shocks. This type of conceptual framework has become the usual method for analysing the macroeconomic consequences of labour institutions.[2] In order to include duality, it is assumed that firms can

2. See Mortensen and Pissarides (1994) for the seminal work underpinning this type of model. Although existing literature has analysed labour institutions in relation to average unemployment levels, currently attention is being focused increasingly on the determinants of unemployment volatility. A recent paper by Sala and Silva (2009) analyses the impact of firing costs on cyclical unemployment volatility, concluding that the key issue is the average value of firing costs, not whether the latter differ on the basis of employment contract type.

only use two types of contract: permanent ones with high firing costs and temporary ones without firing costs but with the legal restriction that they have a pre-set term and, when they end, employment can only be continued through a permanent contract.

In view of these contractual arrangements, apart from deciding how many vacancies firms create, they must establish rules for deciding: i) when and with what type of contract they employ workers to fill the vacancies created; ii) whether or not they convert the temporary contract into a permanent one when it ends, and iii) when to fire workers, irrespective of contract type. Under very general conditions, it can be demonstrated that in this simplified framework the rules followed by firms to adjust the level and structure of their labour force are as follows. In order for employers to offer a job to the unemployed they contact, the productivity of the job to be created must exceed a certain threshold (the hiring threshold). Furthermore, all the newly-created jobs are filled with employees on temporary contracts.[3] Temporary employees whose contract has expired become permanent employees only if the productivity of the corresponding job at a given moment in time is higher than the conversion threshold; the higher the firing costs are, the higher the conversion threshold is. Temporary employees are fired either when their productivity decreases below the level corresponding to hiring or when their contracts expire and their productivity level at that time is lower than that required for conversion. Similarly, permanent employees are fired when their productivity decreases below another particular threshold (the separation threshold); the lower the firing cost, the lower the separation threshold. This productivity threshold, governing the separation of permanent employees, is lower than the hiring threshold that determines the hiring of temporary employees and which, in turn, is lower than the threshold for converting temporary jobs into permanent ones. During upturns, the three productivity thresholds are lower than in downturns and, consequently, more employees are hired and fewer are fired during expansionary phases.

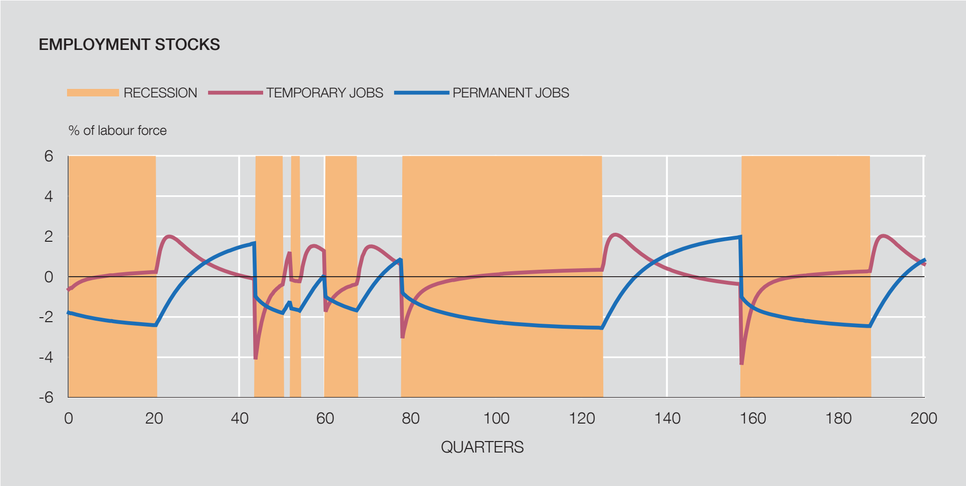
This behaviour has several important consequences for the functioning of the labour market. Due to the difference in firing costs, jobs occupied by permanent employees with lower productivity than that in newly created jobs are kept open, which has a negative impact on the economy's aggregate productivity. Likewise, if at the time the temporary contract expires productivity is high but not sufficiently so to justify conversion, inefficient firing occurs. As a result, the hiring and non-renewal of temporary employees gives rise to a very high labour turnover and, during upturns, fragile jobs build up, namely those jobs which, because they have relatively low productivity, would be destroyed immediately as soon as a cyclical downturn came about. Employees with temporary contracts are affected more by "fragility" than those with permanent contracts. This effect is sufficient for cyclical employment and unemployment volatility to be higher in a dual labour market than in a market with a single contract type, even if the latter has low firing costs.

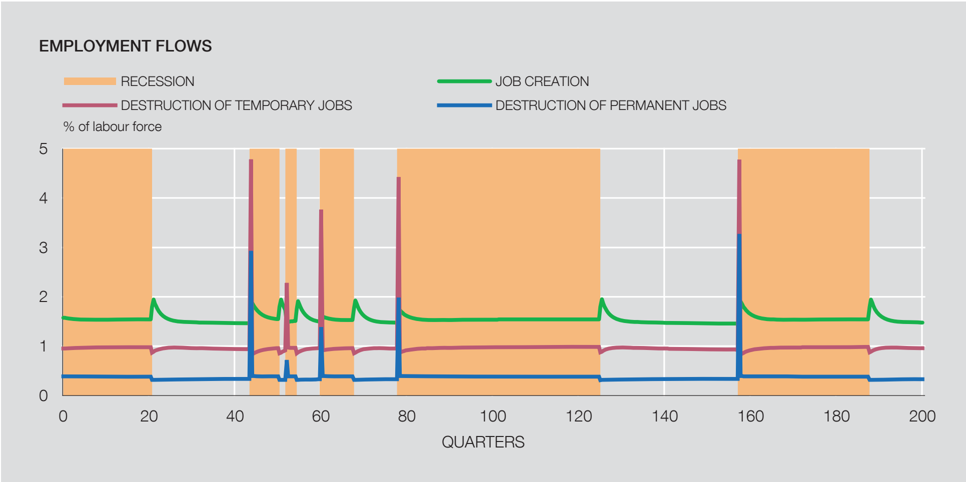
Duality and employment volatility

In order to estimate the contribution of duality to employment and unemployment volatility, several simulations were performed based on a version of the model described in the previous section. The parameters of the model were chosen so as to reproduce the basic characteristics of the Spanish labour market. Thus, in the baseline scenario, the average unemployment rate is around 10%; temporary employees account for one-third of total numbers employed; labour flows between unemployment, temporary employment and permanent employment are of a similar magnitude to the flows in the Spanish labour market (see Chart 1), and the volatility of the unemployment rate is also similar to that seen in the case of Spain in the 1987-2008 period.

3. Intuitively, if the only difference between the two types of contracts is the firing costs, employers always prefer to offer a temporary contract. As a result, in the model there are no direct flows from unemployment to permanent employment. This is shown in Chart 1 where the flow from "Unemployment" to "Permanent employment" is represented by a coloured line.

SIMULATED FLUCTUATIONS IN EMPLOYMENT STOCKS AND FLOWS CHART 2





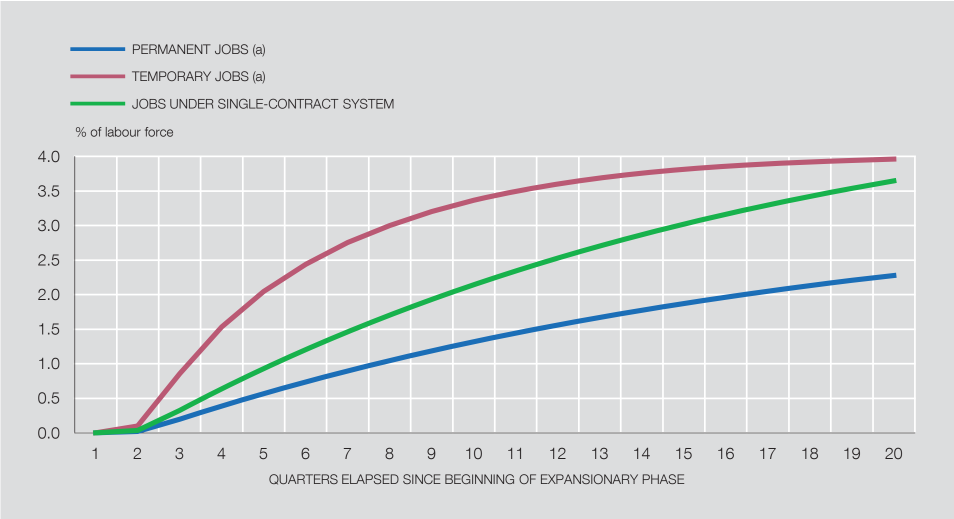
SOURCE. Costain, Jimeno and Thomas (2010).

a. Standard deviations.

The two panels in Chart 2 illustrate the cyclical changes in employment and in the corresponding flows of job creation and destruction which occur in a dual labour market. At the beginning of each recession both temporary and permanent employment decrease sharply with the elimination of fragile jobs.

The fall in temporary employment is particularly steep, despite representing only about half of permanent employment prior to the recession. At the beginning of expansionary phases, temporary employment begins to grow more strongly since all the new jobs are filled with employees on temporary contracts and only after some time has elapsed does the number of temporary jobs converted to permanent jobs begin to build up. Consequently, there are three reasons which explain high temporary employment volatility. First, new hires are always temporary before attaining permanent status. For this reason, at the beginning of an expansionary phase, temporary employment always rises above its long-term level. Similarly, some temporary jobs are fragile from the moment they are created because firms will offer work even to low-productivity workers with the knowledge that they will probably last for a short time as employees. Conversely, newly-created permanent jobs have relatively high productivity and only become fragile in the event of a sufficiently adverse productivity shock. Consequently, fragile jobs build up more slowly among permanent contracts than among temporary ones (as the comparison of the blue and red lines in Chart 3 shows). Consequently, the wave of lay-offs at the beginning

NUMBER OF FRAGILE JOBS CHART 3



SOURCE: Costain, Jimeno and Thomas (2010).

a. Fragile job stocks during an expansionary phase.

of a recession centres on temporary employees following a short or average-length expansionary phase and only affects many permanent jobs after a particularly long growth period. Finally, fragile temporary contracts are terminated for two reasons: because a sufficiently negative shock occurs or because the temporary contract expires. Fragile permanent contracts have a much longer expected duration because they are only terminated if there is an adverse shock. And since such contracts have a much longer expected duration than temporary employment, cyclical productivity variations have a smaller effect on the firing threshold for employees with a permanent contract than on the corresponding threshold for temporary employees, with the result that during recessions the firing of permanent employees increases less than that of temporary employees.

Apart from illustrating the reasons for higher cyclical temporary employment volatility, this conceptual framework makes it possible to perform simulations to compare employment volatility in various firing cost regimes. Specifically, it is possible to analyse whether duality alone, considered independently of the level of firing costs, triggers higher employment volatility. Table 1 compares the results in the dual labour market (column 1) with different cases of labour markets with a single contract type. Firstly, in column 2 it is assumed that the labour market has no temporary contracts and the high firing costs of employees with a permanent contract in the baseline scenario are applied to all employees. Secondly, in column 3 it is assumed that there is a single contract with firing costs that are the same as the average for the dual labour market in the baseline scenario. Thirdly, in column 4 it is assumed that the labour market has a single contract type and that firing costs are such that the total firing costs paid as a percentage of GDP are the same as in the baseline scenario. Lastly, in column five it is assumed that the average unemployment rate is the same as in the dual labour market in the baseline scenario. The results show that the dual labour market causes volatility in the unemployment rate that is around 20% higher than that in all the scenarios considered in labour markets with a single contract type. The results also allow us to conclude that in order to reduce employment volatility and cut the average unemployment rate at the same time, it is necessary that the process of unifying contracts involves a mean decrease in firing costs.

The main reason why employment fluctuates less in a labour market with a single contract type is that, in this case, job creation and destruction is determined through two productivity thresh-

VOLATILITY OF THE UNEMPLOYMENT RATE IN ALTERNATIVE FIRING COST ARRANGEMENTS

TABLE 1

	DUAL MARKET		SINGLE CONTRACT			
FIRING COSTS	2.1 0.0 *1.4*	(permanent) (temporary) (average)	2.1	1.4	1.1	0.4
Costs paid (% of GDP)	0.8		0.9	0.9	0.8	0.3
Unemployment rate (average) %	10.1		12.0	12.2	11.9	10.1
Standard deviation of unemployment rate	1.1		0.8	0.9	0.9	0.8
Standard deviation of job creation	0.2		0.1	0.1	0.1	0.1
Standard deviation of job destruction	0.6		0.3	0.3	0.3	0.4

SOURCE: Costain, Jimeno and Thomas (2010).

olds: one that refers to the hiring of new employees and another that refers to firing them, at a lower productivity level than the hiring threshold. This means that the above-mentioned effects relating to cyclical temporary employment volatility in a dual labour market disappear. Specifically, while in the dual labour market some workers are employed directly in fragile jobs, in a scenario with a single contract type, jobs only become fragile if their productivity declines after they are filled and, consequently, their numbers build up more slowly. Furthermore, while in the dual labour market the low expected duration of a temporary contract implies that the job's productivity is relatively lower and, consequently, the cyclical fluctuations in the firing threshold are sizable, in a labour market with a single contract type this cyclical volatility is lower since the firing threshold varies in a similar way to that for permanent employees in a dual labour market. In short, employment in a labour market with a single contract type behaves like the *permanent component* of employment in a dual labour market. This result is valid for a very wide range of firing costs which includes plausible values for such costs in most countries.

Furthermore, the simulations performed may underestimate the negative effects of duality. The existence of mechanisms which either generate unemployment persistence or lead to labour stability being favourable for productivity make the employment and unemployment volatility generated by duality even more harmful for social welfare.

Conclusions

From the above-mentioned findings it can be concluded that a dual labour market generates higher volatility than a labour market with a single contract type. These findings are important on several fronts. As for regulatory implications, it can be argued that employment and unemployment volatility is, in itself, negative for social well-being. While the social costs of unemployment increase more quickly, the higher the level of unemployment is, a labour market which causes higher volatility is less socially desirable than a labour market which gives rise to lower volatility. As for its implications for macroeconomic stabilisation policies, employment volatility complicates their implementation and increases their costs. Duality also affects labour productivity negatively, even when, as in this analytical framework, temporary employment were not to adversely influence employees' accumulation of experience and training.

However, it should be pointed out that the findings of this analysis of different abstract contract regimes refer to their long-term properties and that in order to obtain their practical implications it would be necessary to also take into account the complexities of the transition from duality to a new contractual system. In any event, according to this analysis, attempting to reduce labour segmentation in the current setting by penalising temporary hires and at the same time maintaining the current conditions for permanent hires would notably harm the outlook for a recovery in employment. Conversely, introducing a new common contract type for new hires with a firing cost lower than that of a permanent contract currently in force would increase job creation and reduce labour market volatility both in the short and long term.

Lastly, it should not be forgotten that the analytical model, the findings of which are summarised in this article, is designed to analyse in detail one specific aspect of the labour market but not to act as a basis for a sufficiently comprehensive proposal for reform. For this purpose, it would be necessary to analyse other very important aspects which, like wage bargaining arrangements or active employment policies, are beyond the scope of this model.

17.3.2010.

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Foreign trade in non-tourism services in Spain

The authors of this article are Arturo Pablo Macías and César Martín Machuca, of the Directorate General Economics, Statistics and Research.

Introduction

In developed economies, the services sector accounts for the bulk of value added and employment. In the case of Spain, it currently represents some two-thirds of nominal GDP and approximately 70% of total employment. Around the world, expansion in services outpaces growth in industrial activity, as economic development per se favours a demand shift towards services. This article focuses on one particular aspect of the services sector, namely Spanish foreign trade in non-tourism services in recent years, from the standpoint of developments in the main industrialised economies. Analysis of this aspect of services is appropriate, since in order to consolidate their external position it is increasingly important for advanced economies to play an active part in foreign trade in services.

Developments in IT and communications, along with the recent liberalisation processes of trade in services, have helped remove the technical barriers that hindered trade, meaning that services other than tourism have become increasingly globalised. Foreign direct investment abroad,[1] which may, at times, act as an alternative channel to exports of services, has also played a significant role in their globalisation.

Regarding the main regulatory developments in this field, it should be noted that international trade in goods was liberalised before international trade in non-tourism services. In fact it was not until the Uruguay Round, which began in 1986 and ended in 1993, that this sector was included in the multilateral trade negotiations.[2] In turn, the principal EU Directive in this respect dates back to 2006[3] and responded to the concern that over-regulation of services markets could be sapping European economies' competitiveness and hampering creation of the single market.

The next section describes how foreign trade in non-tourism services in Spain has developed, identifying the services that have grown the most and those in which Spain has become most specialised. The following section places Spain in the global setting, describing how trade in non-tourism services has developed worldwide and how Spain fares in relative terms. The article concludes with a summary of the main conclusions that may be drawn.

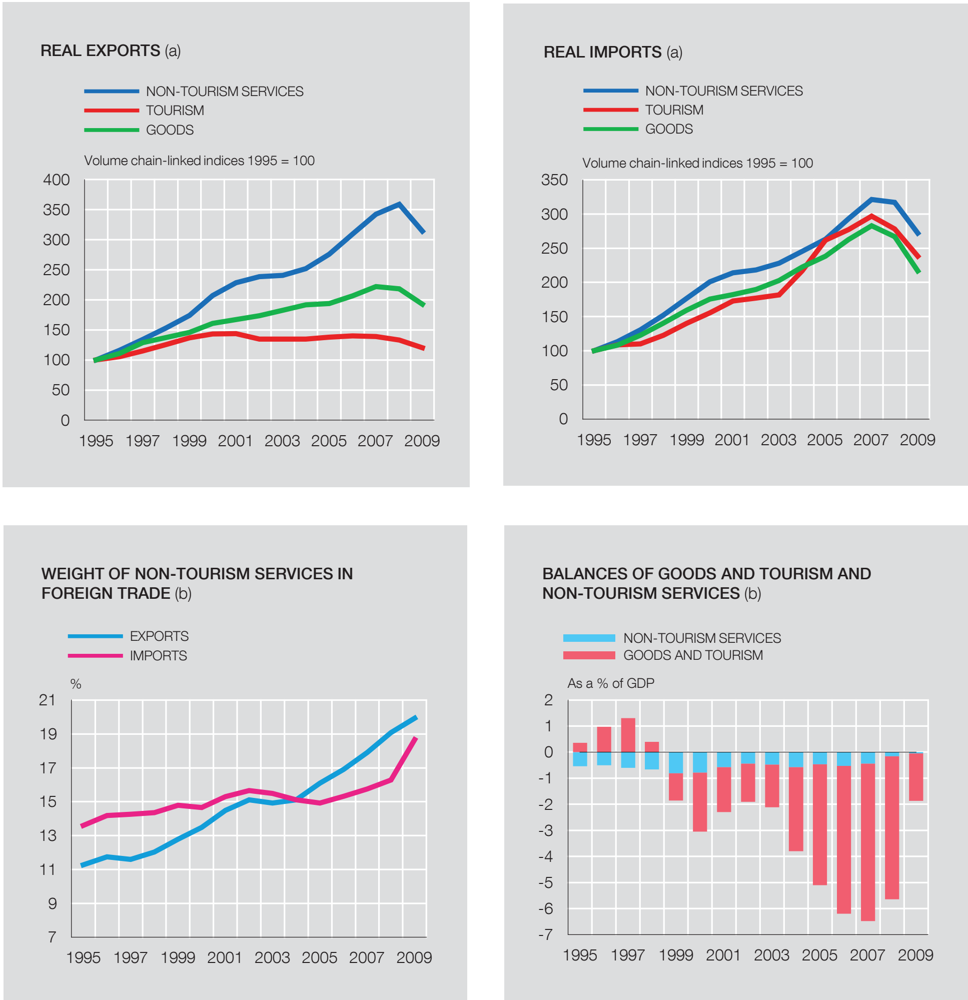
Main features of foreign trade in non-tourism services in Spain

Over the period 1995-2009, Spanish exports of non-tourism services recorded much keener growth than those of either tourism or goods (see Chart 1). According to Spanish National Accounts, real exports of other services rose, on average, by some 9% per annum between 1995 and 2009, vis-à-vis 5% for goods and just 1.5% for tourism. Imports of non-tourism services also posted the most growth, although in this case the differences between the three were smaller.

As a result, the weight of non-tourism services in Spanish foreign trade has risen significantly, especially in the case of exports, virtually doubling since 1995 to more than 20% of the total.

1. Data on foreign direct investment abroad, i.e. investment with a permanent vocation and a share in company management, are recorded in the financial account of the balance of payments, while data on the activity of foreign firms' subsidiaries in the services sector are recorded in the FATS (Foreign Affiliates Statistics). **2.** The General Agreement on Trade in Services (GATS), which gave specific treatment to each kind of service, came into force in 1995. **3.** Directive 2006/123/EC of the European Parliament and of the Council on services in the internal market.

FOREIGN TRADE IN NON-TOURISM SERVICES IN SPAIN CHART 1



SOURCES: Banco de España and INE.

a. Quarterly National Accounts, real data.
b. Spanish Balance of Payments, nominal data.

This process was interrupted, in real terms, in 2009, as exports of other services fell more sharply than sales of goods and tourism, while the fallback in imports was more moderate. The international economic crisis and the high sensitivity to demand of exports of services could explain their poor relative performance in 2009.[4]

Using the disaggregated data provided by the balance of payments, it is possible to identify the items that have contributed the most to the dynamism of non-tourism services in Spain (see Chart 2). First, it should be considered that both exports and imports are highly concentrated on transport services[5] and other business services,[6] which accounted for approximately 70% of receipts

4. See "Una reestimación de las funciones de exportación e importación de bienes y servicios de España", *Boletín Económico*, December 2008, Banco de España. **5.** Transport services include freight and passenger transport (including international transportation of tourists) and ancillary transport services. The latter cover a broad range of services provided in ports, airports, terminals, etc., such as loading and unloading, warehousing and, in general, expenses related to the stop-over of the different means of transport. Fuel supplies and other merchandise, recorded in the trade balance, are excluded. Time chartering with crew is included. **6.** The other business services heading comprises a broad range of activities, which explains its size in comparison with the other headings. In addition to merchanting and operational leases, it includes a broad range of transactions that do not fit into any other category. Merely by way of example, it covers: advertising and market research; R&D; legal, accounting, consulting, architectural and engineering services; translation and interpreting; security and training services, etc.

RECEIPTS AND PAYMENTS OF MAIN HEADINGS OF NON-TOURISM SERVICES

CHART 2

SOURCE: Banco de España.

a. Other non-tourism services include government, cultural and recreational services.

and payments in 2009. However, while transport services[7] gradually decreased in weight over the period 1995-2009 (to around 25% of total payments and receipts), other business services gained weight, to just over 40% of total receipts and 45% of total payments.

In fact, other business services were one of the most dynamic headings in trade in other services over the period 1995-2009 as a whole, accounting for almost 47% of the increase in receipts. Technical services (IT, royalties and other licence fees, and communications), financial services (including insurance) and, especially, construction services, also grew significantly, though they represent a much smaller percentage. The relative weight of construction services more than doubled between 1995 and 2009 (to almost 7% of the total), as certain business groups expanded internationally, within an overall business diversification strategy. This increased foreign presence could boost international trade in goods and services, insofar as it encourages intragroup trade flows.

7. Transport services transactions are connected with trade and tourist flows. In Spain, transport services other than air transport are closely correlated with trade in goods. Within transport services, this item accounts for some 45% of total receipts and some 63% of total payments.

On the payments side, other business services also accounted for a large part of the increase in total imports in the period analysed (some 51%). By contrast, the increase in payments in the case of financial services and, especially, construction services, was much lower.

Parallel to the momentum in receipts and payments, the non-tourism services deficit gradually corrected as from 2000, verging on equilibrium in 2009 on balance of payments data. This is particularly noteworthy because the deficit narrowed during the growth phase of the Spanish economy, when the goods deficit widened significantly, and could indicate that it is due, at least in part, to structural factors connected with the growing internationalisation of Spanish providers of non-tourism services and with a relatively favourable competitive position in this area of activity.

By heading, other business services posted the largest deficit (some 0.2 pp of GDP), but also the highest increase in volume in the past decade. The construction services surplus also widened notably up to 2008 (by almost 0.2 pp of GDP in that year), though it narrowed again in 2009 in light of the international adjustment in the sector. Specifically in 2009, transport services were largely responsible for the narrowing of the external deficit in other services, recording a small surplus in that year, in contrast to a deficit throughout the period analysed. The reason for this correction was that goods imports (particularly extra-EU imports, which entail higher transport costs due to the longer distances involved) fell by more than exports, which would explain why goods transport services payments fell by more than receipts.

The last point to note in this section is that the growth in exports of non-tourism services in the period 1995-2009 was accompanied by increased geographical diversification. Thus, although the EU27 account for some 60% of total exports, their relative importance declined by almost 4 pp in the period analysed. Beyond the EU, the highest growth was seen in exports of other services to Switzerland (accounting for some 9% of the total), the United States (around 8%) and Latin America (around 7%).

Spain in international trade in non-tourism services[8]

In recent decades, international trade in non-tourism services has been very dynamic, with average nominal growth in the period 1995-2008 approaching 10%, somewhat higher than in the case of trade in goods and services (around 9%). Excluding transport services, the increase in global exports of other services verges on 12%. The share of non-tourism services in international trade has risen (by almost 2 pp, to 14% of the total) against a backdrop of increasing globalisation of activity, prompted in part by the emergence on the international economic scene of new countries, and by the strong momentum of global trade integration (see Chart 3). Moreover, the outlook for foreign trade in services in the EU is favourable, in light of transposition of the above-mentioned Services Directive, which could have quite a significant impact on foreign trade in services in the EU.[9]

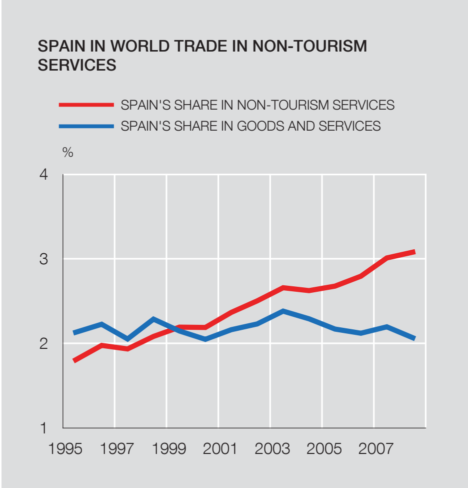
This increase in the portion of international trade accounted for by services has continued despite the recent economic crisis, as in general the decline in trade in services has been lower than in goods and tourist transactions. The evidence available shows that, in 2009, exports of goods in the OECD member countries fell more sharply than exports of services.[10]

During the latest world economic growth phase, Spain consolidated its competitive position in trade in non-tourism services, raising its export share (defined on the basis of world imports)

8. In this section, for reasons of consistency with WTO figures, all data are exclusive of government services. **9.** Estimates of the impact of application of the Services Directive point to an increase in foreign trade in services in the EU of between 20% and 40%, which would, in turn, boost European economic growth potential by 0.2-0.4 pp [see De Brujin, Cox and Lejour (2006)]. **10.** See "*Rising trade flows confirmed in third quarter 2009*", OECD press release, Paris, 27 January 2010.

INTERNATIONAL TRADE IN NON-TOURISM SERVICES AND THE ROLE OF SPAIN

CHART 3



SOURCE: World Trade Organization.

to 3.1% in 2008 (from 1.8% in 1995). Nevertheless, Spanish exports of other services could expand further, considering the continuing lower weight of technical services in Spain in comparison with other countries, and the higher share in international trade enjoyed by other developed economies.

The European Union is the world's leading services supplier, accounting for more than 20% of the total. Spain's share of the EU's international trade in non-tourism services rose from close on 2% in 1995-1999 to almost 6% in 2005-2008, while its share in world trade in other services rose to 3% (see Chart 4). This increase in the Spanish economy's share of the EU's foreign trade in non-tourism services is all the more favourable, as it coincided with the emergence on the international markets of India and China, which have eaten into the export shares of the developed economies.

One notable feature of the comparison with other EU countries is that, in Spain, exports of other services as a percentage of GDP[11] are higher (5%) than in France and Italy, where these exports have not gained share in recent years. Similarly to exports, Spanish imports of non-tourism services have also risen as a percentage of GDP, albeit more moderately. Among the developed economies, the external balance of non-tourism services also improved in the period analysed in Germany, the United Kingdom and the United States. By contrast, in France the surplus gradually diminished, to disappear completely in recent years. Among the emerging economies, the strong growth, in an amount equivalent to 7.5% of GDP, in exports from India, which has run a surplus in this balance of payments component since 2003, is particularly noteworthy. China's exports of non-tourism services have grown more moderately; China continues to run a deficit in these services of approximately 1% of GDP.

International comparison by heading shows that, in general, in the main industrialised countries, as in Spain, exports of other services are largely focused on other business services and transport services. Technical services represent a particularly large share in the United States, and especially in India, and financial services in the United Kingdom (see Chart 5). Other business services and construction services both account for a larger share of the total in Spain than in the EU as a whole, while the share of transport services has declined, to a similar level

11. Defined as services sector exports over the total GDP of the economy.

SPAIN'S SHARE IN INTERNATIONAL TRADE IN NON-TOURISM SERVICES

CHART 4

SOURCES: World Trade Organization and Eurostat.

a. EU trade with the rest of the world. EU15 to 2004. Thereafter, the nominal data of other services are calculated by applying the growth in nominal data of the EU27 to the EU15 base data.
b. Technical services comprise Royalties and licence fees, Communications and IT services. Financial services include insurance.
c. Other non-tourism services include government services and personal, cultural and recreational services.

to that of the EU's trade with the rest of the world. By contrast, technical and financial services represent a smaller share of Spain's non-tourism services than in the EU. However, in the case of financial services, the globalisation of Spain's financial institutions, taking advantage of their greater efficiency, has been made essentially via direct investment rather than foreign trade.[12] This means that the balance of payments data provide only a partial view of the scale of this process.

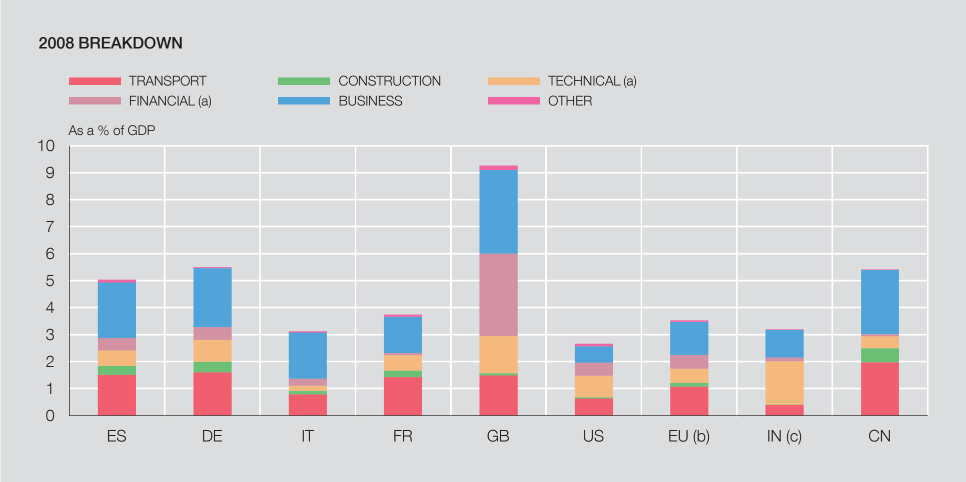
Conclusions

In recent decades, the services sector in the developed economies has grown substantially. This increase in services as a portion of the economy as a whole, and of exports in particular, will foreseeably continue in the future, due to the high income elasticity of services and demographic and social changes (such as population ageing and the growing consumption of tech-

12. This signals the lack of a relationship of complementarity between direct investment and exports of financial services, which contrasts with the evidence of such a relationship, in the Spanish case, between direct investment and exports of goods. See "Determinantes principales de la decisión de exportar de las empresas españolas", *Boletín Económico*, December 2009, Banco de España.

BREAKDOWN BY SECTOR OF NON-TOURISM SERVICES RECEIPTS: AN INTERNATIONAL COMPARISON

CHART 5



SOURCES: Eurostat and UN Service Trade.

a. Technical services comprise Royalties and licence fees, Communications and IT services. Financial services include insurance.
b. EU27 trade with the rest of the world.
c. 2006 data.

nical and leisure services), all of which signify a shift in demand from industrial goods to services. These factors, together with the ongoing liberalisation of the services sector, explain the momentum behind the globalisation of non-tourism services in recent years and the future growth outlook.

The Spanish economy has participated actively in this globalisation, and has thus been able to increase its world share in non-tourism services and offset, to a certain extent, the lower pace of expansion in trade in goods. This was backed by the growth in business services and construction services, although expansion in the latter will foreseeably moderate in the near future, in light of the ongoing sector adjustment at international level.

The dynamism of Spanish exports of non-tourism services during the economic growth phase was due, at least in part, to structural factors linked to competitiveness gains, as Spanish firms entered and consolidated their position on foreign markets. That said, in comparison with the situation in other developed economies, Spain's non-tourism services are still more domestic-market focused, so there should still be room for further growth in its share in world trade, especially in those activities in which the Spanish economy is most competitive. To step up the presence of Spanish non-tourism services firms on foreign markets, it is essential to continue along the path of greater flexibility and liberalisation in the sector, within the framework of transposition of the European Services Directive. Greater competition in the services sector will drive up the quality of services supplied and thus enhance the competitive profile of Spanish firms abroad.

19.4.2010.

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Financial regulation: 2010 Q1

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Introduction

In 2010 Q1, relatively few new financial provisions were enacted in comparison with previous periods.

The European Central Bank (ECB) issued two guidelines which, in one case, update the Eurosystem's quality requirements governing the eligibility of asset-backed securities as collateral, and, in the other, make certain changes to the regulation of monetary, financial institutions and markets statistics in order to align it with the Community legislation in place.

Also, various Community directives have been amended which, inter alia, affect certain own funds items and the supervisory arrangements for financial institutions, in order to address shortcomings revealed by the financial crisis.

The Banco de España made certain changes in statistics on interest rates applied by MFIs to deposits and loans vis-à-vis households and non-financial corporations, and in public and confidential financial reporting rules and formats, so as to enable compliance with the new Community requirements in these areas.

Lastly, the terms of issuance of State debt for 2010 and January 2011 were promulgated and the investment policy of the Fund for the Acquisition of Financial Assets (FAFA) was partially modified.

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

Guideline ECB/2010/1 of 4 March 2010 (OJ L of 12 March 2010) amending Guideline ECB/2000/7 of 31 August 2000 on monetary policy instruments and procedures of the Eurosystem was issued to update the Eurosystem's quality requirements regarding the eligibility of asset-backed securities as collateral.

In this respect all asset-backed securities issued from 1 March 2011 shall have at least two credit assessments (previously only one was required) from any accepted ECAIs.[1] To determine eligibility, the rule applied shall be that of the second-best assessment. Under this rule, for securities to be eligible the Eurosystem shall require both credit assessments to be "AAA"/"Aaa" level at issuance and at least "single A" level over the life of the security.

In the case of asset-backed securities issued before 1 March 2010 that have only one credit assessment, a one-year adaptation period, i.e. until 1 March 2011, is allowed to obtain a second credit assessment so that they can continue to be eligible. Once the two assessments have been obtained, the second-best credit assessment must comply with at least the "single A" level over the life of the security.

The Guideline came into force on 1 March 2010.

European Central Bank: amendment of provisions on monetary statistics

Guideline ECB/2009/23 of 4 December 2009 (OJ L of 21 January 2010) amending Guideline ECB/2000/7 of 1 August 2007 on monetary, financial institutions and markets statistics was issued.

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1. ECAIs are external credit assessment institutions.

Its purpose is to align Guideline ECB/2007/9 with the Community legislation in force and, in particular, with the recast Regulation 25/2009 (ECB/2008/32) of 19 December 2008[2] concerning the balance sheet of the monetary financial institutions (MFIs) sector[3] and with Regulation 290/2009 (ECB/2009/7) of 31 March 2009[4] amending Regulation 63/2002 (ECB/2001/18) concerning statistics on interest rates applied by MFIs to deposits and loans vis-à-vis households and non-financial corporations.

The changes introduced by the Guideline are as follows:

New statistics are defined for money market funds (MMFs)[5] which include, as with other statistics, the scope of reporting, flow adjustments, reporting frequency and deadline, grossing-up and revision policy.

New reporting requirements for loans granted by euro area MFIs to non-financial corporations broken down by branch of activity are specified. For the first time, standards are set for the grossing-up of data on money market funds (MMFs) and for the selection of the most representative reference reporting population, and those relating to the grossing-up of data on MFIs are updated.

The reporting of statistics on securitisation and other transfers of MFI loans initially granted to non-MFIs is deemed to be no longer necessary in view of the enhanced reporting on these MFI balance sheet items under Regulation 25/2009.

National central banks (NCBs) have started to report statistics on the assets and liabilities of investment funds. Therefore, the Guideline terminated the transitional regime requiring NCBs to provide information on investment funds within statistics on "other financial institutions" so long as those statistics were of insufficient quality to be published in the euro area.

Finally, the statistics on the interest rates of MFIs and payment systems, and the rules for establishing and maintaining the list of MFIs for statistical purposes, have been updated.

The Guideline came into force on 10 February 2010 and will be applied from 1 July 2010.

Amendment of certain UE directives relating to the solvency and supervision regime of financial institutions

Directive 2009/111/EC of 16 September 2009 (OJ L of 17 November 2009) amending directives 2006/48/EC, 2006/49/EC and 2007/64/EC[6] as regards banks affiliated to central institutions, certain own funds items, large exposures, supervisory arrangements, and crisis management was adopted to address shortcomings revealed by the financial crisis.

In accordance with the European Council and Ecofin Conclusions and with international initiatives such as the Group of Twenty (G-20) summit on 2 April 2009, this Directive is one of a

2. See "Financial Regulation: 2009 Q1", *Economic Bulletin*, April 2009, Banco de España, pp. 184-185. **3.** MFIs are the aggregrate consisting of credit institutions plus MMFs **4.** See "Financial Regulation: 2009 Q2", *Economic Bulletin*, July-August 2009, Banco de España, pp. 182-183. **5.** MMFs are defined as those collective investment undertakings of which the units are, in terms of liquidity, close substitutes for deposits and which primarily invest in money market instruments and/or in money market fund shares/units and/or in other transferable debt instruments with a residual maturity up to and including one year, and/or in bank deposits, and/or which pursue a rate of return that approaches the interest rates of money market instruments. **6.** Their full titles are: 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); Directive 2006/49/EC of the European Parliament and of the Council of 14 June 2006 on the capital adequacy of investment fi rms and credit institutions (recast); and Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market amending Directives 97/7/EC, 2002/65/EC, 2005/60/EC and 2006/48/EC and repealing Directive 97/5/EC.

number of initiatives set out in the Commission Communication of 4 March 2009 entitled 'Driving European recovery'.

The main new developments in this Directive are as follows:

Directive 2006/48/EC allowed Member States to provide for special prudential regimes for credit institutions which are permanently affiliated to a central supervisory body. The Directive removes the time limits set out in Directive 2006/48/EC in order to ensure equal conditions for competition between credit institutions in Member States.[7]

Eligibility criteria were set for the inclusion of certain types of hybrid equity instruments[8] in original own funds of credit institutions. This criteria include most notably the following: they shall be undated or have an original maturity of at least 30 years; they may include one or more call options at the sole discretion of the issuer, but they shall not be redeemed before five years after the date of issue; if the provisions governing undated instruments provide for a moderate incentive for the credit institution to redeem as determined by the competent authorities, such incentive shall not occur within 10 years of the date of issue; dated and undated instruments may be called or redeemed only with the prior consent of the competent authorities; the provisions governing the instrument shall allow the credit institution to cancel, when necessary, the payment of interest or dividends for an unlimited period of time, on a non-cumulative basis.

To improve the consolidated supervision of cross-border banking groups, colleges of supervisors shall be set up. The establishment of these colleges must not affect the rights and responsibilities of the competent authorities, but rather their establishment should be an instrument for stronger cooperation by means of which competent authorities reach agreement on key supervisory tasks. Colleges of supervisors should provide a framework for the consolidating supervisor and the other competent authorities concerned to carry out certain tasks, such as: (a) exchanging information; (b) agreeing on voluntary entrustment of tasks and voluntary delegation of responsibilities where appropriate; (c) determining supervisory examination programmes based on a risk assessment of the group; (d) increasing the efficiency of supervision by removing unnecessary duplication of supervisory requirements; and (e) consistently applying the prudential requirements under this Directive.

The Directive also revises and harmonises the rules for monitoring and controlling large exposures and the limits on their concentration in credit institutions and investment firms.

Thus, the limit on the exposure that a credit institution may incur to a client or group of connected clients is held at 25% of its own funds. Where the exposure is to a credit institution or investment firm, the Directive also sets a quantitative limit of €150 million to alleviate the disproportionate impact of such an approach on smaller institutions. Also, the previous limit of 20% when the client or group of clients was linked to the credit institution, and the limit of 800% of own funds as the cumulative value of large exposures of credit institutions, are removed.

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7. These special regimes applied to credit institutions which were permanently affiliated, on 15 December 1977, to a central body which supervised them, provided that such regimes were incorporated in national law no later than 15 December 1979. These time periods prevented the Member States which joined the European Union after 1980 from establishing these regimes, whereby credit insitutions could be exempted from certain conditions for authorisation of the taking-up of activity, such as the presentation of a programme of activities or the existence of at least two persons of recognised standing and experience who effectively direct the business of the credit institution. **8.** Instruments that do not rank pari passu with ordinary shares during liquidation or which do not absorb losses on a going-concern basis pari passu with ordinary shares, but rather are subject to certain limitations.

Credit institutions and investment firms shall establish robust strategies, policies, processes and systems for the identification, measurement, management and monitoring of liquidity risk over an appropriate set of time horizons, including intra-day, so as to ensure that credit institutions maintain adequate levels of liquidity buffers.

