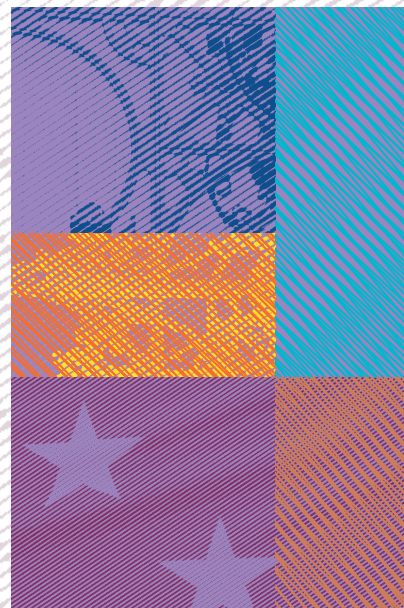


ECONOMIC BULLETIN

0' /2010

BANCO DE ESPAÑA
Eurosistema



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ABBREVIATIONS

AIAF	Association of Securities Dealers	GNP	Gross national product
BCBS	Basel Committee on Banking Supervision	GVA	Gross value added
BE	Banco de España	HICP	Harmonised Index of Consumer Prices
BIS	Bank for International Settlements	IADB	Inter-American Development Bank
CBSO	Central Balance Sheet Data Office	ICT	Information and communications technology
CCR	Central Credit Register	ICO	Official Credit Institute
CEBS	Committee of European Banking Supervisors	IGAE	National Audit Office
CEIPOS	Committee of European Insurance and Occupational Pensions Supervisors	IMF	International Monetary Fund
CEMLA	Center for Latin American Monetary Studies	INE	National Statistics Institute
CEPR	Centre for Economic Policy Research	INEM	National Public Employment Service
CESR	Committee of European Securities Regulators	MFIs	Monetary financial institutions
Clls	Collective Investment Institutions	MiFID	Markets in Financial Instruments Directive
CNE	Spanish National Accounts	MMFs	Money market funds
CNMV	National Securities Market Commission	MROs	Main refinancing operations
CPI	Consumer Price Index	MTBE	Banco de España quarterly macroeconomic model
DGSFP	Directorate General of Insurance and Pension Funds	NAIRU	Non-accelerating-inflation rate of unemployment
ECB	European Central Bank	NCBs	National central banks
ECCO	ECB External Communications Committee	NPISHs	Non-profit institutions serving households
ECOFIN	Council of the European Communities (Economic and Financial Affairs)	OECD	Organisation for Economic Co-operation and Development
EDP	Excessive Deficit Procedure	OPEC	Organisation of Petroleum Exporting Countries
EMU	Economic and Monetary Union	PPP	Purchasing power parity
EONIA	Euro overnight index average	QNA	Quarterly National Accounts
EPA	Official Spanish Labour Force Survey	RoW	Rest of the World
ESA 79	European System of Integrated Economic Accounts	SCLV	Securities Clearing and Settlement Service
ESA 95	European System of National and Regional Accounts	SDRs	Special Drawing Rights
ESCB	European System of Central Banks	SEPA	Single European Payments Area
EU	European Union	SGP	Stability and Growth Pact
EUROSTAT	Statistical Office of the European Communities	SIVs	Structured investment vehicles
FAFA	Fund for the Acquisition of Financial Assets	SMEs	Small and medium-sized enterprises
FASE	Financial Accounts of the Spanish Economy	TARGET	Trans-European Automated Real-time Gross settlement Express Transfer system
FDI	Foreign direct investment	TFP	Total factor productivity
FROB	Fund for the Orderly Restructuring of Banks	ULCs	Unit labour costs
GDI	Gross disposable income	VAT	Value Added Tax
GDP	Gross domestic product	WTO	World Trade Organisation
GFCF	Gross fixed capital formation	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.

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TESTIMONY OF THE GOVERNOR OF THE BANCO DE ESPAÑA TO THE PARLIAMENTARY
COMMITTEE ON ECONOMIC AND FINANCIAL AFFAIRS ON THE OCCASION OF THE
PRESENTATION OF THE 2009 ANNUAL REPORT

Testimony of the Governor of the Banco de España to the Parliamentary Committee on Economic and Financial Affairs on the occasion of the presentation of the 2009 Annual Report

The presentation of the Banco de España *Annual Report* for 2009 — the reason behind my testimony today — has taken place at an exceptional time for both the Spanish economy and the Economic and Monetary Union. The economic and financial crisis spanning 2008 and 2009, from which most European countries had started to emerge in recent months, has given way to a crisis in the euro area which was triggered by a specific episode, namely the Greek fiscal crisis, but whose systemic implications are proving most severe. In particular, the Spanish economy, along with that of other countries, has been seriously affected by these tensions and it is still too early to know whether the measures adopted in Europe to safeguard EMU and those currently under discussion will be capable of fully dispelling the doubts that have emerged in recent months over the soundness of this institutional framework. The responsibility of national authorities in this respect is also crucial.

In recent years the diagnosis by the Banco de España of the Spanish economy pointed to the presence of major imbalances, which had progressively built up in the long expansionary phase from the mid-1990s to 2007. These problems made it difficult to maintain a sustained growth rate in the medium and long term, and rendered our economy particularly sensitive to the adverse events that might occur. Accordingly, redressing these problems through resolute economic policy action, especially in the area of structural reforms, was unavoidable. Notable among these imbalances was the excessive concentration of resources in the real estate sector and high private-sector debt, which were compounded by the persistence of serious structural deficiencies in the functioning of the labour market. Under these conditions, the 2008 and 2009 recession had a most virulent effect on Spain. This gave rise to a very intense fiscal policy response which, along with the other expansionary economic policy measures, helped soften the adverse effects of the crisis on activity. However, the budget deficit rose to a very high level and did not prevent more severe job destruction than in other countries, despite the fact that the decline in output was on a similar scale. The excessive levels reached by both the budget deficit and the unemployment rate opened up additional fronts of vulnerability in our economy, which was particularly affected by its high dependence on external borrowing, despite the enormous correction the external imbalance has undergone in the past two years.

Against this background, the Greek crisis has undoubtedly had a contagion effect, exposing the weaknesses of the European institutional arrangements and the potential implications for the more vulnerable countries, Spain among them owing to the above-mentioned reasons. Given the scale of the challenges facing us, it is vital that the economic policy response be sufficiently ambitious and resolute, so as to speed the adjustment of the accumulated imbalances and to lay the foundations for a more stable and flexible economy. This would not only be to the benefit of the Spanish economy; it is also essential for the very stability of the common European project.

On this economic policy response will hinge the strength of the recovery, which in Spain's case has hitherto been very incipient and very reliant on temporary stimuli, that will tend to peter out in the short run. Even without the high degree of uncertainty surrounding us in recent weeks, the recovery would only be gradual and would take some time to attain a pace of expansion sufficient to generate employment, which underscores the need to act decisively to avoid prolonged low growth.

The *Annual Report* of the Banco de España addresses the current situation of and outlook for the Spanish economy in great detail. Accordingly, given the limited time for my testimony, I shall focus on three issues that are essential in my view in order to be able to exit the current situation and bring about a rapid return to sustained growth: fiscal consolidation; the steps that must be taken to set in place an efficient labour market that rapidly promotes job creation; and, lastly, the restructuring of the financial system, where substantial progress has been made in recent weeks.

Evidently, one fundamental challenge we face is the need to correct the strong deterioration of the budgetary position and ensure a rapid return to stability; otherwise, the expansionary momentum of public finances would become an obstacle to recovery. The challenge is an exceptional one since the budget deficit stood at 11.2% of GDP in 2009, up more than 13 pp of GDP in only two years, and there was a substantial increase in the public debt/GDP ratio, which stood at 53.2% in 2009, a level nevertheless below the European average. This marked fiscal deterioration is partly due to the functioning of the automatic stabilisers, the discretionary measures adopted, the strong inertia of public spending and, above all, the decline in revenue linked to the end of the real estate boom, which will be difficult to turn around in the future. This means that much of the fiscal imbalance is structural, and it must be checked urgently with highly ambitious consolidation measures that manage to reverse the trend of spending and build revenue back up.

In other circumstances it would probably have been feasible to reduce the budget deficit more gradually. But at present it is impossible to pursue such a strategy, in a setting in which investors are demanding a speedier return to a credible path of budgetary stability. Responding to this objective is the ambitious package of measures approved by the government on 22 May, complementing the initial consolidation efforts included in the State budget for 2010 and in the updated Stability Programme presented in January this year.

The authorities committed themselves in the updated Stability Programme to reducing the budget deficit to 3% of GDP in 2013, in line with EU requirements under the Stability and Growth Pact. The package of measures approved in May involves bringing forward to 2010 and 2011 a sizeable portion of the drive to reduce the deficit. As a result, a deficit target of 6% of GDP was set for 2011. This fiscal consolidation objective, entailing a reduction in the deficit of more than 5 pp of GDP in only two years, is exceptional. But it is also vital so as to clearly bring public finances back onto a path of stability and dispel the risks perceived in connection with our fiscal position.

This budget deficit target of 6% of GDP in 2011 should, moreover, be immovable and not conditional upon other factors, even though these are beyond the control of the authorities, such as lower-than-expected economic growth. The financial markets' perception of the likelihood of this objective being met will be a yardstick for the authorities' degree of commitment to pursuing an exit from this crisis, meaning this is the essential factor guiding decisions and budgetary conduct in the coming months. Accordingly, strict compliance with the target must be ensured, both through special budgetary monitoring and surveillance procedures and through additional measures that should be applied if deviations from the target are detected. Naturally, to be in a position to react promptly and effectively, the measures most suited to the objectives set and which least interfere with a return to sustained growth must be designed in advance.