The misalignment between the interest of firms that 're-package' loans into tradable securities and other financial instruments (originators or sponsors)[9] and firms that invest in these securities or instruments (investors) is removed. To achieve this, the originator or sponsor should retain a significant interest in the underlying assets and, consequently, retain exposure to the risk of the loans in question. In this respect, the Directive requires the retention of a material net economic interest.[10] Such retention should be applicable in all situations where the economic substance of a securitisation is applicable, whatever legal structures or instruments are used to obtain this economic substance.

Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with this Directive by 31 October 2010. They shall apply those measures from 31 December 2010.

Credit institutions: amendment of regulations on interest rate statistics

CBE 1/2010 of 27 January 2010 (BOE of 5 February 2010) replaced and repealed CBE 4/2002 of 25 June 2002 concerning statistics on interest rates applied to deposits and loans vis-à-vis households and non-financial corporations (reported by credit institutions to the Banco de España).

The changes in these statistics are in line with the new Community requirements in this area introduced by Regulation 290/2009 (ECB/2009/7) of 31 March 2009 amending Regulation 63/2002 (ECB/2001/18) concerning statistics on interest rates applied by monetary financial institutions to deposits and loans vis-à-vis households and non-financial corporations

The main new developments in the Circular are as follows:

To minimise the cost for credit institutions of obtaining these statistics, interest rate information continues to requested only from a sample of institutions, the data of which are deemed to be representative of those of the population, although the sample selection criteria have been updated. In this respect, an additional limit is added to the existing one for a credit institution to be deemed to be a reporting institution. Thus, reporting institutions shall be those that, according to statement EMU 1 (summary balance sheet), have total assets equal to or greater than €1,500 million at 31 December 2009. Also, as already required in the previous Circular, they must, in statement EMU 2 (classification of certain assets and liabilities by sector and residence), have euro-denominated deposits or loans vis-à-vis households (including non-profit institutions serving households) and non-financial corporations resident in Spain or another euro-area Member State for an amount equal to or greater than €500 million.

The two statements to be submitted to the Banco de España within the first fortnight of the following month are retained, and they incorporate new features of the Circular: one relating to interest rates on outstanding balances, and another relating to interest rates on new business in the reporting month.

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9. An originator is an entity which, either itself or through related entities, directly or indirectly, was involved in the original agreement which created the obligations or potential obligations of the debtor or potential debtor giving rise to the exposure being securitised or an entity which purchases a third party's exposures onto its balance sheet and then securitises them. A "sponsor" is a credit institution other than an originator credit institution that establishes and manages an asset-backed commercial paper programme or other securitisation scheme that purchases exposures from third-party entities, and to which liquidity or credit facilities **10.** The retention of material net economic interest must be no less than 5% of the nominal value of each of the tranches sold or transferred to the investors. The net economic interest must be retained on an ongoing basis, i.e. the retained positions, interest or exposures are not hedged or sold.

The interest rate to be reported for each loan or deposit category continues to be the weighted arithmetic mean of the narrowly defined effective rates (NDER)[11] and, in addition, the annual percentage rate (APR) must be disclosed for certain categories of loans in the statement of new business.

The classification by maturity establishes as a general rule that deposits with agreed maturity shall be classified by original maturity and loans by the initial rate fixation period, subject to certain conditions dependent on the type of loan.

Additional reporting requirements are introduced for new lending and credit transactions, both in the initial rate fixation period and in the maturity, as well as a more detailed breakdown thereof. New additions in the households grouping (included in non-profit institutions serving households) are revolving loans, as well as account overdrafts and extended credit card credit. In housing and consumer loans, the breakdowns must distinguish for the first time between collateralised and non-collateralised loans. Lastly, the information on loans for other purposes must now disclose those to sole proprietors classified by maturity.

In loans to non-financial corporations, as well as information on revolving loans and extended credit card credit, as in the case of households, the Circular adds new groupings by volume of credit and by maturity.[12] Also, as in the case of those to households, the breakdowns must distinguish between collateralised and non-collateralised loans.

Furthermore, the criteria for reporting certain loans have changed. Specifically, in the case of loans taken out in tranches in credit accounts, previously the amount reported was the limit of the credit granted, even though it may have been drawn down at a later time or not drawn in full. Now, this criterion remains in place for loans taken out in tranches , but in the case of credit accounts, the amount reported is that which has been drawn down at the end of the period covered by the statement and the amounts drawable shall not count as either new business or outstanding balances.

Also revised are the criteria for reporting revolving loans, overdrafts and extended credit card credit, since in both statements only the amounts that have been drawn down at the end of the reporting period are disclosed.[13] Credit card transactions involving a single cash payment shall not be reported in the statement of new business, but must be included in the calculation of the statement of outstanding balances even though their interest rate may be zero.

Hybrid deposits (i.e. those carrying a return pegged to the performance of a certain stock market or other non-interest-rate index or benchmark) shall be reported in statements of new business and of outstanding balances at the minimum guaranteed interest rate (the lowest reportable value is 0%). If there is no minimum guaranteed rate, i.e. if the customer could incur a loss, the deposits shall be reported at the interest rate applied to the host contracts for the purpose of calculating interest in the accounting statements (with a minimum of 0%) when they are separated from the embedded derivative as required by accounting regulations;[14]

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11. The NDER includes the interest rate component of the annual percentage rate (APR) defined in Rule eight of Circular 8/1990 of 7 September 1990 on transparency of transactions and customer protection, which excludes related charges such as repayment insurance premiums and commissions to defray any related direct costs which may form part of it. **12.** The credit tranches established are: up to and including €250,000; over €250,000 up to and including €1 million; and over €1 million. Previously the only two traches were up to and including €1 million and over €1 million. Breakdowns by maturity are more detailed, particularly for shorter terms: up to and including three months and over three months up to and including one year, which previously did not exist. **13.** The information previously reported in the statement of new business was the amounts effectively drawn down in the month and that reported in the statement of outstanding balances was the amount payable at the end of the month. **14.** CBE 4/2004 of 22 December 2004 on public and confidential financial reporting rules and formats.

when they are not separated for accounting purposes, by convention they are taken to have an interest rate of 0% for the purpose of calculating the NDER. In all cases, interest rates shall be weighted by the stated amount of deposits in the EMU statements.

In addition, the criteria for calculating the average interest rates of structured deposits with agreed maturity with two components are specified: one, with an amount remunerated at a fixed interest rate (fixed-rate deposit), and another, with a return pegged to the performance of a certain stock market or other non-interest-rate index or benchmark (hybrid deposit). These instruments shall be reported in both statements separated into two deposits, each with its related amount and maturity, but with a single NDER for both, which shall be calculated by weighting the fixed rate and the minimum guaranteed rate of the hybrid deposit by their related amounts (using for the latter the amount stated as deposits in the EMU statements) and maturities.

The Circular will come into force on 30 June and the new statements shall be submitted for the first time in July with the data relating to the previous month.

Credit institutions: amendment of public and confidential financial reporting rules

CBE 2/2010 of 27 January 2010 (BOE of 5 February 2010) amended CBE 4/2004 of 22 December 2004[15] on public and confidential financial reporting rules and formats.

The EMU statements were changed to enable the Banco de España to comply with the new Community requirements set out in Regulation 25/2009 (ECB/2008/32) of 19 December 2008 concerning the balance sheet of the monetary financial institutions (MFIs) sector (recast).

The main changes made by the Circular are as follows:

It increases the statistical reporting requirements in the existing statements[16] and creates five new statements: EMU 9 (breakdown of certain assets and liabilities), EMU 10 (minimum reserve ratio), EMU 11 (securitisations and other loan transfers, monthly data), EMU 12 (securitisations and other loan transfers, quarterly data) and EMU 13 (breakdown of certain loans). The first three are monthly and the rest are quarterly.

Certain changes were made to the specific rules for preparing the existing EMU statements. The new information requested from credit institutions consists, on the one hand, of more detailed breakdowns of certain assets and liabilities[17] and, on the other, of more information on net flows in the period and cumulative balances of loan securitisations and other loan transfers.

The criteria for classification by maturity of the various assets and liabilities have been updated and other new ones established, such as those relating to securitisation liabilities, which shall be classified, whatever their original maturity, as deposits of over two years agreed maturity.

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15. See "Financial Regulation: 2004 Q4", *Economic Bulletin*, January 2005, Banco de España, pp 127-131. **16.** Statements EMU 1 (summary balance sheet), EMU 2 (classification of certain assets and liabilities by sector and residence) and EMU 3 (loan write-downs and recoveries, net amounts) will continue to be submitted monthly, and statements EMU 4 (classification of certain assets and liabilities by sector, other general government), EMU 5 (classification of certain assets and liabilities by country), EMU 6 (classification of certain assets and liabilities by currency) and EMU 8 (breakdown of other non-monetary financial institutions resident in Spain) continue to be quarterly. Statement EMU 7 (adjustments to movements in the securities portfolio) changes from quarterly to monthly. **17.** In particular, transferable deposits, eligible liabilities exempt from coverage, deposits with companies and securitisation special purpose entities, repos and reverse repos through central counterparties, syndicated loans, loans to sole proprietors, revolving loans and overdrafts, convenience credit card credit and extended credit card credit, and loans to households with real estate collateral.

For the first time, smaller institutions are exempted from completing certain EMU statements in order to reduce the excessive administrative burden imposed by the increased reporting requirements resulting from the changes introduced by the new Circular. Specifically, for institutions whose assets reported in statement EMU 1 (summary balance sheet) as at 31 December 2009 are below the threshold of €1,500 million, the Circular specifies that each quarter they will only be required to submit statements EMU 1 and EMU 2 and will have more time to submit them than other institutions.[18]

The Circular also makes minor changes to attend to other information needs, basically of a statistical nature.

Lastly, the information in the special accounting register of mortgage transactions is amplified so that institutions do not have to keep two separate registers: that of CBE 4/2004 and that governed by Royal Decree 716/2009 of 24 April 2009[19] implementing certain aspects of Law 2/1981 of 25 March 1981 on mortgage market regulation and other mortgage and financial system rules,

The Circular came into force on 6 February 2010 except for certain provisions which will come into effect on 30 June 2010. Further, the information of certain items in statements EMU 3 and EMU 9 will be reported for the first time in December 2011.

State debt: terms of issuance for 2010 and January 2011

Law 26/2009 of 23 December 2009[20] on the State Budget for 2010 authorised the Minister for Economic Affairs and Finance to increase State debt in 2010, with the limitation that the outstanding balance thereof at end-2010 should not exceed the balance as at 1 January 2010 by more than €78,136 million.

As usual at this time of year, *Ministerial Order EHA/35/2010 of 20 January 2010* (BOE of 21 January 2010), providing for the creation of State debt during 2010 and January 2011, the *Resolutions of 21 and 22 January 2010* of the Directorate-General of the Treasury and Financial Policy (BOE of 26 and 29 January 2010), providing for certain issues of Treasury bills and of medium- and long-term government bonds, and the schedule of tenders for 2010 and for January 2011, were published.

Broadly, the existing issuance instruments and techniques remain in place. Thus issuance continues to be through tenders (competitive and non-competitive bids),[21] and by other procedures. In particular, a portion or the full amount of an issue could be transferred at an agreed price to one or several financial institutions which underwrite its placement. Similarly, outright sales or the sale under repos of newly issued securities or expanded existing issues that the Treasury might have in its securities account may be performed. Provision was again made to exclude, for the purpose of calculating weighted average price and interest rate, any competitive bids for Treasury bills and medium- and long-term government bonds not considered to be representative of the market situation, so as not distort the result of the tenders.

TREASURY BILLS

As in previous years, the Resolution sets out the schedule of tenders to be held in 2010 and January 2011. The schedule states the dates of ordinary tenders and the maturity of Treasury

18. The previous circular allowed only one exception: credit cooperatives and specialised credit institutions with total assets not exceeding €300 million could delay submission of statements EMU 1, EMU 2 and EMU 3 from the 10th to the 20th day of the month following the reporting period. **19.** See "Financial Regulation: 2009 Q2", *Economic Bulletin*, July-August 2009, Banco de España, pp 191-195. **20.** See "Financial Regulation: 2009 Q4", *Economic Bulletin*, January 2010, Banco de España, pp 172-174. **21.** Competitive tenders are those indicating the price, expressed as a percentage of the nominal value, that the bidder is willing to pay for the debt, or the percentage interest rate desired by the bidder; non-competitive tenders are those indicating neither price nor interest rate.

bills, determining the issues and the calls-for-tender simultaneously with the publication of the schedule. However, for reasons of demand or issuance policy, the Treasury may hold additional tenders to those announced.

The main new development with respect to 2009 is the resumption, from February, of 18-month Treasury bill issues to meet investor demand for that maturity, increase the range of securities on the market and provide greater liquidity, since the grouping of issues in monthly maturities has been retained. Accordingly, the 18-month Treasury bills offered for sale in odd months will have the same maturity as those issued in the previous month, so as to improve their degree of liquidity.

Also, to make reinvestment more convenient, the tenders of three- and six-month Treasury bills is postponed from the second to the fourth Tuesday of each month. The third Tuesday continues to be devoted to twelve-month, and recently introduced 18-month, Treasury bills.

Original maturities may differ from the stated periods by the number of days necessary to allow the grouping of bills in a single monthly maturity, coinciding with the issue date of 12-month and 18-month bills. Once again, provision is made to exclude, solely for the purpose of calculating weighted average price and interest rate, any competitive bids not considered to be representative of the market situation.

As regards other features, the procedure and allotment of tenders will be the same as in 2009, including the submission of bids in terms of the interest rate quoted on secondary markets, so as to simplify bidding for subscribers.

In competitive tenders, bidders shall state the interest rate requested by them and the bids accepted shall be allotted in each case at the price equivalent to the requested interest rate or at the weighted average, as applicable on the basis of the result of the tender. The minimum nominal amount continues to be €1,000 and bids above that amount shall be expressed in whole-number multiples thereof.

In non-competitive tenders, the minimum nominal amount also remains at €1,000 and bids for higher amounts must be whole-number multiples of this, with the proviso that the total nominal amount of the non-competitive bids submitted by a single bidder in each tender may not exceed €1 million, although this limit is raised to €300 million in the case of certain institutions.[22]

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

MEDIUM- AND LONG-TERM GOVERNMENT BONDS

The issuance criteria and procedures established for medium- and long-term government bonds are essentially those prevailing in 2009, and, as in the case of Treasury bills, an annual schedule of tenders is included in the Resolution. The Treasury may add new bonds to tenders or decide not to issue at any of the maturities which may have been set for information purposes. Further, special tenders additional to the scheduled ordinary ones may be held.

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

The initial maturities will be three and five years for medium-term bonds, and ten, fifteen and thirty years for long-term bonds. Also, it will still be possible to offer issues that are extensions of other previous issues.

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

The conditions applicable to competitive and non-competitive bids are the same as for Treasury bills. Lastly, as in previous years, tenders will be followed by a second round reserved for those financial institutions that have acquired market-maker status in respect of medium- and long-term bonds.

Fund for the Acquisition of Financial Assets (FAFA): partial modification of investment policy

The *Resolution of 9 March 2010 of the Directorate General of the Treasury and Financial Policy* (BOE of 16 March 2010) promulgating the decision adopted by the Steering Council of the FAFA[23] on the partial modification of its investment policy.

The general investment and diversification policy of the FAFA[24] establishes, inter alia, that, to ensure adequate asset diversification of outright purchases and repos, no more than 10% of these may be securities of any one institution.

Given that the FAFA will not make any more investments because tenders cannot be held after 31 December 2009, the application of this limit of 10% has to be reviewed, since the progressive maturity of the securities or of the transactions comprising the FAFA's portfolios may cause the percentage represented by a given institution in these portfolios to change without raising the overall risk assumed by the FAFA.

Accordingly, the Resolution allows that limit to be exceeded in either or both of the following circumstances: a) maturity of repos and of securities comprising the portfolio of outright purchases and/or b) operations undertaken to change the structure of credit institutions that have been successful in FAFA tenders.

9.4.2010

23. See Order EHA/3118/2008 of 31 October 2008 implementing Royal Decree Law 6/2008 of 10 October 2008 creating the Fund for the Acquisition of Financial Assets (FAFA), discussed in "Financial Regulation: 2008 Q4", *Economic Bulletin*, January 2009, Banco de España, pp 129-133. **24.** See the Resolution of 31 October 2008 of the Directorate General of the Treasury and Financial Policy ordering the promulgation of the decisions adopted by the FAFA on 27 October 2008 on the composition of the Executive Committee and the investment policy of the FAFA.

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).

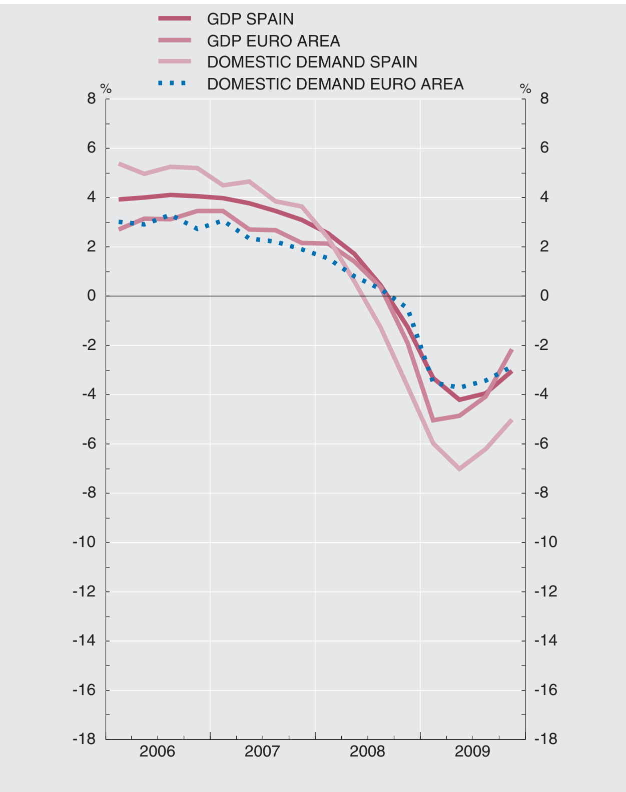
1.1. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES, REFERENCE YEAR 2000=100. DEMAND COMPONENTS. SPAIN AND EURO AREA (a)

■ Series depicted in chart.

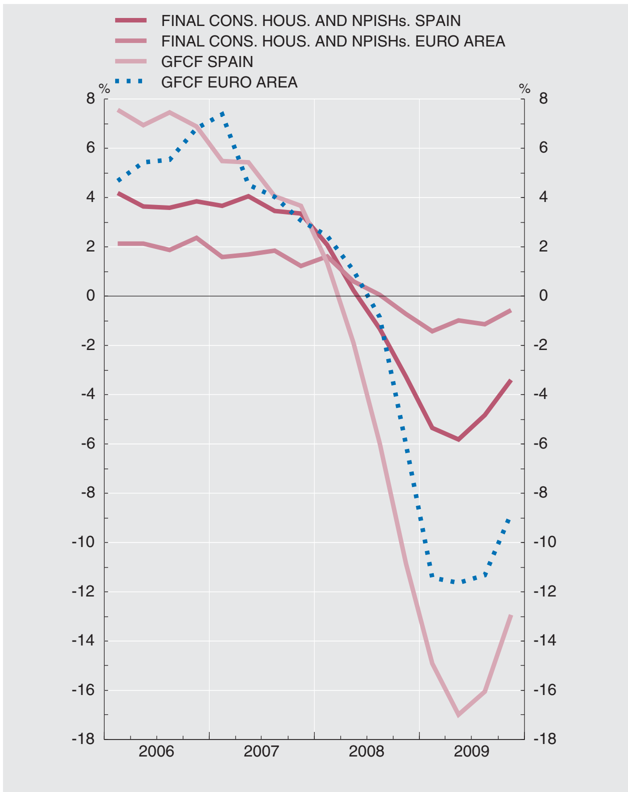
Annual percentage changes

		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
07	P	3.6	2.7	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	9 007
08	P	0.9	0.5	-0.6	0.4	5.4	2.1	-4.4	-0.9	-0.5	0.5	-1.0	0.8	-4.9	0.9	1 089	9 255
09	P	-3.6	-4.0	-4.8	-1.0	3.8	2.3	-15.3	-10.8	-6.0	-3.4	-11.5	-12.6	-17.9	-11.4	1 051	8 975
07 *Q1*	P	4.0	3.4	3.7	1.6	5.4	2.3	5.5	7.4	4.5	3.1	7.8	7.4	8.8	6.5	257	2 219
Q2	P	3.8	2.7	4.1	1.7	5.9	2.3	5.4	4.5	4.6	2.3	6.3	6.5	8.7	5.6	262	2 241
Q3	P	3.5	2.7	3.5	1.8	5.7	2.3	4.0	4.0	3.8	2.2	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	1.9	3.8	4.1	5.5	3.5	269	2 282
08 *Q1*	P	2.5	2.1	2.1	1.6	4.6	1.6	1.3	2.4	2.4	1.5	3.9	5.6	3.1	4.2	272	2 315
Q2	P	1.7	1.4	0.2	0.6	5.1	2.2	-1.9	1.0	0.6	0.8	2.4	3.7	-1.3	2.3	274	2 325
Q3	P	0.4	0.4	-1.3	0.0	5.8	2.2	-6.0	-0.9	-1.3	0.3	-2.9	1.1	-7.6	0.9	273	2 323
Q4	P	-1.2	-1.9	-3.3	-0.7	6.3	2.4	-10.9	-6.0	-3.7	-0.5	-7.1	-7.0	-13.5	-3.8	270	2 292
09 *Q1*	P	-3.3	-5.0	-5.3	-1.4	6.0	2.4	-14.9	-11.4	-6.0	-3.5	-16.6	-16.1	-22.3	-12.9	267	2 239
Q2	P	-4.2	-4.9	-5.8	-1.0	4.7	2.3	-17.0	-11.6	-7.0	-3.7	-14.7	-16.6	-21.7	-14.3	262	2 236
Q3	P	-4.0	-4.1	-4.8	-1.1	4.1	2.6	-16.0	-11.3	-6.2	-3.4	-10.8	-13.2	-17.0	-11.9	260	2 249
Q4	P	-3.1	-2.2	-3.4	-0.6	0.8	1.8	-12.9	-8.8	-5.0	-2.9	-2.9	-4.6	-9.6	-6.3	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.

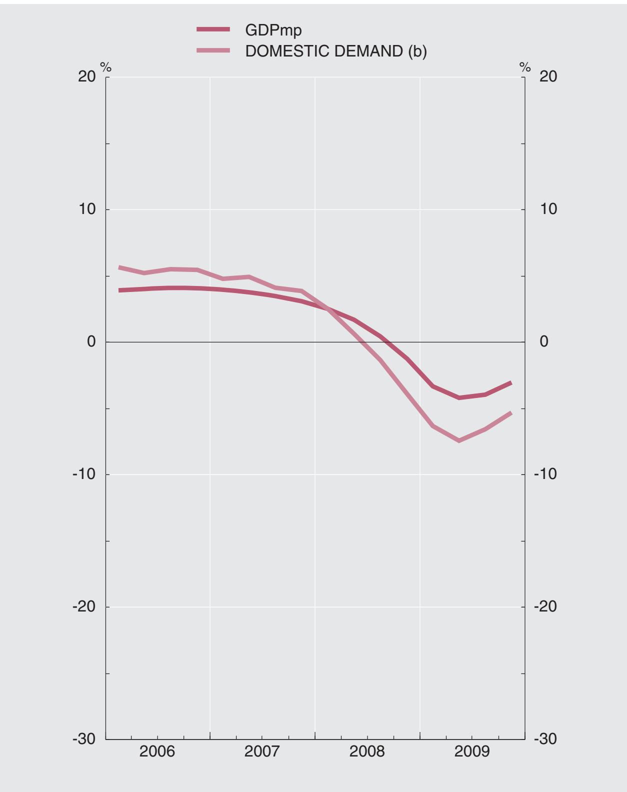
1.2. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES. REFERENCE YEAR 2000=100. DEMAND COMPONENTS. SPAIN: BREAKDOWN (a)

■ 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 ■
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
09	P	-15.3	-23.1	-11.2	-17.2	0.0	-11.5	-11.6	-9.6	-12.5	-17.9	-18.9	-14.3	-14.2	-6.4	-3.6
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	-14.9	-24.0	-11.3	-13.2	0.1	-16.6	-19.9	-14.0	-6.5	-22.3	-24.7	-19.9	-11.5	-6.3	-3.3
Q2	P	-17.0	-28.3	-11.6	-17.6	-0.0	-14.7	-16.6	-9.1	-12.5	-21.7	-23.8	-12.7	-13.8	-7.4	-4.2
Q3	P	-16.0	-23.8	-11.4	-19.9	-0.0	-10.8	-9.7	-9.3	-16.0	-17.0	-17.8	-12.2	-14.4	-6.6	-4.0
Q4	P	-12.9	-15.3	-10.2	-18.5	0.1	-2.9	1.3	-5.5	-15.1	-9.6	-7.7	-12.0	-17.2	-5.3	-3.1

GDP. DOMESTIC DEMAND
Annual percentage changes



GDP. DEMAND COMPONENTS
Annual percentage changes

Source: INE (Quarterly National Accounts of Spain. Base year 2000).
a. Prepared in accordance with ESA95, seasonally- and working-day-adjusted series (see Economic bulletin April 2002).
b. Contribution to GDPmp growth rate.
c. Residents' demand within and outside the economic territory.

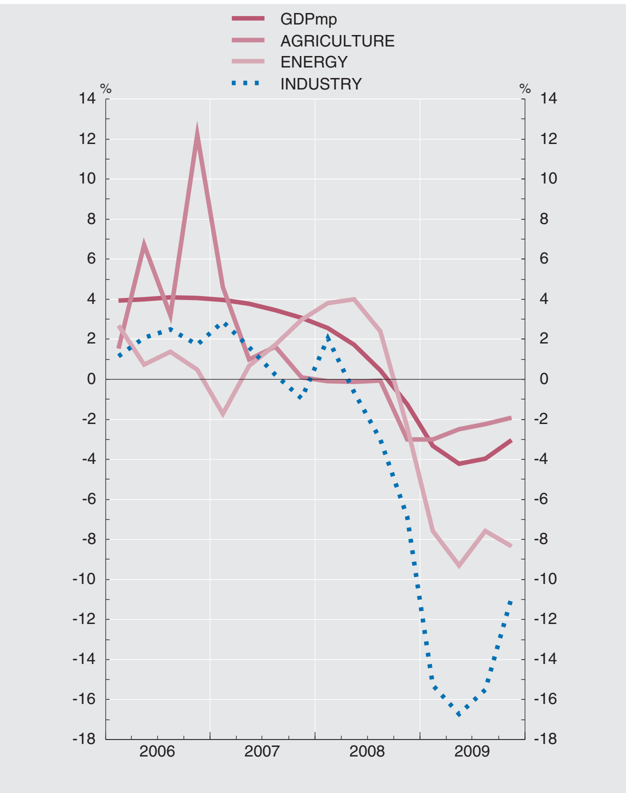
1.3. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES. REFERENCE YEAR 2000=100. BRANCHES OF ACTIVITY. SPAIN (a)

■ Series depicted in chart.

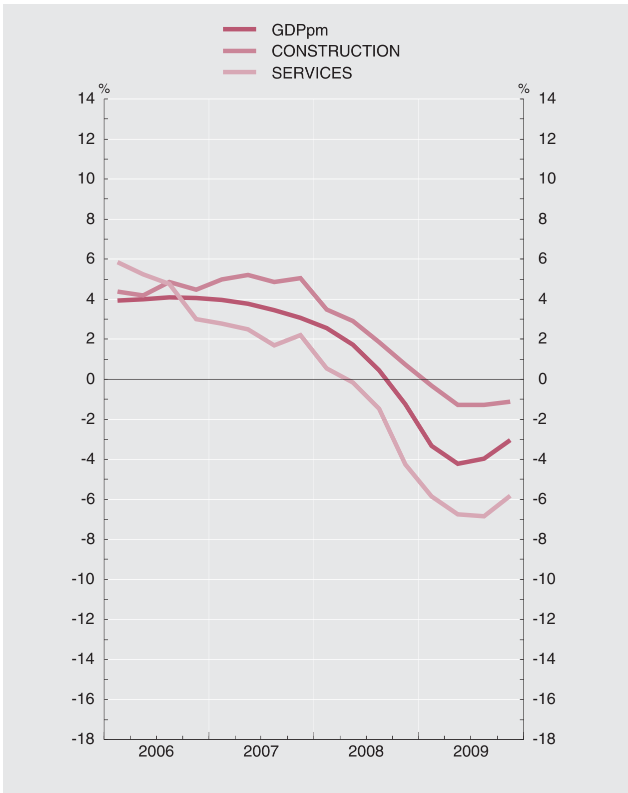
Annual percentage changes

		Gross domestic product at market prices	Agriculture and fisheries	Energy	Industry	Construction	Services			VAT on products	Net taxes linked to imports	Other net taxes on products
							Total	Market services	Non-market services			
		1 ■	2 ■	3	4 ■	5 ■	6 ■	7	8	9	10	11
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
09	P	-3.6	-2.4	-8.2	-14.7	-6.3	-1.0	-2.0	2.6	-4.1	-10.2	2.1
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	-3.3	-3.0	-7.6	-15.3	-5.9	-0.3	-1.3	3.0	-3.7	-9.8	2.3
Q2	P	-4.2	-2.5	-9.3	-16.7	-6.7	-1.3	-2.6	3.3	-4.6	-10.5	1.9
Q3	P	-4.0	-2.2	-7.6	-15.5	-6.8	-1.3	-2.4	2.8	-4.4	-12.3	1.4
Q4	P	-3.1	-1.9	-8.3	-10.9	-5.8	-1.1	-1.8	1.2	-3.6	-8.3	2.5

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).

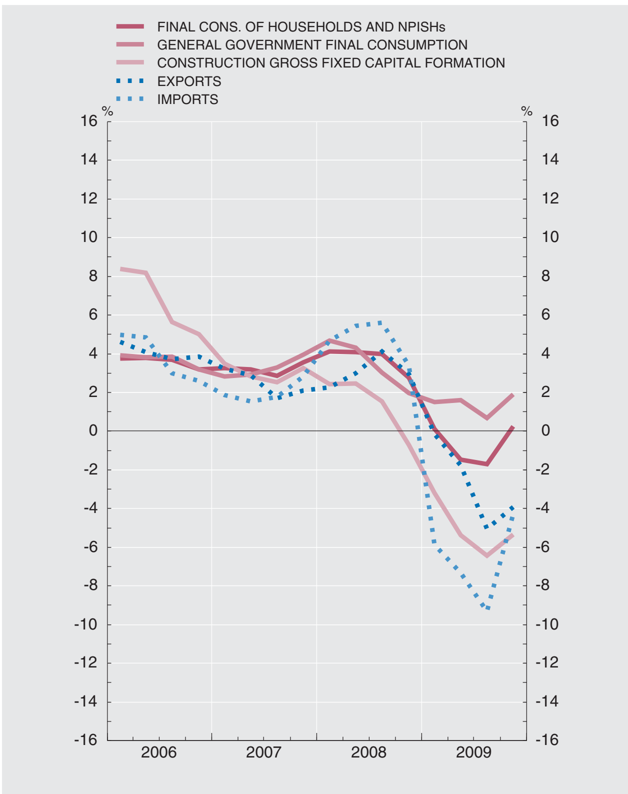
1.4. GROSS DOMESTIC PRODUCT. IMPLICIT DEFLATORS. SPAIN (a)

■ Series depicted in chart.

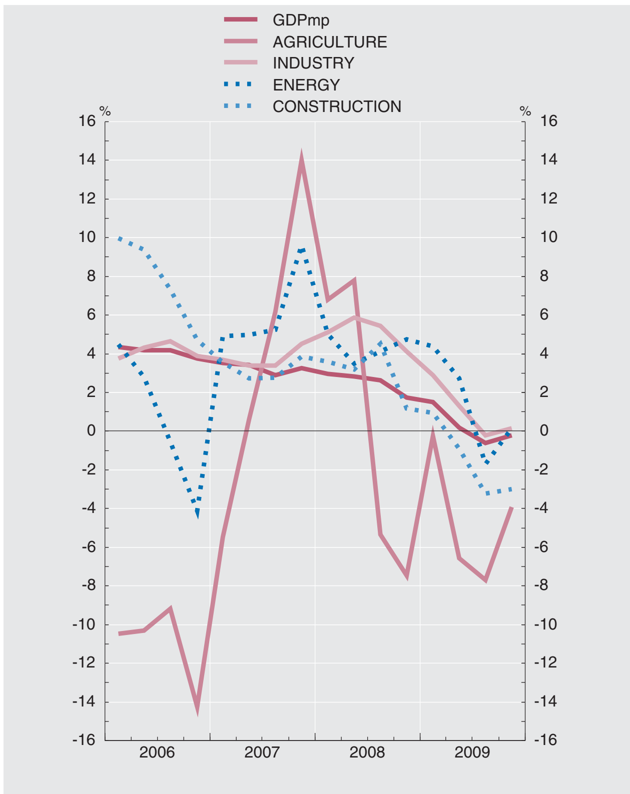
Annual percentage changes

		Demand components: Final consumption of households and NPISHs (b)	Demand components: General government final consumption	Demand components: Gross fixed capital formation: Capital goods	Demand components: Gross fixed capital formation: Construction	Demand components: Gross fixed capital formation: Other products	Demand components: Exports of goods and services	Demand components: Imports of goods and services	Gross domestic product at market prices	Branches of activity: Agriculture and fisheries	Branches of activity: Energy	Branches of activity: Industry	Branches of activity: Construction	Branches of activity: Services	Branches of activity: Of which: Market services
		1 ■	2 ■	3	4 ■	5	6 ■	7 ■	8 ■	9 ■	10 ■	11 ■	12 ■	13	14
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
09	P	-0.6	1.4	-0.8	-5.1	-1.9	-2.7	-6.7	0.2	-4.6	1.4	1.1	-1.5	2.8	2.9
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	1.5	0.1	-3.2	-0.3	-0.2	-5.9	1.5	-0.2	4.4	2.9	0.9	4.2	4.6
Q2	P	-1.4	1.6	-0.8	-5.4	-2.3	-1.8	-7.3	0.2	-6.6	2.7	1.3	-0.9	3.5	3.7
Q3	P	-1.6	0.7	-1.3	-6.4	-3.0	-5.0	-9.3	-0.6	-7.7	-1.7	-0.2	-3.2	2.2	2.2
Q4	P	0.3	1.9	-1.2	-5.3	-2.2	-3.9	-4.3	-0.2	-3.9	0.1	0.1	-3.0	1.3	1.1

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.

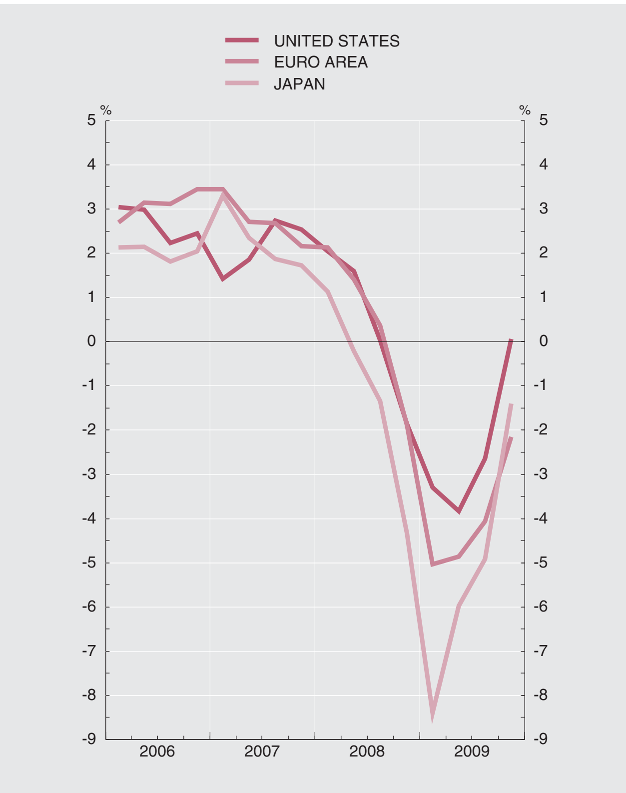
2.1. INTERNATIONAL COMPARISON. GROSS DOMESTIC PRODUCT AT CONSTANT PRICES

■ Series depicted in chart.

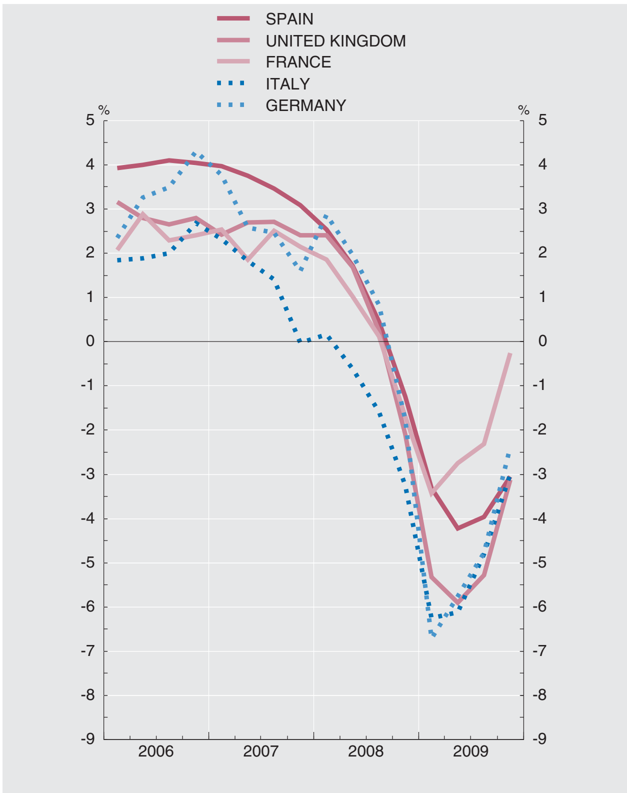
Annual percentage changes

	OECD 1	EU-27 2	Euro area 3 ■	Germany 4 ■	Spain 5 ■	United States 6 ■	France 7 ■	Italy 8 ■	Japan 9 ■	United Kingdom 10 ■
07	2.7	2.9	2.7	2.6	3.6	2.1	2.3	1.4	2.3	2.6
08	0.5	0.7	0.5	1.0	0.9	0.4	0.3	-1.3	-1.2	0.5
09	...	-4.2	-4.0	-4.9	-3.6	-2.4	-2.2	-5.1	-5.2	-4.9
06 *Q4*	3.0	3.5	3.4	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	2.3	3.3	2.4
Q2	2.6	2.8	2.7	2.6	3.8	1.9	1.9	1.8	2.4	2.7
Q3	2.9	2.8	2.7	2.5	3.5	2.7	2.5	1.4	1.9	2.7
Q4	2.6	2.4	2.2	1.6	3.1	2.5	2.1	-0.0	1.7	2.4
08 *Q1*	2.4	2.3	2.1	2.9	2.5	2.0	1.9	0.2	1.1	2.4
Q2	1.5	1.7	1.4	2.0	1.7	1.6	1.0	-0.6	-0.2	1.7
Q3	0.3	0.5	0.4	0.8	0.4	0.0	0.1	-1.6	-1.3	0.2
Q4	-2.1	-1.9	-1.9	-1.8	-1.2	-1.9	-1.7	-3.3	-4.3	-2.1
09 *Q1*	-4.8	-5.0	-5.0	-6.7	-3.3	-3.3	-3.4	-6.2	-8.4	-5.3
Q2	-4.5	-5.0	-4.9	-5.8	-4.2	-3.8	-2.8	-6.1	-6.0	-5.9
Q3	-3.4	-4.3	-4.1	-4.8	-4.0	-2.6	-2.3	-4.8	-4.9	-5.3
Q4	...	-2.3	-2.2	-2.4	-3.1	0.1	-0.3	-3.0	-1.4	-3.1

GROSS DOMESTIC PRODUCT
Annual percentage changes



GROSS DOMESTIC PRODUCT
Annual percentage changes



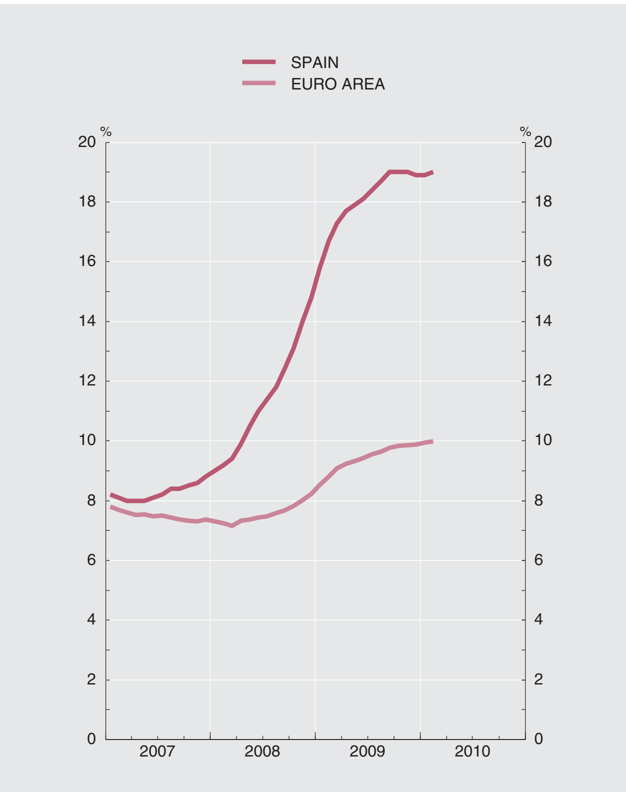
Sources: ECB, INE and OECD.
Note: The underlying series for this indicator are in Table 26.2 of the BE Boletín Estadístico.