Given the high decentralisation of public spending in Spain, the regional and local governments' participation in this austerity drive and their commitment to attaining budgetary targets

are vital. And I must say that the measures announced so far by most of these tiers of government do little to respond to the radical reduction in unproductive public spending that our economy needs.

As I said earlier, the recently approved fiscal adjustment measures were urgent, since they were vital to curb a situation of extremely high instability that might have had disastrous consequences. But there are other measures which, without having the same degree of urgency, are nonetheless more important, since their goal is to ensure medium- and long-term budgetary stability. Clearly, I am referring to the measures to reform our pension system. At an earlier date, the government tabled some proposals in the updated Stability Programme and, on this basis, the Toledo Pact Commission will set about work in the coming weeks. I do not wish to go into details here on the possible avenues of reform. But clearly, a combination of changes that were to raise the legal retirement age, the minimum number of years necessary to qualify for pension benefits and the period over which pensions are calculated would be optimal for ensuring the system's viability.

Pension reform will not entail a significant improvement in the budget deficit figures in the very short term, but it will exert a powerful influence on the recovery of confidence in Spain's economy and in its public sector's solvency, and that will translate into better financing conditions and sounder growth prospects. Therefore, I can but urge that discussions under the aegis of the Toledo Pact take place as promptly as possible, with the widest political consensus, as I believe this may be a key factor for dispelling the uncertainty we have been facing in recent weeks.

The fiscal consolidation programme and the measures adopted to reinforce the institutional arrangements of the Monetary Union are fundamental, but they do not suffice to return the Spanish economy to a path of high growth, particularly following the strong adverse impact the recession has had on all the European countries' potential growth capacity. Consequently, the other centrepiece of the response to the current emergency situation is to adopt a series of structural reforms conducive to the resumption of sustained growth in output and employment. These reforms, in turn, would contribute to progress in fiscal consolidation, as they would enhance the perception of the sustainability of public finances and would reduce the degree of sacrifice implicit in the necessary fiscal austerity that must be maintained in the coming years.

There are several fields in which the Spanish economy requires an overhaul of its structures, to make them more consistent with our membership of a monetary area and with a highly competitive and globalised world economy. Two such fields are the labour market and the financial system, on which I shall elaborate in detail later on in my address.

Correcting the inefficiencies weighing down on the functioning of our labour market is of paramount importance since, as the market is currently structured, the obstacles to gaining competitiveness and generating sustainable employment are patently clear. In particular, these shortcomings have meant that the adjustment of the economy in the recent crisis has fallen disproportionately on employment as a result, among other reasons, of the scant sensitivity of collective bargaining to the specific situation of firms. The extent of these rigidities is not merely cyclical; their effects are largely permanent as they force firms and workers out of the market, causing lasting damage to productive capacity and human capital.

Last week the government approved a series of measures aimed at correcting these inefficiencies, specifically at reducing duality in hiring and at reinforcing companies' internal flexi-

bility. To do this, it opted to amend some of the features of the system currently in place, albeit without altering its most substantial aspects. In particular, the collective bargaining system has remained outside the bounds of the reform; this limits its scope and effectiveness, since the interaction of bargaining with the labour hiring system is a key determinant of the labour market's adjustability.

Notwithstanding, the reform promises headway in terms of internal and wage flexibility that requires proper assessment, since it broadens the scope for firms in difficulty to negotiate wage conditions with their workers that are better suited to the actual situation and to help save jobs. As I have indicated on numerous occasions, had this possibility actually been available during the recent crisis, the labour market adjustment would not have fallen so severely on employment.

In parallel, in order to reduce the duality in hiring, certain measures have been adopted to increase the incentives for permanent hiring. These involve extending the possibilities of using stable employment-promoting contracts and the elimination of some of the causes that encouraged an unwarranted use of dismissals for reasons other than economic ones. The categories of workers that may avail themselves of permanent employment-promoting contracts have also been widened, and certain restrictions on temporary hiring have been introduced. The passage of the reform through Parliament should be used to add greater clarity to the wording of the permanent employment-promoting measures so as to rule out restrictive interpretations and boost its implementation. But the most debatable issue is the imposition of new restrictions on temporary hires, especially if permanent hiring does not improve sufficiently. In the current conditions, with more than 4.5 million Spaniards unemployed, all job creation opportunities must be kept open and not in the least impaired until the new channels for permanent hiring prove effective.

In short, the fiscal consolidation programme, the pension reform proposals and the labour market reform measures are three areas in which significant advances have been made by the authorities in the last few weeks, but in which much work remains to be done. Let me now move on to the area of reform which falls directly under the responsibility of the Banco de España, namely the restructuring of the financial system and, more specifically, of the savings bank sector, where there has been appreciable progress in recent weeks.

In the last few months a very significant portion of Spanish savings banks has concluded merger agreements with other savings banks, in what is the largest restructuring of the Spanish banking sector in a long time. These movements started with the creation of the FROB (the Fund for the Orderly Restructuring of the Banking Sector) in June 2009, nearly two years into the international banking crisis affecting the markets and financial systems of all developed countries, and to which Spanish financial institutions were exhibiting a marked resilience that most have maintained to date.

This new Fund responded to the need to downsize the Spanish banking sector, particularly the savings bank segment. After a prolonged period of growth, this segment had reached a size which, given the evolving demand for banking services, entailed a clear excess of capacity.

From an individual standpoint, the prolongation of the crisis affected the capacity of institutions to generate profits for the following reasons: an increase in non-earning assets (doubtful loans and repossessed real estate assets), the narrowing of margins due to a fall in income associated with rising non-earning assets and to a higher cost of funds, the decrease in business volume, etc.

Moreover, the high growth of previous years, due particularly to increased business with the real estate sector, had raised the dependence on wholesale debt markets, exposing savings banks to the liquidity risk associated with adverse developments in those markets. Compounding this is the intrinsic limitation of savings banks when it comes to raising core capital, a limitation which is important because the trend in both the markets and the prudential financial regulation currently under international revision is clearly towards stepping up requirements in this area.

Given the need to downsize this sector and the conviction that the productive structure of many banks had to be rationalised to hold efficiency at adequate levels in a sector characterised by growing competition, the time was ripe for the creation of the FROB, under whose auspices many savings banks have arranged their mergers or institutional protection systems (hereafter referred to by the Spanish acronym "SIP"). These two forms of action are equivalent insofar as their main effects are concerned, because in SIPs (which are agreements containing clauses to ensure stability) the capacity to define key strategies and policies is transferred to a central entity and the participating banks largely share their net assets and their liquidity, as well as pooling a high proportion of their profits.

The FROB has a second mandate: to participate in the restructuring of unviable banks, acting in this case secondarily to the traditional deposit guarantee funds (DGFs). This dual nature of the FROB and the consequent possibility that a distressed bank not involved in a merger or SIP process may undergo a crisis requiring the Fund to intervene (replacing directors and selling the bank or transferring its business to a third party) are an implicit incentive for banks to seek partners with which to conclude merger or SIP agreements.

The FROB has €9 billion in capital and €3 billion of funds from a debt issue and, if needed, it could raise up to €90 billion of funds from third parties.

Since the FROB was set up, a period of 12 months has practically elapsed. The end of this period is marked by the deadline of 30 June 2010 set by the European Commission notification of 28 January 2010 on how to apply the general framework envisaged in it. This time limit applies only to the FROB's competence to assist merger/SIP processes, not to processes of individual restructuring. At the present date, 38 of the 45 Spanish savings banks (39 including Cajasur, a bank awaiting a solution within the framework of the FROB) are involved in merger/SIP processes affecting 92% of savings bank assets.

Of the 12 merger/SIP processes, seven are planned with FROB aid estimated at a total of about €10 billion, and the other five without government assistance. Also participating in one of these processes is Caja Castilla-La Mancha, a bank seized by the Banco de España which received total aid of €3.8 billion from the deposit guarantee fund (DGF). The merger/SIP plans of these 12 processes have already been authorised by the Banco de España or are at the authorisation stage, except in one case in which three banks are participating in a project still under negotiation but which will not require FROB aid.

The operations involving merger/SIP plans with FROB aid envisage cuts of 20–25% in the number of offices and of around 15% in staff, which gives an idea of the scale of the measures proposed to improve bank efficiency. The bank structure rationalisation measures are an indispensable requirement for receiving FROB aid and are being included naturally in the other planned voluntary operations, since these measures are responsive to the need to achieve more soundness, more efficiency and more economic rationality.

In addition to these savings bank merger/SIP operations, it should be mentioned that in the three years of international financial crisis, only two savings banks saw their solvency deteriorate to such an extent as to require the application of precautionary special measures.

First, the directors of Caja Castilla-La Mancha were replaced by the Banco de España in March 2009 (before the FROB was set up). It received aid from the DGF totalling €3.8 billion, of which €1.3 billion consisted of preference shares and €2.5 billion were in the form of guarantees of asset value, as well as €350 million of bridge financing. This savings bank, following the agreements reached by it with Cajastur, has joined one of the 12 merger/SIP processes under way.

Second, CajaSur was subjected to compulsory restructuring due to lack of solvency and viability, following its failure to approve a merger with Unicaja, a sound and solvent project in which the two savings banks had agreed on a private solution for the failed institution. The FROB granted temporary aid through the subscription of €800 million of non-voting equity units and €1.5 billion in liquidity support, which so far it has not been necessary to use. Definitive arrangements are being worked out for this savings bank through a competitive process in which the aid finally granted will be defined.