2.2. INTERNATIONAL COMPARISON. UNEMPLOYMENT RATES

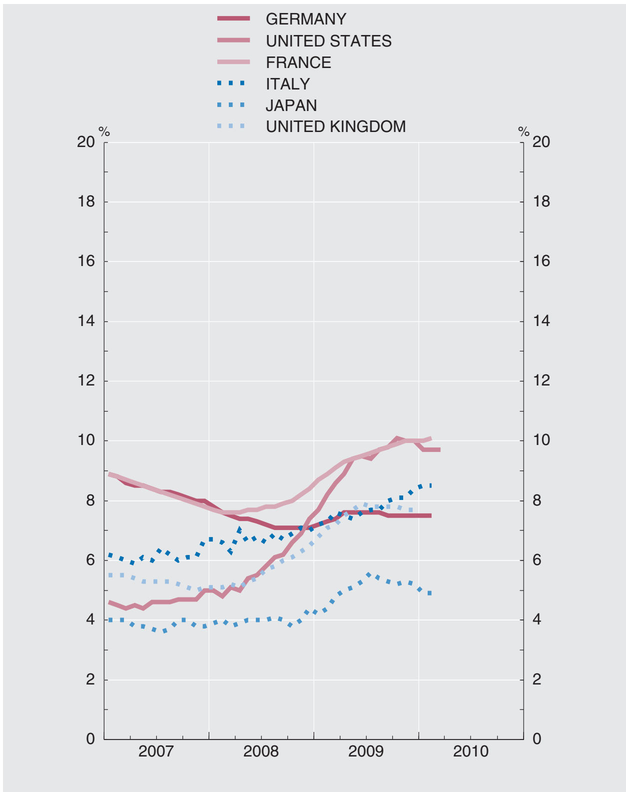
■ Series depicted in chart. *Percentages*

	OECD 1	EU-27 2	Euro area 3 ■	Germany 4 ■	Spain 5 ■	United States 6 ■	France 7 ■	Italy 8 ■	Japan 9 ■	United Kingdom 10 ■
07	5.8	7.1	7.5	8.4	8.3	4.6	8.3	6.2	3.8	5.3
08	6.1	7.0	7.6	7.3	11.4	5.8	7.8	6.8	4.0	5.6
09	8.3	8.9	9.4	7.5	18.0	9.3	9.5	7.7	5.1	7.6
08 *Oct*	6.5	7.3	7.8	7.1	13.1	6.6	8.0	6.9	3.8	6.1
Nov	6.7	7.4	8.0	7.1	14.0	6.9	8.2	7.1	4.0	6.3
Dec	7.0	7.6	8.2	7.1	14.8	7.4	8.4	7.0	4.4	6.5
09 *Jan*	7.3	8.0	8.5	7.2	15.8	7.7	8.7	7.2	4.2	6.8
Feb	7.6	8.3	8.8	7.3	16.7	8.2	8.9	7.3	4.4	7.1
Mar	7.9	8.5	9.1	7.4	17.3	8.6	9.1	7.6	4.8	7.2
Apr	8.1	8.7	9.2	7.6	17.7	8.9	9.3	7.5	5.0	7.5
May	8.4	8.8	9.3	7.6	17.9	9.4	9.4	7.4	5.1	7.7
Jun	8.5	8.9	9.4	7.6	18.1	9.5	9.5	7.6	5.3	7.9
Jul	8.5	9.1	9.6	7.6	18.4	9.4	9.6	7.7	5.6	7.8
Aug	8.6	9.2	9.6	7.6	18.7	9.7	9.7	7.7	5.4	7.8
Sep	8.7	9.3	9.8	7.5	19.0	9.8	9.8	8.0	5.3	7.8
Oct	8.8	9.4	9.8	7.5	19.0	10.1	9.9	8.1	5.2	7.8
Nov	8.7	9.4	9.9	7.5	19.0	10.0	10.0	8.1	5.3	7.7
Dec	8.7	9.4	9.9	7.5	18.9	10.0	10.0	8.4	5.2	7.7
10 *Jan*	8.7	9.5	9.9	7.5	18.9	9.7	10.0	8.5	4.9	...
Feb	8.6	9.6	10.0	7.5	19.0	9.7	10.1	8.5	4.9	...
Mar	...	...	...	...	...	9.7	...	...	...	...

UNEMPLOYMENT RATES



UNEMPLOYMENT RATES



Source: OECD.

2.3. INTERNATIONAL COMPARISON. CONSUMER PRICES (a)

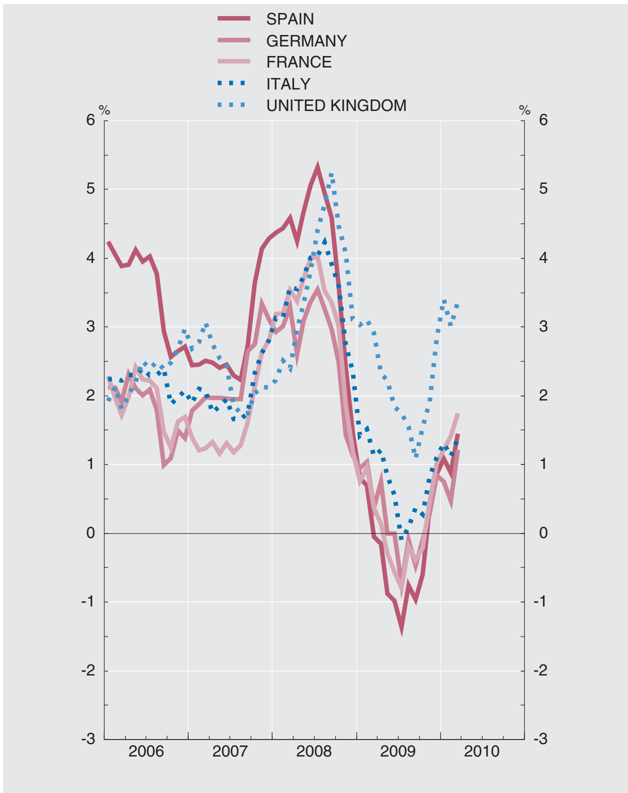
■ Series depicted in chart.

Annual percentage changes

	OECD	EU-27	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3 ■	4 ■	5 ■	6 ■	7 ■	8 ■	9 ■	10 ■
06	2.5	2.3	2.2	1.8	3.6	3.2	1.9	2.2	0.2	2.3
07	2.3	2.4	2.1	2.3	2.8	2.9	1.6	2.0	0.1	2.3
08	3.5	3.7	3.3	2.8	4.1	3.8	3.2	3.5	1.4	3.6
09	0.3	1.0	0.3	0.2	-0.3	-0.3	0.1	0.8	-1.4	2.2
08 *Oct*	3.5	3.7	3.2	2.5	3.6	3.6	3.0	3.6	1.7	4.5
Nov	2.0	2.8	2.1	1.4	2.4	1.1	1.9	2.7	1.0	4.1
Dec	1.2	2.2	1.6	1.1	1.5	0.1	1.2	2.4	0.4	3.1
09 *Jan*	1.0	1.7	1.1	0.9	0.8	-	0.8	1.4	-	3.0
Feb	1.1	1.8	1.2	1.0	0.7	0.3	1.0	1.5	-0.1	3.1
Mar	0.7	1.4	0.6	0.4	-0.1	-0.4	0.4	1.1	-0.3	2.9
Apr	0.5	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	-0.3	0.6	-0.1	-	-1.0	-1.4	-0.6	0.6	-1.8	1.8
Jul	-0.8	0.2	-0.7	-0.7	-1.4	-2.0	-0.8	-0.1	-2.2	1.7
Aug	-0.5	0.6	-0.2	-0.1	-0.8	-1.5	-0.2	0.1	-2.2	1.5
Sep	-0.5	0.3	-0.3	-0.5	-1.0	-1.3	-0.4	0.4	-2.2	1.1
Oct	0.1	0.5	-0.1	-0.1	-0.6	-0.2	-0.2	0.3	-2.5	1.5
Nov	1.2	1.0	0.5	0.3	0.4	1.8	0.5	0.8	-1.9	1.9
Dec	1.8	1.5	0.9	0.8	0.9	2.8	1.0	1.1	-1.7	2.8
10 *Jan*	2.0	1.7	1.0	0.8	1.1	2.7	1.2	1.3	-1.3	3.4
Feb	1.7	1.5	0.9	0.5	0.9	2.1	1.4	1.1	-1.1	3.0
Mar	...	1.9	1.4	1.2	1.5	...	1.7	1.4	...	3.4

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
07	1.3710	161.26	117.74	106.4	82.2	88.0	106.8	90.1	70.2	105.2	92.6	68.5
08	1.4707	152.31	103.36	110.6	78.2	98.4	110.1	86.6	77.0	107.4	90.6	74.9
09	1.3940	130.30	93.57	111.7	81.2	112.4	110.6	89.5	86.6	105.9	93.0	85.4
09 *J-M*	1.3032	122.02	93.63	109.9	86.4	117.3	109.2	94.7	91.4	104.7	97.0	90.4
10 *J-M*	1.3847	125.68	90.75	108.8	78.5	114.8	106.7	86.9	86.5	102.2	91.9	85.2
09 *Jan*	1.3239	119.73	90.42	109.8	84.8	120.4	109.2	92.8	94.3	104.9	95.6	92.4
Feb	1.2785	118.30	92.54	108.7	86.9	119.6	108.0	95.3	92.8	103.4	97.6	92.1
Mar	1.3050	127.65	97.84	111.1	87.6	112.2	110.3	95.9	87.2	105.5	97.9	86.9
Apr	1.3190	130.25	98.74	110.3	86.2	110.0	109.5	94.6	85.3	104.6	97.3	84.2
May	1.3650	131.85	96.61	110.8	82.7	109.9	109.9	90.7	84.9	105.2	94.5	83.8
Jun	1.4016	135.39	96.60	112.0	80.8	108.1	111.1	89.2	82.9	106.2	93.4	81.5
Jul	1.4088	133.09	94.47	111.6	80.2	110.3	110.5	88.9	84.6	105.8	92.2	83.8
Aug	1.4268	135.31	94.84	111.7	78.9	108.8	110.6	87.4	83.5	106.0	91.6	82.1
Sep	1.4562	133.14	91.44	112.9	77.6	111.8	111.6	86.0	85.8	106.9	89.8	84.7
Oct	1.4816	133.91	90.38	114.3	76.3	112.0	112.8	84.6	85.5	108.2	88.5	84.4
Nov	1.4914	132.97	89.16	114.0	75.8	113.1	112.5	84.1	86.0	107.5	88.7	84.8
Dec	1.4614	131.21	89.81	113.0	76.6	113.4	111.3	84.8	86.1	106.1	89.5	84.9
10 *Jan*	1.4272	130.34	91.32	110.8	77.4	112.5	108.9	86.2	85.3	104.0	91.3	83.8
Feb	1.3686	123.46	90.21	108.0	79.1	116.2	105.9	87.8	87.8	101.5	92.7	86.7
Mar	1.3569	123.03	90.68	107.4	78.9	115.9	105.3	...	...	100.9	...	...

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.

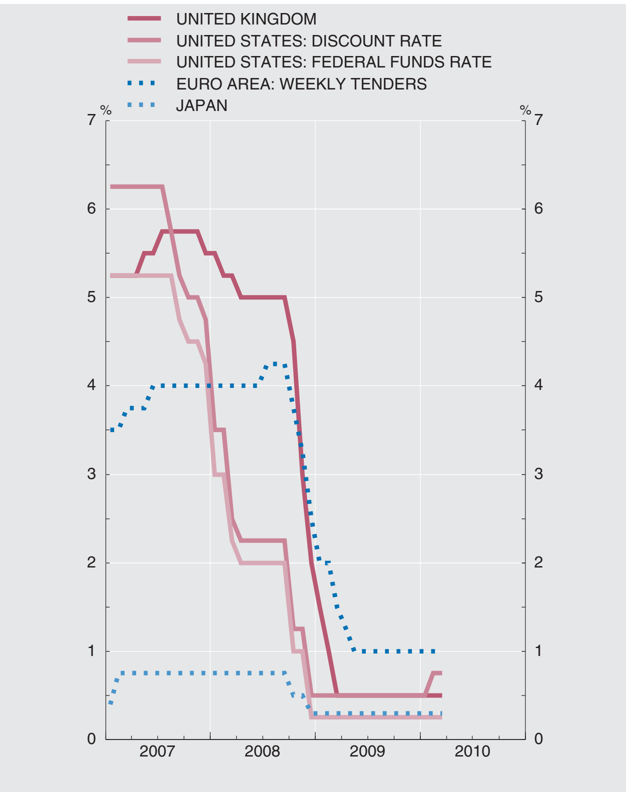
2.5. OFFICIAL INTERVENTION INTEREST RATES AND SHORT-TERM INTEREST RATES

■ Series depicted in chart.

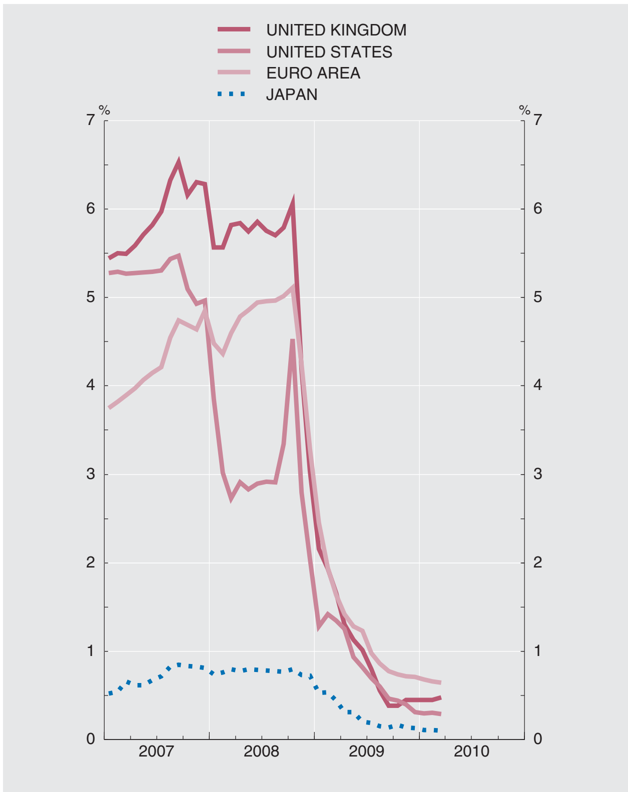
Percentages

	Official intervention interest rates					3-month interbank rates									
	Euro area (a)	United States: Discount rate (b)	United States: Federal funds rate	Japan (c)	United Kingdom (d)	OECD	EU-15	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1 ■	2 ■	3 ■	4 ■	5 ■	6	7	8 ■	9	10	11 ■	12	13	14 ■	15 ■
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
09	1.00	0.50	0.25	0.30	0.50	0.93	1.19	1.22	-	-	0.83	-	-	0.27	1.01
08 *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
10 *Jan*	1.00	0.50	0.25	0.30	0.50	0.48	0.64	0.68	-	-	0.30	-	-	0.11	0.45
Feb	1.00	0.75	0.25	0.30	0.50	0.48	0.62	0.66	-	-	0.30	-	-	0.11	0.45
Mar	1.00	0.75	0.25	0.30	0.50	0.48	0.61	0.65	-	-	0.29	-	-	0.10	0.48

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

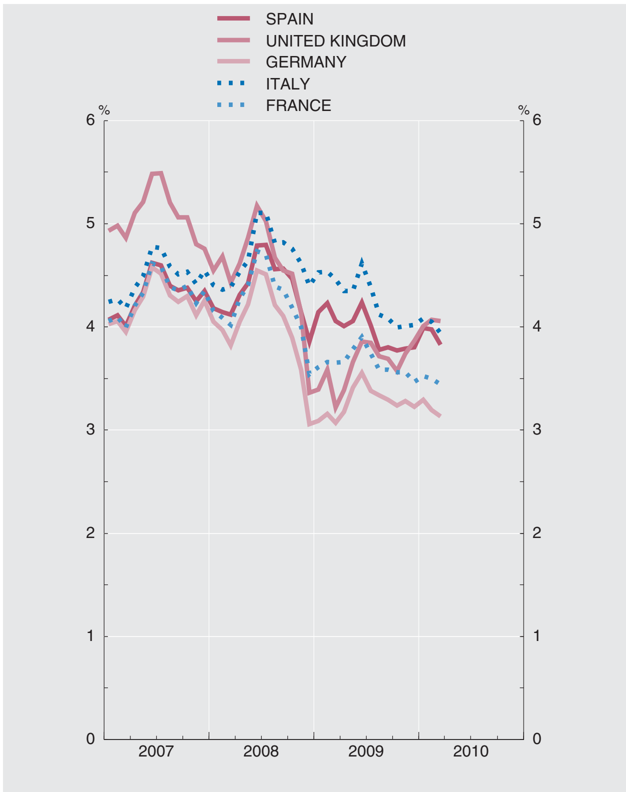
■ Series depicted in chart.

Percentages

	OECD	EU-15	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3 ■	4 ■	5 ■	6 ■	7 ■	8 ■	9 ■	10 ■
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
09	3.18	3.74	4.03	3.27	3.97	3.27	3.65	4.28	1.35	3.63
08 *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 *Jan*	3.40	3.75	4.10	3.30	3.99	3.75	3.53	4.08	1.34	4.01
Feb	3.36	3.73	4.11	3.19	3.98	3.71	3.50	4.05	1.34	4.07
Mar	3.36	3.65	3.98	3.14	3.83	3.76	3.45	3.94	1.35	4.05

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
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
09	120.8	182.3	198.0	162.2	136.0	176.4	219.2	61.7	348.8	973.0	22.42
09 *J-M*	112.3	158.1	185.9	122.2	111.4	127.7	156.9	44.4	325.3	907.6	22.41
10 *J-M*	141.4	212.3	204.3	222.7	192.9	239.0	...	76.5	397.6	1 109.2	25.77
09 *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	265.2	74.4	406.8	1 134.7	24.90
10 *Jan*	139.8	216.4	211.3	223.0	185.8	243.3	273.1	76.4	400.6	1 117.7	25.19
Feb	140.6	208.9	204.6	214.5	190.8	227.4	264.9	74.1	392.7	1 095.4	25.75
Mar	143.9	211.3	196.9	229.9	201.9	245.2	...	78.8	399.1	1 113.2	26.37

NON-ENERGY COMMODITY PRICE INDEX

PRICE INDICES FOR NON-ENERGY COMMODITIES, OIL AND GOLD

Sources: The Economist, IMF, ECB and BE.

a. The weights are based on the value of the world commodity imports during the period 1999-2001.

b. Index of the average price in US dollars of various medium, light and heavy crudes.

c. Index of the London market's 15.30 fixing in dollars.

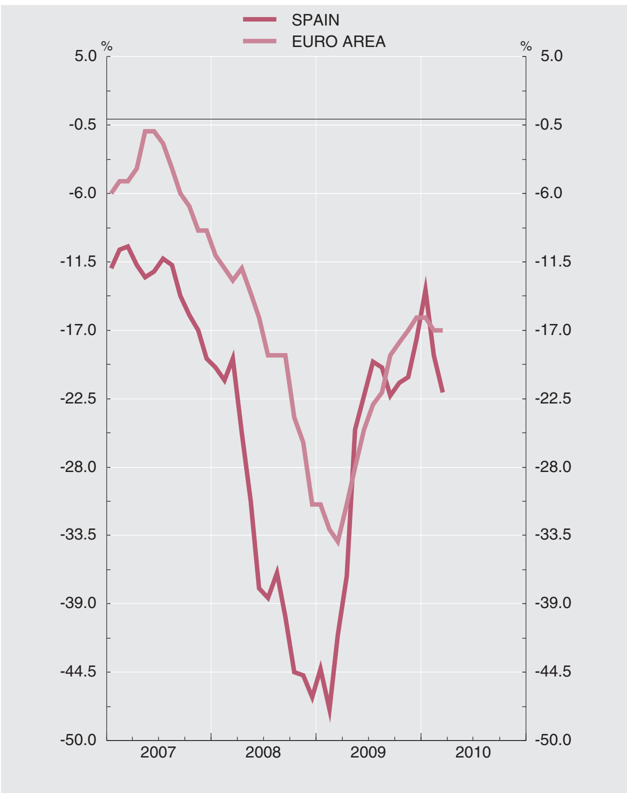
3.1 INDICATORS OF PRIVATE CONSUMPTION. SPAIN AND EURO AREA

■ Series depicted in chart.

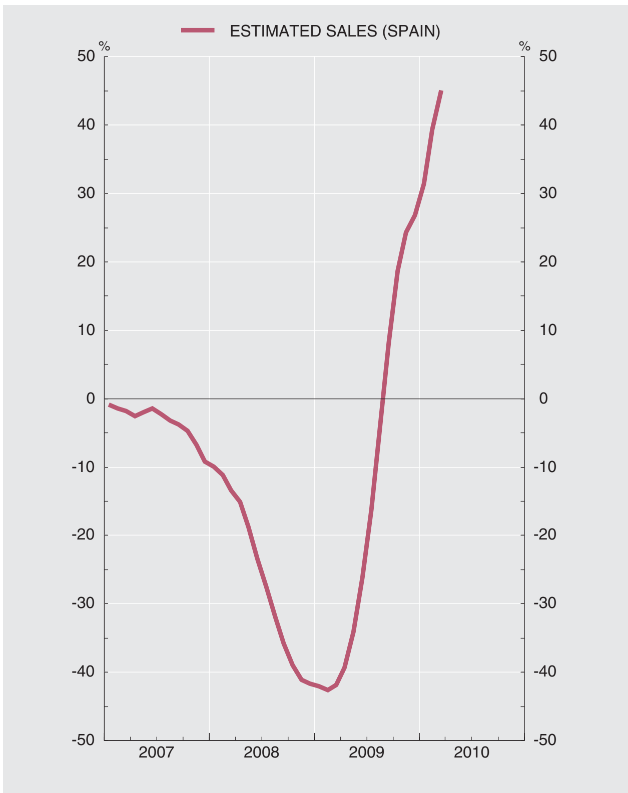
Annual percentage changes

		Opinion surveys (net percentages): Consumers: Confidence index (1) ■	Opinion surveys: Consumers: General economic situation: anticipated trend (2)	Opinion surveys: Consumers: Household economic situation: anticipated trend (3)	Opinion surveys: Retail trade confidence index (4)	Opinion surveys: Memorandum item: euro area: Consumer confidence index (5) ■	Opinion surveys: Memorandum item: euro area: Retail trade confidence index (6)	New car registrations and sales: Registrations (7)	New car registrations and sales: of which: Private use (8)	New car registrations and sales: Estimated sales (9) ■	New car registrations and sales: Memorandum item: euro area: Registrations (10)	Retail trade indices (2005=100) (Deflated indices): General retail trade index (11)	Retail trade indices: General index without petrol stations: Total (12)	Retail trade indices: General index without petrol stations: of which: Food (13)	Retail trade indices: General index without petrol stations: Large retail outlets (14)	Retail trade indices: General index without petrol stations: Large chain stores (15)	Retail trade indices: General index without petrol stations: Small chain stores (16)	Retail trade indices: General index without petrol stations: Single-outlet retailers (17)	Retail trade indices: Memorandum item: euro area (a) (18)
07		-13	-12	-4	-13	-5	1	-1.6	-2.2	-1.2	-0.4	2.8	2.4	1.3	1.8	6.2	3.2	0.5	1.9
08		-34	-33	-21	-27	-18	-7	-27.4	-30.0	-28.1	-6.7	-5.7	-5.7	-2.3	-5.2	1.1	-8.6	-8.0	-0.8
09	P	-28	-26	-13	-24	-25	-15	-18.1	-10.7	-17.9	4.9	-5.7	-5.8	-3.4	-6.0	-1.6	-7.1	-7.2	-1.8
09 *J-M*	P	-44	-46	-26	-28	-33	-19	-43.5	-37.0	-43.1	-12.0	-8.6	-9.3	-5.7	-9.3	-4.8	-11.6	-10.1	-2.7
10 *J-M*	P	-18	-12	-6	-14	-17	-6	44.7	35.1	44.5	7.2	...	...	...	...	...	...	...	...
09 *Apr*	P	-37	-42	-18	-29	-31	-20	-46.0	-42.5	-45.6	-11.4	-8.6	-8.7	-3.1	-7.1	-2.3	-11.8	-10.6	-1.5
May	P	-25	-23	-12	-22	-28	-14	-38.8	-33.0	-38.7	0.8	-8.1	-8.8	-6.4	-9.9	-4.9	-10.1	-8.5	-2.8
Jun	P	-22	-23	-10	-22	-25	-17	-15.7	-7.9	-15.9	10.8	-2.6	-3.0	-1.2	-0.8	2.5	-3.8	-6.3	-1.7
Jul	P	-20	-16	-8	-22	-23	-13	-10.7	-1.3	-10.9	6.8	-4.4	-4.9	-2.9	-5.3	-0.3	-7.5	-6.5	-1.2
Aug	P	-20	-15	-8	-23	-22	-14	-0.6	1.7	-0.0	14.5	-4.3	-4.5	-4.5	-5.9	-2.0	-6.1	-7.9	-1.8
Sep	P	-22	-16	-8	-22	-19	-15	17.8	20.6	18.0	9.6	-3.8	-3.8	-2.5	-4.8	-1.1	-2.7	-4.4	-2.5
Oct	P	-21	-15	-7	-21	-18	-15	26.4	28.6	26.7	10.8	-4.3	-3.9	-1.6	-3.6	-0.1	-5.0	-5.1	-0.5
Nov	P	-21	-14	-7	-22	-17	-11	37.5	37.3	37.3	34.0	-4.8	-3.5	-2.3	-7.4	-	-2.3	-3.8	-1.6
Dec	P	-18	-12	-4	-24	-16	-10	26.6	30.4	25.1	19.5	-1.2	-0.1	0.2	0.9	3.4	-1.5	-3.0	0.2
10 *Jan*	P	-14	-8	-4	-20	-16	-5	17.4	16.6	18.1	8.3	-4.5	-3.2	-3.0	-2.5	-0.6	-5.5	-4.8	-0.2
Feb	P	-19	-11	-5	-11	-17	-8	47.0	33.0	47.0	2.9	-1.1	0.1	0.5	1.6	3.7	-4.8	-1.6	-1.1
Mar	P	-22	-17	-9	-12	-17	-6	64.2	53.4	63.1	10.2	...	...	...	...	...	...	...	...

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.

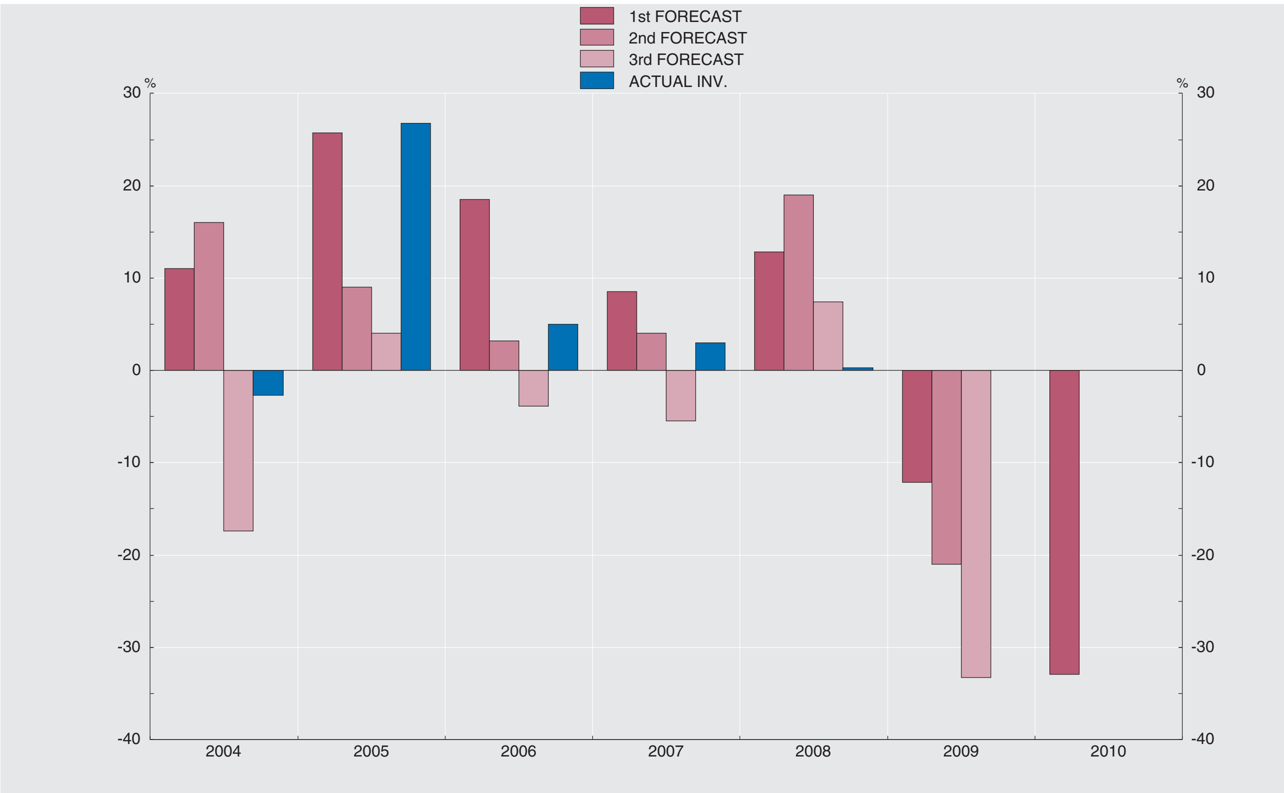
a. Data adjusted by working days.

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



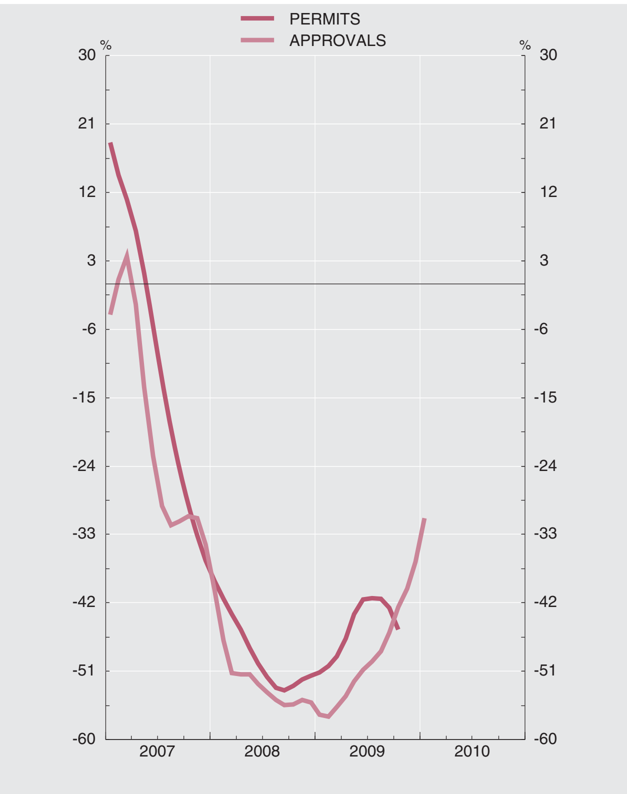
Source: Ministerio de Industria, Turismo y Comercio.
Note: The first forecast is made in the autumn of the previous year and the second and third ones in the spring and autumn of the current year, respectively; the information relating to actual investment for the year t is obtained in the spring of the year t+1.

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

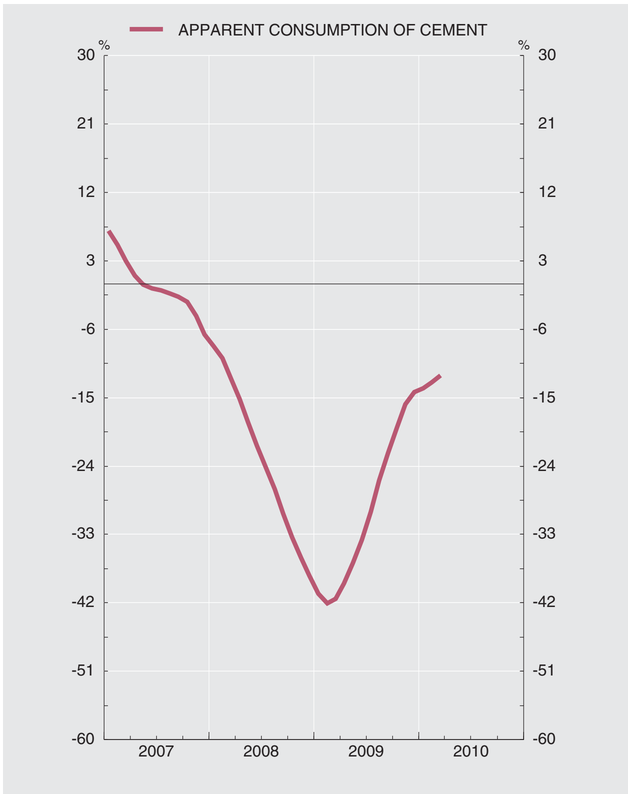
■ Series depicted in chart. *Annual percentage changes*

		Permits: buildable floorage				Approvals: buildable floorage		Government tenders (budget)							Apparent consumption of cement
		Total	of which: Residential	of which: Housing	Non-residential	Total	of which: Housing	Total: For the month	Total: Year to date	Building: Total	Building: of which: Residential	Building: of which: Housing	Building: Non-residential	Civil engineering	
		1 ■	2	3	4	5 ■	6	7 ■	8	9	10	11	12	13	14 ■
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
09	P	...	...	...	...	-51.4	-56.8	-8.0	-8.0	1.4	3.7	-19.8	0.6	-11.3	-32.9
09 *J-M*	P	-54.2	-60.1	-59.2	-35.5	-57.3	-62.4	-5.3	-5.3	21.2	18.9	-24.8	21.8	-13.8	-46.1
10 *J-M*	P	...	...	...	...	...	...	...	...	...	...	...	...	...	-19.4
08 *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	-61.5	-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	-62.5	-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	-46.7	-58.0	-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	-60.9	-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	-48.0	-55.7	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	-52.3	-57.5	92.0	-6.4	87.2	-14.1	49.0	138.3	94.8	-20.6
Jul	P	-47.8	-49.1	-51.0	-44.6	-46.2	-51.2	-0.3	-5.6	41.5	360.0	256.7	-0.5	-11.7	-32.3
Aug	P	-36.5	-46.9	-46.6	-15.5	-52.7	-54.6	8.2	-4.3	-13.8	-33.6	-51.3	-4.3	22.6	-21.2
Sep	P	-29.6	-40.5	-43.1	-5.4	-47.0	-52.5	-12.8	-5.0	-7.3	-44.8	-68.0	4.5	-14.5	-23.9
Oct	P	-53.0	-55.0	-54.4	-48.0	-42.4	-45.6	-33.9	-7.4	-8.6	-13.3	-24.7	-7.6	-40.3	-21.1
Nov	P	...	...	...	...	-37.1	-39.7	-32.0	-9.7	-34.3	-35.1	-96.5	-33.8	-30.8	-9.3
Dec	P	...	...	...	...	-42.4	-50.7	5.5	-8.0	-5.1	45.0	55.0	-19.2	7.6	-20.0
10 *Jan*	P	...	...	...	...	-29.5	-40.6	-52.4	-52.4	-46.0	-62.5	-48.2	-38.8	-55.7	-15.6
Feb	P	...	...	...	...	...	...	...	...	...	...	...	...	...	-24.0
Mar	P	...	...	...	...	...	...	...	...	...	...	...	...	...	-18.0

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.

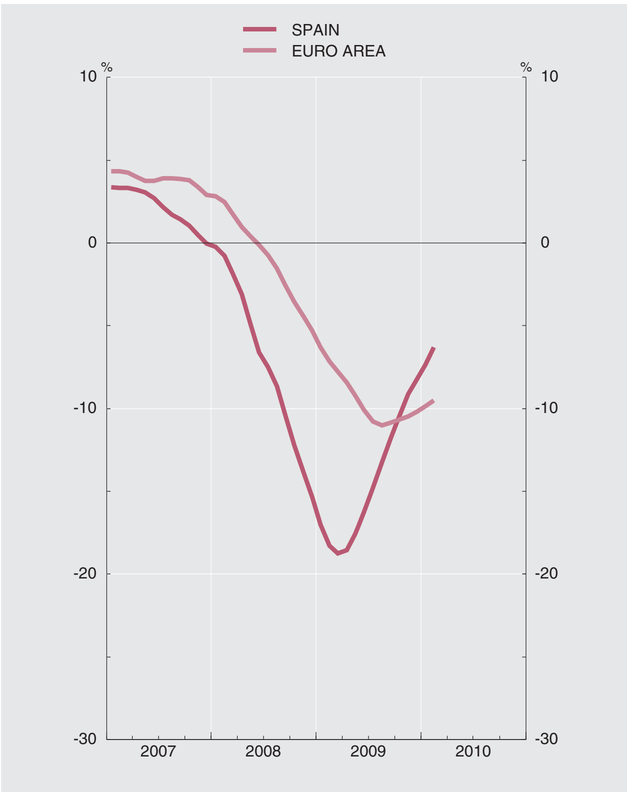
3.4. INDUSTRIAL PRODUCTION INDEX. SPAIN AND EURO AREA (a)

■ Series depicted in chart.

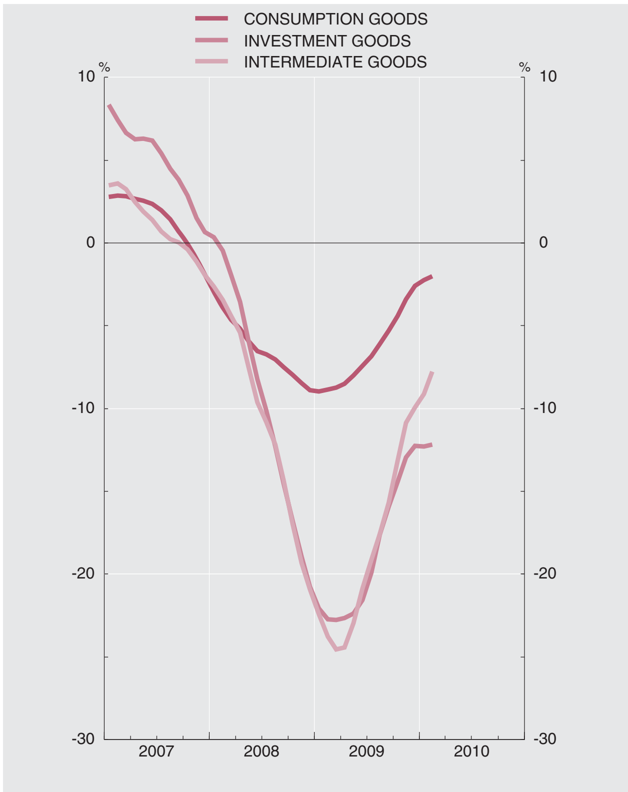
Annual percentage changes

		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
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	6.6	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	-1.9	-2.0	-0.1	-3.4
09	M P	82.6	-16.2	-8.8	-22.5	-21.4	-8.6	-24.3	-17.0	-7.6	-15.0	-16.0	-5.0	-21.3	-19.2
09 *J-F*	M P	81.6	-24.4	-16.0	-33.4	-32.3	-6.5	-34.3	-26.1	-7.0	-18.1	-20.3	-7.3	-24.9	-25.0
10 *J-F*	M P	78.8	-3.4	-4.1	-5.5	-1.1	-4.7	-3.0	-3.8	-0.2	2.6	2.8	1.0	1.5	5.5
08 *Nov*	P	90.9	-18.3	-12.5	-22.3	-25.0	-3.4	-29.0	-19.4	-5.1	-9.1	-9.3	-4.8	-8.8	-12.8
Dec	P	80.3	-16.0	-6.7	-18.7	-28.3	-1.6	-18.0	-17.8	-2.3	-12.5	-13.3	-4.8	-11.4	-21.4
09 *Jan*	P	80.7	-24.5	-17.8	-33.9	-32.7	-3.5	-32.7	-26.8	-3.4	-16.7	-19.3	-6.1	-23.3	-24.4
Feb	P	82.4	-24.3	-14.1	-33.0	-31.8	-9.7	-35.8	-25.5	-10.9	-19.3	-21.2	-8.4	-26.3	-25.6
Mar	P	85.4	-13.5	-0.9	-16.8	-21.6	-12.1	-24.3	-13.6	-11.7	-19.6	-20.7	-7.8	-23.9	-26.2
Apr	P	79.8	-28.4	-20.8	-33.6	-36.4	-11.2	-38.3	-29.5	-13.2	-21.6	-22.1	-7.3	-27.8	-27.2
May	P	81.9	-22.3	-12.8	-28.7	-28.4	-12.5	-27.7	-23.2	-11.0	-18.0	-18.9	-5.3	-23.5	-23.6
Jun	P	86.2	-14.3	-4.1	-23.0	-18.8	-7.8	-15.4	-15.2	-5.4	-16.9	-17.9	-5.3	-22.7	-22.1
Jul	P	91.8	-16.9	-10.7	-25.2	-20.5	-6.7	-28.6	-17.9	-5.1	-15.9	-16.9	-4.2	-23.6	-20.1
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	-22.2	-19.3
Sep	P	87.1	-12.7	-5.3	-17.5	-17.7	-7.1	-16.3	-13.6	-4.0	-12.8	-13.1	-2.7	-18.6	-15.6
Oct	P	88.0	-12.8	-9.8	-16.4	-14.9	-8.0	-20.3	-13.2	-6.3	-11.2	-11.9	-4.7	-17.6	-12.3
Nov	P	87.3	-4.0	1.3	-8.0	-3.7	-10.2	-4.3	-3.3	-9.8	-7.0	-7.2	-1.9	-13.4	-5.8
Dec	P	79.1	-1.5	0.9	-8.4	4.8	-8.1	-20.9	-0.4	-6.8	-3.9	-4.4	-0.9	-11.5	-0.1
10 *Jan*	P	76.7	-5.0	-5.2	-7.0	-3.3	-5.6	-7.1	-5.1	-3.2	1.0	1.1	0.6	-0.7	3.7
Feb	P	80.8	-1.9	-2.9	-4.1	1.1	-3.6	1.1	-2.6	3.2	4.2	4.5	1.4	3.6	7.2

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.