At present, the provisional amount of the aid to be received by Spanish savings banks in this process is as follows. The FROB will furnish around €10 billion to strengthen own funds in merger/SIP processes. This amount has to be repaid within five years (extendable to seven years) and earns the market rate of interest (at least 7.75%). The figure is not final because four processes have yet to be authorised. In addition, Cajasur will receive the aid finally resulting from the competitive procedure.

Furthermore, the savings bank DGF, which is financed by contributions from savings banks, undertook to provide €3.8 billion to Caja Castilla-La Mancha.

These amounts, while substantial, are small compared with those provided by the taxpayers of other countries. Therefore, it is fitting at this point to recall that Spain is now enjoying the benefit of the decision in 1999 to oblige banks to record a general provision: since January 2008 our banks have used some €18.2 billion of this provision to cushion the impact of the crisis on their income statements. As can be seen, this amount is more than the sum of the funds used or to be used by the FROB and the savings bank DGF in the operations described above.

Thus the main decisions have already been taken on the required restructuring and downsizing of the savings bank sector. One task remains in connection with these banks: a legal reform to enable them to issue instruments eligible as top-quality own funds and to provide formulas conducive to improved governance and professionalisation of savings bank management.

The Banco de España's confidence in the soundness and competitiveness of the Spanish banking sector is based on the extensive information we have on the situation of each bank, obtained in the exercise of a supervisory function based on in-depth scrutiny and closeness to the supervised party. We also have the results of regular stress tests of the capacity of banks to cope with possible negative changes in the economic conditions in which they operate. At this moment, as the markets and some sectors of international public opinion are expressing distrust and reservations about the situation of several European financial systems, and particularly Spanish savings banks, the Banco de España has announced its decision to publish

the results of stress tests in order to ensure the highest possible transparency of the situation of Spanish banks. Since agreement has been reached in Europe to conduct and publish common stress tests, the Banco de España will join this initiative and, therefore, publish the results of the stress tests on Spanish banks as soon as this common framework allows.

The restructuring and reform of the financial system, together with the budgetary adjustment and the pension and labour market reform, are the most urgent measures needed to restore confidence in the Spanish economy. They should therefore be implemented immediately. But the agenda of reforms required by our economy to move back to steady growth of economic and social well-being and continue modernisation does not end there. There are still important tasks which have to be tackled in unison by all Spanish political, economic and social actors. And, having said that, I cannot conclude without underlining the Banco de España's firm commitment to contribute accordingly.

22.6.2010

1 Overview

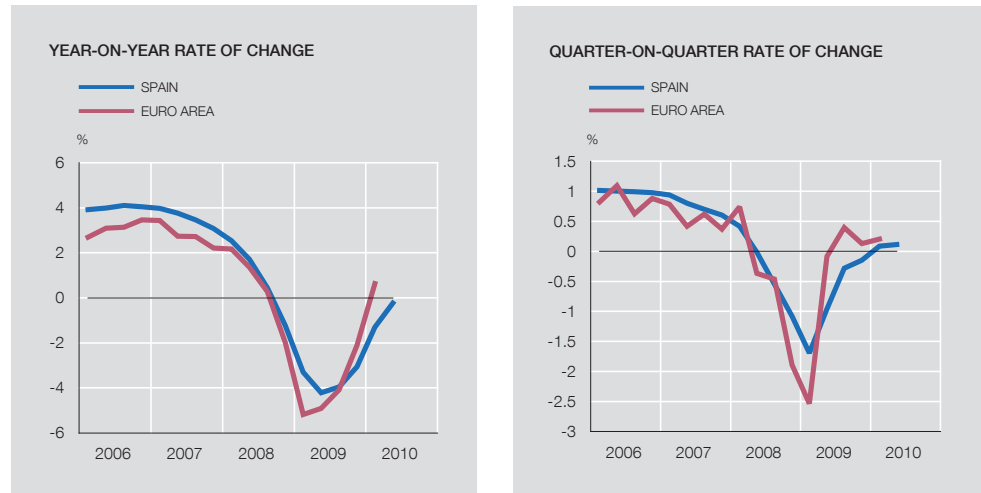
In 2010 Q1 there was a slight increase of 0.1% in the Spanish economy's GDP in quarter-on-quarter terms, following six consecutive quarters of decline. The year-on-year rate of change, which measures the conjunctural situation with something of a lag, showed a 1.3% decline. This was due to the fall-off in national demand (2.4%), which was partly offset by a positive contribution of net external demand equivalent to 1.2 pp of GDP.

Economic activity in Q2 held on a path of recovery similar to that in Q1, against a background of markedly volatile financial markets and an acute crisis in confidence, following the spread of the effects of the Greek fiscal crisis to other European economies. On the domestic front, economic developments were further marked by temporary factors. These included most notably the imminent conclusion of certain public programmes supporting spending, the rise in VAT scheduled for 1 July, which contributed to bringing forward some private agents' spending decisions, and the volcanic eruption in Iceland, which significantly affected air traffic. Finally, over the course of the past few months, the government took important policy measures in the fiscal, labour and financial fields, the contents of which are detailed elsewhere in this report.¹

Against this backdrop, the estimates made drawing on conjunctural data indicate that output is expected to have held at a moderate quarter-on-quarter growth rate of 0.2%, although in year-on-year terms, it is estimated to have declined by 0.2%. On the expenditure side, the fall in national demand slackened notably (-0.8% a year-on-year), chiefly as a result of the rise in private consumption, while the positive contribution of net external demand fell to 0.6 pp of GDP. On the supply side, the performance of all branches of activity was somewhat more favourable, albeit to differing degrees of intensity, as was the case with employment, the year-on-year rate of decline of which was cut. On EPA figures, employment fell by 2.5% and the unemployment rate rose slightly, to 20.1%, set against a pick-up in the labour force. The year-on-year rate of change of consumer prices rose during the quarter, up to 1.5% in June, mainly as a consequence of dearer energy, whereby core inflation stood at 0.4%. The leading indicator of the HICP for July showed a further rise, taking the year-on-year rate of the HICP up to 1.9%, due to the impact of the rise in VAT on final prices.

Turning to the international economic outlook, the worsening financial situation in Europe from end-April resulted in a serious confidence crisis that sharply affected several euro area economies, in particular those showing most vulnerability due to the rapid deterioration in their public finances or because of the scale of the imbalances they had built up. At the outset, tensions focused on the sovereign debt markets. But they subsequently spread to the stock, foreign exchange and banking system wholesale funding markets, where the loss of confidence gave rise to a severe problem of liquidity shortages. The intensity and complexity of this episode, which arose almost 3 years after the global financial crisis broke, has highlighted the presence of significant shortcomings in the economic governance of the euro area and the risks entailed by running up high fiscal deficits during prolonged phases of low growth, as has occurred in recent years.

1. Royal Decree-Law 8/2010 of 20 May 2010, adopting extraordinary budget-deficit-reduction measures; Royal Decree-Law 10/2010 of 16 June 2010 on urgent labour market reform measures; and Royal Decree-Law 11/2010 of 9 June 2010 on the governing bodies and other aspects of the legal regime for savings banks.



SOURCES: ECB, INE and Banco de España.

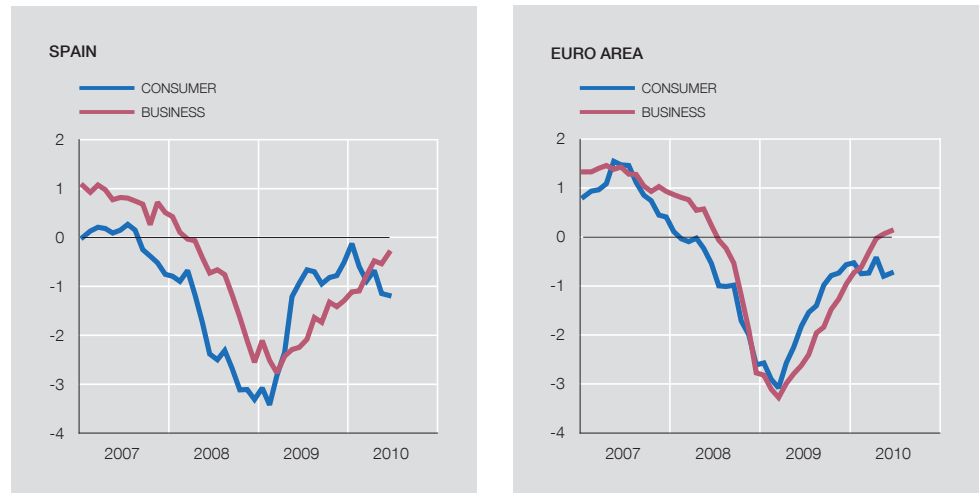
a. Seasonally adjusted series.

That said, the effect of this new bout of instability on international economic activity in Q2 was limited. The ongoing global economic recovery continued to be led by the emerging Asian countries, although the developed countries posted similar growth rates, on the whole, to those of the previous period. Inflation held at moderate levels. Inflationary pressures were greater in the emerging countries, giving rise to a progressive tightening of monetary policy in a growing number of them.

As a result of these events the world economy faces the coming quarters amid greater uncertainty, and the downside risks surrounding the outlook for recovery have been accentuated, especially in the euro area. Only the achievement of far-reaching headway in European governance, the success of the fiscal consolidation programmes undertaken and the implementation of ambitious reforms can provide any lasting relief to the tensions that have arisen, building on the improvement of recent weeks and preventing downside risks from materialising.

The European economic authorities reacted forcefully to the seriousness of the situation and deployed an array of unprecedented measures to safeguard the unity and financial integrity of the area. The European Council and the Ecofin resolved to set in place the European Financial Stabilisation Mechanism and the European Financial Stability Facility. Designed for crisis resolution in the euro area, the activation of these vehicles will be subject to strict terms of conditionality (see Box 3). In addition, new ways to strengthen EU and euro area governance were agreed upon, and the attendant three-pronged guiding principles will be developed in the coming months: stronger public finances commitments; the establishment of a new macroeconomic surveillance procedure to prevent the build-up of imbalances; and the development of crisis-resolution mechanisms. Lastly, measures were taken to shore up the European banking system through the extension of public support programmes, and it was agreed to conduct stress tests of European banks, the results of which were released on 23 July.

At the level of the Eurosystem, the Securities Markets Programme was temporarily adopted with a view to normalising the functioning of the public and private debt securities markets, the distortions in which were hampering the correct transmission of monetary policy. Further, support for liquidity was restored, through the reactivation of fixed-rate auctions for three-month liquidity injections and full allotment, the introduction of a new six-month auction and the re-



SOURCE: European Commission.

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

opening of liquidity lines denominated in dollars. Lastly, fiscal consolidation plans were reinforced at the level of national governments, taking immediate effect in some countries such as Portugal and Spain, and deferred to some extent in Italy, Germany and other euro area countries, where austerity plans will begin to be applied in 2011 (see Box 4).

Set against this background are the measures approved by the Spanish government on 20 May this year, which came into force on 1 June. These bring forward to 2010 and 2011 a significant part of the budgetary drive envisaged in the Updated Stability Programme for the period 2010-2013, and they introduce additional expenditure-cutting measures, many of them structural, including most notably the cuts to investment and civil servants' wages from 1 June this year, and a freeze on public-sector wages and pensions in 2011. Overall, this fiscal package entails a reduction in spending of somewhat over €15 billion (around 1.5% of GDP) between 2010 and 2011 (see Box 1). The deficit-cutting path has thus been set at 9.3% of GDP in 2010, 6% in 2011, 4.4% in 2012 and 3% in 2013.

As regards the labour market, the government approved on 16 June a series of provisions - currently in passage through Parliament - aimed at encouraging permanent hires and at increasing the internal flexibility of companies. In the financial realm, the Banco de España deemed practically complete the bank restructuring undertaken over the past year through the FROB. And to dispel the doubts still surrounding certain banking segments, which were heightening to some extent mistrust over the Spanish economy, the central bank announced its intention to publish the stress tests of all Spanish banks and savings banks. This initiative was assumed at the European level by the European Council held under Spain's presidency, and the results of the exercise, harmonised by the Committee of European Banking Supervisors, were published on 23 July. In the case of Spanish banks, the stress tests covered virtually all the financial system and were conducted in greater detail and with a high degree of transparency. Finally, a far-reaching reform of the regulation of savings banks was set in train, completing the restructuring of the sector and helping entrench a sounder capital base for these institutions. The adoption of this set of measures and most particularly the publication of the stress tests of financial institutions has helped ease significantly in recent weeks the tensions on financial markets.

Since late 2009 fiscal policy has progressively adopted a restrictive stance. The State Budget for 2010 included tax rises and some restraint in public spending in relation to the trend of the previous years. The regional government budgets for 2010 also entailed considerable spending restraint. Along these same lines were the multi-year targets contained in the Updated Stability Programme (USP), published on 29 January 2010, which laid out a significant budgetary consolidation path to 2013. Since releasing the USP, the government has set in train two packages of measures that specify part of the fiscal adjustment announced for 2010 and 2011.

On one hand, the government approved in March 2010 the so-called "Immediate Action Plan". This cuts public spending by €5 billion (0.5% of GDP) in 2010, affecting capital transfers, public investment, goods and services, and subsidies (see accompanying table). Further, it was resolved to reduce, without exceptions, public-sector vacancies in 2010 to 10% of the replacement rate and to hire no new stand-in staff.

On the other, the government approved Royal Decree-Law 8/2010 of 20 May 2010, adopting extraordinary measures to reduce the budget deficit. What are involved here are a series of far-reaching measures which, moreover, were accompanied by the bringing forward of the consolidation plans initially included in the USP. As a result, part of the fiscal drive initially envisaged to be made in 2012 is brought forward to 2010 and 2011, and the commitment to the new budgetary targets is strengthened. Accordingly, the general government deficit targets will be set at 9.3% of GDP in 2010, 6% in 2011, 4.4% in 2012 and 3% in 2013 (compared with 9.8%, 7.5%, 5.3% and 3%, respectively). The May package con-

tains a set of measures which, if applied in their entirety, would entail saving of somewhat more than €15 billion (around 1.5% of GDP) in cumulative terms between 2010 and 2011. The main spending items affected by the cuts are public-sector employee compensation, specific social benefits and public investment. A cut in current spending by the regional governments is likewise included.

In addition to the aforementioned measures with an impact in 2010 and 2011, on 28 May 2010 the government set a ceiling on State spending for 2011, in cash-basis terms, and which in homogeneous terms (excluding transfers from the Sufficiency Fund to the regional governments) would entail a decline of 7.7% in State expenditure in relation to the ceiling set in 2010. This limit could result in a further reduction in public spending of around 1% of GDP in 2011, according to European Commission estimates.

The measures taken are appropriate and a significant step towards attaining the budgetary targets set for 2010 and 2011. First, because they have been implemented as permanent cuts in public spending. In this connection, the composition of the adjustment, focusing chiefly on current expenditure, is appropriate. Second, because they are a step up from the fiscal targets initially set in the USP, meaning that two-thirds of the adjustment will be concentrated in the first two years of the consolidation path (2010 and 2011). Third, because the swift adoption of the measures has helped counter the financial markets' adverse expectations about the sustainability of public finances in Spain observed throughout May. Finally, the recently approved measures have made it possible to meet the requirements undertaken in the Stability and Growth

FISCAL CONSOLIDATION MEASURES Immediate Action Plan and 20 May 2010 Measures

EUR m and % of GDP

	EUR m		% of GDP	
	2010	2011	2010	2011
	1	2	3	4
IMMEDIATE ACTION PLAN (spending cuts)	5,000		0.48	
Goods and services	1,540		0.15	
Subsidies	210		0.02	
Investment	850		0.08	
Capital transfers	2,400		0.23	
20 May 2010 PACKAGE OF MEASURES	5,250	10,000	0.50	0.94
Cuts in wages and salaries	2,300	2,200	0.22	0.21
Saving from pensions freeze		1,530		0.14
Saving on aid and pharmaceutical spending	825	2,200	0.08	0.21
Cuts in local and regional government spending		1,200		0.11
Additional cuts in investment	2,125	2,870	0.20	0.27
TOTAL FISCAL CONSOLIDATION MEASURES	10,250	10,000	0.98	0.94

SOURCES: Spanish government and Banco de España.

Pact. As a result, the European Commission's assessment dated 15 June was positive in relation to the targets set for the horizon of 2013 and the fiscal drive envisaged to correct the current excessive deficit situation.

Nonetheless, the fiscal consolidation plan is subject to appreciable risks. For one thing, some of the measures announced have yet to be detailed, in particular those relating to the spending ceiling for

2011 and all those that affect the cuts to be made by the regional governments, especially for 2011. In this respect, the government should be prepared to apply further restrictive fiscal measures if the budget targets were in danger of not being met. Hence the monitoring of the budget outturn and the swift application of those measures already approved is crucial in the current circumstances so as to ensure the credibility of the adjustment path in the medium term.

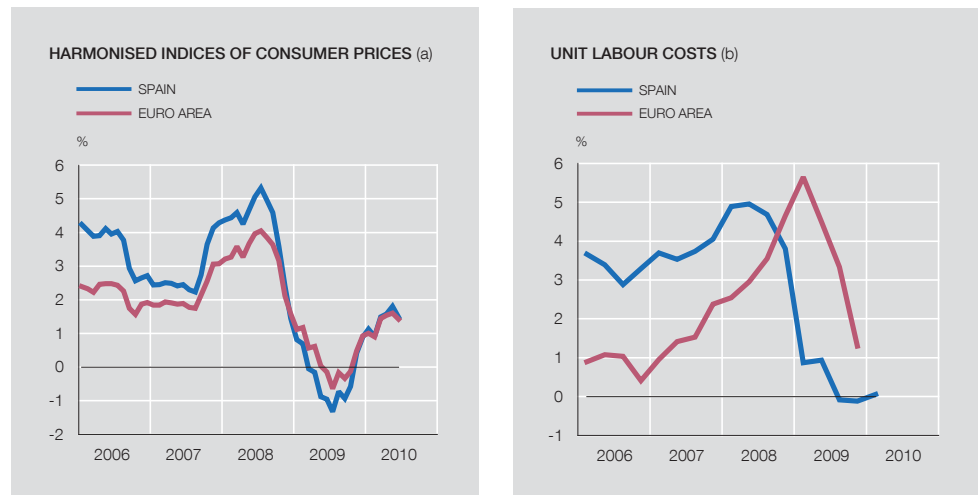
The euro area participated in the general recovery, boosted by the strength of world trade and, temporarily, by unusually high growth in investment in construction. The absence of medium-term inflationary pressures in a setting of muted economic recovery led the ECB Governing Council, at its meetings to August, to keep official interest rates unchanged. As a result, the MRO rate held at 1%, at which level it has remained since May 2009, while the rates corresponding to the marginal lending and deposit facilities held at 1.75% and 0.25%, respectively.

Under these circumstances, the external environment of the Spanish economy continued to improve, although the aforementioned bout of instability affected private-sector financing conditions, which turned more restrictive during the quarter. While bank borrowing costs for households and firms generally continued falling during Q2, both the costs for companies of short-term securities issuance and Spanish firms' credit risk premia on derivatives markets rose. Bank lending standards are expected to have tightened further over this same period.