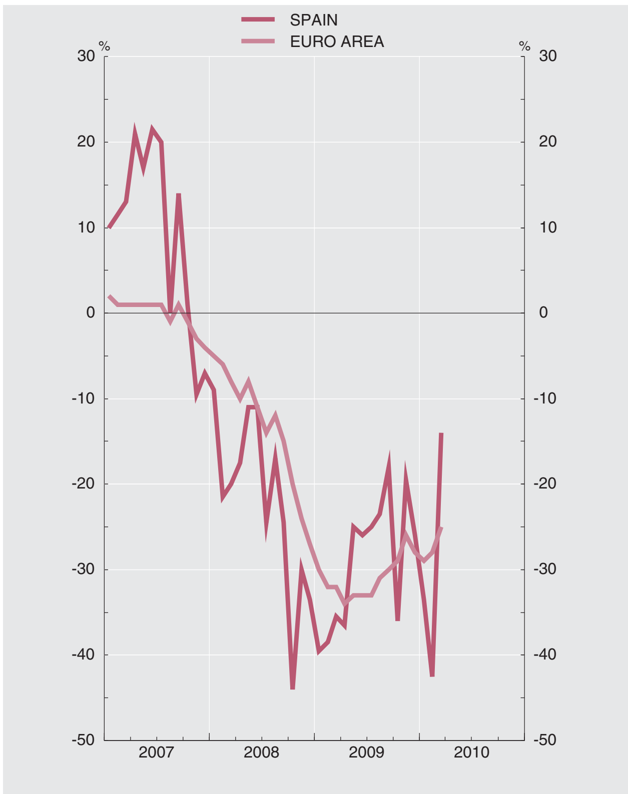
3.5. MONTHLY BUSINESS SURVEY: INDUSTRY AND CONSTRUCTION. SPAIN AND EURO AREA

■ Series depicted in chart. *Percentage balances*

	Industry, excluding construction										Construction					Memorandum item: euro area		
							Business climate indicator							Trend		Industry, excluding construction		
	Business climate indicator (a)	Production over the last three months	Trend in production (a)	Total orders (a)	Foreign orders	Stocks of finished products (a)	Consumption (a)	Investment (a)	Intermediate goods (a)	Other sectors (a)	Business climate indicator	Production	Orders	Production	Orders	Business climate indicator	Order Book	Construction climate indicator
	1 ■	2	3	4	5	6	7	8	9	10	11 ■	12	13	14	15	16 ■	17	18 ■
07 M	-1	7	6	2	-5	10	-2	6	-3	-3	9	21	12	18	21	5	5	-
08 M	-17	-16	-8	-24	-21	20	-11	-8	-28	-6	-22	-0	-19	-16	-16	-9	-15	-13
09 M	-29	-33	-11	-54	-52	22	-19	-28	-37	-40	-29	-18	-30	-13	-19	-28	-56	-31
09 *J-M* M	-35	-50	-23	-54	-53	28	-20	-32	-50	-13	-38	-19	-29	-21	-21	-36	-55	-31
10 *J-M* M	-20	-22	-1	-47	-45	14	-16	-24	-22	-53	-30	-46	-28	-22	-32	-12	-42	-27
08 *Dec*	-35	-47	-23	-54	-48	29	-20	-35	-49	-3	-34	20	-31	-43	-4	-33	-47	-27
09 *Jan*	-31	-41	-21	-46	-44	26	-17	-27	-47	-4	-40	19	-27	-29	-2	-33	-49	-30
Feb	-36	-54	-22	-57	-57	29	-22	-31	-51	-4	-39	-38	-26	-24	-36	-36	-56	-32
Mar	-37	-55	-25	-58	-60	28	-22	-37	-51	-32	-36	-37	-35	-11	-26	-38	-61	-32
Apr	-34	-42	-16	-58	-58	27	-22	-33	-44	-51	-37	-17	-38	-3	-15	-35	-60	-34
May	-32	-41	-13	-57	-57	25	-21	-30	-39	-51	-25	-26	-37	2	-18	-33	-61	-33
Jun	-31	-32	-11	-57	-54	26	-18	-26	-42	-56	-26	-24	-35	-3	-34	-32	-63	-33
Jul	-28	-25	-7	-57	-56	19	-18	-32	-33	-27	-25	-20	-22	-15	-21	-29	-61	-33
Aug	-25	-27	-2	-55	-49	19	-17	-22	-31	-38	-24	-25	-22	-7	-3	-25	-56	-31
Sep	-25	-25	-5	-52	-45	17	-20	-25	-26	-47	-18	-20	-24	9	-23	-24	-55	-30
Oct	-23	-16	-5	-50	-48	16	-18	-24	-26	-50	-36	-21	-45	-25	-21	-21	-53	-29
Nov	-24	-18	-4	-52	-46	16	-16	-24	-27	-63	-20	-14	-21	-32	-13	-19	-51	-26
Dec	-23	-20	-5	-50	-49	14	-15	-28	-24	-57	-26	4	-27	-23	-20	-16	-47	-28
10 *Jan*	-21	-24	-2	-48	-49	14	-17	-27	-22	-53	-34	-47	-25	-40	-26	-14	-44	-29
Feb	-21	-23	-0	-47	-46	15	-17	-24	-22	-49	-43	-35	-40	-37	-41	-13	-42	-28
Mar	-19	-19	-1	-44	-38	12	-14	-20	-21	-56	-14	-57	-20	12	-28	-10	-39	-25

INDUSTRIAL BUSINESS CLIMATE
Percentage balances

CONSTRUCTION BUSINESS CLIMATE
Percentage balances



Sources: Ministerio de Industria, Turismo y Comercio and ECB.
a. Seasonally adjusted.

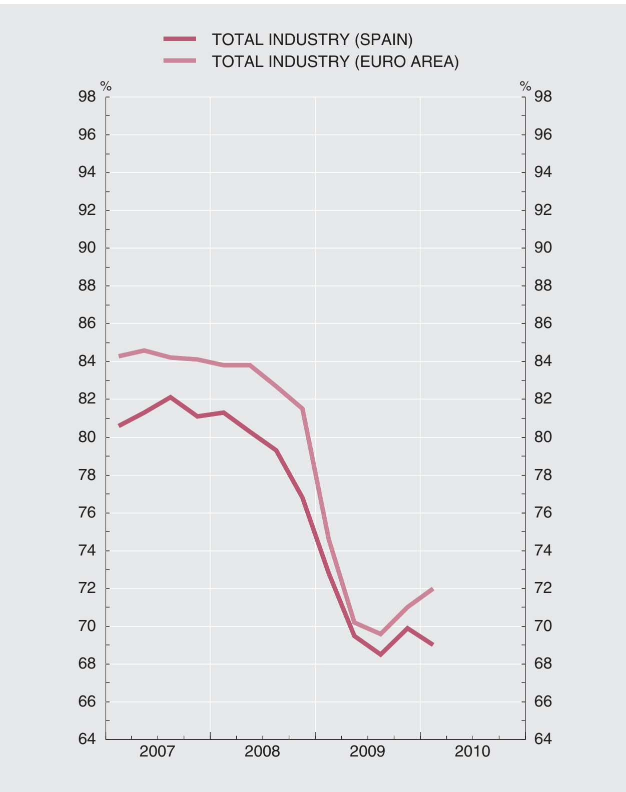
3.6. BUSINESS SURVEY: CAPACITY UTILISATION. SPAIN AND EURO AREA

■ Series depicted in chart.

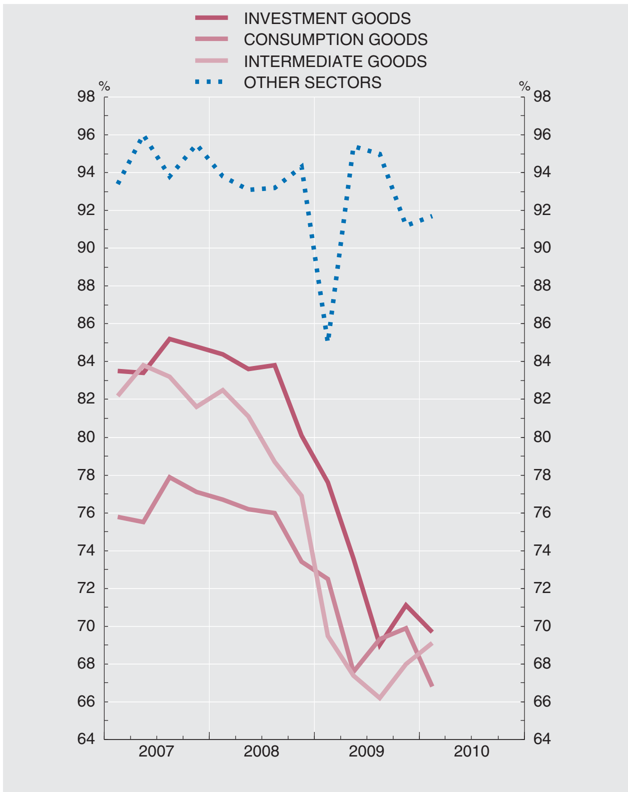
Percentages and percentage balances

	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 ■
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	-	84.3
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
09	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	71.4
09 *Q1-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	-	74.6
10 *Q1-Q1*	69.0	70.0	26	66.8	67.6	18	69.7	70.2	25	69.1	70.6	33	91.7	92.1	0	72.0
07 *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	-	84.2
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	-	84.1
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	-	83.8
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	-	82.7
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	-	74.6
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	-	70.2
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	-	71.0
10 *Q1*	69.0	70.0	26	66.8	67.6	18	69.7	70.2	25	69.1	70.6	33	91.7	92.1	0	72.0

CAPACITY UTILISATION. TOTAL INDUSTRY
Percentages



CAPACITY UTILISATION. BY TYPE OF GOOD
Percentages



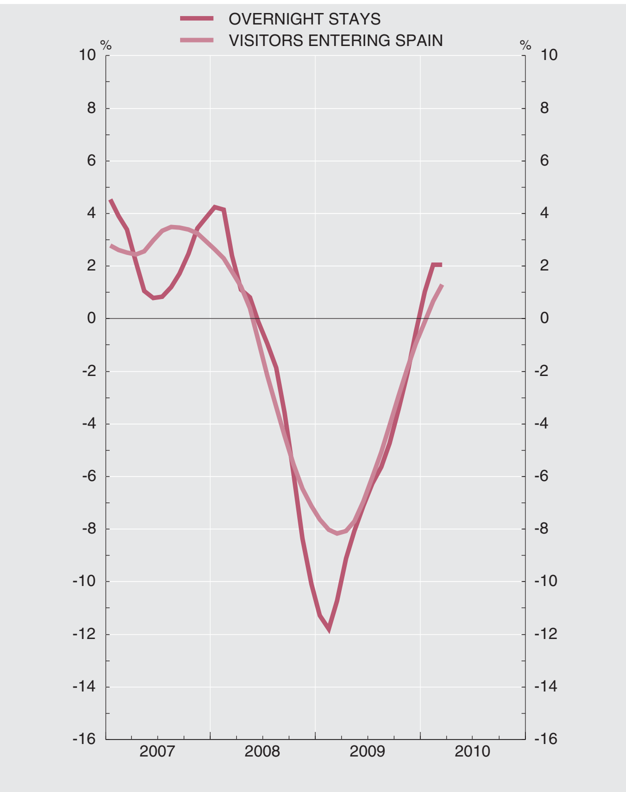
Sources: Ministerio de Industria, Turismo y Comercio and ECB.

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	Foreig-ners	Total	Foreig-ners	Total	Tourists	Day-trip-pers	Total	Domestic flights	Interna-tional flights	Freight	Passen-gers	Freight	Passen-gers	Freight
		1	2	3 ■	4	5 ■	6	7	8 ■	9	10	11	12	13	14 ■	15
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		-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	-0.9	-10.3
09	P	-6.6	-9.9	-6.6	-9.1	-6.0	-8.8	-1.9	-8.0	-8.0	-8.0	-9.6	-2.2	-12.9	-6.2	-24.8
09 *J-M*	P	-16.2	-17.8	-16.0	-14.8	-12.1	-16.9	-6.1	-18.2	-20.5	-16.3	-15.9	-11.8	-17.0	-7.2	-29.1
10 *J-M*	P	4.7	5.5	4.4	3.3	3.7	0.3	7.6	...	...	...	...	...	...	...	...
08 *Dec*		-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	-1.9	-27.8
09 *Jan*	P	-13.3	-14.8	-12.0	-11.6	-5.7	-12.6	1.9	-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	-11.5	-15.7	-6.2	-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	-17.4	-20.8	-12.6	-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	4.3	-10.4	-6.7	-27.6
Nov	P	-2.9	-3.9	-3.6	-5.6	-0.1	-3.1	3.4	-0.8	1.2	-2.3	4.0	5.4	-0.5	-2.7	-3.4
Dec	P	2.2	-0.4	0.0	-2.5	0.7	-3.6	5.0	2.1	3.8	0.6	17.9	-0.4	-1.2	-4.2	22.0
10 *Jan*	P	1.4	1.7	0.3	-1.5	2.4	1.1	3.7	3.3	6.4	1.0	13.6	25.6	4.8	...	7.7
Feb	P	4.0	7.0	4.3	4.8	-0.1	-3.8	4.1	...	...	...	...	...	...	...	...
Mar	P	7.5	6.9	7.5	5.9	8.1	3.2	14.4	...	...	...	...	...	...	...	...

TOURISM
Trend obtained with TRAMO-SEATS



TRANSPORT
Trend obtained with TRAMO-SEATS

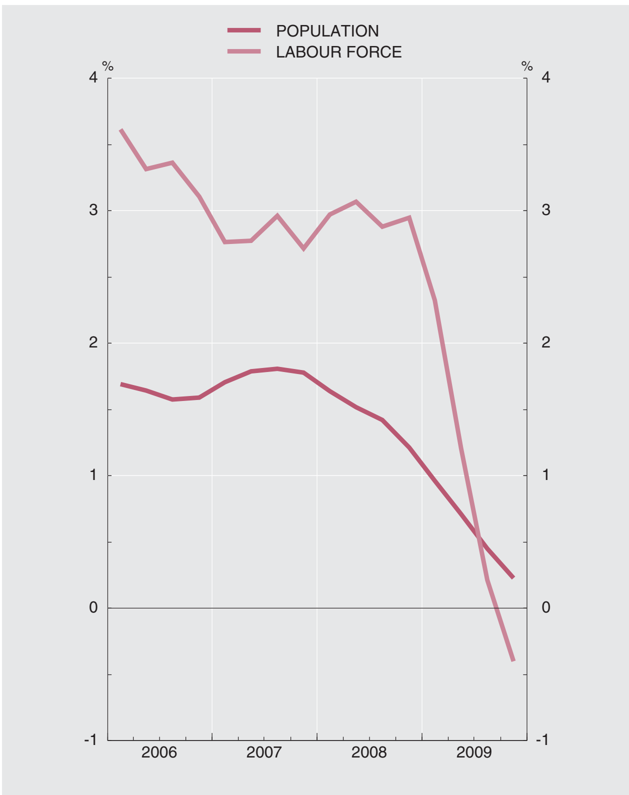
Sources: INE and Instituto de Estudios Turísticos, Estadística de Movimientos Turísticos en Frontera.
Note: The underlying series for this indecator are in Table 23.15 of the BE Boletín estadístico .
a. From January 2003, the information for Galicia is based on total figures for hotel stays and overnight 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

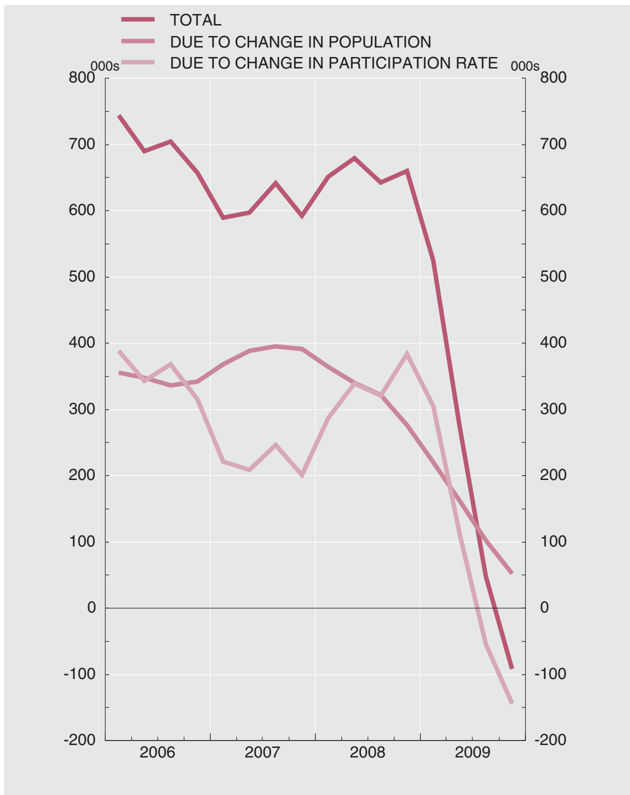
■ Series depicted in chart. *Thousands and annual percentage changes*

	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-Q4* M	38 208	545	1.4	59.80	22 848	2 633	1 303	1 330	3.0
09 *Q1-Q4* M	38 432	224	0.6	59.95	23 037	757	537	220	0.8
07 *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
Q4	38 443	87	0.2	59.76	22 973	-92	52	-144	-0.4

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

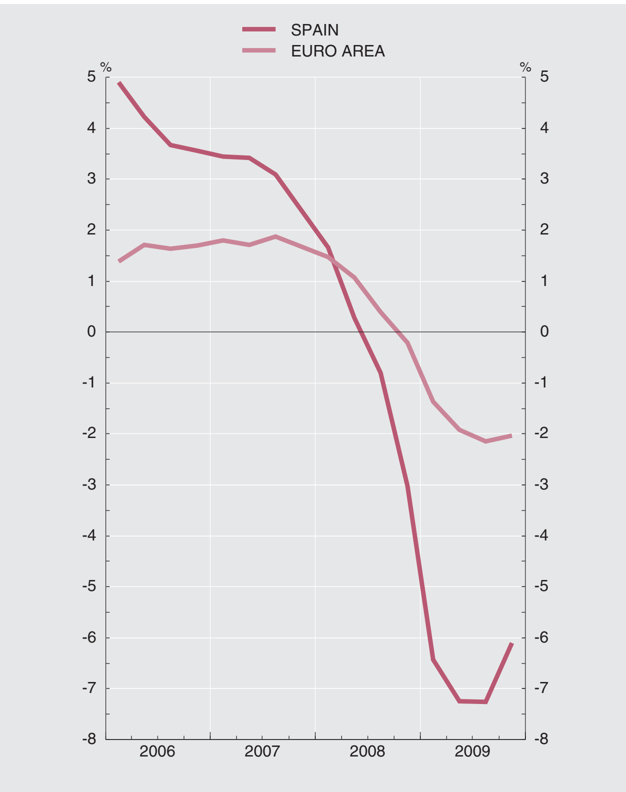
4.2. EMPLOYMENT AND WAGE-EARNERS. SPAIN AND EURO AREA

■ Series depicted in chart.

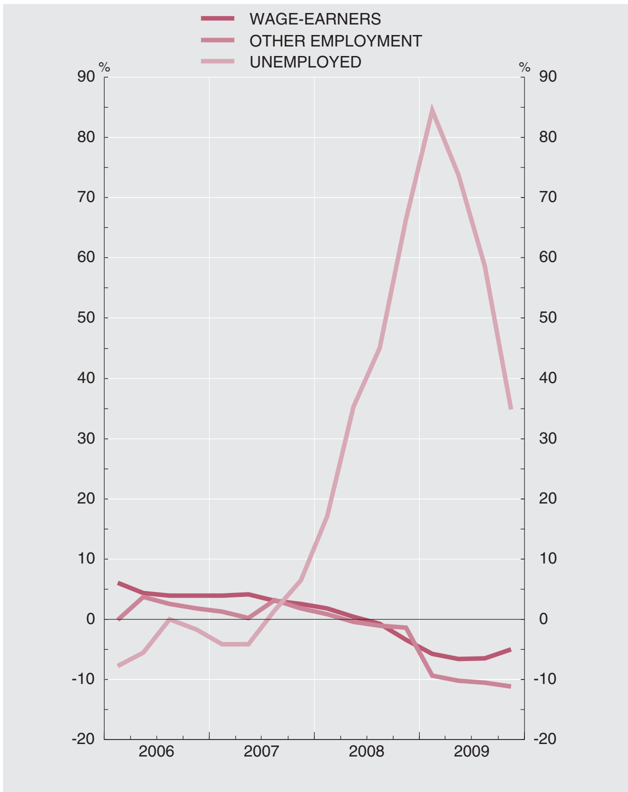
Thousands and annual percentage changes

	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	7.50
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-Q4* 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
09 *Q1-Q4* M	18 888	-1 370	-6.8	15 681	-1 001	-6.0	3 207	-369	-10.3	4 150	1 559	60.2	18.01	-1.9	9.41
07 *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	7.38
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	8.02
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	-1.4	8.81
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	-1.9	9.33
Q3	18 870	-1 476	-7.3	15 650	-1 096	-6.5	3 220	-380	-10.6	4 123	1 525	58.7	17.93	-2.2	9.66
Q4	18 646	-1 211	-6.1	15 493	-816	-5.0	3 153	-395	-11.1	4 327	1 119	34.9	18.83	-2.0	9.85

EMPLOYMENT
Annual percentage changes



LABOUR FORCE: COMPONENTS
Annual percentage changes



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

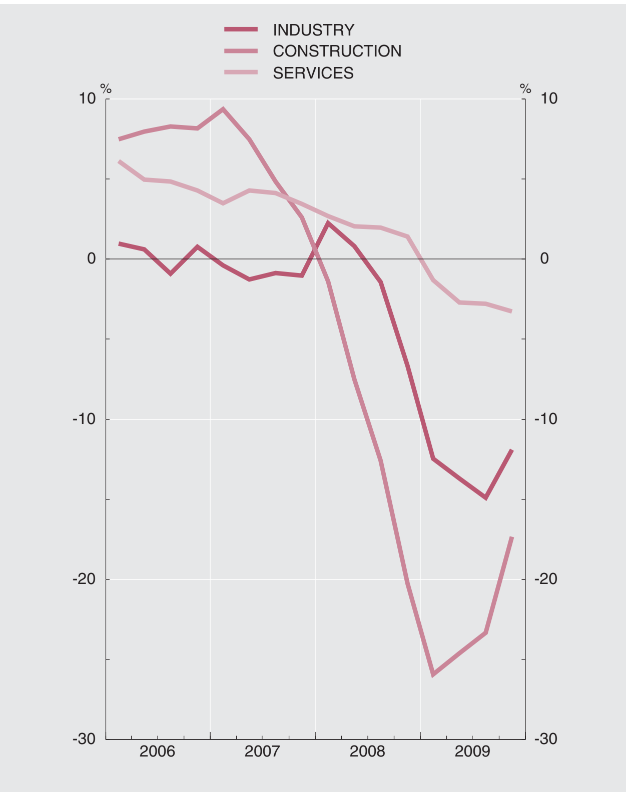
4.3. EMPLOYMENT BY BRANCH OF ACTIVITY. SPAIN (a)

■ Series depicted in chart.

Annual percentage changes

	Total			Agriculture			Industry			Construction			Services			Memorandum item:
	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-Q4* 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	-3.0
09 *Q1-Q4* M	-6.8	-6.0	25.4	-4.0	-0.1	59.0	-13.3	-13.1	15.8	-23.0	-25.0	42.6	-2.5	-1.3	24.0	-6.2
07 *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
Q4	-6.1	-5.0	25.1	-2.6	-1.5	59.2	-11.9	-11.4	15.5	-17.3	-17.6	43.9	-3.3	-1.8	23.5	-6.2

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.

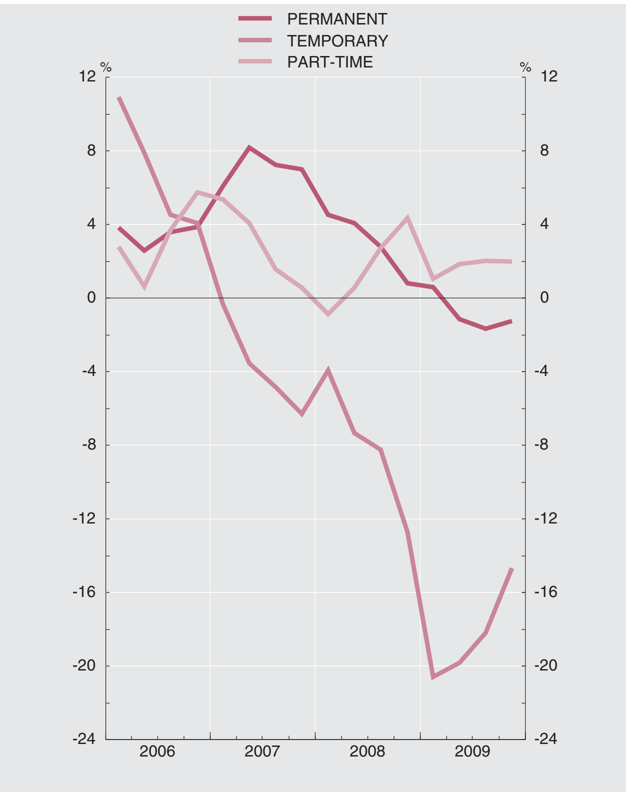
4.4. WAGE-EARNERS BY TYPE OF CONTRACT AND UNEMPLOYMENT BY DURATION. SPAIN. (a)

■ Series depicted in chart.

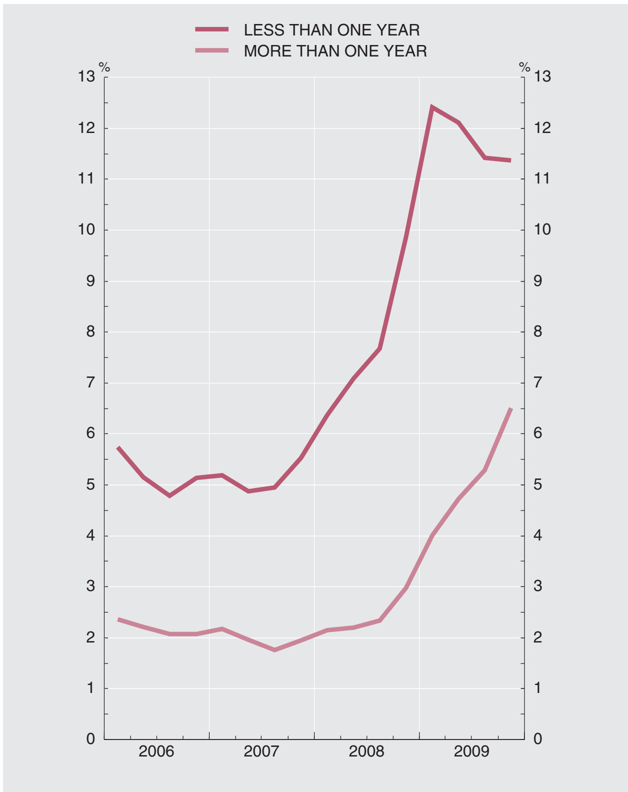
Thousands, annual percentage changes and %

	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-Q4* M	348	3.0	-426	-8.0	29.25	-656	-4.4	33	1.6	12.33	7.75	55.5	2.41	27.0
09 *Q1-Q4* M	-102	-0.9	-898	-18.4	25.40	-857	-6.0	36	1.7	13.34	11.83	53.8	5.13	114.0
07 *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
Q4	-148	-1.3	-668	-14.7	25.08	-857	-6.0	42	2.0	13.87	11.37	14.8	6.50	117.8

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.

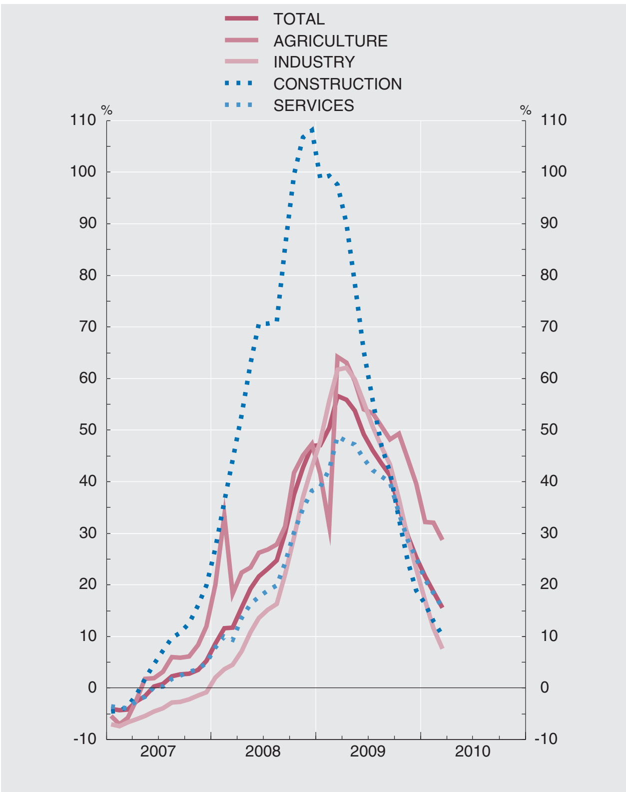
4.5. REGISTERED UNEMPLOYMENT BY BRANCH OF ACTIVITY. CONTRACTS AND PLACEMENTS. SPAIN

■ Series depicted in chart.

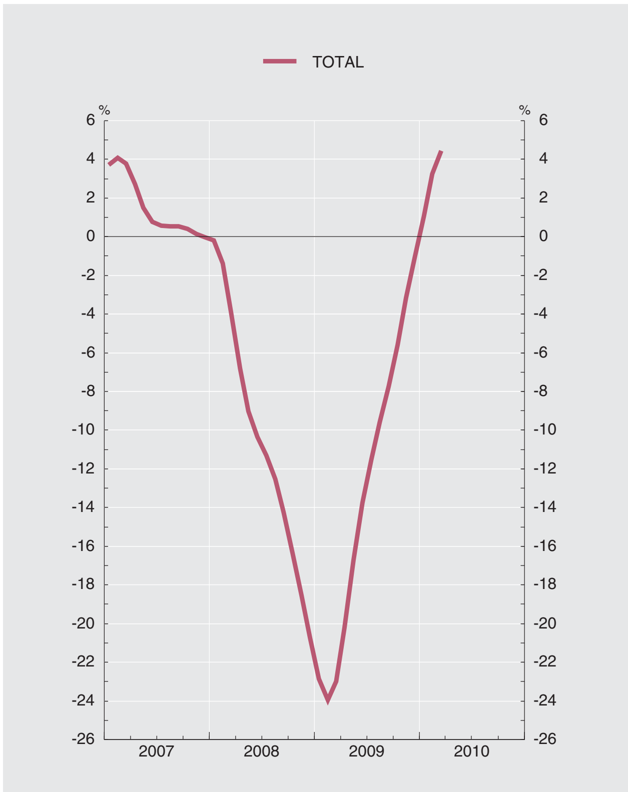
Thousands, annual percentage changes and %

		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 ■
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
09	M	3 644	1 104	43.5	35.7	45.3	49.9	45.2	47.7	62.5	40.0	1 168	-15.5	9.41	27.97	90.59	1 165	-14.2
09 *J-M*	M	3 472	1 179	51.4	16.4	54.3	45.7	54.6	55.1	98.6	43.4	1 068	-25.4	11.13	25.13	88.87	1 053	-25.3
10 *J-M*	M	4 115	644	18.5	49.7	16.7	31.0	16.3	12.0	13.2	18.3	1 089	2.0	9.59	26.61	90.41	1 077	2.4
09 *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
10 *Jan*		4 048	721	21.7	53.8	19.7	32.2	19.4	16.9	16.3	21.0	1 050	-6.7	9.01	25.01	90.99	1 030	-7.3
Feb		4 131	649	18.6	50.9	16.6	32.0	16.2	11.6	13.0	18.4	1 028	1.1	9.84	26.74	90.16	1 024	2.5
Mar		4 167	561	15.6	44.3	13.7	28.8	13.2	7.6	10.3	15.6	1 189	12.1	9.92	28.08	90.08	1 178	12.5

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.

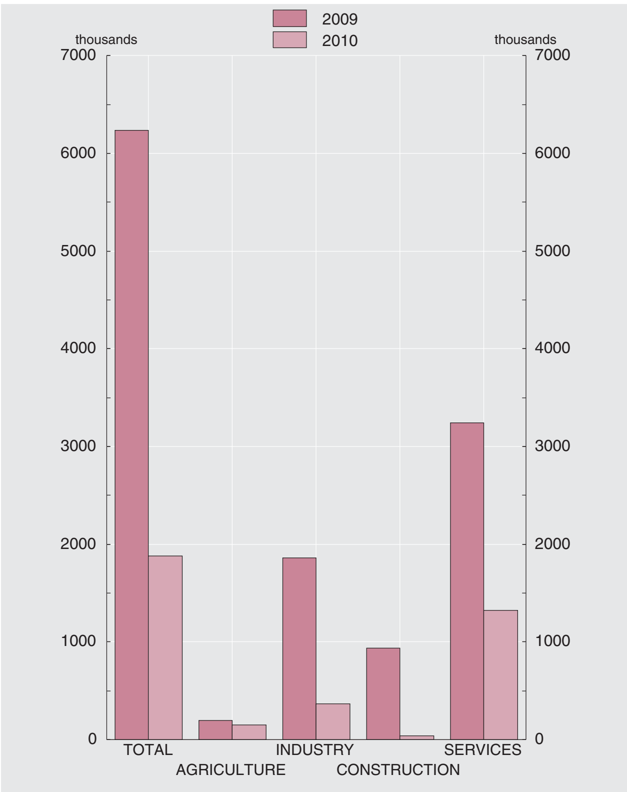
4.6. COLLECTIVE BARGAINING AGREEMENTS

■ Series depicted in chart.

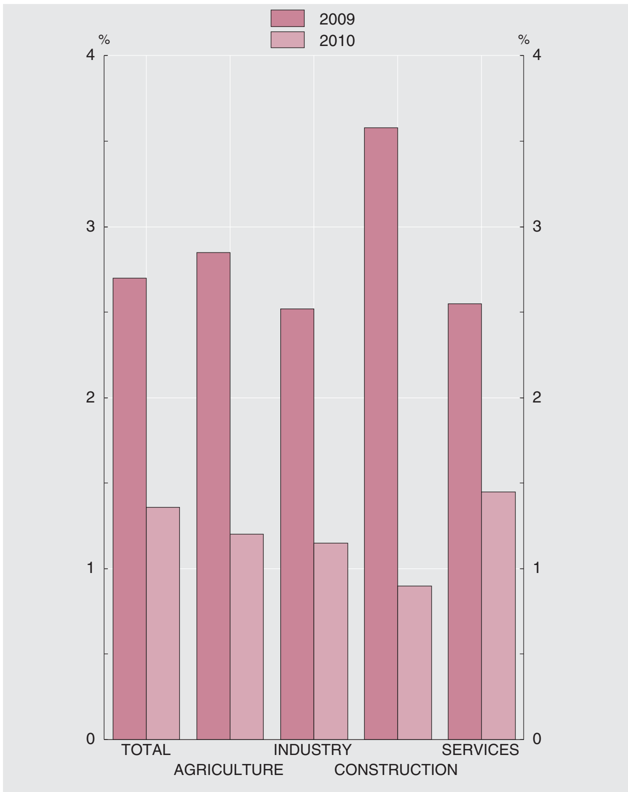
Thousands and %

	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 ■
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	11 730	3.58	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	9 547	2.44	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
08 *Oct*	11 727	3.58	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	11 729	3.58	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	11 730	3.58	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*	9 191	2.50	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	9 213	2.50	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	9 214	2.50	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	9 402	2.47	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	9 407	2.47	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	9 415	2.47	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	9 421	2.47	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	9 422	2.47	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	9 546	2.44	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	9 546	2.44	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	9 547	2.44	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	9 547	2.44	7 611	1 064	8 676	-126	483	2 063	1 158	4 971	2.62	2.35	2.59	2.39	2.48	3.57	2.43
10 *Jan*	1 877	1.36	1 154	-	1 154	-2 340	131	241	4	778	1.62	-	1.62	1.30	1.12	1.96	1.82
Feb	1 877	1.36	1 393	0	1 393	-4 590	151	337	39	866	1.52	1.54	1.52	1.20	1.18	0.90	1.73
Mar	1 877	1.36	1 754	126	1 879	-4 355	152	366	40	1 321	1.38	1.04	1.36	1.20	1.15	0.90	1.45

EMPLOYEES AFFECTED
January-March



AVERAGE WAGE SETTLEMENT
January-March



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.

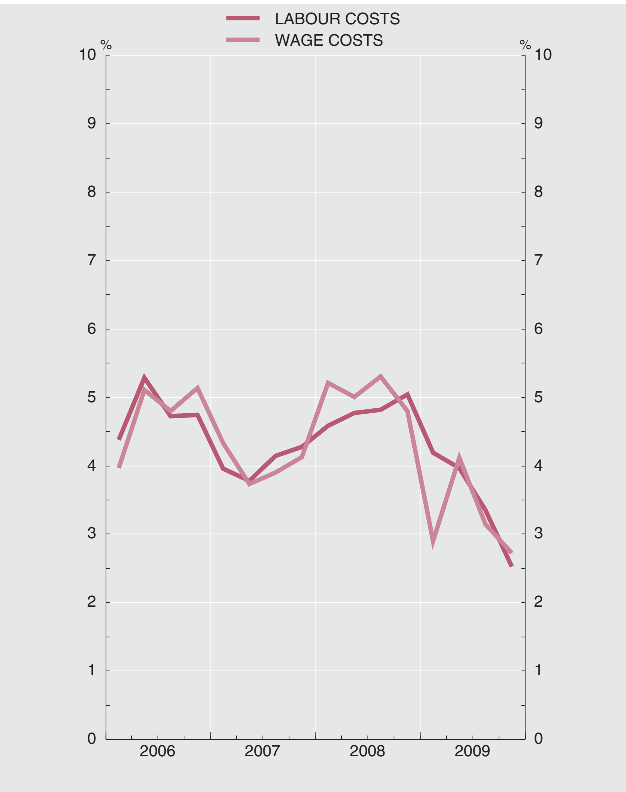
4.7. QUARTERLY LABOUR COSTS SURVEY

■ Series depicted in chart.

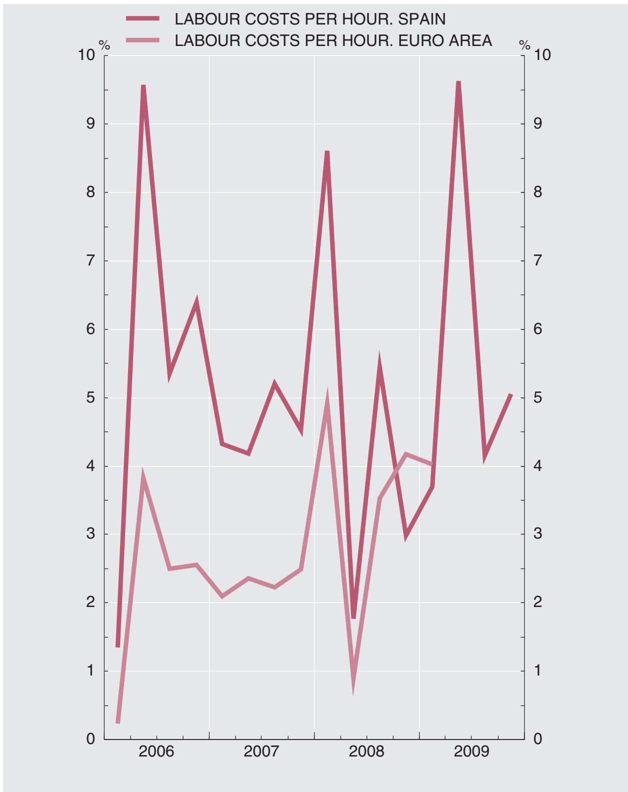
Annual percentage change

		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	3.5	2.4	6.3	5.7	4.8	2.3
07	M P	4.0	3.6	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-Q4*	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
09 *Q1-Q4*	M P	3.5	3.1	5.4	3.5	5.6	3.2	2.1	5.2	3.2	5.3	4.3	...
07 *Q2*	P	3.8	2.6	4.3	4.1	4.2	3.7	3.4	3.7	3.9	4.2	3.9	2.4
Q3	P	4.1	3.7	5.0	4.2	5.2	3.9	2.9	4.1	4.2	4.9	4.8	2.2
Q4	P	4.3	3.8	5.3	4.3	4.5	4.1	3.4	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	5.1	9.3	2.9	4.9
Q2	P	4.8	5.5	6.0	4.6	1.8	5.0	4.9	7.1	4.7	2.0	4.1	0.9
Q3	P	4.8	3.9	5.7	5.2	5.4	5.3	4.6	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	4.6	3.0	2.4	7.8	4.0
Q2	P	4.0	3.1	6.3	4.1	9.6	4.1	2.4	5.8	4.3	9.8	3.5	...
Q3	P	3.4	2.9	5.0	3.5	4.2	3.1	2.0	4.9	3.2	3.9	3.9	...
Q4	P	2.5	2.7	4.1	2.5	5.1	2.7	2.5	5.3	2.5	5.3	1.9	...