Nonetheless, some slackening of tensions was detected during July, with appreciable declines in credit risk premia and in bond market yields, meaning that the interest rate spread on Spanish 10-year government bonds over the German bund stood below 150 bp in late July (after having peaked at 220 bp in mid-June), and the IBEX 35 was 2.1% down on end-March. Spanish Treasury tenders were favourably adjudicated, and certain private issuers returned to the markets (see Box 7). That said, the financing conditions facing credit institutions, companies and general government remain substantially more restrictive than those in previous quarters.

In these conditions, household consumer spending held on the recovering course of the previous months. A quarter-on-quarter rate of 0.7% has been estimated for Q2, which would place the year-on-year rate of change at 1.5%. This pick-up in household spending has prompted something of a turnaround in the trajectory of the saving ratio, which already fell slightly in Q1, following two years of successive rises, and wstands at 18.5% of disposable income on four-quarter cumulated data.

The effect of the direct-aid-for-car-purchase plan continued to boost this spending component, as did other temporary factors such as the digital switchover and the bringing forward of purchases ahead of the VAT rise, which boosted the acquisition of other consumer durables. As these effects peter out, the pace of consumption is expected to slacken, against a background of falling disposable income attributable to lower growth in wage earnings and to the lower contribution of other sources of income, in particular that stemming from general government, which is beginning to reflect the withdrawal of some of the stimuli applied during the recessionary phase. The restoring of confidence and a less uncertain outlook regarding labour



SOURCES: Eurostat, ECB and INE.

a. Year-on-year rate of change.

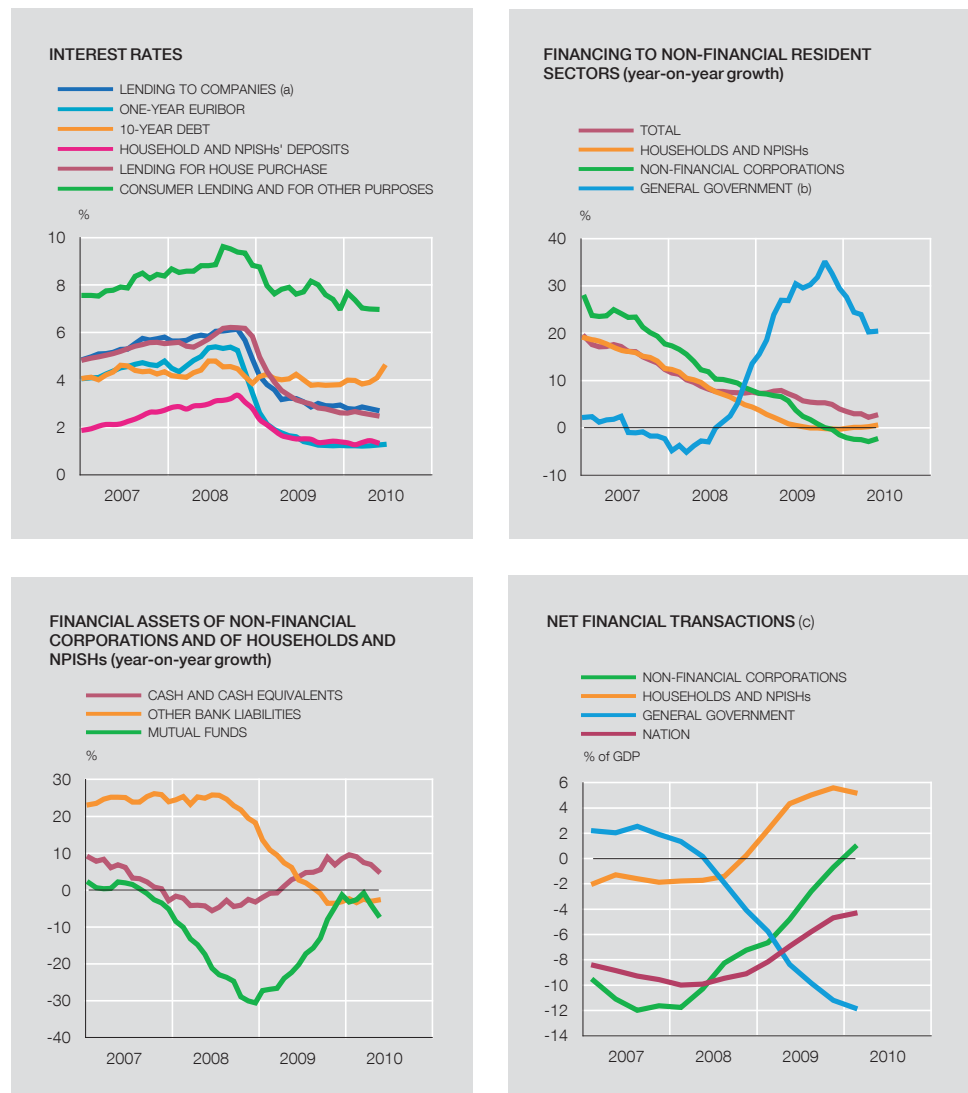
b. Per unit of output. Year-on-year rate of change calculated on the basis of seasonally adjusted series.

market prospects, in step with the labour reform under way, would be essential ingredients of a sustained recovery in consumption.

Residential investment remained immersed in adjustment, although its rate of decline eased slightly. It is expected to post a fall of 18% in terms of its year-on-year rate. As was the case in the opening months of the year, this development was consistent with some stabilisation of certain housing demand indicators, such as the number of transactions and that of mortgages. This may be linked to an improvement in the affordability indicators, and also to the bringing forward of property purchasing decisions given the foreseeable changes in indirect taxes and the elimination of tax deductions for habitual-dwelling purchases from January 2011. Possibly, these latter factors have borne on the recent slowing in the decline of house prices, the year-on-year rate of which stood in 2010 Q2 at -3.7%.

The containment of household spending continues to prompt an improvement in their lending capacity, which stood at a rate of 7.4% of GDP in Q1 on four-quarter cumulated data. That is consistent with a slight increase in the outstanding balance of credit to households, which grew at a year-on-year rate of 0.5% in May further to a moderate increase in lending for house purchases (0.9%) and a slight fall-off in credit for consumption and other purposes.

Despite the more expansionary behaviour of some domestic demand components and the pick-up in exports, business investment held on a contractionary course, albeit one somewhat slacker, amid marked uncertainty over accessibility to financing, surplus capacity and the need for some business sectors to deleverage. However, the year-on-year rate of investment in capital goods is expected to have turned positive once more, to around 2%, reflecting the expansionary impact of the plan to promote commercial vehicle purchases launched in June last year. The non-residential investment component performed somewhat more negatively, since it was also affected by the impact of the cuts to investment in infrastructure, the completion of the works executed under the State Fund for Local Investment and the potential delay in the start of the projects to be implemented under the (lesser funded) State Fund for Employment and Environmental Sustainability.



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.

The fall in non-financial corporations' investment and the improvement in their saving, via the sharp decline in interest payments, notably eased this sector's net borrowing, placing it at 1.2% of GDP in 2010 Q1 on four-quarter cumulated data. In parallel, on data for May, business-sector debt continued on a declining path at a year-on-year rate of 2%. In this setting, the return to a situation of normality on financial markets is vital for the recovery of this demand component.

Turning to general government conduct, the fiscal consolidation plans have begun to check the expansionary impulse provided by the public sector to aggregate demand, although the impact on public finances is still incipient. In the case of central government, the information available for Q2 offers some signs of an improvement in the State deficit owing to the reduction in wages and salaries and the rise in tax takings.

As regards foreign trade, the positive contribution of net external demand in Q2 (0.6 pp of GDP) continued to mitigate the fall-off in spending on activity, albeit to a lesser extent than in previous quarters. The pick-up in activity and in world trade, and the more favourable behaviour of competitiveness in terms of relative prices with our competitors, contributed to driving a sharp increase in exports. This development was accompanied by the more expansionary behaviour of goods imports, linked partly to the rise in exports but also to some improvement in industrial activity and to the recovery of certain domestic demand components, such as durable goods purchases, which might be as a result of the aforementioned temporary factors. When these factors have tailed off, imports may be expected to perform less dynamically, meaning that net external demand may play a greater role once again in terms of its contribution to growth, based on higher exports. To ensure this, perseverance is needed to entrench the improvements in cost- and price-competitiveness attained in recent quarters, and to underpin them with genuine productivity gains.

Trade in services continued on the recovering path seen in Q1. Tourism trended relatively favourably, despite the effects of the flights cancelled in April and May due to the volcanic eruption in Iceland (see Box 5). As a result, the ongoing correction of the nation's net borrowing continued in Q2, after having stood at 4.3% of GDP in Q1 on four-quarter cumulated data.

On the supply side, the year-on-year rate of decline of value added in the market economy eased once more, as did employment. This would have been consistent with a slight rise in productivity, estimated at 2.5% for the economy as a whole. Compared with the previous quarter, both value added in market services and industrial activity are expected to show positive growth, although in the latter case job destruction would have continued, unlike in services where, for the second quarter running, employment rose moderately. Construction performed similarly to the previous quarter, with sharper declines both in value added and in employment, as a result of the more contractionary behaviour of the non-residential building segment, for the reasons mentioned earlier.

The latest information on labour costs shows that the wage restraint observed early in the year is expected to have intensified in Q2. Wage agreements to June show average wage settlements of 1.3%. Overall, compensation per employee in the market economy is estimated to increase in Q2 by around 1%. And this, combined with the still relatively expansionary behaviour of productivity, is expected to prompt a decline in unit labour costs, markedly so in industry.

Wage moderation will foreseeably continue over the rest of the year, as collective bargaining outcomes are incorporated into newly signed agreements. These are still few in number, but include wage increases of around 1%, below those of multi-year agreements (1.4%). The measures taken to cut public-sector wages might exert something of a demonstration effect on private-sector wages. Using the means laid down by the labour market reform under way to provide for wage opt-outs by companies facing difficulties might also be of benefit in this connection.

Finally, inflation rose in Q2 to 1.6% on average for the quarter (1.2% in Q1). This is essentially due to the rise in energy product prices compared with a year earlier, when they posted markedly low increases. Core inflation held at a moderate level, with the CPI excluding energy and unprocessed food prices registering a rate of increase of 0.2% for the quarter as a whole, similar to that in Q1. The price differential with the euro area also held steady at 0.1 pp. Overall, price pressures remain contained in line with the relative weakness of the recovery in domestic spending. This factor will foreseeably lessen the extent to which the VAT rise passes

through to final prices, especially in those cases where the impact of the changes in indirect tax in the past was greater (energy and services). This pattern is decisive for entrenching the gains in competitiveness that are beginning to arise.

In sum, for the recovery the Spanish economy has embarked upon to take root - with growth rates that will remain sluggish for some quarters yet - will require the prompt and firm implementation of the fiscal consolidation plans to which the government has committed and of the approved or announced structural reforms, which are of pivotal importance for restoring confidence and boosting long-term growth.

2 The external environment of the euro area

The recovery on international financial markets was interrupted in 2010 Q2 due to the impact of the fiscal problems in the euro area, which gave rise to a strong increase in volatility, greater global risk aversion and investor flight to safe assets. Despite this market instability, the economic indicators released point to continuing vigour in the pick-up in the world economy in this period, albeit probably at lower rates than in the previous quarter and with notable divergence between the developed economies - which are recovering at a slower pace - and the much more dynamic emerging economies. In any event, the potential impact on activity of Europe's fiscal and financial problems comes at a time when private demand in the developed economies should take up the baton from fiscal stimuli and from the increase in inventories as the motor of the recovery, which adds uncertainty to the strength of the economic upturn. The recent unfavourable performance of the labour and housing markets in the United States and the loss of momentum in business surveys in many countries suggests some easing off in the pace of growth in the second half of the year; in the case of the emerging economies, the slowdown might be induced by the tightening of the monetary policy stance in these countries. Recent events have, moreover, influenced policymakers' exit strategies. In particular, they have precipitated the start of fiscal consolidation process in some countries, especially in Europe, and they have put back expectations of official interest rate rises in the advanced economies. All these factors make for a more uncertain outlook and one with greater downside risks for the world economy in the coming quarters, which may also affect global imbalances, as analysed in Box 2.

The behaviour of international financial markets during Q2 was characterised by a marked increase in instability, which has softened to some extent in July. At the start of the quarter the uncertainty over the euro area fiscal situation affected only the European market, but gradually took on a global dimension. Against this background, the government bonds of countries such as the United States and United Kingdom, but also of Germany, acted as safe-haven securities, showing declines in their long-term yields. This instability was exacerbated by the greater uncertainty over the strength of the recovery in economies such as the United States and China, and fed through to interbank markets, particularly to dollar-denominated operations, and to stock market indices, which fell clearly back, prompting an increase in volatility. Private-sector fixed income issues declined significantly (especially those of financial institutions), in contrast to their buoyancy at the beginning of the year. The economic authorities adopted various measures to address the financial instability, including most notably, outside the euro area, the reactivation of foreign currency swap lines. On the foreign exchange markets, the dollar appreciated over the quarter as a whole against the main currencies, in developed and emerging economies alike, the exception being the yen, which showed greater strength. In July, however, this trend has been partly reversed. Also of note was the greater flexibility announced for the Chinese foreign exchange regime, which abandoned parity with the dollar in mid-June, although the appreciation of the renminbi against the US currency was less than 1%. Finally, the emerging economies' financial markets moved in line with the mature markets, which made for a widening of sovereign spreads; once again, however, the indicators have improved appreciably in recent weeks.

Commodities prices underwent a correction, as a result of the bout of financial turbulence in May and the greater uncertainty over world demand, although some of the decline has recently been recouped. Brent oil currently stands at around \$75 per barrel, \$10 less than in late April.

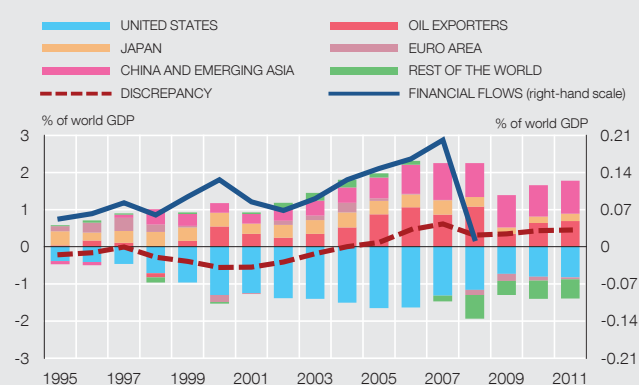
Global imbalances were considered as one of the factors of greatest risk to the world economy in the years prior to the crisis. Generally, such imbalances were believed to be unsustainable in the medium term and it was feared their correction might come about in a disorderly fashion, generating substantial financial instability. Global imbalances are associated with the presence of high and persistent current account deficits in specific economies, in particular the United States, the counterpart of which are very sizeable surpluses in a diverse number of countries, in particular China, other emerging Asian economies and commodities exporters (see Panel 1). The absolute value of current account balances, which accounted for less than 1% of global GDP in the mid-1990s, rose to 5% in 2008. The contribution of global imbalances to crises remains a controversial subject. While they were not a direct trigger, they were considered to have reinforced the financial excesses that resulted in the crisis. In any event, the post-crisis economic and financial adjustment has entailed the notable correction of these imbalances, which may largely prove transitory. The main determinants of global imbalances are set out below, along with a description of the impact of the economic crisis on their adjustment and an assessment of how they will behave in the medium term.

The build-up and persistence of global imbalances before the crisis was the outcome of a broad set of real and financial factors, and of

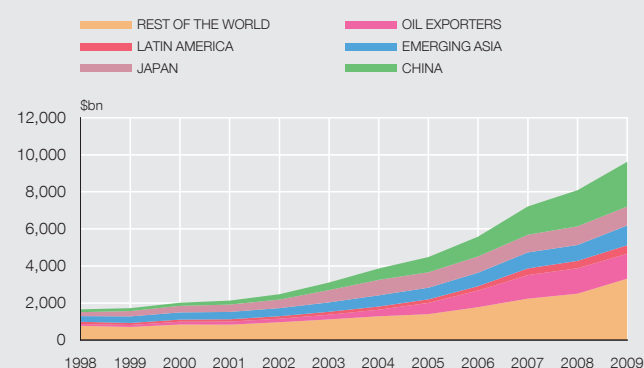
economic policy decisions, which combined over the course of these years in the world economy. Firstly, the growing dispersion of current account balances coincided with a strong increase in cross-border financial flows, as can be seen in Panel 1, in a phase of intense financial globalisation. The increase in foreign financing needs reflected the divergent movements in saving ratios and investment across the different countries. Thus, in the United States, whose current account deficit climbed to 6% of GDP - and 1.6% of world GDP - in 2006, the widening of the negative saving/investment gap in recent years was due to a gradual decline in private saving (associated with a growth pattern characterised by highly dynamic consumption), which was accompanied by a deterioration in the budget deficit (see Panel 3). The main counterpart of this was the substantial current-account surplus in China and the emerging Asian economies, which reached 1% of world GDP in 2007, the reflection of a very high and growing saving ratio that was not matched by the dynamism of investment (see Panel 4). More recently, in 2007 and 2008, the high prices of oil and other commodities contributed to widening notably the current-account surpluses of the exporting countries of these products. Such surpluses came to account for 1.1% of world GDP in 2008, giving rise to a parallel deterioration in the current account balances of importing countries.

Certain economic policies proved conducive to the persistence of global imbalances. In the emerging economies, there was a build-up

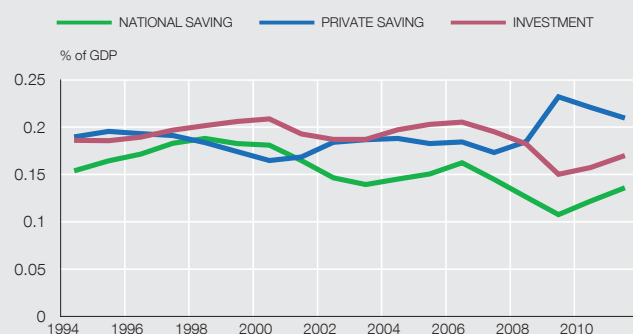
1 CURRENT ACCOUNTS AND GROSS FINANCIAL FLOWS (a)



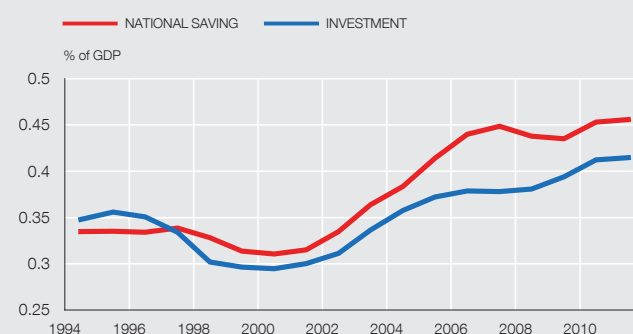
2 INTERNATIONAL RESERVES



3 US SAVING RATE AND INVESTMENT. PERCENTAGE OF GDP (a) (b)



4 SAVING RATE AND INVESTMENT IN EMERGING ASIA. PERCENTAGE OF GDP (a) (b)



SOURCES: World Economic Outlook (April 2010) and International Financial Statistics.

a. 2010 and 2011. WEO projection.

b. National saving is the sum of public saving and private saving.

of reserves (see Panel 2), arising partly from a precautionary motive, but also - and most especially so in the case of China - from the wish to maintain exchange-rate stability and to preserve an export-led growth model. Many oil exporting countries also adopted fixed exchange-rate policies, although the accumulation of external assets in these cases materialised through sovereign wealth funds. Consequently, a notable set of emerging economies routed their external financing to deficit-running countries, in particular the United States, investing in publicly owned assets.