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 ■
07	P	3.8	1.6	4.5	2.5	0.7	0.9	3.6	2.7	2.8	1.8	3.4	0.7
08	P	4.6	3.4	6.1	3.2	1.5	-0.2	0.9	0.5	-0.6	0.7	5.7	4.1
09	P	0.4	3.8	3.7	1.5	3.3	-2.2	-3.6	-4.0	-6.7	-1.9	6.8	9.8
07 *Q1*	P	3.7	0.9	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	1.4
Q3	P	3.7	1.5	4.5	2.3	0.7	0.8	3.5	2.7	2.8	1.9	4.2	0.2
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	2.1	1.5	1.5	3.4	1.0
Q2	P	5.0	3.0	6.4	3.2	1.4	0.3	1.7	1.4	0.3	1.1	6.7	1.5
Q3	P	4.7	3.6	6.2	3.5	1.4	-0.1	0.4	0.4	-1.0	0.4	6.7	4.1
Q4	P	3.8	4.7	6.0	2.9	2.1	-1.7	-1.2	-1.9	-3.2	-0.2	6.5	9.7
09 *Q1*	P	0.9	5.7	4.1	1.8	3.2	-3.7	-3.3	-5.0	-6.3	-1.4	9.7	15.7
Q2	P	0.9	4.6	4.2	1.4	3.2	-3.0	-4.2	-4.9	-7.2	-1.9	8.5	13.8
Q3	P	-0.1	3.4	3.3	1.4	3.4	-1.9	-4.0	-4.1	-7.2	-2.2	6.0	8.3
Q4	P	-0.1	1.3	3.1	1.2	3.2	-0.1	-3.1	-2.2	-6.1	-2.0	3.1	1.5

UNIT LABOUR COSTS: TOTAL
Annual percentage changes

UNIT LABOUR COSTS: MANUFACTURING
Annual percentage changes

Sources: INE (Quarterly National Accounts of Spain. Base year 2000) and ECB.

a. Spain: prepared in accordance with ESA95. SEASONALLY- AND WORKING-DAY-ADJUSTED SERIES (see economic bulletin April 2002).

b. Full-time equivalent employment.

c. Industry.

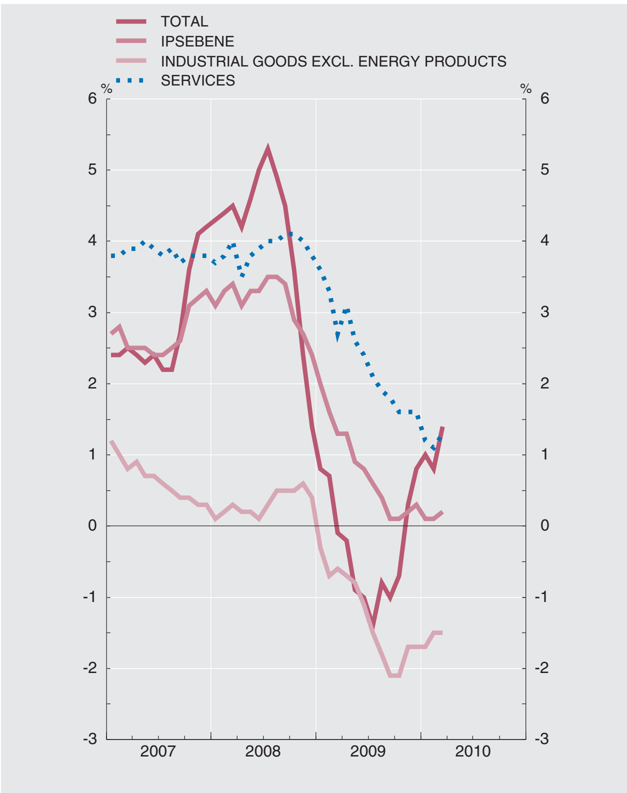
d. Industry and energy.

5.1. CONSUMER PRICE INDEX. SPAIN (2006=100)

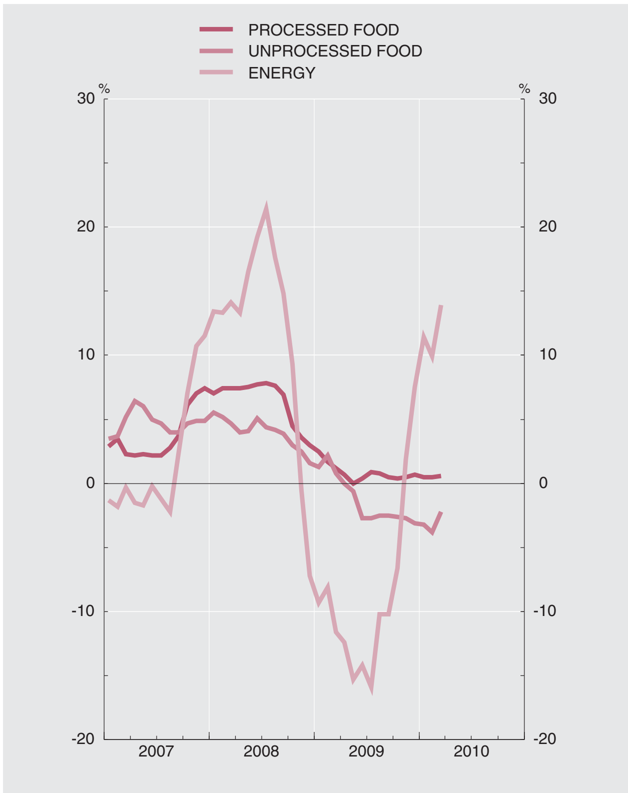
■ Series depicted in chart. *Indices and annual percentage changes*

	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
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
09 M	106.7	_	-0.3	0.8	-1.3	0.9	-1.3	-8.7	2.4	0.8	94.9	-11.3
09 *J-M* M	105.7	-0.3	0.5	-1.2	1.4	1.8	-0.5	-9.7	3.2	1.6	103.1	-6.6
10 *J-M* M	106.8	-0.2	1.1	-0.9	-3.0	0.5	-1.6	11.8	1.2	0.1	...	...
08 *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	92.2	-9.3
Dec	107.8	-	0.8	0.8	-3.1	0.7	-1.7	7.5	1.6	0.3	95.0	-5.5
10 *Jan*	106.7	-1.0	1.0	-1.0	-3.2	0.5	-1.7	11.4	1.2	0.1	...	...
Feb	106.5	-0.2	0.8	-1.2	-3.8	0.5	-1.5	9.9	1.1	0.1	...	...
Mar	107.3	0.7	1.4	-0.5	-2.2	0.6	-1.5	13.9	1.3	0.2	...	...

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)

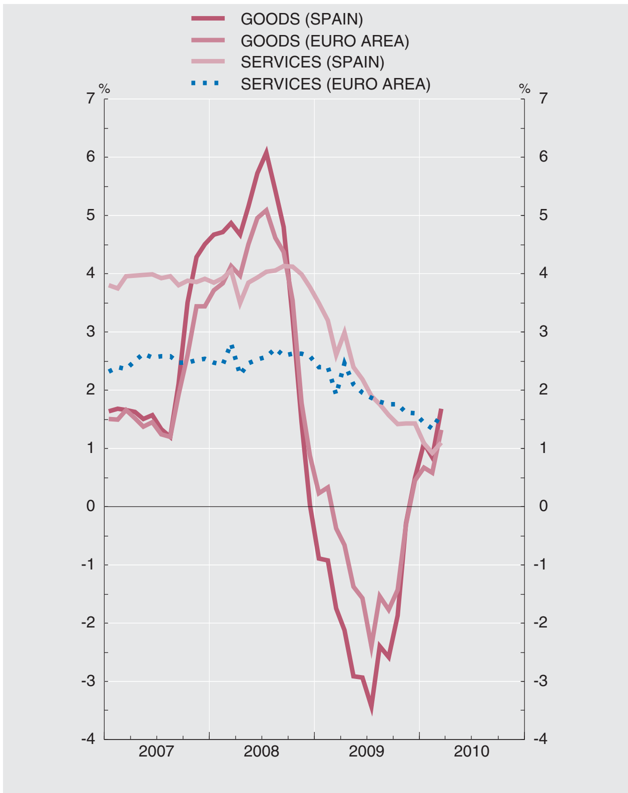
■ Series depicted in chart.

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 ■
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
09	M	-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
09 *J-M*	M	0.5	1.0	-1.2	0.1	1.7	2.4	1.7	2.1	1.7	2.8	-2.7	-1.1	-0.4	0.7	-9.6	-6.1	3.1	2.2
10 *J-M*	MP	1.1	1.1	1.2	0.9	-0.6	0.0	1.1	0.6	-2.4	-0.8	2.1	1.3	-1.2	0.1	11.6	4.8	1.0	1.5
08 *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		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
10 *Jan*		1.1	1.0	1.1	0.7	-0.6	-0.1	1.1	0.6	-2.5	-1.3	1.9	1.1	-1.3	0.1	11.3	4.0	1.1	1.4
Feb		0.9	0.9	0.8	0.6	-0.9	-0.1	1.1	0.6	-2.9	-1.2	1.7	0.9	-1.2	0.1	9.8	3.3	0.9	1.3
Mar	P	1.5	1.4	1.7	1.3	-0.3	0.3	1.2	0.5	-1.8	-0.1	2.7	1.8	-1.2	0.1	13.8	7.2	1.1	1.6

HARMONISED INDEX OF CONSUMER PRICES. TOTAL
Annual percentage changes

HARMONISED INDEX OF CONSUMER PRICES. COMPONENTS
Annual percentage changes



Source: Eurostat.

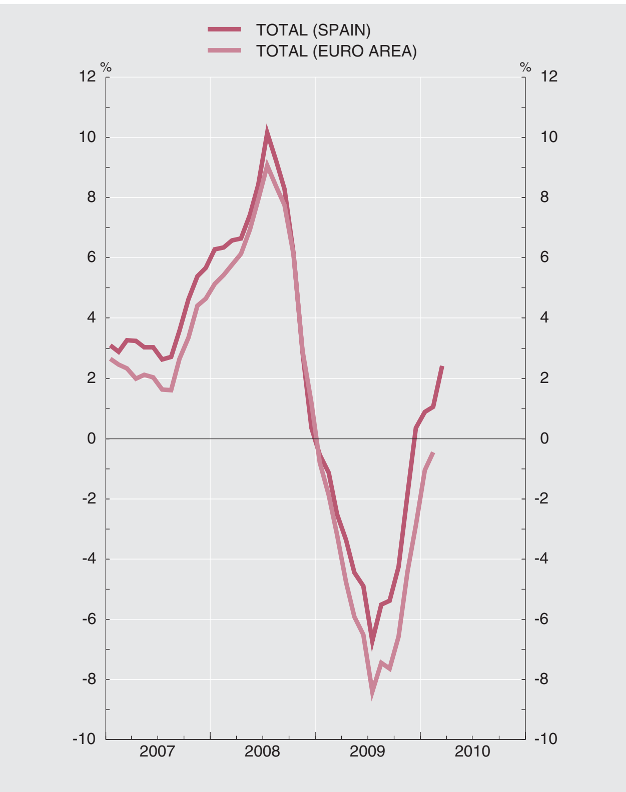
a. Compliance with the Regulation on the treatment of price reductions is now complete with the inclusion of sales prices in the Italian and Spanish HICP. The Spanish HICP has included a new basket of goods and services since January 2001. In accordance with the related regulations,the series for the 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)

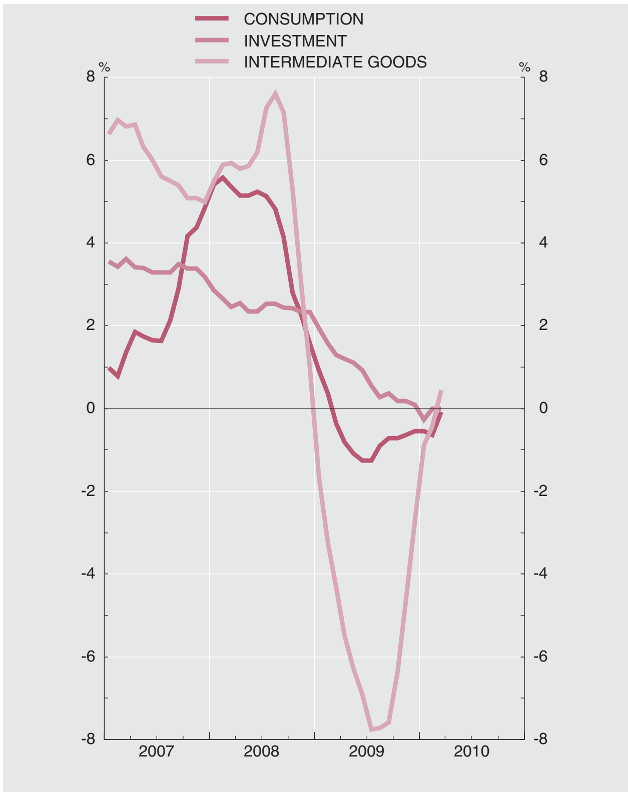
■ Series depicted in chart. *Annual percentage changes*

		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
07	MP	109.2	_	3.6	_	2.4	_	3.4	_	5.9	_	1.6	2.7	2.2	2.2	4.6	1.3
08	MP	116.3	_	6.5	_	4.4	_	2.5	_	5.5	_	14.3	6.1	3.9	2.1	3.9	14.2
09	MP	112.4	_	-3.4	_	-0.6	_	0.8	_	-5.4	_	-6.8	-5.0	-2.0	0.5	-5.2	-11.3
09 *J-M*	MP	112.4	_	-1.4	_	0.3	_	1.6	_	-3.1	_	-3.1	-2.0	-1.0	1.8	-2.7	-4.4
10 *J-M*	MP	114.0	_	1.5	_	-0.4	_	-0.1	_	-0.3	_	7.8	...	...	...	...	...
08 *Dec*	P	112.1	-2.1	0.4	-0.2	1.6	-	2.3	-1.9	1.0	-6.5	-3.4	1.2	1.3	2.1	1.1	0.6
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	-1.3	-2.2
Feb	P	112.6	-	-1.1	0.1	0.4	-0.1	1.6	-0.2	-3.2	-	-1.9	-1.9	-0.9	1.9	-2.9	-3.8
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	-4.0	-7.1
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	-1.7	1.2	-5.1	-11.2
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	0.6	-5.8	-13.9
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	0.4	-6.5	-14.9
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	0.1	-7.6	-20.0
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	-0.1	-7.5	-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	-0.4	-7.4	-17.4
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	-0.6	-6.5	-14.3
Nov	P	112.4	-	-1.8	-0.3	-0.6	-	0.2	-0.4	-4.6	0.8	-0.7	-4.4	-2.4	-0.6	-4.9	-8.7
Dec	P	112.5	0.1	0.4	-0.1	-0.5	-0.1	0.1	0.1	-2.7	0.2	6.3	-2.9	-1.9	-0.5	-3.4	-5.1
10 *Jan*	P	113.6	1.0	0.9	0.3	-0.5	0.2	-0.3	0.6	-0.9	3.2	6.3	-1.1	-0.7	-0.7	-1.6	-1.7
Feb	P	113.8	0.2	1.1	-	-0.6	0.2	-	0.3	-0.4	0.4	6.8	-0.4	-0.5	-0.6	-0.5	-0.8
Mar	P	114.7	0.8	2.4	0.1	-0.1	-0.1	-	0.4	0.4	2.3	10.3	...	...	...	...	...

PRODUCER PRICE INDEX. TOTAL
Annual percentage changes



PRODUCER PRICE INDEX. COMPONENTS
Annual percentage changes



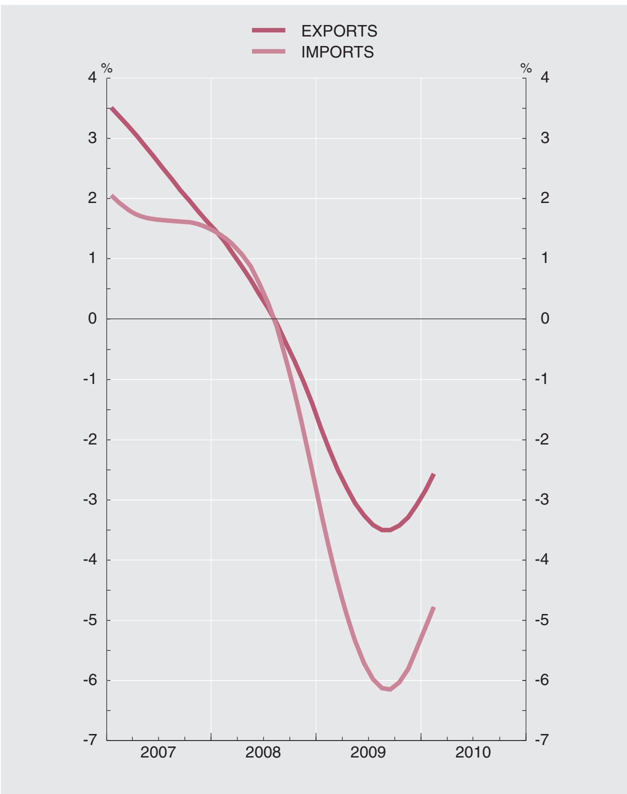
5.4. UNIT VALUE INDICES FOR SPANISH FOREIGN TRADE

■ Series depicted in chart.

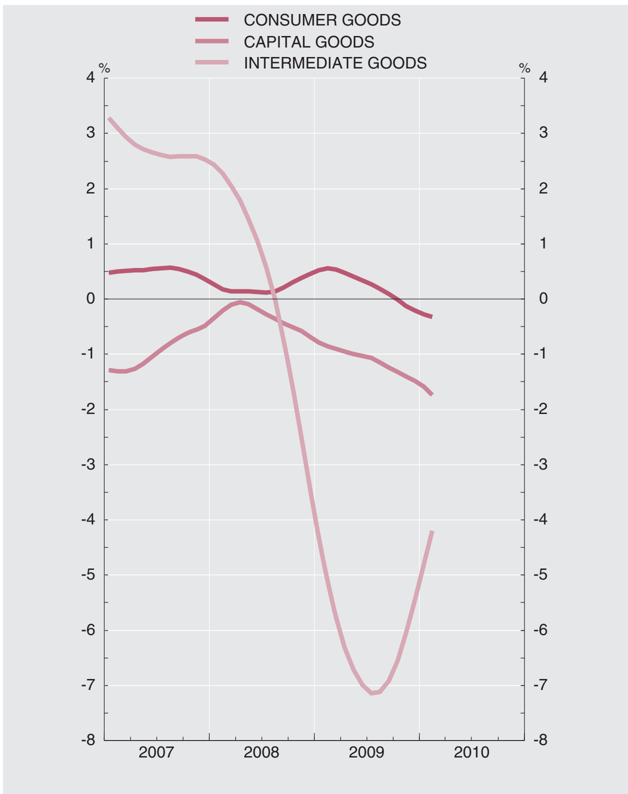
Annual percentage changes

	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
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
09	-6,8	-2,8	-6,3	-9,6	-29,8	-7,0	-10,6	-3,2	-5,1	-14,4	-27,5	-8,9
09 *J-F*	-4,3	-2,6	-6,4	-5,3	-12,5	-5,1	-7,3	5,2	-5,8	-13,0	-28,5	-8,1
10 *J-F*	-2,4	-0,8	-6,9	-2,6	-6,0	-1,7	-1,2	-7,1	-0,8	2,1	19,5	-1,8
08 *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
Dec	-6,7	-2,5	-15,2	-7,9	-26,7	-5,3	-7,2	-8,0	-4,6	-7,3	-2,3	-7,6
10 *Jan*	-2,9	-3,1	-6,2	-2,3	-8,1	-1,3	-1,5	-6,3	4,5	0,2	14,6	-3,7
Feb	-1,8	1,8	-7,7	-3,1	-3,7	-2,2	-0,8	-8,0	-6,7	4,3	24,9	0,3

EXPORT AND IMPORT UNIT VALUE INDICES (a)



IMPORT UNIT VALUE INDICES BY PRODUCT GROUP (a)



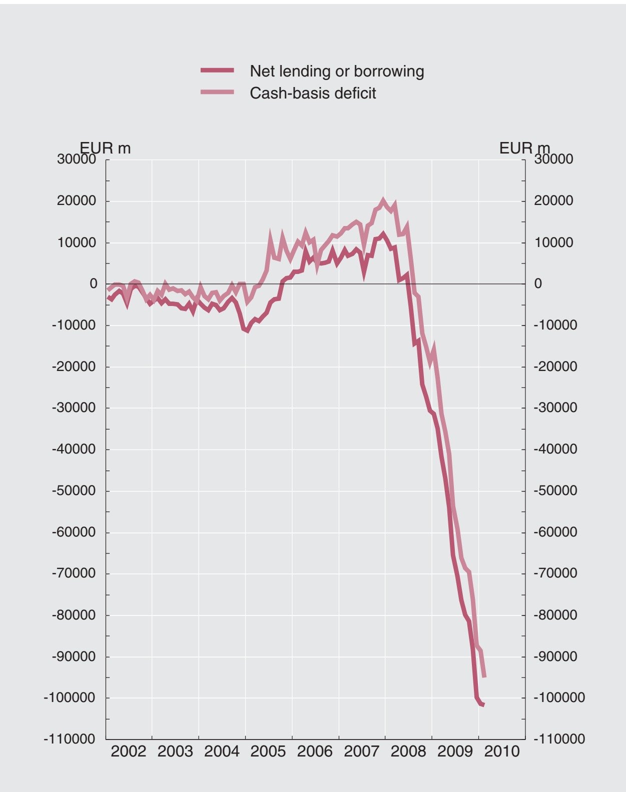
Sources: ME and BE.
Note: The underlying series for this indicator are in the Tables 18.6 and 18.7 of the Boletín Estadístico.
a. Annual percentage changes (trend obtained with TRAMO-SEATS).

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

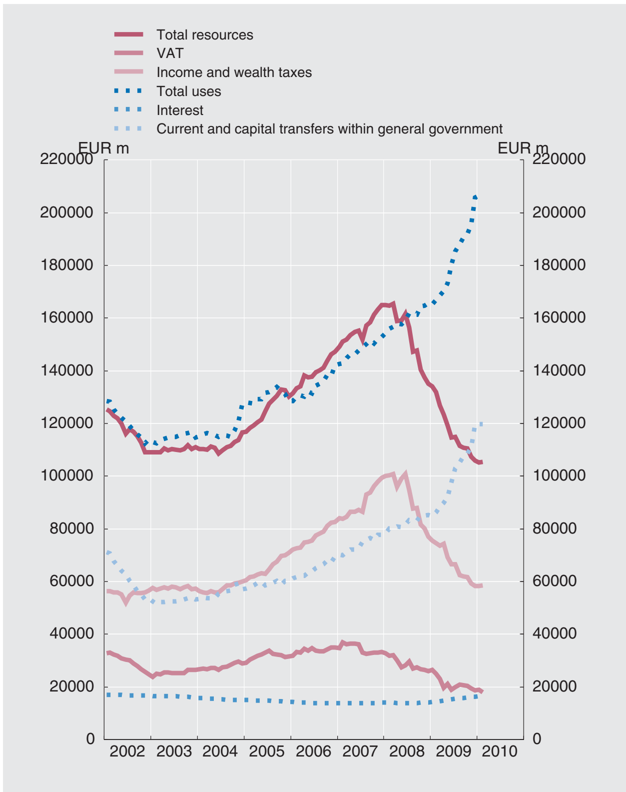
■ Series depicted in chart. *EUR millions*

		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		-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
09	P	-99 845	105 929	18 767	11 563	8 170	58 211	9 218	205 774	20 195	16 318	119 623	6 120	43 518	-87 281	102 038	189 319
09 *J-F*	P	5 058	28 094	12 663	2 012	643	12 064	712	23 036	2 749	2 535	13 073	186	4 493	-70	28 656	28 726
10 *J-F*	A	3 252	27 519	11 958	1 951	550	12 423	637	24 267	2 869	2 712	13 243	218	5 225	-7 759	27 530	35 288
09 *Jul*	P	-10 286	11 376	3 945	845	441	5 886	259	21 662	1 442	1 435	16 025	253	2 507	-14 127	11 405	25 532
Aug	P	-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	P	-2 448	12 037	3 495	1 142	478	5 644	1 278	14 485	1 426	1 334	8 504	208	3 013	-347	11 521	11 868
Oct	P	3 461	19 609	5 791	1 163	180	11 866	609	16 148	1 511	1 418	9 401	344	3 474	5 198	18 816	13 618
Nov	P	-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
Dec	P	-28 273	8 735	-326	930	3 390	2 886	1 855	37 008	2 846	1 426	18 526	3 499	10 711	-18 773	6 946	25 719
10 *Jan*	A	-719	9 217	-496	1 006	330	9 477	-1 100	9 936	1 418	1 453	4 921	120	2 024	-3 590	10 725	14 315
Feb	A	3 971	18 302	12 454	945	220	2 946	1 737	14 331	1 451	1 259	8 322	98	3 201	-4 169	16 805	20 974

STATE. NET LENDING OR BORROWING AND CASH-BASIS DEFICIT (Lastest 12 months)



STATE. RESOURCES AND USES ACCORDING TO THE NATIONAL ACCOUNTS (Latest 12 months)



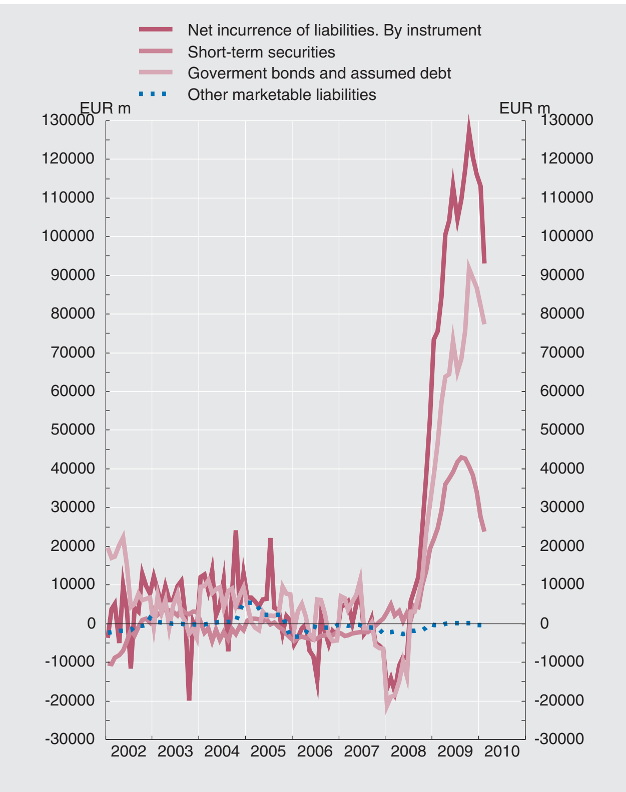
Source: Ministerio de Economía y Hacienda (IGAE).

6.2. STATE FINANCIAL TRANSACTIONS. SPAIN

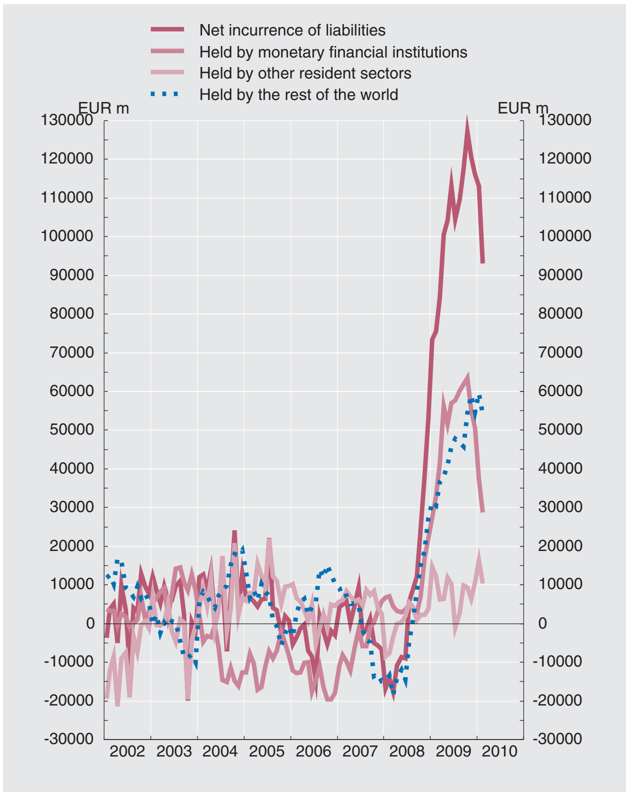
■ Series depicted in chart. *EUR millions*

		Net lending (+) or net borrowing(-)	Net acquisition of financial assets: Total	Net acquisition of financial assets: Of which: Deposits at the Banco de España	Net incurrence of liabilities: Total	Of which: In currencies other than the peseta/ euro	By instrument: Short-term securities ■	By instrument: Goverment bonds and assumed debt ■	By instrument: Banco de España loans	By instrument: Other marketable liabilities (a) ■	By instrument: Other accounts payable	By counterpart sector: Held by resident sectors: Total	By counterpart sector: Held by resident sectors: Monetary financial institutions ■	By counterpart sector: Held by resident sectors: Other resident sectors ■	By counterpart sector: Rest of the world ■	Net incurrence of liabilities (excluding other accounts payable)
		1	2	3	4 ■	5	6 ■	7 ■	8	9 ■	10	11	12 ■	13 ■	14 ■	15
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	3 918	5 690	10 248	1 162	-8 683	17 127	-499	283	2 020	-22 676	-10 117	-12 559	32 924	8 228
01		-5 076	-5 879	-20 141	-803	803	-8 616	12 521	-499	-3 101	-1 108	-10 009	4 424	-14 434	9 206	305
02		-4 780	2 866	-95	7 646	-888	346	6 655	-486	1 488	-356	1 857	3 148	-1 291	5 790	8 002
03		-3 692	-5 769	0	-2 077	-135	3 146	-3 761	-486	-254	-722	7 898	8 551	-653	-9 975	-1 354
04		-10 762	2 181	-0	12 943	-1 600	-1 688	9 416	-486	5 486	215	-6 033	-12 696	6 664	18 975	12 728
05		1 590	2 292	0	702	-1 910	-3 771	7 526	-486	-3 411	844	1 460	-8 257	9 717	-758	-142
06		5 005	1 917	-200	-3 088	-1 197	-2 198	-4 348	-486	-418	4 361	-13 445	-17 968	4 524	10 357	-7 449
07		12 098	5 382	65	-6 716	-120	1 206	-6 477	-519	-2 495	1 569	8 311	5 698	2 612	-15 026	-8 285
08		-30 527	22 547	4 337	53 074	1 175	19 355	30 817	-520	-102	3 524	25 873	22 142	3 731	27 201	49 550
09	P	-99 845	16 295	-4 197	116 141	1 503	34 043	86 813	-535	-468	-3 713	61 358	50 605	10 754	54 782	119 854
09 *J-F*	P	5 058	20 035	5 498	14 977	5	7 535	6 532	-	-36	945	9 473	11 966	-2 493	5 504	14 032
10 *J-F*	A	3 252	-4 786	-104	-8 038	5	-2 719	-2 957	-	6	-2 368	-12 923	-9 988	-2 935	4 885	-5 670
09 *Jul*	P	-10 286	-15 203	-3 906	-4 917	2	2 862	-6 468	-	27	-1 338	-9 630	-2 453	-7 178	4 713	-3 579
Aug	P	-10 511	-5 083	6	5 428	2	3 089	4 367	-	16	-2 044	4 168	1 093	3 075	1 260	7 472
Sep	P	-2 448	15 477	3 900	17 925	1 714	2 076	15 354	-	-30	525	9 535	5 383	4 152	8 390	17 400
Oct	P	3 461	12 369	5 996	8 908	-997	2 409	8 047	-	-27	-1 521	1 467	3 238	-1 772	7 441	10 428
Nov	P	-12 224	-851	-2 563	11 373	2	4 190	10 655	-	-1	-3 471	2 001	4 977	-2 976	9 372	14 844
Dec	P	-28 273	-15 932	-7 129	12 341	2	411	7 221	-	-399	5 108	10 722	2 883	7 838	1 619	7 233
10 *Jan*	A	-719	6 909	1 176	7 628	3	-591	-11 818	-	16	20 021	-1 229	-7 726	6 497	8 857	-12 393
Feb	A	3 971	-11 695	-1 280	-15 666	2	-2 128	8 861	-	-10	-22 389	-11 694	-2 262	-9 432	-3 972	6 723

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



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



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

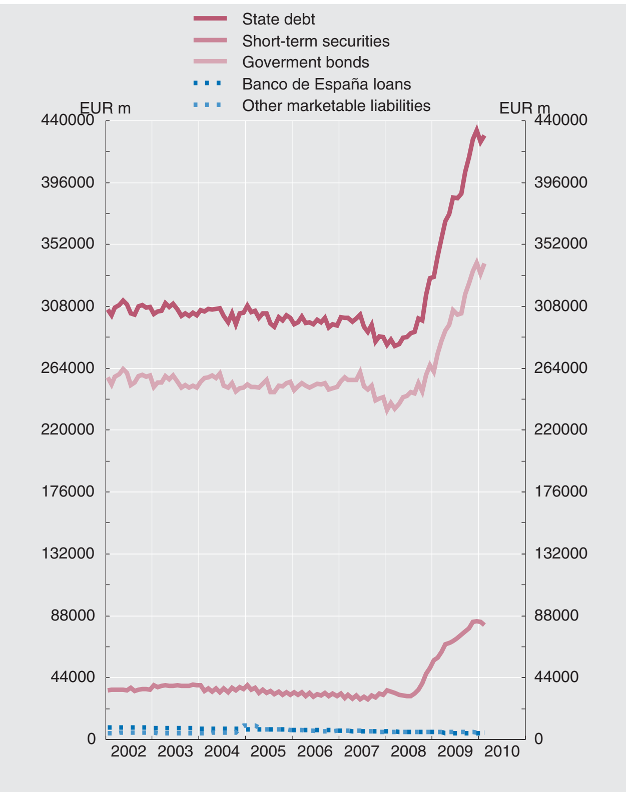
6.3. STATE: LIABILITIES OUTSTANDING. SPAIN

■ Series depicted in chart.

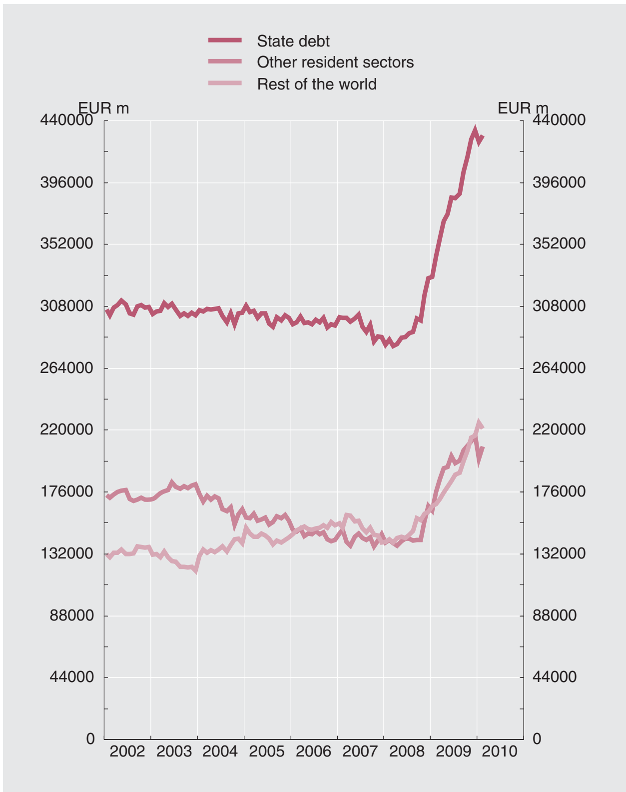
EUR millions

	Liabilities outstanding (excluding other accounts payable): State debt according to the methodolofy of the excessive deficit procedure	of which: In currencies other than the peseta/ euro	By instrument: Short-term securities	By instrument: Government bonds and assumed debt	By instrument: Banco de España loans	By instrument: Other marketable liabilities (a)	By counterpart sector: Held by resident sectors: Total	By counterpart sector: Held by resident sectors: General government	By counterpart sector: Held by resident sectors: Other resident sectors	By counterpart sector: Rest of the world	Memorandum item: Deposits at the Banco de España	Memorandum item: 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	327 876	63	50 788	266 334	5 249	5 505	200 608	34 511	166 097	161 779	4 502	8 152
09 *Jun* P	385 196	70	70 005	305 074	4 665	5 451	243 295	41 786	201 509	183 687	4 001	46 398
Jul P	384 735	70	72 291	302 300	4 665	5 478	239 859	43 524	196 335	188 400	95	46 949
Aug P	387 996	68	74 823	303 013	4 665	5 495	244 552	46 213	198 339	189 657	101	47 191
Sep P	403 642	66	76 918	316 594	4 665	5 465	251 921	46 282	205 639	198 003	4 001	47 882
Oct P	413 965	67	79 370	324 492	4 665	5 438	254 936	46 222	208 714	205 250	9 997	48 134
Nov P	426 835	66	83 552	333 181	4 665	5 436	258 708	46 495	212 213	214 622	7 434	53 565
Dec P	432 940	68	84 302	338 935	4 665	5 037	262 839	46 140	216 700	216 241	305	58 854
10 *Jan* A	424 782	69	83 695	331 368	4 665	5 054	245 824	46 140	199 685	225 098	1 481	60 667
Feb A	429 361	67	81 304	338 347	4 665	5 044	256 619	48 420	208 198	221 162	201	61 278

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).

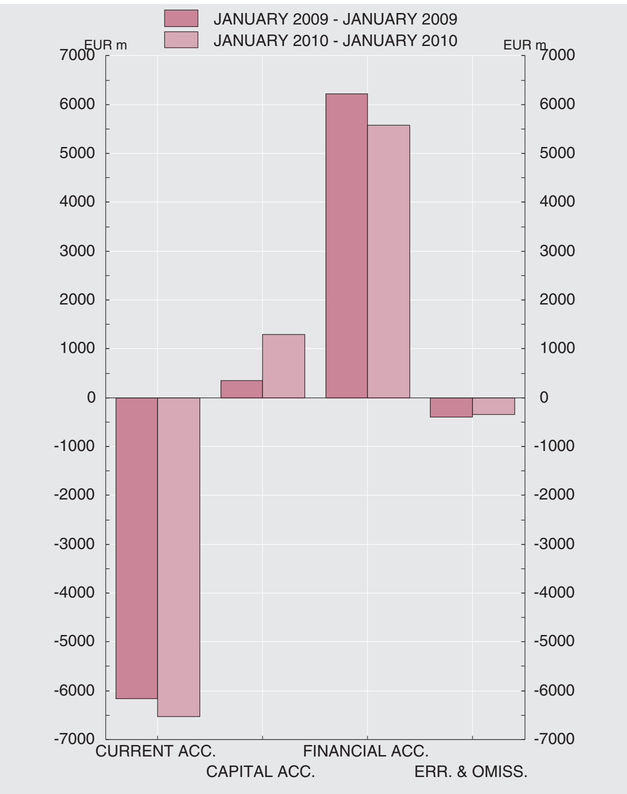
7.1. SPANISH BALANCE OF PAYMENTS VIS-à-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD. CURRENT ACCOUNT

■ Series depicted in chart.

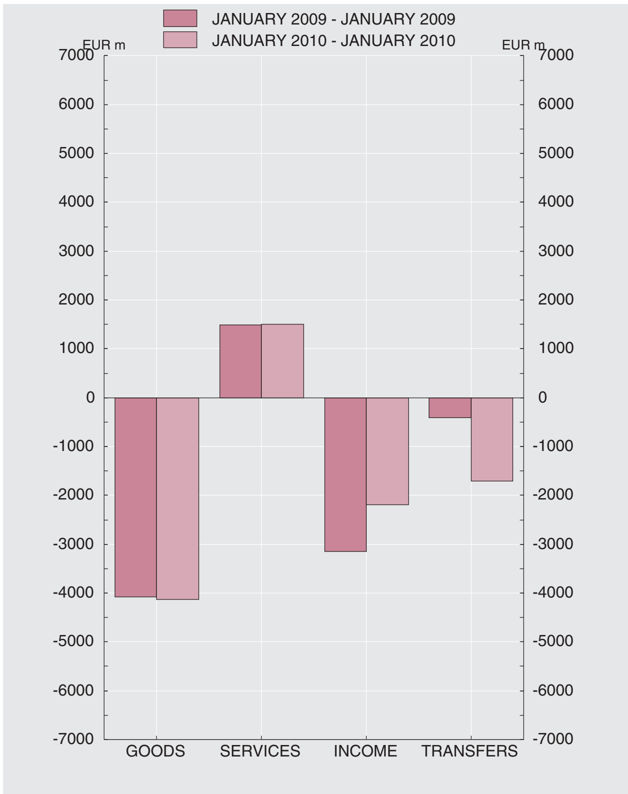
EUR millions

		Current account (a)													Capital account (balance)	Current account plus capital account	Financial account (balance) (b)	Errors and omission
		Total (balance)	Goods			Services					Income			Current transfers (balance)				
			Balance	Receipts	Payments	Balance	Receipts		Payments		Balance	Receipts	Payments					
							Total	Of which Travel	Total	Of which Travel								
		1=2+5+10+13 ■	2=3-4 ■	3	4	5=6-8 ■	6	7	8	9	10=11-12 ■	11	12	13 ■	14 ■	15=1+14	16 ■	17=-(15+16) ■
07		-105 266	-91 116	192 685	283 801	23 051	93 306	42 061	70 255	14 360	-30 055	57 961	88 016	-7 146	4 577	-100 689	101 004	-315
08	P	-105 973	-86 724	192 740	279 464	26 144	97 437	41 901	71 293	13 834	-36 034	54 034	90 067	-9 360	5 474	-100 499	101 975	-1 477
09	P	-57 154	-45 038	160 499	205 537	25 697	88 074	38 125	62 376	11 925	-29 842	40 592	70 434	-7 972	4 068	-53 086	57 614	-4 527
09 *J-J*	P	-6 160	-4 080	11 262	15 342	1 484	6 576	2 488	5 093	857	-3 149	3 762	6 911	-415	347	-5 813	6 213	-401
10 *J-J*	P	-6 526	-4 133	12 248	16 380	1 504	6 289	2 433	4 785	817	-2 196	2 928	5 124	-1 701	1 295	-5 231	5 576	-345
08 *Oct*	P	-10 113	-7 828	16 976	24 804	2 441	8 944	3 852	6 503	1 298	-3 636	4 612	8 248	-1 091	212	-9 901	7 821	2 080
Nov	P	-7 684	-4 458	14 935	19 394	1 736	6 982	2 512	5 246	1 038	-3 751	3 665	7 416	-1 211	244	-7 440	7 990	-550
Dec	P	-5 876	-5 958	12 447	18 405	906	7 275	2 102	6 369	924	-2 300	5 779	8 079	1 476	205	-5 671	3 318	2 353
09 *Jan*	P	-6 160	-4 080	11 262	15 342	1 484	6 576	2 488	5 093	857	-3 149	3 762	6 911	-415	347	-5 813	6 213	-401
Feb	P	-9 269	-5 364	12 596	17 960	1 180	6 344	2 102	5 163	943	-3 147	2 366	5 513	-1 939	242	-9 027	6 640	2 387
Mar	P	-6 623	-3 160	13 908	17 067	1 301	6 507	2 471	5 206	835	-3 859	3 547	7 405	-906	385	-6 238	7 012	-774
Apr	P	-4 482	-3 162	13 405	16 567	1 551	6 641	2 519	5 090	836	-1 815	2 872	4 687	-1 055	937	-3 545	2 954	591
May	P	-4 065	-2 857	13 052	15 909	2 610	7 123	3 182	4 513	640	-3 354	3 937	7 291	-464	152	-3 913	3 805	108
Jun	P	-3 477	-2 805	14 033	16 838	2 707	7 921	3 741	5 214	1 143	-2 941	3 366	6 307	-438	150	-3 326	5 427	-2 101
Jul	P	-2 056	-2 820	14 659	17 479	3 573	9 629	4 709	6 056	1 230	-2 388	4 561	6 949	-420	162	-1 895	2 947	-1 053
Aug	P	-3 344	-4 236	10 206	14 442	3 535	8 539	4 906	5 004	1 280	-1 650	2 218	3 869	-992	431	-2 913	3 330	-417
Sep	P	-4 671	-4 981	14 051	19 033	2 489	7 942	4 006	5 453	1 222	-1 472	3 263	4 734	-706	69	-4 602	4 951	-349
Oct	P	-4 846	-3 484	15 202	18 686	2 378	7 947	3 595	5 570	1 093	-2 022	2 657	4 679	-1 717	-3	-4 849	6 662	-1 813
Nov	P	-5 113	-4 418	14 286	18 703	1 299	5 967	2 365	4 668	964	-2 689	2 362	5 051	695	397	-4 716	4 674	42
Dec	P	-3 049	-3 670	13 839	17 510	1 592	6 938	2 041	5 347	882	-1 355	5 681	7 037	386	799	-2 250	2 998	-749
10 *Jan*	P	-6 526	-4 133	12 248	16 380	1 504	6 289	2 433	4 785	817	-2 196	2 928	5 124	-1 701	1 295	-5 231	5 576	-345

SUMMARY



CURRENT ACCOUNT



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

a. A positive sign for the current and capital account balances indicates a surplus (receipts greater than payments) and, thus, a Spanish net loan abroad (increase in the creditor position or decrease in the debtor position).

b. A positive sign for the financial account balance (the net change in liabilities exceeds the net change in financial assets) means a net credit inflow, i.e. a net foreign loan to Spain (increase in the debtor position or decrease in the creditor position).

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

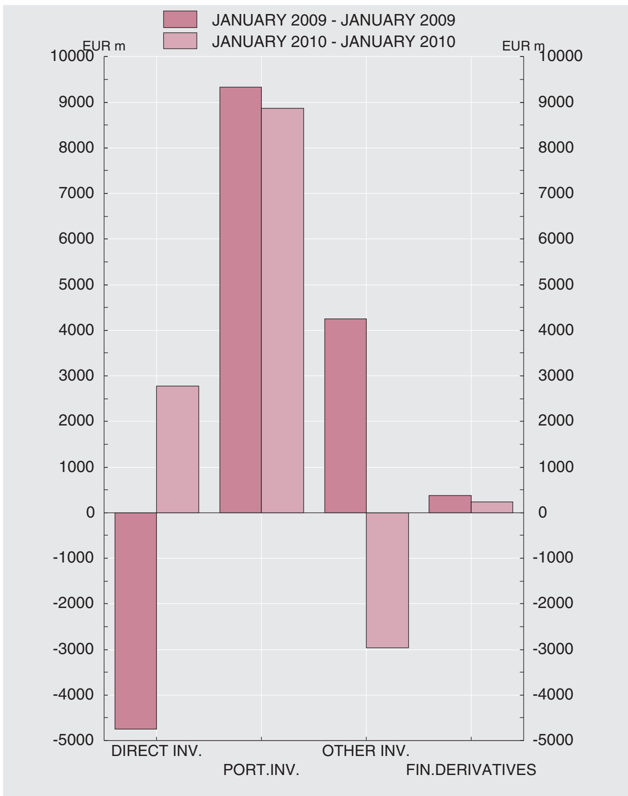
■ Series depicted in chart.

EUR millions

		Financial account (NCL-NCA)	Total, excluding Banco de España											Banco de España			
			Total (NCL-NCA)	Direct investment			Portfolio investment			Other investment (d)			Net financial derivatives (NCL-NCA)	Balance (NCL-NCA)	Reserves (e)	Net claims with the Eurosystem (e)	Other net assets (NCL-NCA)
				Balance (NCL-NCA)	Spanish investment abroad (NCA)	Foreign investment in Spain (NCL) (b)	Balance (NCL-NCA)	Spanish investment abroad (NCA)	Foreign investment in Spain (NCL) (c)	Balance (NCL-NCA)	Spanish investment abroad (NCA)	Foreign investment in Spain (NCL)					
		1=2+13 ■	2=3+6+9+12 ■	3=5-4 ■	4	5	6=8-7 ■	7	8	9=11-10 ■	10	11	12 ■	13=14+15+16 ■	14	15	16
07		101 004	86 682	-53 181	100 135	46 954	104 264	-8 746	95 517	39 693	56 134	95 827	-4 094	14 322	-164	28 329	-13 843
08	P	101 975	71 757	-1 067	51 102	50 036	378	-21 928	-21 550	78 903	12 781	91 684	-6 457	30 218	-645	31 713	-850
09	P	57 614	47 149	-939	11 758	10 820	44 507	4 946	49 453	9 269	1 163	10 432	-5 688	10 464	-1 563	6 146	5 882
09 *J-J*	P	6 213	9 097	-4 746	4 808	63	9 327	-6 105	3 222	4 249	7 305	11 554	266	-2 883	-16	-2 439	-428
10 *J-J*	P	5 576	8 895	2 776	-1 340	1 436	8 870	-3 379	5 491	-2 970	6 757	3 787	219	-3 319	-2	-3 730	413
08 *Oct*	P	7 821	15 804	-3 943	6 516	2 574	-11 065	-10 174	-21 239	30 840	-12 446	18 394	-29	-7 983	-28	-5 640	-2 315
Nov	P	7 990	505	-1 294	3 209	1 915	-2 884	-462	-3 346	1 447	-6 521	-5 074	3 236	7 485	-318	8 131	-328
Dec	P	3 318	-4 900	-1 688	7 356	5 668	-2 056	394	-1 662	-1 155	-13 311	-14 466	-1	8 218	-172	8 528	-138
09 *Jan*	P	6 213	9 097	-4 746	4 808	63	9 327	-6 105	3 222	4 249	7 305	11 554	266	-2 883	-16	-2 439	-428
Feb	P	6 640	1 500	404	1 369	1 773	-3 564	-2 310	-5 874	4 962	-11 313	-6 350	-302	5 140	-84	4 972	251
Mar	P	7 012	9 661	-5 024	2 694	-2 330	1 105	1 983	3 088	14 203	-9 326	4 878	-624	-2 649	-165	-5 382	2 898
Apr	P	2 954	8 040	1 175	302	1 477	1 360	-566	794	2 572	-1 423	1 150	2 933	-5 087	-19	-6 379	1 311
May	P	3 805	1 510	-598	0	-597	-3 001	5 121	2 120	5 688	-4 909	779	-579	2 295	-120	1 177	1 237
Jun	P	5 427	-3 659	9 348	-799	8 549	-6 096	6 837	741	-5 542	7 273	1 731	-1 370	9 086	-187	8 321	952
Jul	P	2 947	-584	-1 464	480	-984	8 838	-3 707	5 131	-6 639	-7 852	-14 492	-1 319	3 531	-348	4 015	-136
Aug	P	3 330	-2 828	1 903	695	2 597	6 568	-144	6 424	-9 186	7 093	-2 093	-2 112	6 158	-220	6 099	279
Sep	P	4 951	3 295	1 379	-858	521	3 304	4 008	7 311	-399	7 165	6 766	-988	1 657	6	2 001	-351
Oct	P	6 662	12 853	382	-477	-95	11 952	-302	11 650	685	-551	134	-165	-6 191	-38	-6 159	6
Nov	P	4 674	15 977	-2 483	2 471	-12	14 542	1 865	16 407	4 887	-7 032	-2 146	-968	-11 302	71	-11 663	289
Dec	P	2 998	-7 714	-1 215	1 073	-142	173	-1 733	-1 561	-6 211	14 732	8 520	-460	10 712	-444	11 581	-425
10 *Jan*	P	5 576	8 895	2 776	-1 340	1 436	8 870	-3 379	5 491	-2 970	6 757	3 787	219	-3 319	-2	-3 730	413

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.

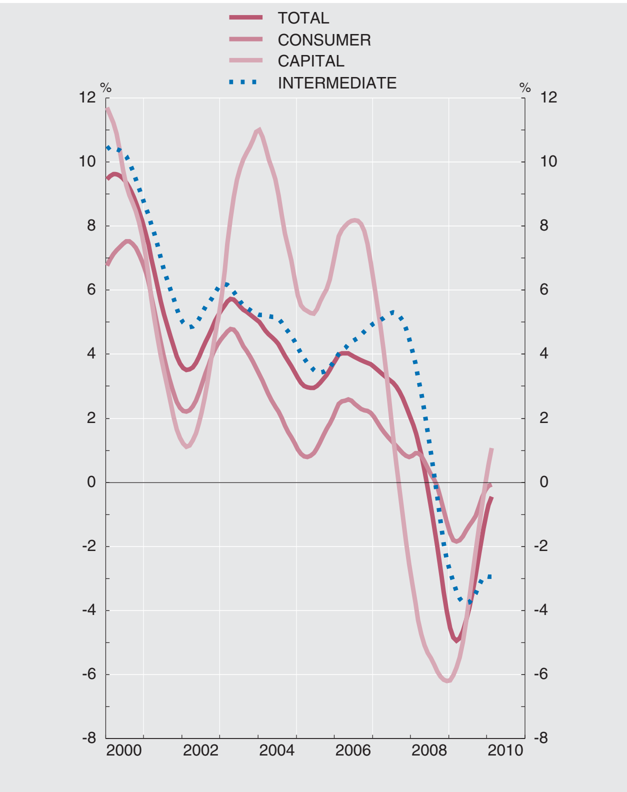
7.3. SPANISH FOREIGN TRADE WITH OTHER EURO AREA COUNTRIES AND WITH THE REST OF THE WORLD EXPORT AND DISPATCHES

■ 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	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		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	29.1	1.0	1.2	4.2
09	P	158 254	-15.3	-9.8	-4.5	-13.5	-12.8	-20.4	-11.3	-14.9	-12.8	-15.0	-24.6	-7.5	-17.3	-6.6	12.9
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
Dec	P	13 661	4.0	11.4	10.8	9.6	12.2	-11.2	13.5	4.4	5.0	1.8	-29.0	-23.7	-8.0	13.0	200.9
10 *Jan*	P	12 092	9.0	12.3	5.1	1.7	19.6	-1.6	20.8	8.7	7.1	7.9	-24.8	-5.3	29.5	47.9	43.6
Feb	P	13 986	12.8	14.8	1.5	16.6	25.6	-16.6	27.7	11.8	13.0	11.7	-3.7	-20.0	30.1	41.2	168.8

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



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

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

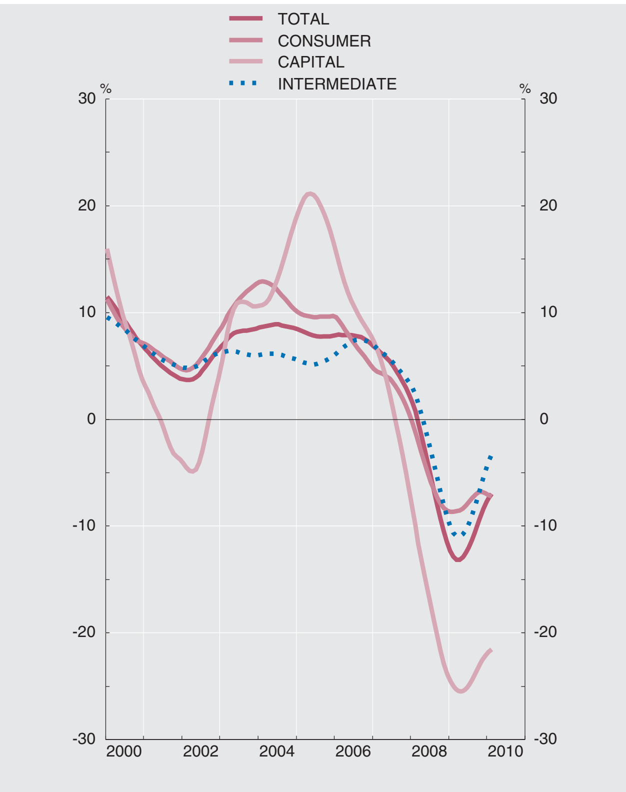
7.4. SPANISH FOREIGN TRADE WITH OTHER EURO AREA COUNTRIES AND WITH THE REST OF THE WORLD IMPORTS AND ARRIVALS

■ Series depicted in chart.

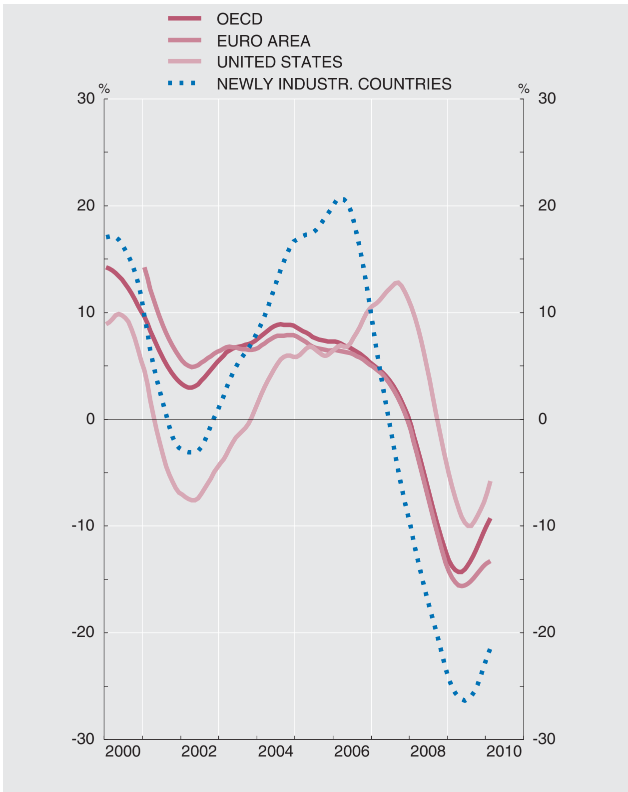
Eur millions and annual percentage changes

		Total: EUR millions (1)	Total: Nominal (2)	Total: Deflated (a) (3 ■)	By product (deflated data) (a): Consumer (4 ■)	By product: Capital (5 ■)	By product: Intermediate: Total (6 ■)	Intermediate: Energy (7)	Intermediate: Non-energy (8)	By geographical area (nominal data): EU 27: Total (9)	EU 27: Euro Area (10 ■)	OECD: Total (11 ■)	OECD: of which: United States (12 ■)	OPEC (13)	Other American countries (14)	China (15)	Newly industrialised countries (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	28.6	16.6	10.8	-16.1
09		208 437	-25.6	-17.4	-6.2	-27.0	-20.5	-15.0	-20.0	-20.9	-22.0	-22.3	-23.6	-34.4	-26.7	-27.3	-31.1
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	-19.5	-21.3	-22.2	-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	-23.4	-26.1	-24.3	-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
Dec	P	17 733	-11.7	-4.8	-6.0	-18.2	-1.7	-16.3	3.0	-7.6	-7.7	-12.3	-34.2	-15.8	-6.3	-10.8	-21.7
10 *Jan*	P	16 601	6.5	8.1	-9.1	-10.4	19.4	8.0	22.7	7.9	3.2	6.0	-12.0	28.7	-3.6	0.0	-6.0
Feb	P	17 548	-3.9	-3.2	-24.5	-2.7	8.2	-18.5	17.4	-8.6	-15.0	-9.1	-31.6	4.5	4.0	8.5	-2.8

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



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



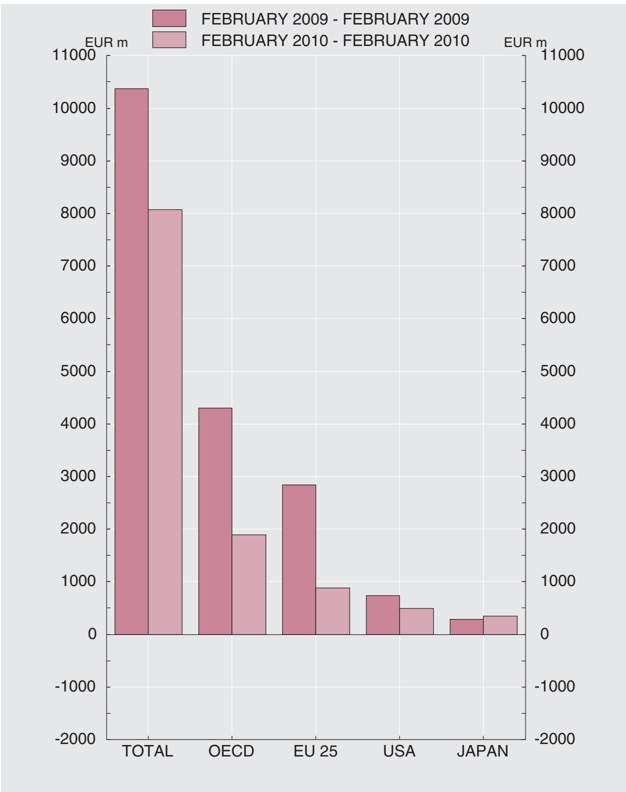
Sources: ME y BE.
Note: The underlying series for this indicator are in Tables 18.2 and 18.3 of the Boletín estadístico.
The monthly series are provisional data, while the annual series are the final foreign trade data.
a. Series deflated by unit value indices .

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

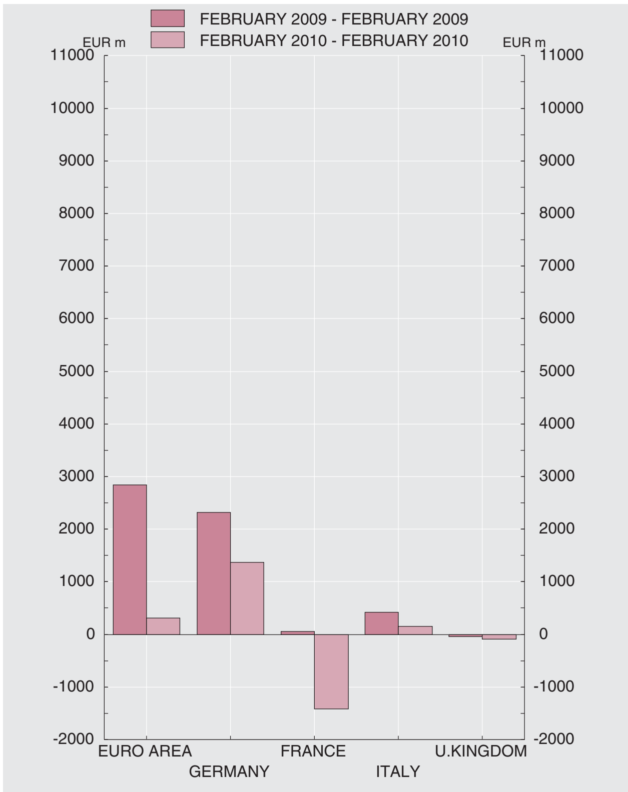
EUR millions

		World total	European Union (EU 27)							OECD			OPEC	Other American coun-tries	China	Newly indus-trialised countries
			Total	Euro area				Other EU 27			Of which:					
				Total	Of which:			Total	Of which:	Total	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	-21 099	-4 971	-18 340	-3 296
09	P	-50 183	-12 564	-10 214	-12 343	5 146	-1 947	-2 350	237	-18 937	-2 704	-1 903	-12 352	-3 098	-12 464	-1 504
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	-19	10	-3 071	-475	-125	-1 124	-199	-1 119	-130
Mar	P	-3 657	-396	-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	-1 425	-293	-133	-831	-256	-884	-155
May	P	-3 266	-786	-849	-1 343	675	-134	62	163	-1 143	-132	-156	-887	-168	-793	-139
Jun	P	-3 235	-822	-591	-850	662	3	-231	31	-1 232	-235	-140	-829	-236	-885	-111
Jul	P	-3 231	-420	-270	-799	670	-200	-150	116	-672	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
Dec	P	-4 071	-1 341	-978	-879	338	-285	-363	20	-1 865	-140	-142	-1 191	-205	-1 104	129
10 *Jan*	P	-4 510	-489	-292	-656	540	-59	-198	44	-1 141	-293	-187	-1 314	-239	-1 218	-128
Feb	P	-3 562	-393	-15	-713	874	-89	-378	50	-757	-195	-157	-1 324	-109	-1 172	133

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.

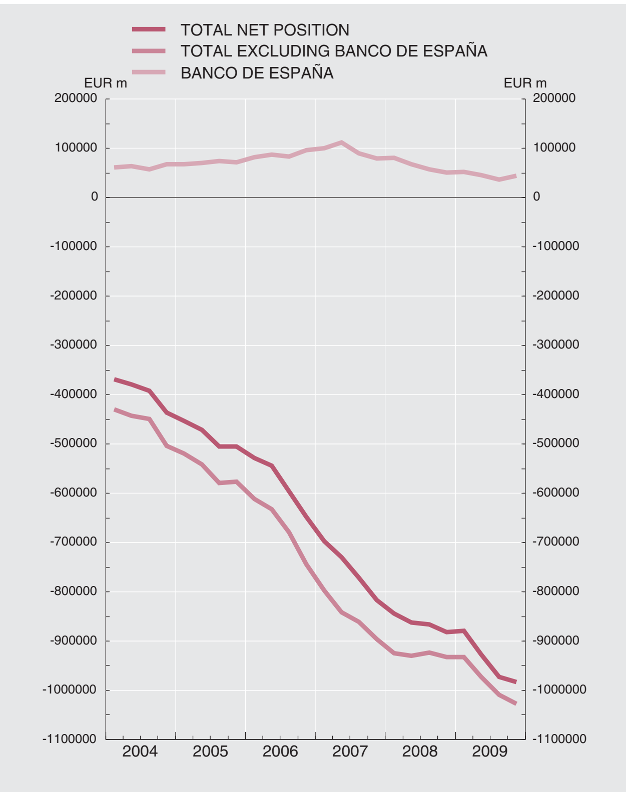
7.6. SPANISH INTERNATIONAL INVESTMENT POSITION VIS-à-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD SUMMARY

■ Series depicted in chart.

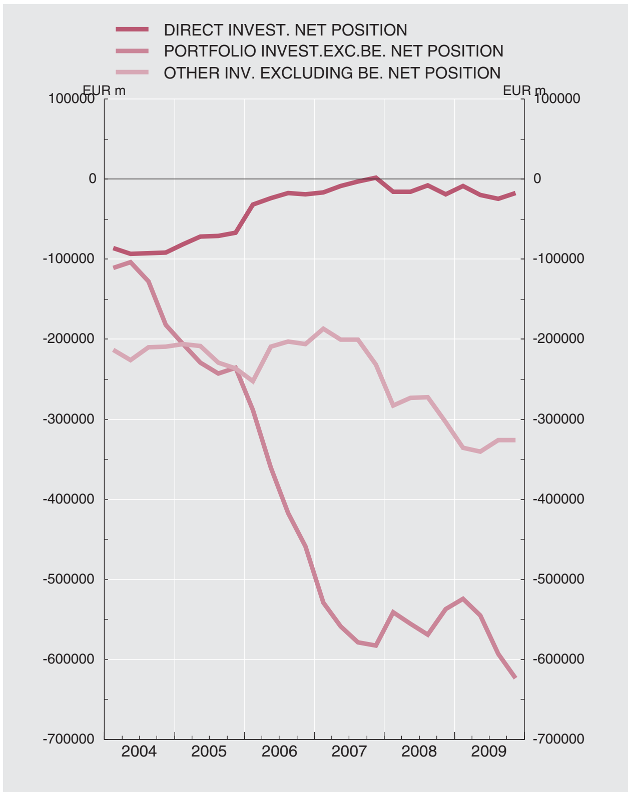
End-of-period stocks in EUR billions

	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 *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*	-696.9	-797.3	-16.8	332.0	348.8	-581.9	461.0	1 042.9	-187.3	359.6	546.9	-11.3	100.4	14.0	31.9	54.5
Q2	-729.5	-841.6	-9.0	359.4	368.4	-616.0	469.5	1 085.5	-200.7	362.8	563.5	-15.9	112.1	12.9	40.7	58.5
Q3	-771.4	-861.1	-2.8	364.4	367.2	-640.1	453.7	1 093.9	-200.3	384.5	584.8	-17.9	89.6	12.5	14.8	62.4
Q4	-816.8	-895.8	1.6	398.9	397.3	-646.7	440.2	1 086.9	-231.8	379.5	611.3	-18.8	78.9	12.9	1.1	64.9
08 *Q1*	-844.6	-925.2	-16.1	398.3	414.4	-605.5	416.3	1 021.9	-282.9	381.2	664.0	-20.7	80.6	13.0	2.8	64.8
Q2	-862.9	-930.1	-15.7	415.0	430.6	-617.6	396.4	1 014.1	-273.4	417.0	690.4	-23.4	67.2	12.7	-7.5	62.0
Q3	-866.7	-923.7	-8.0	430.2	438.2	-631.3	382.8	1 014.1	-272.7	422.9	695.6	-11.7	57.0	13.8	-19.6	62.8
Q4	-881.3	-932.3	-19.3	428.5	447.8	-603.1	355.5	958.6	-303.4	386.5	690.0	-6.4	50.9	14.5	-30.6	67.0
09 *Q1*	-879.6	-931.9	-8.6	439.8	448.4	-587.8	346.9	934.7	-335.6	374.6	710.1	0.0	52.3	15.7	-27.4	64.0
Q2	-927.1	-972.5	-19.7	443.5	463.3	-605.3	367.6	973.0	-340.2	370.2	710.3	-7.3	45.4	15.1	-30.5	60.7
Q3	-972.1	-1 009.0	-24.8	440.6	465.3	-653.3	381.2	1 034.5	-326.0	364.3	690.3	-4.9	36.9	18.3	-42.6	61.2
Q4	-983.4	-1 027.5	-17.1	448.4	465.5	-683.8	385.4	1 069.2	-325.7	369.8	695.5	-1.0	44.1	19.6	-36.4	60.9

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.

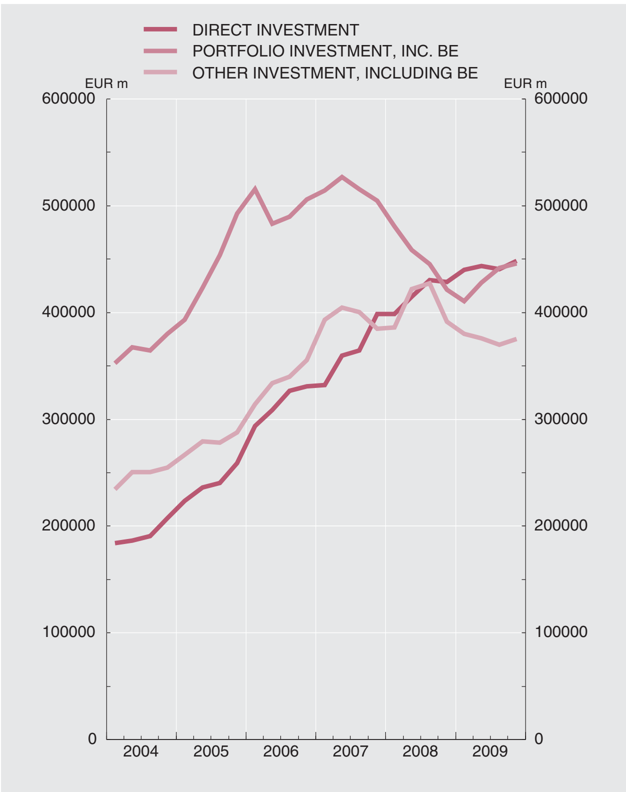
7.7. SPANISH INTERNATIONAL INVESTMENT POSITION VIS-à-VIS OTHER EURO AREA RESIDENTES AND THE REST OF THE WORLD BREAKDOWN BY INVESTMENT

■ Series depicted in chart.

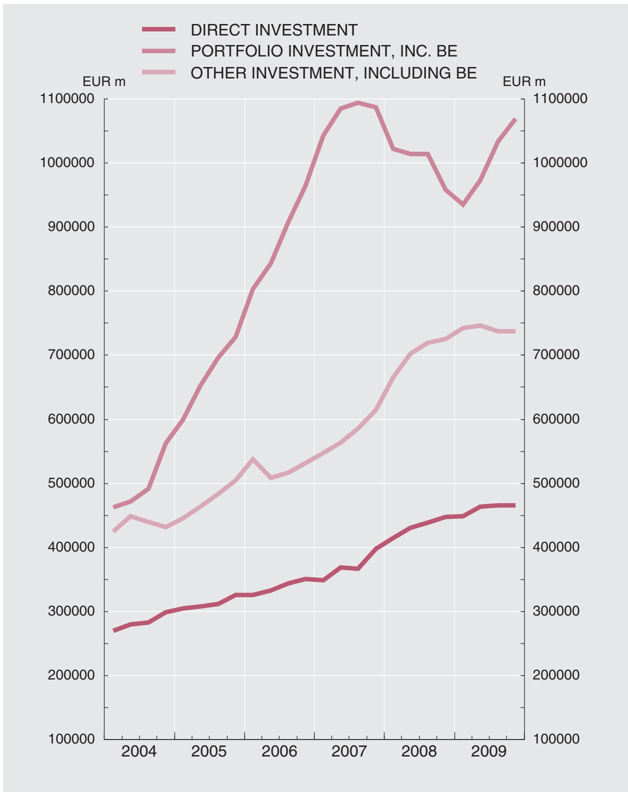
End-of-period stocks in EUR millions

	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 *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*	310 872	21 156	270 262	78 570	140 703	373 512	256 118	786 784	392 997	547 178	33 197	44 487
Q2	343 686	15 742	282 940	85 477	153 730	373 421	266 845	818 657	404 872	563 954	39 921	55 856
Q3	342 733	21 695	284 973	82 250	142 096	373 186	269 798	824 065	400 443	585 099	44 181	62 069
Q4	371 777	27 086	306 582	90 696	134 763	369 758	282 331	804 609	384 714	614 829	44 642	63 487
08 *Q1*	370 433	27 890	327 169	87 270	105 912	374 981	235 984	785 876	386 104	665 862	53 297	74 001
Q2	385 831	29 135	339 614	91 003	98 416	360 046	216 631	797 428	421 816	702 711	58 579	82 016
Q3	398 102	32 052	339 835	98 342	84 451	361 102	200 218	813 893	427 662	719 883	70 066	81 757
Q4	396 358	32 111	342 565	105 243	63 831	357 842	170 787	787 812	391 339	725 212	108 278	114 027
09 *Q1*	406 091	33 702	342 071	106 297	58 241	352 202	142 867	791 821	380 037	742 628	111 670	111 538
Q2	410 034	33 513	341 282	122 013	66 314	361 619	178 368	794 614	375 614	745 942	92 879	100 032
Q3	408 878	31 683	346 228	119 100	77 896	363 964	219 729	814 764	369 740	737 845	85 194	90 098
Q4	412 024	36 344	346 049	119 417	85 422	360 582	223 882	845 327	375 294	736 904	77 449	78 498

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.

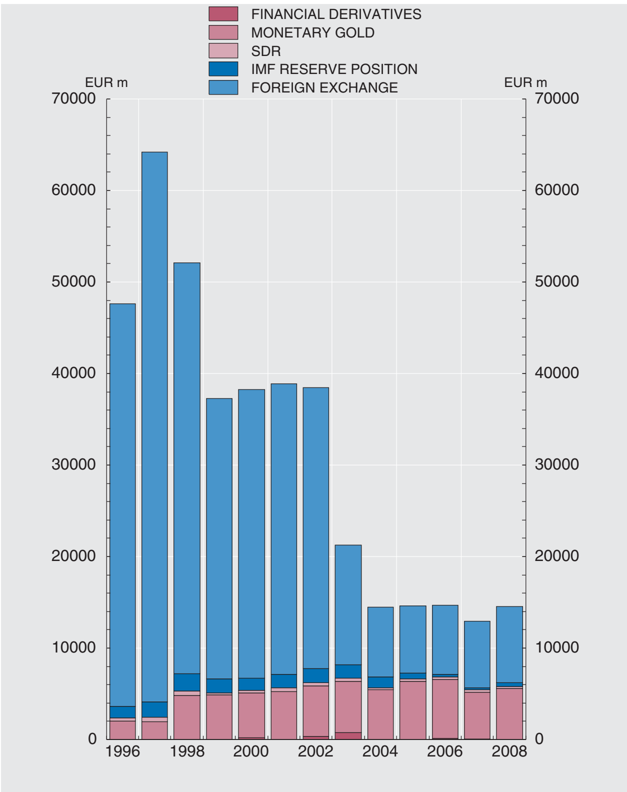
7.8. SPANISH RESERVE ASSETS

■ Series depicted in chart.

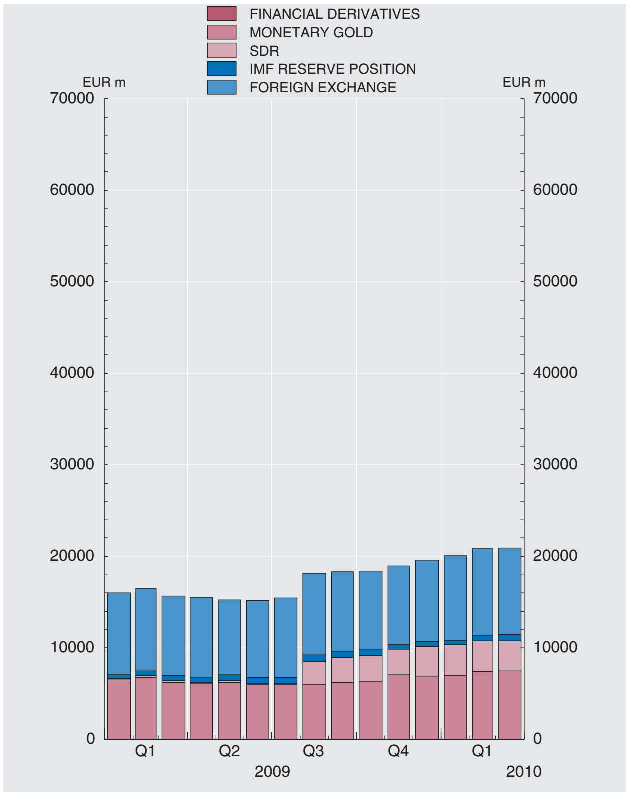
End-of-period stocks in EUR millions

	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
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	14 546	8 292	467	160	5 627	-	9.1
08 *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
10 *Jan*	20 047	9 177	554	3 296	7 020	-	9.1
Feb	20 859	9 456	662	3 344	7 396	-	9.1
Mar	20 918	9 473	661	3 332	7 452	-	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 *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*	1 462 506	219 394	4 901	40	195 781	18 672	-	658 096	11 331	295 528	252 211	99 027
Q2	1 523 843	215 134	5 446	443	190 503	18 742	-	684 742	11 316	294 402	269 682	109 341
Q3	1 542 085	207 145	4 820	1 329	182 455	18 541	-	707 016	15 079	308 889	273 907	109 140
Q4	1 563 730	197 835	4 653	878	173 266	19 038	-	724 116	21 248	327 391	261 177	114 300
08 *Q1*	1 595 158	200 166	6 329	558	173 668	19 611	-	768 529	20 424	380 522	256 302	111 281
Q2	1 649 739	202 269	5 594	161	177 009	19 505	-	794 086	22 729	399 932	258 374	113 051
Q3	1 687 885	217 757	9 722	493	187 624	19 918	-	792 491	21 269	400 051	258 393	112 778
Q4	1 671 770	233 616	12 330	2 098	198 366	20 823	-	766 311	12 224	400 691	249 210	104 187
09 *Q1*	1 694 617	242 480	15 801	479	204 659	21 541	-	783 746	15 198	411 446	248 405	108 696
Q2	1 721 179	255 959	21 125	977	211 201	22 656	-	784 190	14 200	409 692	250 957	109 341
Q3	1 733 668	275 067	31 005	707	219 327	24 028	-	768 456	14 217	391 123	256 689	106 426
Q4	1 767 346	298 768	44 479	530	229 356	24 403	-	780 894	14 873	383 964	259 568	122 489

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 *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	456 149	5 303	21 653	550	317 258	109 572	334	1 479	128 544	50 040	78 504
Q2	423	423	482 312	5 418	27 035	1 066	336 291	110 523	331	1 647	141 233	50 464	90 769
Q3	277	277	494 727	2 553	22 020	854	345 252	122 021	339	1 688	132 920	52 206	80 714
Q4	3 550	3 550	493 937	701	20 981	314	343 564	126 473	331	1 573	144 292	55 165	89 128
08 *Q1*	1 855	1 855	481 188	927	20 547	473	328 226	128 564	320	2 132	143 420	56 215	87 205
Q2	12 326	12 326	491 458	6 217	21 862	1 465	327 505	132 044	317	2 047	149 600	61 364	88 236
Q3	24 276	24 276	499 252	18 093	23 966	1 342	318 792	134 871	323	1 865	154 108	62 392	91 716
Q4	35 233	35 233	477 864	13 479	21 806	2 668	302 204	135 564	322	1 821	158 745	67 396	91 350
09 *Q1*	32 491	32 491	475 732	20 066	18 341	3 275	287 691	143 675	356	2 327	160 168	72 356	87 812
Q2	35 596	35 596	464 812	18 962	17 192	2 416	278 170	145 122	349	2 601	180 623	92 763	87 860
Q3	47 538	47 538	461 548	13 242	16 318	2 322	280 283	146 269	383	2 731	181 060	91 486	89 573
Q4	41 400	41 400	461 170	17 974	13 663	1 976	279 077	145 368	381	2 731	185 114	94 728	90 387

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 *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
10 *Jan*	541 473	61 899	664 650	-12 329	-	406	173 153	334 353	789 929	118 932	427 124	147 384	207 120
Feb	534 339	72 624	647 446	-13 528	-	930	173 132	319 842	783 511	116 580	426 226	154 023	214 497
Mar	521 898	79 925	644 676	-12 804	-	500	190 400	303 560	788 465	109 183	429 090	164 999	218 338

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 *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
10 *Jan*	77 318	591	88 649	-1 383	-	3	10 543	38 790	-5 447	17 774	78 093	31 878	16 160	76 037	26 201
Feb	76 269	1 118	87 564	-1 254	-	2	11 161	40 278	-5 447	15 831	76 555	32 241	16 195	76 770	25 607
Mar	81 881	1 504	88 688	-759	-	0	7 552	47 978	-5 447	13 216	76 922	30 454	16 266	77 895	26 134

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

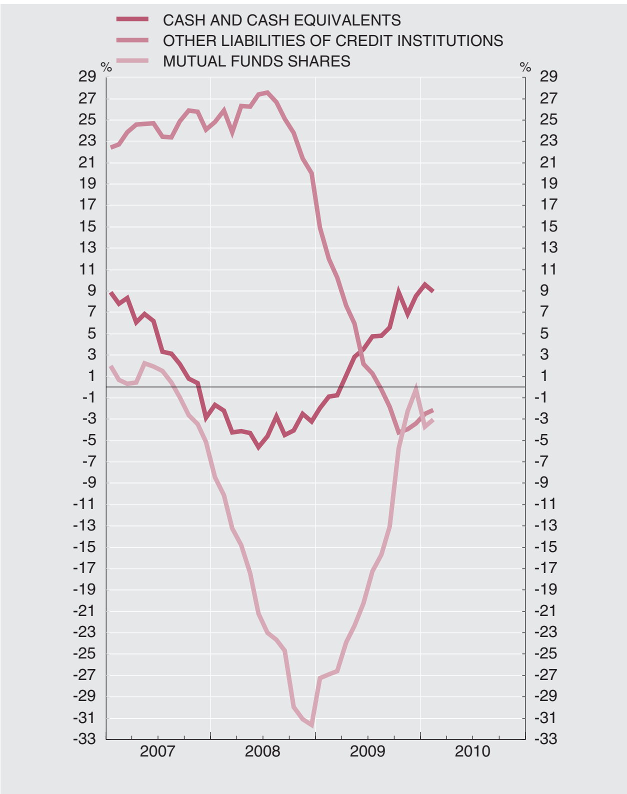
8.2 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES OF NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

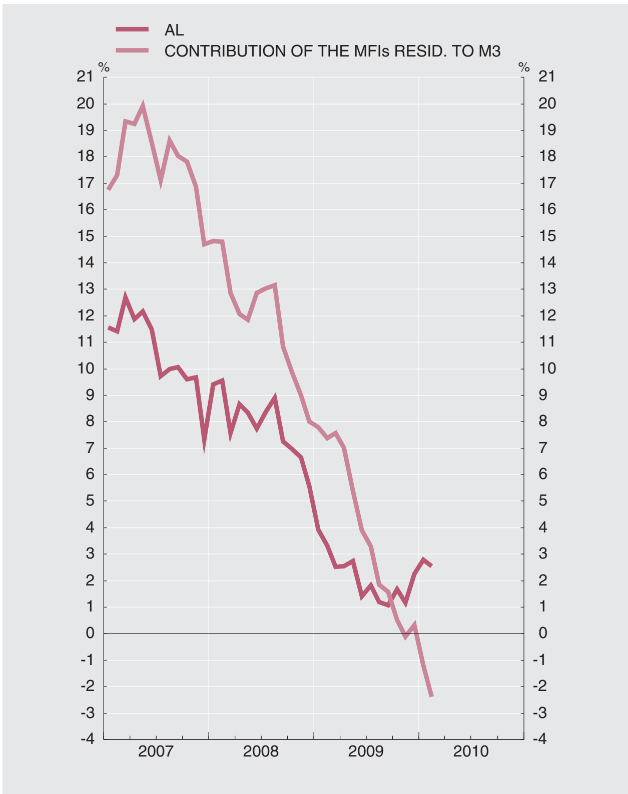
EUR millions and %

	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 ■
07	497 886	-2.9	2.3	-4.1	454 096	24.1	29.8	-2.2	-10.7	213 263	-5.2	-2.3	-7.3	7.3	14.7
08	481 724	-3.2	0.6	-4.2	544 915	20.0	24.3	-8.8	-8.9	145 876	-31.6	-17.8	-42.3	5.6	8.0
09 P	522 740	8.5	0.6	10.6	526 446	-3.4	-1.3	-18.2	-39.8	145 518	-0.2	2.9	-3.8	2.2	0.3
08 *Nov*	475 794	-2.5	0.9	-3.4	541 059	21.4	25.8	-1.5	-24.5	149 333	-31.1	-16.0	-42.5	6.7	9.0
Dec	481 724	-3.2	0.6	-4.2	544 915	20.0	24.3	-8.8	-8.9	145 876	-31.6	-17.8	-42.3	5.6	8.0
09 *Jan*	472 947	-2.0	1.2	-2.8	536 188	15.0	19.9	-17.8	-23.7	149 832	-27.2	-19.4	-34.4	3.9	7.8
Feb	476 157	-0.9	1.3	-1.4	535 875	12.0	16.8	-22.0	-22.3	147 722	-26.9	-18.5	-34.8	3.3	7.4
Mar	476 878	-0.8	1.8	-1.4	535 191	10.2	15.5	-27.9	-21.3	144 589	-26.6	-19.5	-33.7	2.5	7.6
Apr	476 047	1.1	2.9	0.6	536 042	7.6	11.8	-22.1	-26.4	147 470	-23.9	-16.5	-31.2	2.5	7.0
May	490 533	2.8	3.2	2.7	535 351	6.0	9.7	-20.2	-25.5	146 944	-22.3	-15.1	-29.4	2.7	5.4
Jun	505 261	3.6	3.2	3.7	530 755	2.2	7.2	-27.1	-48.7	143 622	-20.2	-14.5	-26.0	1.4	3.9
Jul	502 567	4.8	3.8	5.0	531 926	1.3	5.8	-27.6	-41.4	144 507	-17.2	-11.0	-23.6	1.8	3.3
Aug	501 010	4.8	3.9	5.0	531 625	-0.2	4.2	-29.4	-42.0	145 748	-15.7	-9.7	-21.9	1.2	1.9
Sep	505 291	5.6	3.8	6.0	526 255	-1.8	2.6	-33.3	-35.2	145 654	-13.0	-5.9	-20.5	1.1	1.6
Oct P	506 856	8.9	-0.5	11.4	518 527	-4.2	-0.3	-33.9	-31.2	145 853	-5.7	-0.1	-11.8	1.7	0.5
Nov P	508 279	6.8	-0.0	8.6	519 602	-4.0	-1.4	-25.6	-28.2	145 957	-2.3	2.3	-7.4	1.2	-0.1
Dec P	522 740	8.5	0.6	10.6	526 446	-3.4	-1.3	-18.2	-39.8	145 518	-0.2	2.9	-3.8	2.2	0.3
10 *Jan* P	518 225	9.6	0.8	11.9	522 802	-2.5	-1.2	-13.1	-29.8	144 313	-3.7	-2.0	-5.6	2.8	-1.2
Feb P	518 659	8.9	0.4	11.1	524 520	-2.1	-0.5	-14.8	-38.5	143 228	-3.0	-4.3	-1.6	2.5	-2.4

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.