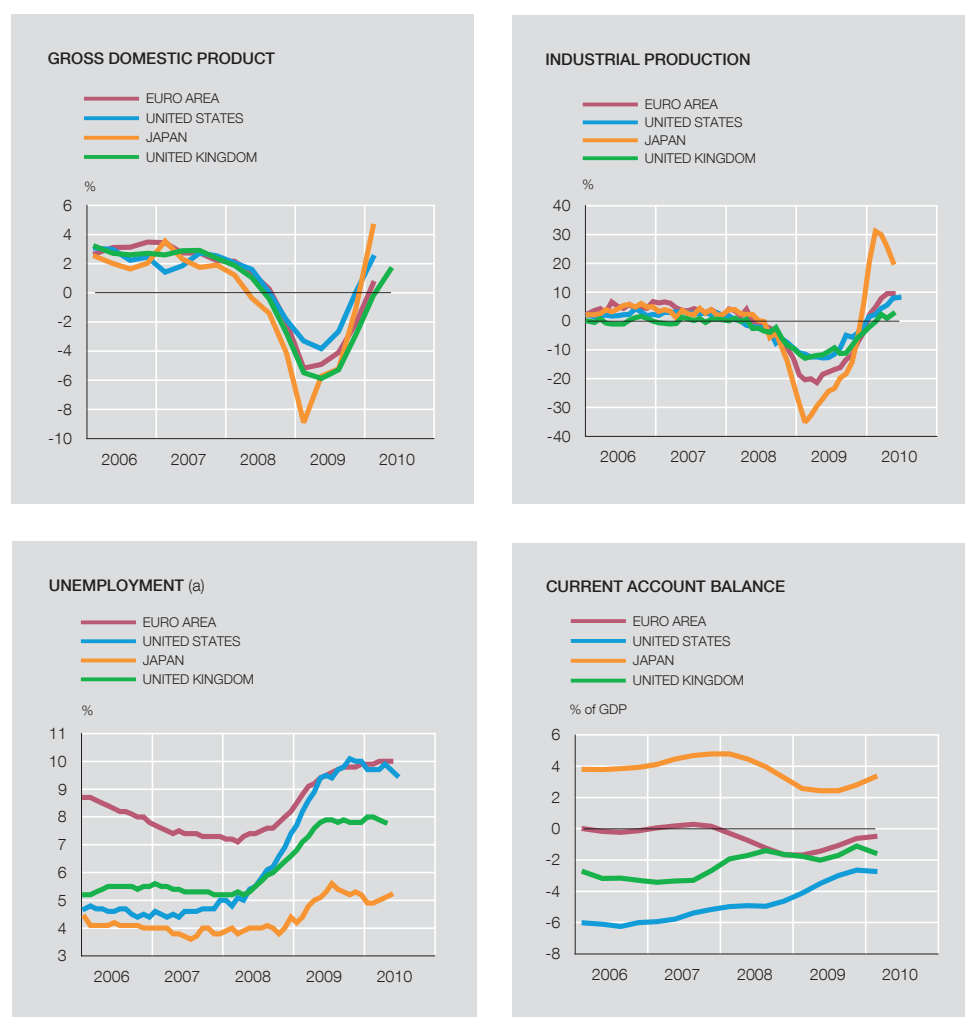
The economic and financial crisis has prompted a partial correction of global imbalances, which edged down to account for somewhat more than 3% of world GDP in 2009, 2 pp less than the previous year, but still 2 pp more than in the mid-1990s. The collapse in world demand and in trade flows, and also in commodities prices, were the main factors of adjustment. In the United States, where the correction had begun before the crisis, the external deficit narrowed to 2.6% of GDP in 2009 (0.65% of world GDP), while in the oil exporting countries the surplus narrowed by 70%, coming to account for only 0.3% of world GDP; in China, the reduction was smaller, at 30%, whereby its surplus accounted for 0.5% of world GDP. From a more financial perspective, during the crisis there was a fall-off in international capital flows (a trait of financial crises), a decline in investment and a significant increase in private saving in the developed economies, which was more than offset by the strong rise in public dissaving in most of these countries.

Some of the factors behind the reduction in global imbalances are associated with the strong economic and trade contraction; accordingly, some increase in imbalances is expected with the recovery

and the foreseeable reactivation of capital flows. In any event, they are not likely to recover their high pre-crisis levels. And domestic private demand in the developed economies is thus not expected to be as buoyant as it was before the crisis. Indeed, there has been a notable increase in the private saving ratio in the United States (see Panel 3) and in other countries, as a response to the heavy prior indebtedness, and the high budget deficits that have built up during the crisis will impose a restrictive bias in the medium term on the developed economies. Nor is it likely that oil and other commodities prices will regain their pre-crisis levels. On the other hand, however, the financial crisis may have reinforced the precautionary motive-led reserves-accumulation strategy, a factor that might lead imbalances to widen. The potential impact of the recent fiscal problems in the euro area is difficult to gauge. Were they significantly to impact external and commodities demand in the area, that would slow the widening of surpluses in the countries running them, while the depreciation of the euro against the dollar may adversely affect the US current account deficit. Lastly, there are doubts as to whether the limited added flexibility of the exchange rate in China will substantially change exchange-rate policy and support the correction of China's extensive external surplus.

In sum, global imbalances will foreseeably widen in the recovery phase, albeit on a lesser scale than before the crisis. Significantly, moreover, the imbalances are now of a substantially different nature: countries with a surplus have shifted from financing heavy private debt in deficit countries to covering the high borrowing needs of their public sectors, which will absorb a notable amount of financial resources over a prolonged period of time.

In the *United States*, the rise in GDP in Q2 showed quarterly growth of 0.6% (3.2% year-on-year), thanks to the positive contribution of investment (including its residential component), private consumption and public spending, and despite the smaller contribution of inventories and the strongly negative contribution of external demand. The figure entails a slowdown in growth of 0.3 pp on Q1. The latest indicators revive doubts about the strength of the recovery, given the sluggishness of the figures for private consumption, employment and the residential real estate market. Retail sales fell in May and June, while consumer confidence plummeted in early July. The employment figures for May and June, once new hires to conduct the census were stripped out, were very disappointing, despite the 0.2 pp fall in the unemployment rate to 9.5%, derived from a reduction in the labour force owing to a discouragement effect. The residential real estate market fell once again in Q2 once tax relief for house purchases was removed at the end of April, and there were further reductions in housing starts and house sales. Turning to consumer prices, the inflation rate declined by 0.9 pp in June to a year-on-year rate of 1.1%, while core inflation held at 0.9%. Against this backdrop, the Federal Reserve left its official interest rate unchanged - between 0% and 0.25% - at its June meeting, and reiterated that it would hold it at a lower level for a prolonged period, depending on developments in the economy. FOMC projections revised down expected growth in 2010 and raised the forecast for the unemployment rate for 2011 and 2012. Lastly, the Financial Reform was finally approved. This legislation substantially amends regulatory and supervisory arrange-

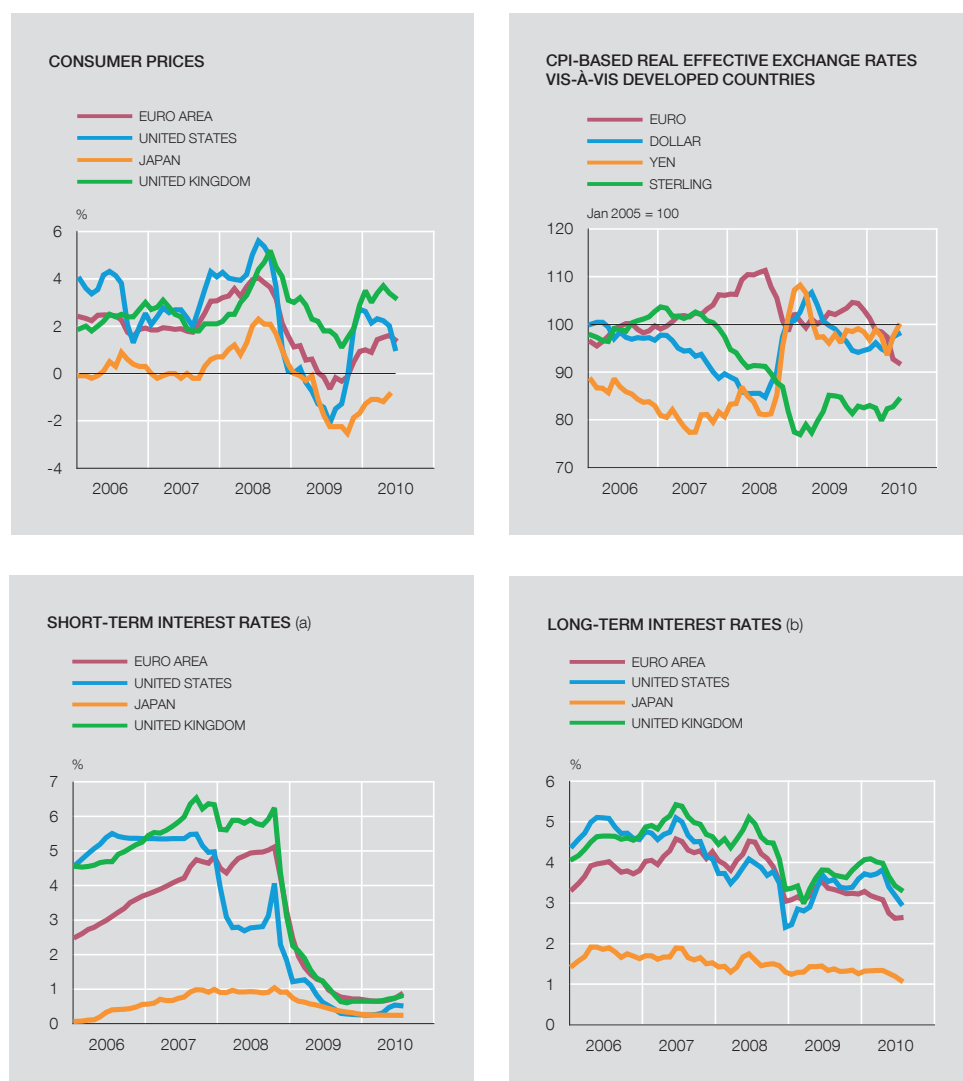


SOURCES: Banco de España, national statistics and Eurostat.

a. Percentage of labour force.

ments governing financial institutions and the capital markets, although much of its content is still pending implementation.