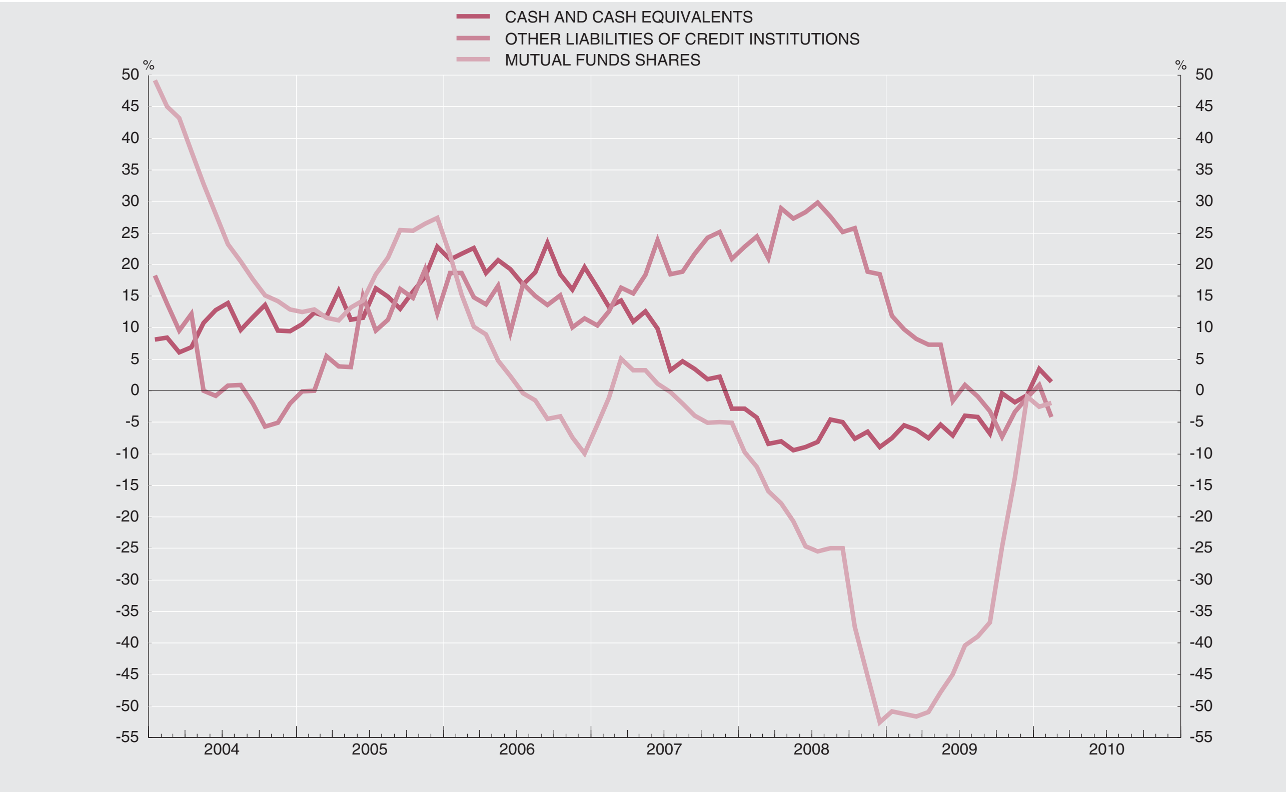
8.3 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES OF NON-FINANCIAL CORPORATIONS RESIDENT IN SPAIN (a)

■ 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
07		133 469	-2.8	94 397	20.9	37.4	-6.1	25 188	-5.0	-2.2	-7.1
08		121 593	-8.9	111 810	18.4	25.1	2.5	11 959	-52.5	-42.7	-60.1
09	P	120 774	-0.7	110 584	-1.1	9.2	-31.3	11 846	-0.9	1.6	-3.8
08 *Nov*		120 717	-6.5	110 685	18.8	23.1	8.7	13 777	-45.3	-33.4	-54.2
Dec		121 593	-8.9	111 810	18.4	25.1	2.5	11 959	-52.5	-42.7	-60.1
09 *Jan*		115 729	-7.6	105 592	11.9	20.1	-8.9	12 061	-50.8	-44.3	-56.7
Feb		117 432	-5.4	106 278	9.7	16.8	-9.6	11 893	-51.2	-44.1	-57.7
Mar		115 491	-6.2	107 030	8.2	16.7	-14.6	11 642	-51.7	-45.2	-57.8
Apr		109 632	-7.5	109 929	7.3	11.7	-6.0	11 354	-50.9	-47.2	-54.5
May		114 444	-5.3	112 363	7.4	11.8	-5.8	11 500	-47.8	-44.0	-51.5
Jun		116 041	-7.1	109 674	-1.7	8.2	-27.0	11 252	-44.9	-42.7	-47.2
Jul		113 274	-3.9	110 301	0.9	12.6	-29.0	11 760	-40.4	-36.5	-44.4
Aug		115 459	-4.1	111 087	-0.9	12.3	-34.2	11 860	-38.9	-34.7	-43.4
Sep		117 229	-6.9	109 510	-3.2	13.2	-41.3	11 847	-36.8	-31.1	-42.6
Oct	P	115 433	-0.4	106 526	-7.3	7.9	-44.1	11 867	-24.8	-20.1	-29.9
Nov	P	118 458	-1.9	106 971	-3.4	9.3	-37.2	11 878	-13.8	-9.8	-18.2
Dec	P	120 774	-0.7	110 584	-1.1	9.2	-31.3	11 846	-0.9	1.6	-3.8
10 *Jan*	P	119 671	3.4	106 526	0.9	9.6	-28.0	11 749	-2.6	-2.2	-3.1
Feb	P	119 065	1.4	101 865	-4.2	4.9	-35.6	11 662	-1.9	-4.4	1.0

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.

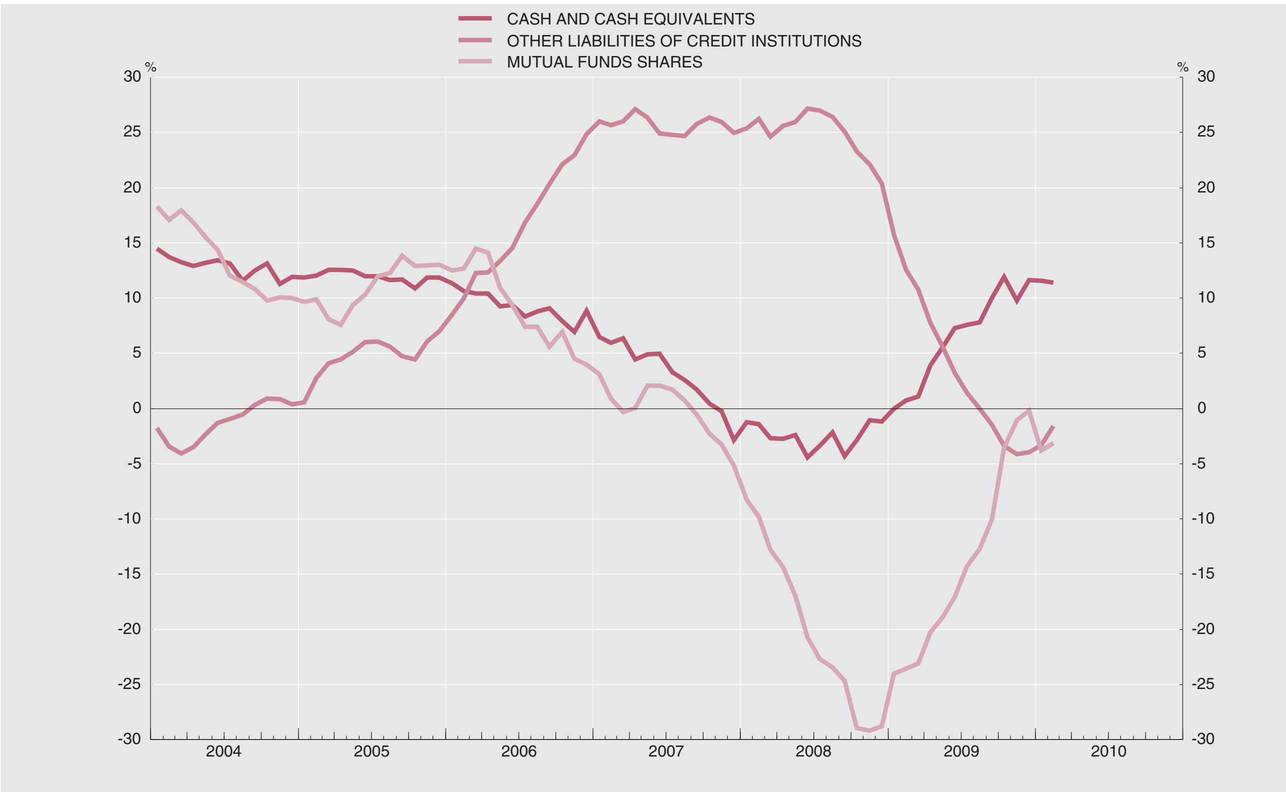
8.4 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES OF HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN (a)

■ 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
07		364 417	-2.9	2.9	-4.6	359 699	25.0	28.4	-1.9	188 075	-5.2	-2.3	-7.3
08		360 131	-1.2	3.6	-2.7	433 105	20.4	24.2	-18.8	133 917	-28.8	-14.4	-40.0
09	P	401 966	11.6	0.8	15.3	415 862	-4.0	-3.5	-12.2	133 672	-0.2	3.1	-3.8
08 *Nov*		355 076	-1.1	3.7	-2.6	430 374	22.1	26.3	-18.4	135 556	-29.2	-13.7	-41.0
Dec		360 131	-1.2	3.6	-2.7	433 105	20.4	24.2	-18.8	133 917	-28.8	-14.4	-40.0
09 *Jan*		357 218	0.0	4.0	-1.3	430 596	15.7	19.8	-27.2	137 771	-24.0	-16.1	-31.4
Feb		358 725	0.7	3.9	-0.3	429 598	12.5	16.7	-32.0	135 829	-23.6	-15.0	-31.6
Mar		361 387	1.1	4.1	0.1	428 161	10.7	15.2	-36.3	132 947	-23.1	-16.0	-30.3
Apr		366 415	3.9	5.0	3.6	426 114	7.7	11.8	-35.5	136 116	-20.2	-12.4	-28.0
May		376 090	5.6	5.1	5.7	422 988	5.6	9.3	-32.8	135 444	-19.0	-11.3	-26.5
Jun		389 220	7.3	4.8	8.0	421 081	3.2	7.0	-34.6	132 370	-17.0	-10.8	-23.4
Jul		389 294	7.6	5.1	8.4	421 625	1.4	4.4	-31.1	132 747	-14.3	-7.8	-20.9
Aug		385 552	7.8	5.1	8.7	420 538	-0.0	2.5	-29.4	133 888	-12.7	-6.5	-19.1
Sep		388 062	10.0	4.7	11.7	416 745	-1.5	0.5	-25.4	133 807	-10.1	-2.8	-17.7
Oct	P	391 423	11.9	0.3	16.0	412 001	-3.4	-2.0	-21.6	133 986	-3.6	2.1	-9.7
Nov	P	389 821	9.8	0.5	13.0	412 631	-4.1	-3.5	-13.5	134 079	-1.1	3.6	-6.3
Dec	P	401 966	11.6	0.8	15.3	415 862	-4.0	-3.5	-12.2	133 672	-0.2	3.1	-3.8
10 *Jan*	P	398 554	11.6	1.0	15.1	416 276	-3.3	-3.3	-3.6	132 565	-3.8	-2.0	-5.8
Feb	P	399 594	11.4	0.7	15.0	422 655	-1.6	-1.6	-1.6	131 566	-3.1	-4.3	-1.8

HOUSEHOLDS AND NPISH
Annual percentage change



Source: BE.

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

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

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

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

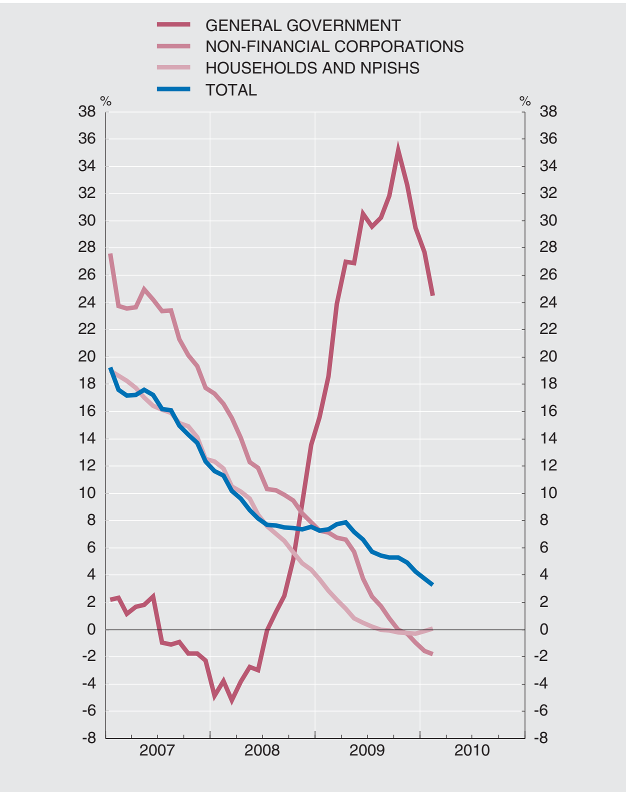
8.5. FINANCING OF NON-FINANCIAL SECTORS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

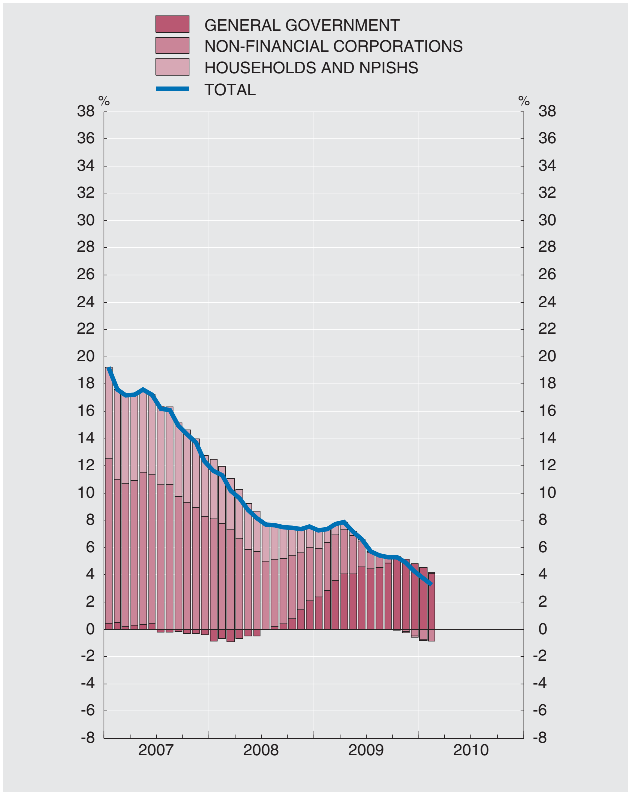
EUR millions and %

		Total			Annual growth rate							Contribution to col. 3						
		Stocks	Effective flow	Annual growth rate	General government (b)	Non-financial corp. and households and NPISHs	By sectors: Non-financial corporations	By sectors: Households and NPISHs	By instruments: Credit institutions' loans & securit. funds	By instruments: Securities other than shares	By instruments: External loans	General government (b)	Non-financial corp. and households and NPISHs	By sectors: Non-financial corporations	By sectors: Households and NPISHs	By instrumentss: Credit institutions' loans & securit. funds	By instrumentss: Securities other than shares	By instrumentss: External loans
		1	2	3 ■	4 ■	5	6 ■	7 ■	8	9	10	11 ■	12	13 ■	14 ■	15	16	17
07		2 470 505	270 478	12.3	-2.3	15.5	17.7	12.5	15.9	18.4	12.4	-0.4	12.7	8.3	4.4	11.1	0.3	1.4
08		2 648 920	185 939	7.5	13.5	6.4	7.9	4.4	5.6	12.1	10.9	2.1	5.4	3.9	1.6	4.0	0.2	1.3
09	P	2 774 627	112 386	4.2	29.5	-0.7	-0.9	-0.3	-2.0	37.0	2.0	4.8	-0.6	-0.5	-0.1	-1.4	0.6	0.2
08 *Nov*		2 635 831	28 566	7.3	9.3	7.0	8.5	4.9	6.4	12.4	10.0	1.4	5.9	4.2	1.7	4.6	0.2	1.1
Dec		2 648 920	18 271	7.5	13.5	6.4	7.9	4.4	5.6	12.1	10.9	2.1	5.4	3.9	1.6	4.0	0.2	1.3
09 *Jan*		2 651 925	376	7.3	15.6	5.8	7.3	3.7	4.9	17.8	9.7	2.4	4.9	3.6	1.3	3.5	0.3	1.1
Feb		2 667 889	16 853	7.4	18.6	5.3	7.1	2.8	4.2	22.0	10.5	2.8	4.5	3.5	1.0	3.0	0.3	1.2
Mar		2 683 472	17 339	7.7	23.9	4.9	6.8	2.2	3.3	26.5	11.8	3.6	4.1	3.3	0.8	2.4	0.4	1.4
Apr		2 706 794	23 129	7.9	27.0	4.5	6.6	1.5	2.9	24.4	12.0	4.1	3.8	3.3	0.5	2.1	0.4	1.4
May		2 708 670	1 832	7.2	26.9	3.7	5.7	0.8	2.1	18.0	11.3	4.1	3.1	2.8	0.3	1.5	0.3	1.3
Jun		2 734 108	14 149	6.6	30.5	2.4	3.7	0.5	0.8	12.9	10.5	4.6	2.0	1.8	0.2	0.6	0.2	1.2
Jul		2 730 652	-4 823	5.7	29.6	1.5	2.4	0.2	-0.0	26.2	7.7	4.4	1.3	1.2	0.1	-0.0	0.4	0.9
Aug		2 722 765	-8 402	5.4	30.2	1.0	1.7	-0.0	-0.6	25.4	7.4	4.6	0.9	0.9	-0.0	-0.4	0.4	0.9
Sep		2 740 328	19 580	5.3	31.8	0.5	0.8	-0.1	-1.0	26.9	6.2	4.9	0.4	0.4	-0.0	-0.7	0.4	0.7
Oct	P	2 750 986	11 015	5.3	35.2	-0.1	0.0	-0.2	-1.5	29.5	4.8	5.4	-0.1	0.0	-0.1	-1.1	0.4	0.6
Nov	P	2 770 670	20 267	4.9	32.6	-0.3	-0.3	-0.2	-1.7	34.0	3.9	5.2	-0.2	-0.2	-0.1	-1.2	0.5	0.5
Dec	P	2 774 627	1 070	4.2	29.5	-0.7	-0.9	-0.3	-2.0	37.0	2.0	4.8	-0.6	-0.5	-0.1	-1.4	0.6	0.2
10 *Jan*	P	2 760 769	-13 405	3.7	27.7	-1.0	-1.5	-0.1	-2.3	33.2	1.9	4.5	-0.8	-0.8	-0.0	-1.6	0.5	0.2
Feb	P	2 766 114	5 844	3.3	24.5	-1.0	-1.8	0.1	-2.2	29.4	1.4	4.1	-0.8	-0.9	0.0	-1.5	0.5	0.2

FINANCING OF NON-FINANCIAL SECTORS
Annual percentage change



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



Source: BE.

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

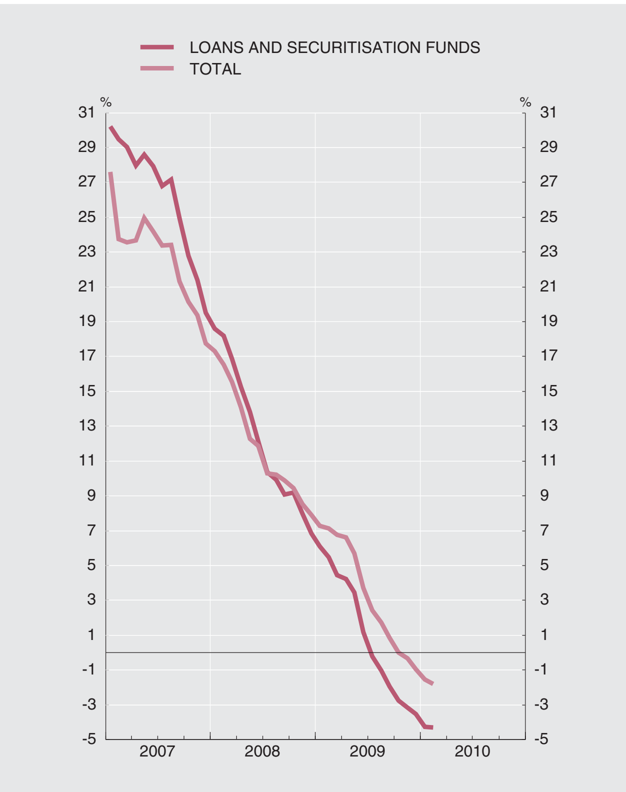
b. Total liabilities (consolidated). Inter-general government liabilities are deduced.

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

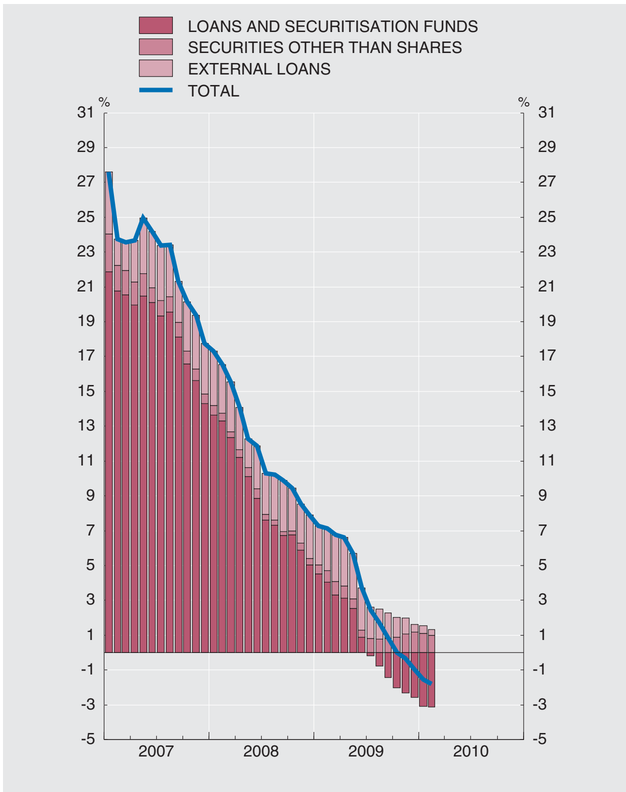
■ Series depicted in chart. *EUR millions and %*

	Total			Resident credit institutions' loans and off-balance-sheet securitised loans			Securities other than shares (b)				External loans			Memorandum items: off-balance-sheet securitised loans
	Stocks	Effective flow	Annual growth rate	Stocks	Annual growth rate	Contribution to col.3	Stocks	of which: Issues by resident financ. subsid.	Annual growth rate	Contribution to col.3	Stocks	Annual growth rate	Contribution to col.3	
	1	2	3 ■	4	5 ■	6 ■	7	8	9	10 ■	11	12	13 ■	14
07	1 215 441	181 829	17.7	895 668	19.5	14.3	36 636	23 056	18.4	0.6	283 137	12.2	2.9	2 678
08	1 306 151	95 981	7.9	954 134	6.8	5.0	41 063	25 648	12.1	0.4	310 954	10.8	2.5	2 060
09	P 1 311 954	-12 316	-0.9	916 381	-3.5	-2.6	56 254	40 095	37.0	1.2	339 319	1.9	0.5	1 253
08 *Nov*	1 303 529	2 962	8.5	952 583	8.0	5.9	41 185	26 580	12.4	0.4	309 761	9.8	2.3	2 075
Dec	1 306 151	7 326	7.9	954 134	6.8	5.0	41 063	25 648	12.1	0.4	310 954	10.8	2.5	2 060
09 *Jan*	1 310 846	1 929	7.3	954 548	6.1	4.5	43 252	27 882	17.8	0.5	313 046	9.7	2.2	1 944
Feb	1 312 757	2 611	7.1	953 408	5.5	4.0	44 680	30 002	22.0	0.7	314 668	10.5	2.4	1 900
Mar	1 315 261	3 554	6.8	952 533	4.4	3.3	45 424	30 788	26.5	0.8	317 303	11.7	2.7	1 788
Apr	1 323 231	7 751	6.6	955 121	4.2	3.1	45 774	31 893	24.4	0.7	322 335	12.0	2.8	2 787
May	1 319 923	-3 599	5.7	953 207	3.5	2.5	45 101	31 520	18.0	0.5	321 616	11.3	2.6	2 476
Jun	1 322 701	-9 111	3.7	940 241	1.2	0.9	44 475	31 731	12.9	0.4	337 985	10.5	2.5	1 560
Jul	1 323 438	-996	2.4	936 122	-0.2	-0.2	49 884	35 958	26.2	0.8	337 432	7.7	1.8	1 485
Aug	1 314 678	-9 535	1.7	926 637	-1.0	-0.8	49 505	35 444	25.4	0.8	338 536	7.3	1.7	1 461
Sep	1 312 497	-820	0.8	924 947	-2.0	-1.4	49 383	35 363	26.9	0.8	338 167	6.1	1.4	1 444
Oct	P 1 310 411	-2 059	0.0	922 853	-2.8	-2.0	50 844	35 330	29.5	0.9	336 715	4.7	1.1	1 402
Nov	P 1 308 940	-1 211	-0.3	918 855	-3.1	-2.3	55 168	39 262	34.0	1.1	334 916	3.8	0.9	1 414
Dec	P 1 311 954	-830	-0.9	916 381	-3.5	-2.6	56 254	40 095	37.0	1.2	339 319	1.9	0.5	1 253
10 *Jan*	P 1 305 733	-6 041	-1.5	909 619	-4.3	-3.1	57 596	41 388	33.2	1.1	338 519	1.9	0.5	1 226
Feb	P 1 304 853	-619	-1.8	908 043	-4.3	-3.1	57 815	41 445	29.4	1.0	338 995	1.3	0.3	1 196

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.

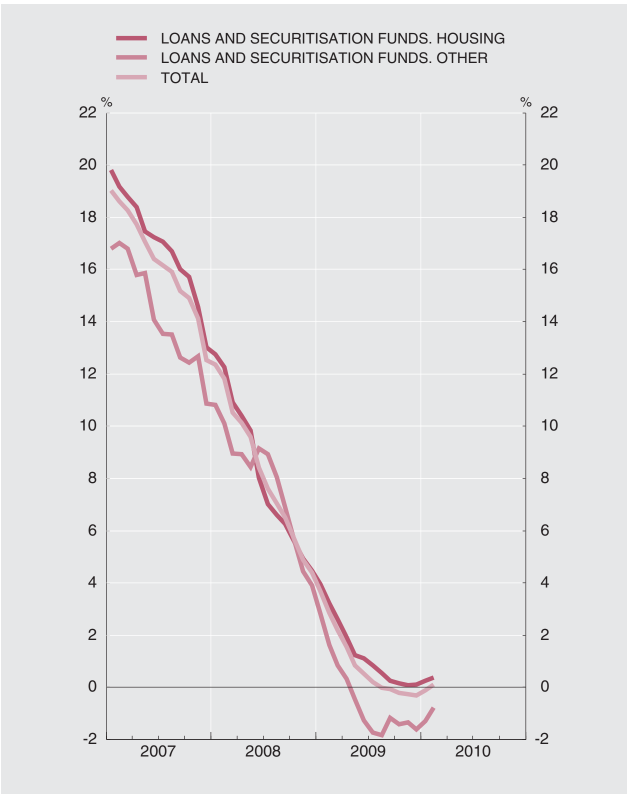
8.7. FINANCING OF HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

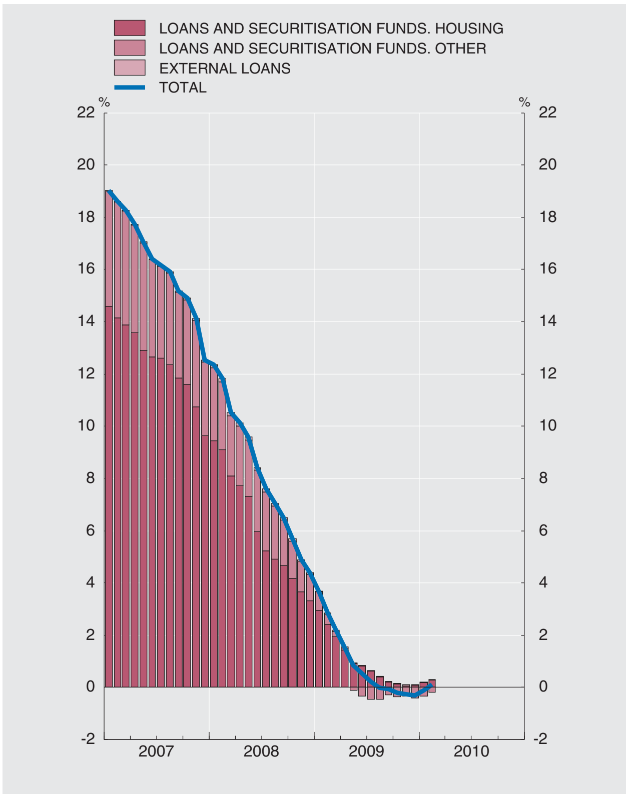
EUR millions and %

		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
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
09	P	903 023	-2 715	-0.3	677 907	0.1	0.1	222 480	-1.6	-0.4	2 636	11.0	0.0	24 005	2 988
08 *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	677 119	2.6	1.9	223 059	0.8	0.2	2 558	14.6	0.0	25 624	4 229
Apr		903 683	973	1.5	677 211	1.9	1.4	223 902	0.3	0.1	2 570	14.3	0.0	25 261	4 436
May		902 440	-996	0.8	675 976	1.2	0.9	223 883	-0.5	-0.1	2 581	13.1	0.0	24 130	4 116
Jun		908 465	6 624	0.5	676 651	1.1	0.8	229 223	-1.3	-0.3	2 591	12.9	0.0	25 087	3 674
Jul		905 592	-2 505	0.2	677 543	0.8	0.6	225 447	-1.7	-0.4	2 602	12.7	0.0	24 756	3 537
Aug		903 011	-2 323	-0.0	676 883	0.5	0.4	223 520	-1.8	-0.5	2 609	13.0	0.0	24 599	3 424
Sep		902 897	543	-0.1	676 739	0.3	0.2	223 538	-1.2	-0.3	2 620	13.0	0.0	24 305	3 310
Oct	P	903 451	884	-0.2	677 498	0.2	0.1	223 319	-1.4	-0.4	2 633	12.2	0.0	24 155	3 210
Nov	P	908 760	5 631	-0.2	678 402	0.1	0.1	227 716	-1.3	-0.3	2 641	12.0	0.0	24 623	3 040
Dec	P	903 023	-4 779	-0.3	677 907	0.1	0.1	222 480	-1.6	-0.4	2 636	11.0	0.0	24 005	2 988
10 *Jan*	P	901 783	-966	-0.1	678 782	0.3	0.2	220 343	-1.3	-0.3	2 658	6.3	0.0	23 898	2 906
Feb	P	900 743	-803	0.1	678 997	0.4	0.3	219 067	-0.8	-0.2	2 680	6.2	0.0	23 658	2 796

FINANCING OF HOUSEHOLDS AND NPISHs
Annual percentage change



FINANCING OF HOUSEHOLDS AND NPISHs
Contributions to the annual percentage change



Source: BE.

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

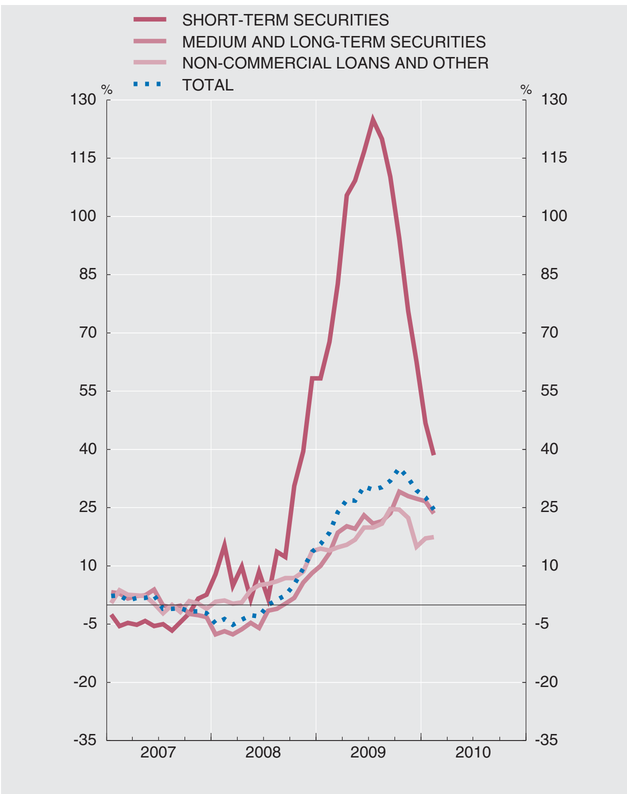
8.8. GROSS FINANCING OF SPAIN'S GENERAL GOVERMENT

■ Series depicted in chart.

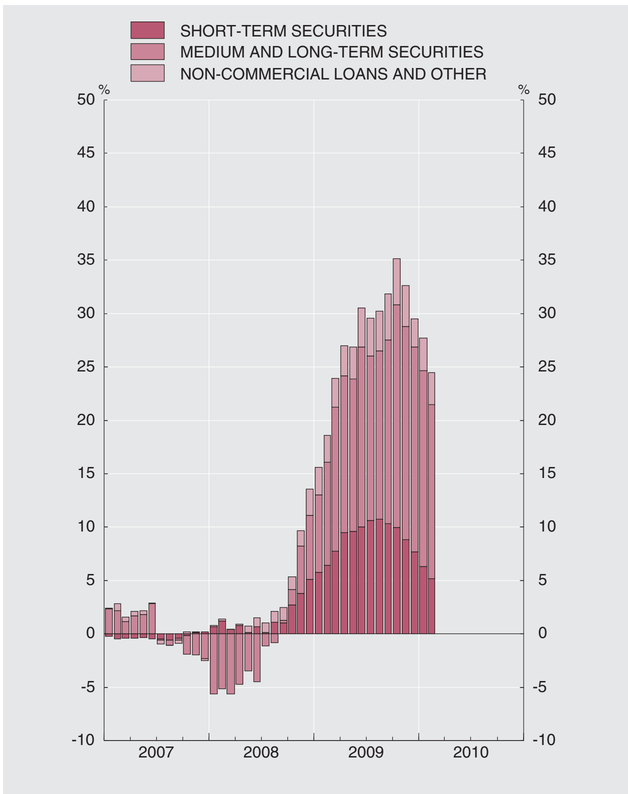
EUR millions and %

		Gross financing			Short-term securities				Medium and long term securities				Non Comercial Loans and Others (b)			
		EDP Debt (a)	Monthly change	12 month % change	Total	Monthly change	12 month % change	Contribu-tion to 12-month % change	Total	Monthly change	12 month % change	Contribu-tion to 12-month % change	Total	Monthly change	12 month % chage	Contribu-tion to 12-month % change
		1=4+8+12	2=5+9+13	3 ■	4	5	6 ■	7 ■	8	9	10 ■	11 ■	12	13	14 ■	15 ■
06		389 507	-1 575	-0.4	32 574	-770	-2.3	-0.2	288 873	-1 217	-0.4	-0.3	68 061	412	0.6	0.1
07		380 660	-8 847	-2.3	33 397	823	2.5	0.2	279 872	-9 001	-3.1	-2.3	67 392	-669	-1.0	-0.2
08	P	432 233	51 573	13.5	52 876	19 479	58.3	5.1	302 656	22 784	8.1	6.0	76 701	9 310	13.8	2.4
09	A	559 650	127 417	29.5	86 001	33 125	62.6	7.7	385 528	82 872	27.4	19.2	88 121	11 419	14.9	2.6
08 *Sep*	P	398 142	10 353	2.5	37 316	2 530	12.4	1.1	290 815	6 843	0.3	0.2	70 010	980	6.9	1.2
Oct	P	397 413	-728	5.1	41 847	4 530	30.7	2.7	284 898	-5 917	1.8	1.4	70 668	659	6.8	1.2
Nov	P	416 952	19 539	9.3	48 698	6 851	39.6	3.8	296 719	11 820	5.7	4.4	71 536	868	8.5	1.5
Dec	P	432 233	15 280	13.5	52 876	4 178	58.3	5.1	302 656	5 937	8.1	6.0	76 701	5 165	13.8	2.4
09 *Jan*	P	433 264	1 031	15.6	58 415	5 540	58.3	5.7	297 997	-4 659	10.1	7.3	76 851	150	14.4	2.6
Feb	P	450 286	17 022	18.6	60 287	1 871	67.7	6.4	312 065	14 068	13.3	9.7	77 934	1 083	13.9	2.5
Mar	P	465 475	15 189	23.9	64 405	4 118	82.8	7.8	322 309	10 244	18.6	13.5	78 761	827	14.7	2.7
Apr	P	479 881	14 406	27.0	69 740	5 335	105.4	9.5	330 996	8 687	20.2	14.7	79 145	383	15.5	2.8
May	P	486 307	6 426	26.9	70 361	621	109.2	9.6	334 867	3 871	19.5	14.3	81 079	1 935	16.7	3.0
Jun	P	502 943	16 635	30.5	71 807	1 446	116.6	10.0	346 566	11 699	23.0	16.8	84 570	3 491	19.9	3.6
Jul	P	501 621	-1 322	29.6	74 012	2 206	124.9	10.6	344 464	-2 102	20.9	15.4	83 145	-1 425	19.9	3.6
Aug	P	505 076	3 455	30.2	76 512	2 499	119.9	10.8	345 105	641	21.5	15.8	83 460	315	20.9	3.7
Sep	P	524 933	19 857	31.8	78 475	1 963	110.3	10.3	359 130	14 025	23.5	17.2	87 329	3 869	24.7	4.3
Oct	A	537 124	12 190	35.2	81 327	2 852	94.3	9.9	367 858	8 729	29.1	20.9	87 939	610	24.4	4.3
Nov	A	552 971	15 847	32.6	85 522	4 195	75.6	8.8	379 901	12 043	28.0	20.0	87 548	-390	22.4	3.8
Dec	A	559 650	6 679	29.5	86 001	480	62.6	7.7	385 528	5 627	27.4	19.2	88 121	572	14.9	2.6
10 *Jan*	A	553 252	-6 397	27.7	85 756	-245	46.8	6.3	377 564	-7 964	26.7	18.4	89 933	1 812	17.0	3.0
Feb	A	560 519	5 845	24.5	83 550	-2 206	38.6	5.2	385 416	7 852	23.5	16.3	91 553	199	17.5	3.0

GROSS FINANCING OF GENERAL GOVERNMENT
Annual percentage changes



GROSS FINANCING OF GENERAL GOVERNMENT
Contributions to the annual percentage change



FUENTE: BE.
a.Debt according to Excessive Deficit Procedure (EDP).Consolidated nominal gross debt.
b.Including coined money and Caja General de Depositos

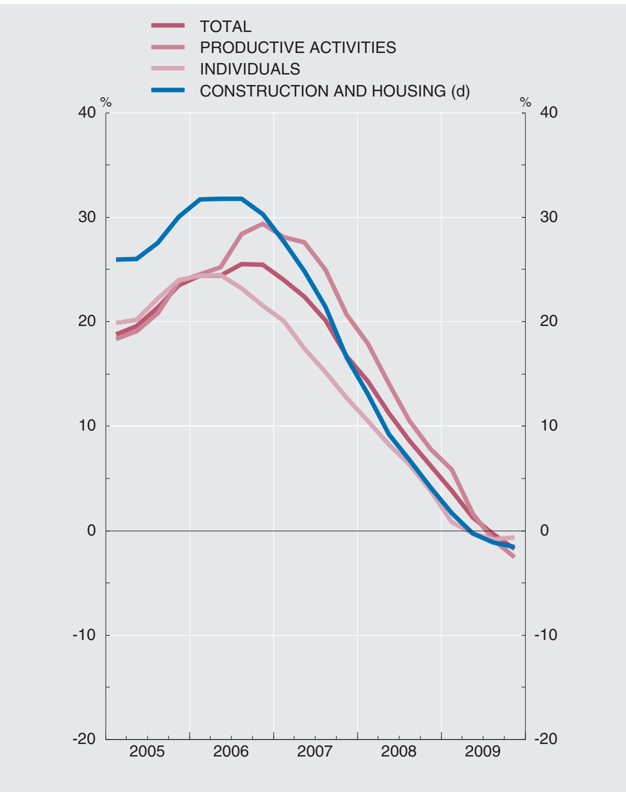
8.9 LENDING BY CREDIT INSTITUTIONS TO OTHER RESIDENT SECTORS. BREAKDOWN BY END-USE.

■ Series depicted in chart.

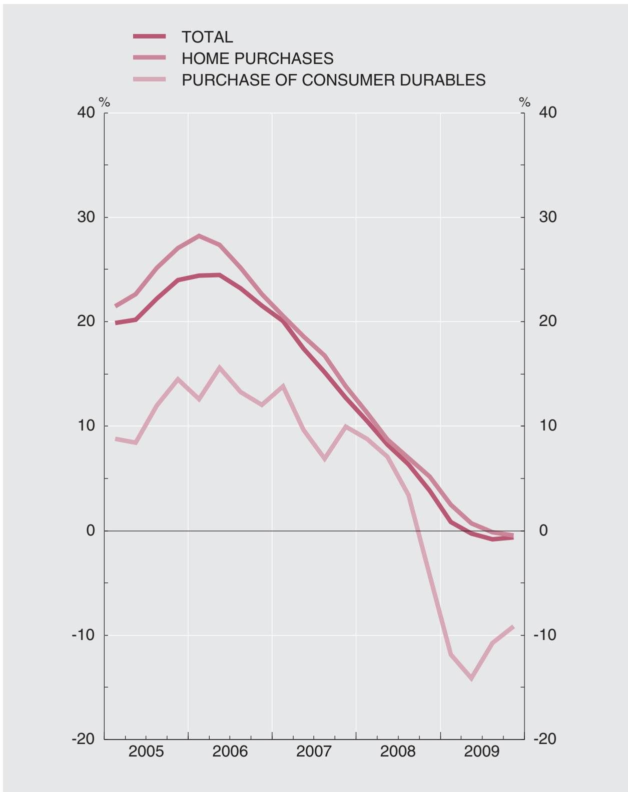
EUR millions and percentages

	Total (a)	Financing of productive activities: Total	Financing of productive activities: Agriculture and fisheries	Financing of productive activities: Industry excluding construction	Financing of productive activities: Construction	Financing of productive activities: Services: Total	Financing of productive activities: Services: Of which: Real estate activities	Financing of individuals: Total	Financing of individuals: Home purchases and improvements: Total	Financing of individuals: Home purchases and improvements: Of which: Purchases	Financing of individuals: Purchases of consumer durables	Financing of individuals: Other (b)	Financing of private non-profit institutions	Unclassified	Memorandum item: construction and housing (d)
	1 ■	2 ■	3	4	5	6	7	8 ■	9	10 ■	11 ■	12	13	14	15 ■
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 *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	810 149	652 434	622 122	49 840	107 875	5 457	33 754	1 110 918
Q4	1 837 034	991 326	23 123	152 199	130 435	685 570	323 306	813 930	653 902	623 561	49 228	110 800	5 523	26 255	1 107 643

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.

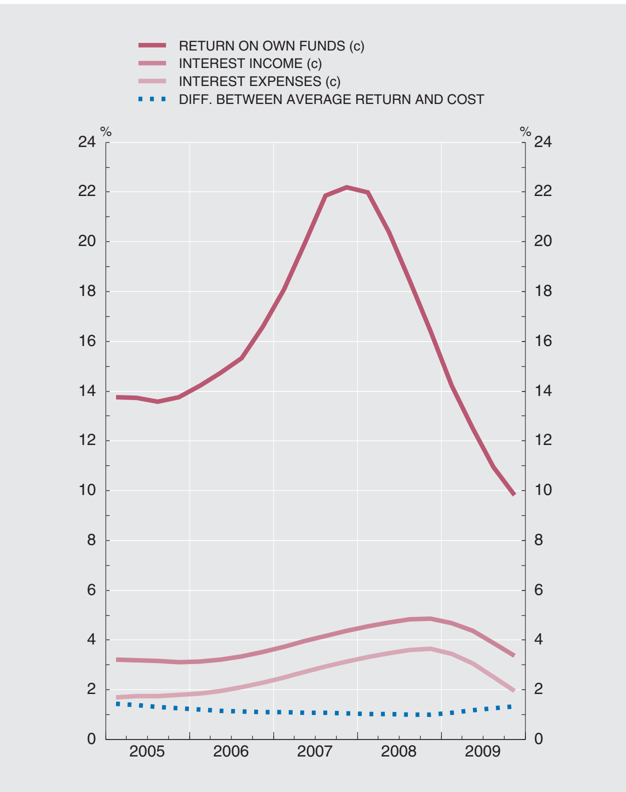
d. Including: construction, real estate activities and home purchases and improvements

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 *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
Q4	2.8	1.4	1.4	0.9	2.2	1.0	0.6	0.8	0.5	0.8	-0.2	8.0	3.6	2.3	1.3

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



PROFIT AND LOSS ACCOUNT
Percentages of the adjusted average balance sheet

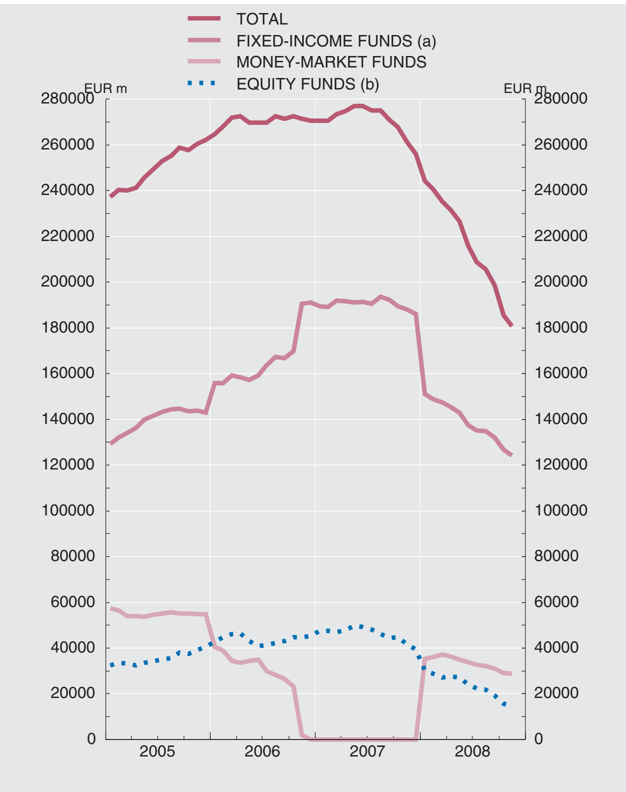
Source: BE.
Note: The underlying series for this indicator are in Table 4.36 of the BE Boletín estadístico.
a. Profit before tax divided by own funds.
b. Only those financial assets and liabilities which respectively give rise to financial income and costs have been considered to calculate the averge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

8.11. MUTUAL FUNDS RESIDENT IN SPAIN

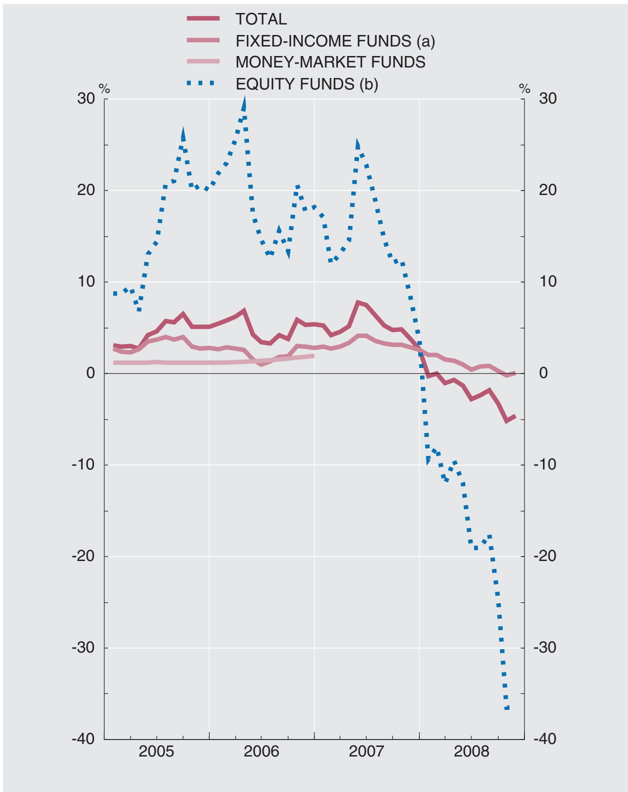
■ Series depicted in chart. *EUR millions*

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

NET ASSET VALUE



RETURN OVER LAST 12 MONTHS



SOURCES: CNMV and Inverco.

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

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

c. Global funds.

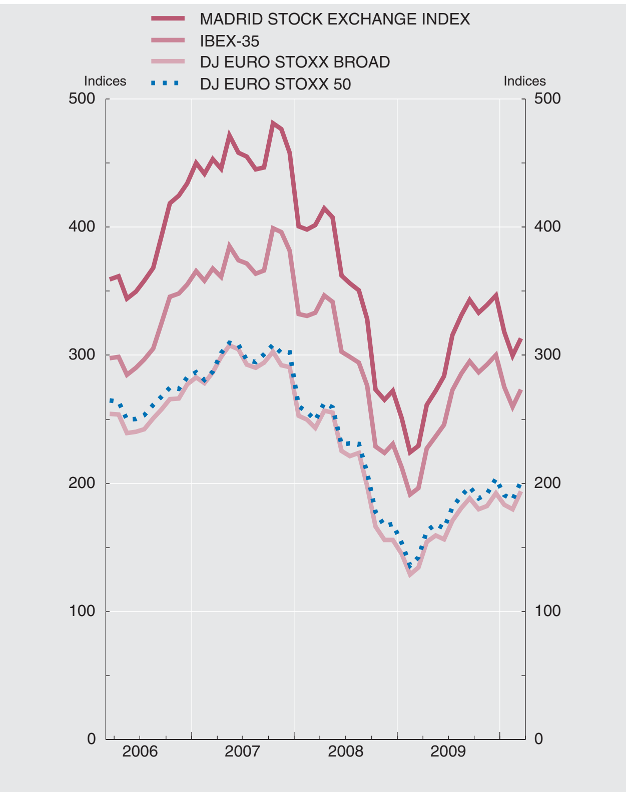
8.12. SHARE PRICE INDICES AND TURNOVER ON SECURITIES MARKETS. SPAIN AND EURO AREA

■ Series depicted in chart.

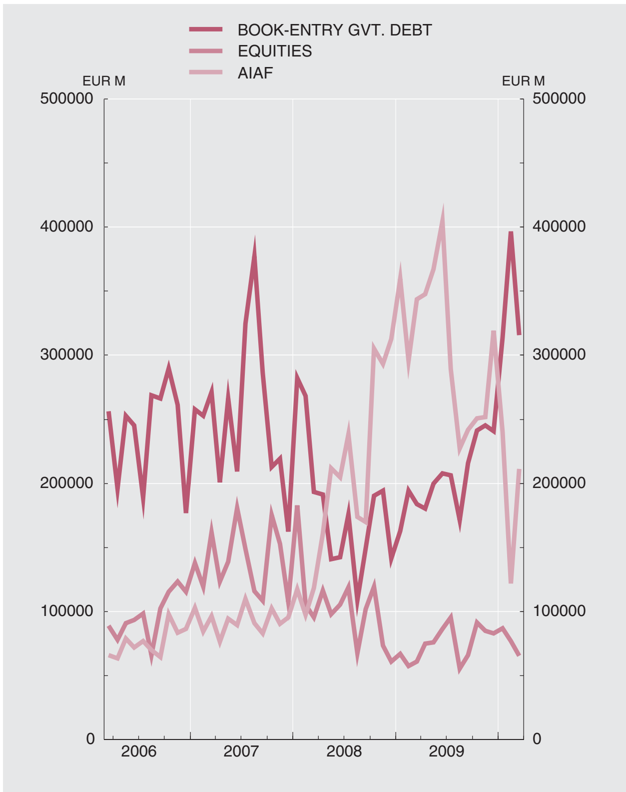
Indices, EUR millions and thousands of contracts

		Share price indices				Turnover on securities markets							
		General Madrid Stock Exchange	IBEX 35	Dow Jones EURO STOXX indices		Stock market		Book-entry government debt	AIAF fixed-income market	Financial options (thousands of contracts)		Financial futures (thousands of contracts)	
				Broad	50	Equities	Bonds			Fixed-income	Shares and other equities	Fixed-income	Shares and other equities
		1 ■	2 ■	3 ■	4 ■	5 ■	6	7 ■	8 ■	9	10	11	12
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		1 055.69	10 107.91	235.02	2 529.03	898 195	75 103	2 448 490	3 699 008	-	33 946	-	5 752
10	A	1 113.89	10 730.33	265.51	2 814.94	229 341	18 545	1 026 103	573 445	-	9 902	-	1 555
08 *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		1 241.72	11 940.00	274.78	2 966.24	82 938	6 319	240 634	319 010	...	3 727	...	423
10 *Jan*		1 140.57	10 947.70	261.87	2 776.83	86 985	5 193	313 732	240 235	...	3 461	...	482
Feb		1 074.18	10 333.60	256.81	2 728.47	76 836	9 121	396 603	121 869	...	3 158	...	545
Mar	P	1 123.08	10 871.30	277.00	2 931.16	65 520	4 231	315 768	211 340	...	3 283	...	528

SHARE PRICE INDICES
JAN 1994 = 100



TURNOVER ON SECURITIES MARKETS



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

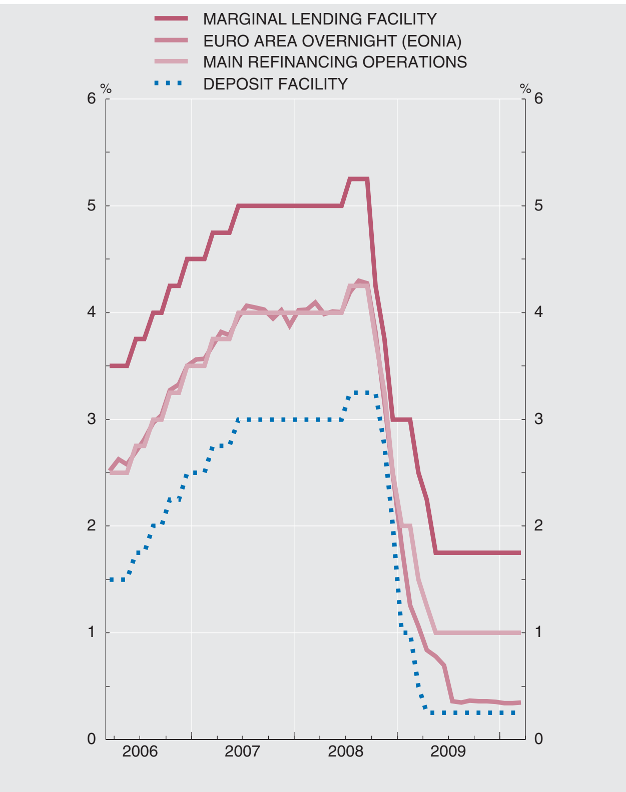
9.1. INTEREST RATES. EUROSYSTEM AND MONEY MARKET. EURO AREA AND SPAIN

■ Series depicted in chart.

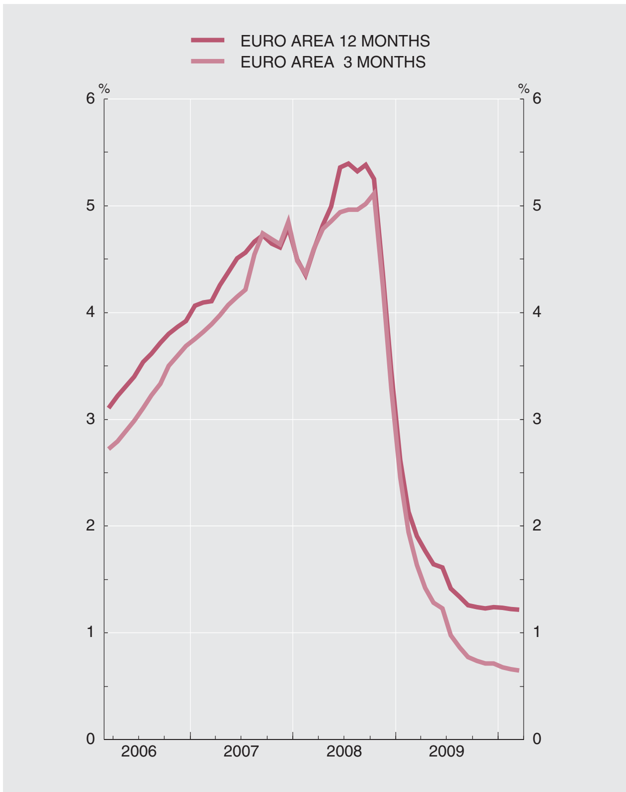
Averages of daily data. Percentages per annum

	Eurosystem monetary policy operations				Money market													
	Main refinancing operations: weekly tenders	Longer term refinancing operations: monthly tenders	Standing facilities		Euro area: deposits (Euribor) (a)					Spain								
										Non-transferable deposits					Government-securities repos			
			Marginal lending	Deposit	Overnight (EONIA)	1-month	3-month	6-month	1-year	Overnight	1-month	3-month	6-month	1-year	Overnight	1-month	3-month	1-year
	1 ■	2	3 ■	4 ■	5 ■	6	7 ■	8	9 ■	10	11	12	13	14	15	16	17	18
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
10 A	1.00	1.00	1.75	0.25	0.344	0.42	0.66	0.96	1.22	0.31	0.41	0.65	0.93	1.24	0.26	0.30	0.34	0.80
08 *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
10 *Jan*	1.00	1.00	1.75	0.25	0.344	0.44	0.68	0.98	1.23	0.30	0.42	0.67	0.98	1.23	0.26	0.29	0.31	0.81
Feb	1.00	1.00	1.75	0.25	0.341	0.42	0.66	0.97	1.23	0.31	0.42	0.65	0.94	1.33	0.27	0.31	0.36	0.80
Mar	1.00	-	1.75	0.25	0.348	0.41	0.64	0.95	1.22	0.32	0.40	0.61	0.87	1.17	0.26	0.29	0.36	-

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).

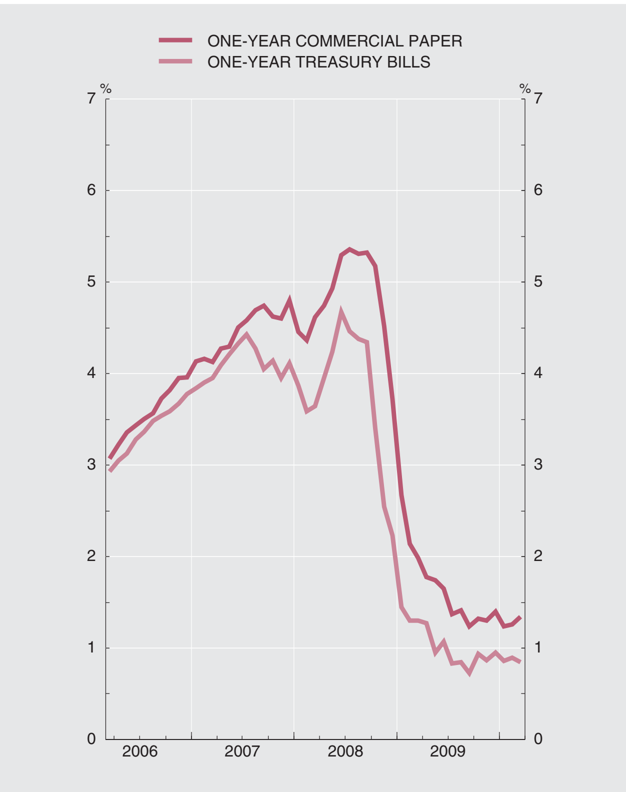
a. To December 1998, synthetic euro area rates have been calculated on the basis of national rates weighted by GDP

9.2. INTEREST RATES: SPANISH SHORT-TERM AND LONG-TERM SECURITIES MARKETS

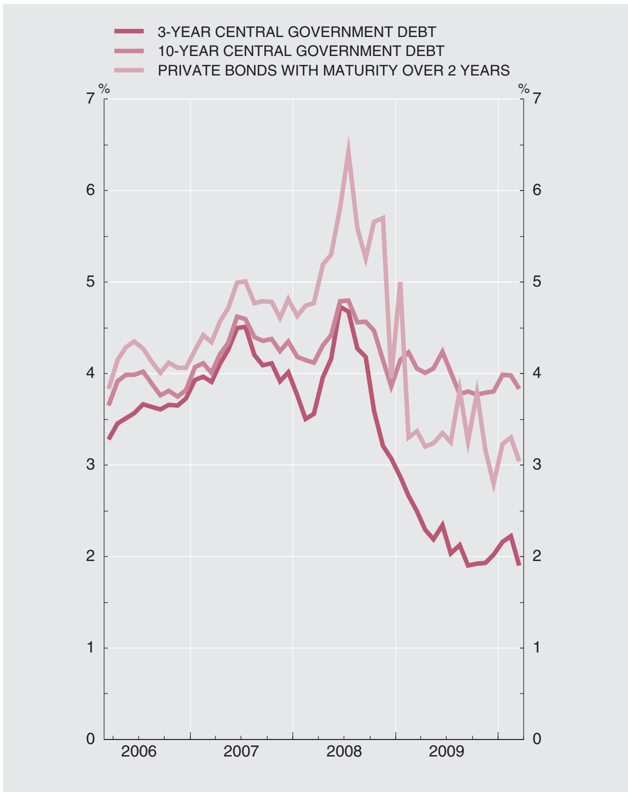
■ Series depicted in chart. *Percentages per annum*

	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 ■
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
10 A	0.87	0.79	1.28	1.16	2.34	2.85	3.98	-	4.81	2.09	3.93	3.18
08 *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
10 *Jan*	0.86	0.81	1.24	1.15	-	2.86	4.10	-	4.86	2.16	3.99	3.23
Feb	0.90	0.83	1.26	1.17	2.66	-	-	-	4.81	2.23	3.98	3.30
Mar	0.85	0.74	1.34	1.17	-	2.84	3.86	-	4.77	1.90	3.83	3.04

PRIMARY MARKET



SECONDARY MARKET



Sources: Main issuers (column 3); AIAF (columns 4 and 12).

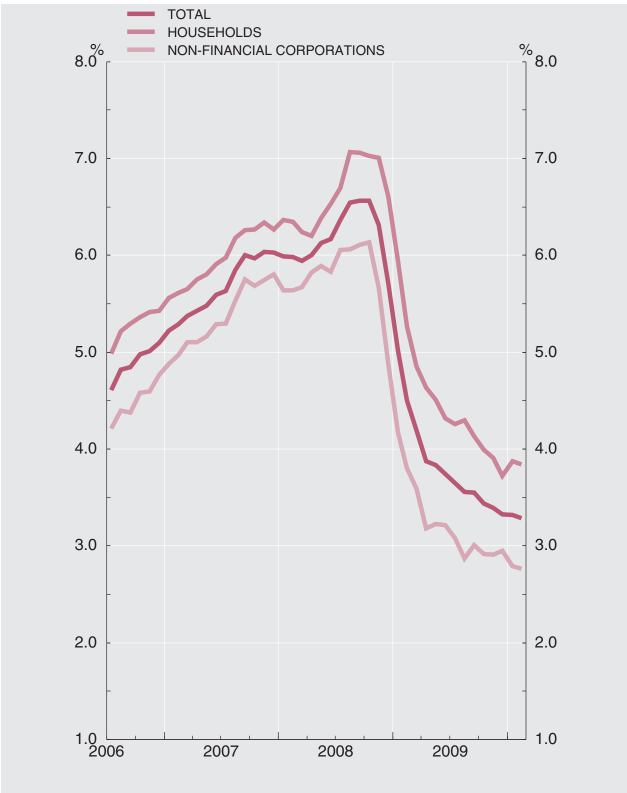
9.3. INTEREST RATES ON NEW BUSINESS. CREDIT INSTITUTIONS. (CBE 4/2002) SDDS (a)

■ Series depicted in chart.

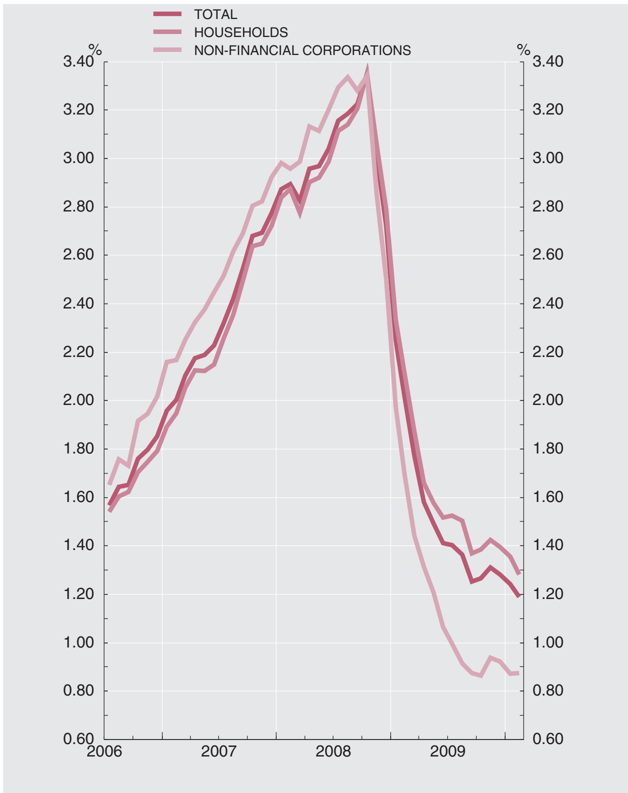
Percentages

	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
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	3.32	3.72	2.62	6.98	2.95	4.24	2.47	1.28	1.39	0.36	2.21	0.33	0.92	0.55	1.44	0.41
10 A	3.29	3.84	2.67	7.37	2.76	4.29	2.06	1.19	1.28	0.31	2.04	0.30	0.88	0.54	1.33	0.31
08 *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	3.39	3.91	2.70	7.40	2.91	4.39	2.26	1.31	1.42	0.40	2.22	0.33	0.94	0.58	1.42	0.35
Dec	3.32	3.72	2.62	6.98	2.95	4.24	2.47	1.28	1.39	0.36	2.21	0.33	0.92	0.55	1.44	0.41
10 *Jan*	3.32	3.87	2.60	7.68	2.79	4.36	2.08	1.24	1.35	0.31	2.18	0.29	0.87	0.53	1.34	0.27
Feb P	3.29	3.84	2.67	7.37	2.76	4.29	2.06	1.19	1.28	0.31	2.04	0.30	0.88	0.54	1.33	0.31

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.

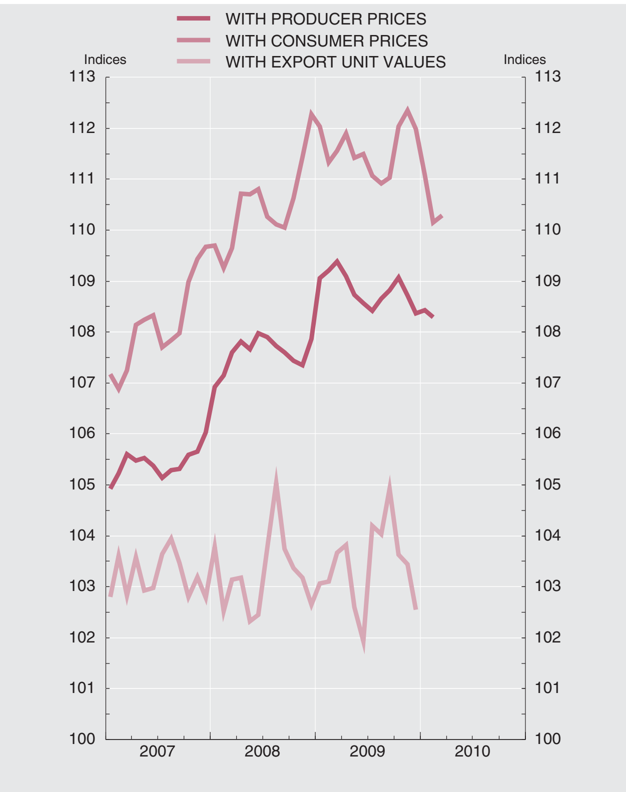
9.4 INDICES OF SPANISH COMPETITIVENESS VIS-à-VIS THE EU-27 AND THE EURO AREA

■ Series depicted in chart.

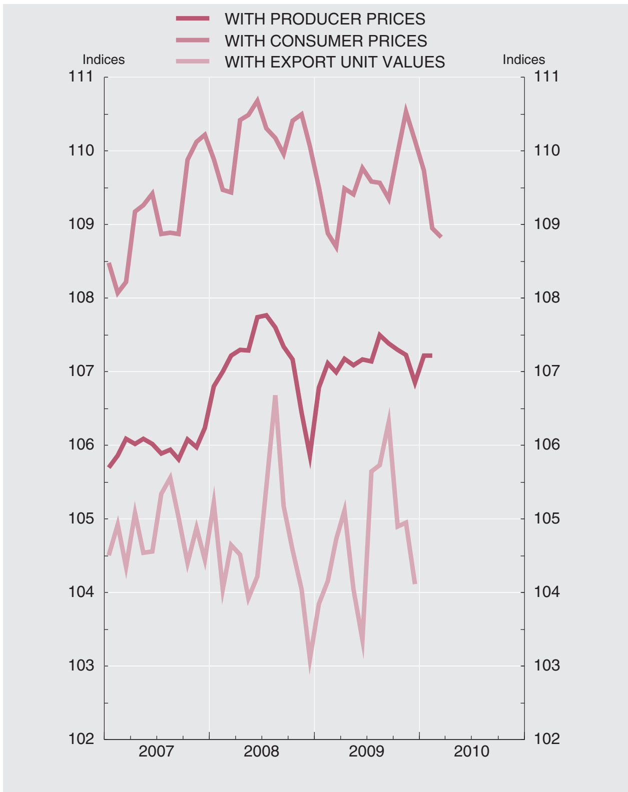
Base 1999 QI = 100

	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 ■
07	105.4	108.1	110.3	103.2	100.0	105.5	108.2	110.3	103.3	106.0	109.1	112.5	121.3	104.8
08	107.6	110.5	113.0	103.3	101.3	106.2	109.0	111.5	102.0	107.1	110.2	113.8	123.2	104.6
09	108.8	111.6	110.6	103.4	103.2	105.4	108.1	107.2	100.3	107.1	109.6	109.3	117.9	104.7
08 *Q1*	107.2	109.5	113.4	103.2	100.9	106.3	108.6	112.4	102.3	107.0	109.6	114.8	122.1	104.6
Q2	107.8	110.7	113.6	102.6	101.1	106.6	109.5	112.3	101.6	107.4	110.5	114.7	125.2	104.2
Q3	107.7	110.1	112.7	104.2	101.0	106.6	109.0	111.5	103.2	107.6	110.1	113.9	125.0	105.8
Q4	107.6	111.4	112.2	103.1	102.2	105.3	109.1	109.8	101.0	106.5	110.3	112.0	120.5	103.9
09 *Q1*	109.2	111.7	110.7	103.3	103.7	105.3	107.7	106.8	99.7	107.0	109.0	108.7	114.6	104.2
Q2	108.8	111.6	110.7	102.8	103.2	105.4	108.1	107.3	99.7	107.1	109.6	109.4	117.7	104.2
Q3	108.6	111.0	110.0	104.4	102.8	105.6	107.9	107.0	101.6	107.3	109.5	109.2	120.7	105.9
Q4	108.7	112.1	111.1	103.2	103.2	105.3	108.6	107.6	100.1	107.1	110.2	109.9	118.5	104.6
09 *Jun*	108.6	111.5	...	101.9	103.0	105.5	108.3	...	99.1	107.2	109.8	...	...	103.4
Jul	108.4	111.1	...	104.2	102.8	105.4	108.0	...	101.4	107.1	109.6	...	...	105.6
Aug	108.7	110.9	...	104.0	102.7	105.8	108.0	...	101.4	107.5	109.6	...	...	105.7
Sep	108.8	111.0	...	104.9	103.0	105.6	107.8	...	101.9	107.4	109.4	...	...	106.3
Oct	109.1	112.0	...	103.6	103.3	105.5	108.4	...	100.4	107.3	110.0	...	...	104.9
Nov	108.7	112.3	...	103.4	103.1	105.4	108.9	...	100.4	107.2	110.5	...	...	104.9
Dec	108.4	112.0	...	102.5	103.2	105.0	108.5	...	99.5	106.9	110.1	...	...	104.1
10 *Jan*	108.4	111.1	...	...	102.9	105.4	108.0	...	...	107.2	109.7	...	...	...
Feb	108.3	110.1	...	...	102.7	105.4	107.2	...	...	107.2	109.0	...	...	...
Mar	...	110.3	...	...	102.9	...	107.2	...	...	...	108.8	...	...	...

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.

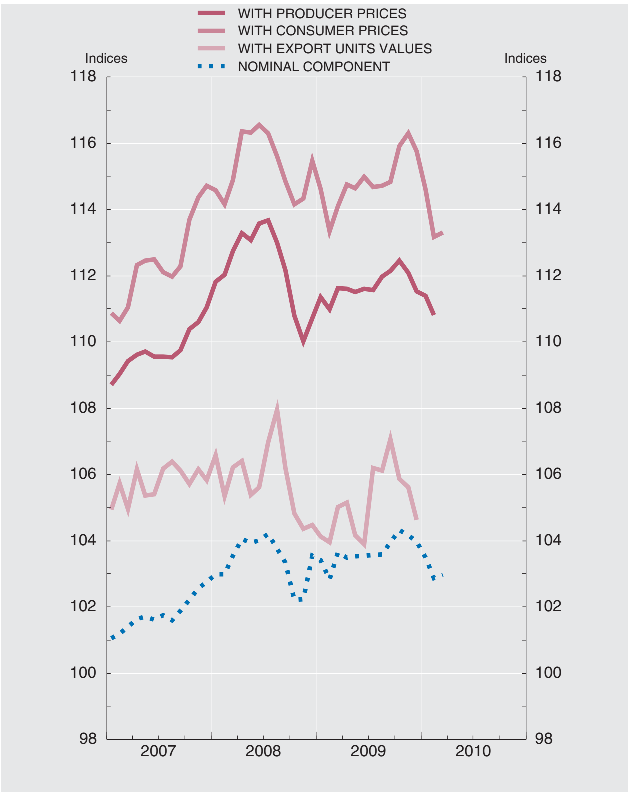
9.5 INDICES OF SPANISH COMPETITIVENESS VIS-à-VIS THE DEVELOPED COUNTRIES AND INDUSTRIALISED COUNTRIES

■ 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
07	109.7	112.4	124.9	105.7	101.8	107.8	110.4	122.7	103.9	110.5	113.7	102.8	107.5	110.6
08	112.2	115.3	129.3	105.9	103.4	108.5	111.5	125.0	102.4	113.0	116.7	104.8	107.9	111.3
09	111.7	114.9	125.3	105.2	103.7	107.7	110.8	120.9	101.5	112.1	115.7	104.8	107.0	110.4
08 *Q1*	112.2	114.6	127.4	106.1	103.2	108.7	111.0	123.5	102.9	113.2	116.1	104.6	108.2	111.0
Q2	113.3	116.4	131.6	105.8	104.0	109.0	111.9	126.6	101.8	114.6	118.3	105.8	108.3	111.8
Q3	113.0	115.6	131.7	107.0	103.8	108.8	111.4	127.0	103.2	113.7	117.0	105.2	108.1	111.2
Q4	110.5	114.7	126.4	104.6	102.7	107.6	111.7	123.1	101.9	110.6	115.2	103.4	107.0	111.4
09 *Q1*	111.3	114.0	121.2	104.4	103.3	107.8	110.4	117.4	101.1	111.4	114.4	104.0	107.1	110.0
Q2	111.6	114.8	125.3	104.4	103.5	107.8	110.9	121.1	100.9	111.8	115.5	104.5	107.1	110.6
Q3	111.9	114.7	128.0	106.4	103.7	107.9	110.7	123.5	102.7	112.5	115.8	105.1	107.1	110.2
Q4	112.0	116.0	126.5	105.4	104.1	107.6	111.4	121.4	101.2	112.6	117.2	105.6	106.6	110.9
09 *Jun*	111.6	115.0	...	103.9	103.6	107.8	111.0	...	100.4	112.2	116.0	104.7	107.1	110.7
Jul	111.6	114.7	...	106.2	103.6	107.7	110.7	...	102.6	112.1	115.6	104.8	107.0	110.3
Aug	112.0	114.7	...	106.1	103.6	108.1	110.7	...	102.5	112.6	115.8	104.9	107.3	110.4
Sep	112.2	114.8	...	107.1	103.9	107.9	110.5	...	103.1	112.8	116.1	105.4	107.0	110.1
Oct	112.5	115.9	...	105.9	104.3	107.8	111.1	...	101.6	113.2	117.1	105.8	106.9	110.7
Nov	112.1	116.3	...	105.6	104.2	107.6	111.7	...	101.5	112.8	117.6	105.7	106.7	111.2
Dec	111.5	115.8	...	104.6	104.0	107.3	111.3	...	100.7	111.9	116.8	105.3	106.3	110.9
10 *Jan*	111.4	114.6	...	...	103.5	107.6	110.7	...	...	111.5	115.2	104.6	106.6	110.2
Feb	110.8	113.2	...	...	102.9	107.7	110.0	...	...	110.4	113.5	103.6	106.6	109.5
Mar	...	113.3	...	...	103.0	...	110.0	...	...	...	113.5	103.5	...	109.6

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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