In *Japan*, GDP in Q1 grew at a quarterly rate of 1.2%, slightly down on 0.9% the previous quarter and raising year-on-year growth to 4.6%. Underpinning the expansion was the momentum of exports and stockbuilding, while consumption moderated. The economic indicators point to a slowdown in Q2, owing to the diminished thrust of exports and the progressive phasing out of fiscal stimuli, despite the fact that the confidence indicators continue emitting positive signs. Turning to the external sector, the trade surplus narrowed in May as a result of the appreciation of the yen. The labour market worsened during the quarter and the unemployment rate rose by 0.3 pp to 5.3% in June. Consumer prices continued falling year-on-year to a negative rate of -0.7% in June, 0.4 pp less than at the end of Q1. In this context the Bank of Japan held its official interest rate at 0.1%, and approved a new temporary facility to stimulate the granting of bank credit to projects aimed at increasing the economy's potential growth. Finally, the new government announced a fiscal consolidation programme with the aim of restricting the issuance of public debt and achieving a balanced budget in 10 years, although the details have not been specified.



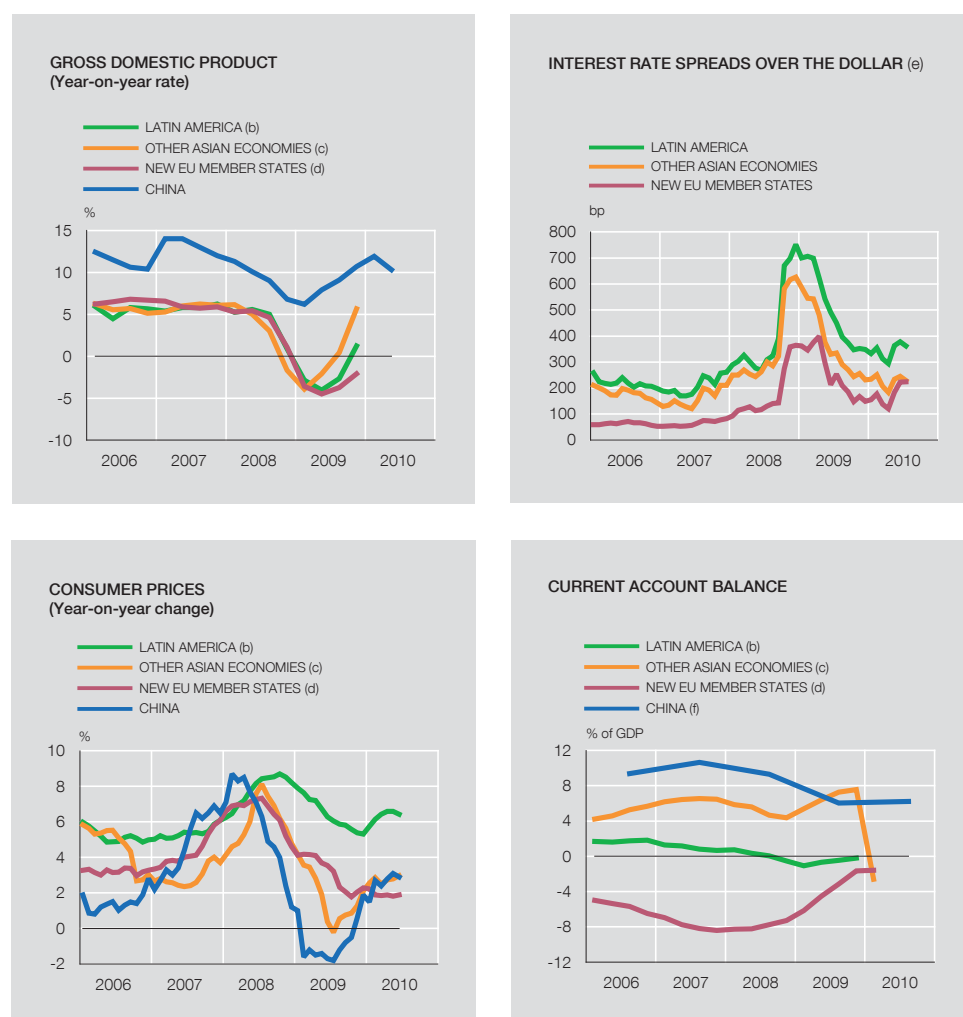
SOURCE: Banco de España.

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

In the *United Kingdom*, the final estimate of GDP for 2010 Q1 placed growth at a quarterly rate of 0.3% (-0.2% year-on-year), although the increase in GDP in Q2 points to a significant acceleration, with quarterly growth of 1.1%. This figure is higher than expected, given that the recent indicators of output, business sentiment and consumption have been somewhat slack, while the external sector showed signs of sluggishness. There were no significant changes in the labour market, although the unemployment rate fell slightly to 7.8% in June. There was an easing of prices in June in the real estate market, probably induced by the slowdown in demand and the sound growth of supply. Inflation was down 0.2 pp in June to 3.2%, following the rise in the opening months of the year, due in part to temporary factors such as the rise in VAT rates. Against this background, the Bank of England held its official interest rate unchanged at 0.5%, and did not make any further extensions to its asset purchase programme. Finally, the new government unveiled a budget envisaging a fiscal adjustment of 8 pp of GDP over the next five years, and plans for financial reform in which the central bank is given more powers in macroprudential regulation and the Financial Services Authority (FSA) is phased out.

**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.

In the *new EU Member States* not belonging to the euro area, GDP grew at a year-on-year rate of 0.5% in Q1, following four consecutive quarters of declines. Activity was boosted by exports, except in Poland, where growth was underpinned by private consumption. Nonetheless, there are notable differences from country to country, with GDP growth in Poland, Hungary and the Czech Republic, and declines - albeit more moderate - in the remaining countries. The indicators for Q2 suggest a gradual recovery in industrial output, while signs are emerging of a pick-up in private consumption in some countries. As to the external sector, most countries posted current account surpluses, thanks to the sound behaviour of the trade balance. Over the course of the quarter, inflation held at a moderate rate and, in June, stood at 2.7% year-on-year for the region on average. Official interest rates held stable, except in the Czech Republic, where they were surprisingly cut in early May to 0.75%. Finally, in the institutional realm, on 13 July Ecofin approved the adoption of the euro by Estonia. Entry is scheduled for

1 January 2011, with a conversion rate of 15.6466 kroons per euro, its current Exchange Rate Mechanism II currency board rate.

In *China*, GDP grew at a year-on-year rate of 10.3% in Q2, easing from 11.9% in Q1. This slowdown came about partly due to the measures aimed at moderating the excessive dynamism of the real estate market and local government investment. On the external front, exports grew notably during the quarter after slowing in Q1, while the growth rate of imports eased, contributing to an increase in the trade surplus. Inflationary pressures moderated at the end of the quarter and inflation dipped by 0.2 pp in June to 2.9%. The central bank further increased banking reserve requirements, which may have contributed to the slight slowdown in bank lending. Moreover, as indicated, greater flexibility was provided to the exchange rate against the dollar, resuming the regime prior to the 2008 crisis, with a daily fluctuation band of + 0.5% against a basket of currencies. In the *other main Asian economies*, economic activity was very buoyant with India, South Korea and Singapore posting notable GDP growth in Q1. Economic indicators suggest the pace of growth will be maintained in Q2. Inflation rose moderately in the main countries of the region and remained very high in India. That led to the first rises in official interest rates in Taiwan, South Korea, Thailand and India, where reserve requirements were also increased.

In *Latin America*, GDP grew at a year-on-year rate of 5.5% in Q1 (1.4% in the previous quarter), driven by domestic demand and despite the fact that the contribution of external demand turned negative. In quarter-on-quarter terms, growth eased, due partly to the contraction in Mexico and despite the acceleration in Brazil and Argentina. The indicators for Q2 generally point to continuing buoyant activity, with the exception of Brazil, where some signs of slowing - from very high rates - are perceptible, and of Venezuela, which is expected to continue to post negative rates. Inflation across the region as a whole held stable, at around 6.6% year-on-year, with a generalised rise in most countries, except in Brazil and, especially, Mexico. Many central banks tightened their monetary policy stance; interest rates were raised in Peru, Chile and Brazil (which had already begun to tighten the previous quarter) and there were increases in reserve requirements in Peru, where sizeable exchange-rate interventions were made to restrain the appreciation of the exchange rate. In Argentina, the new unpaid debt swap was concluded, after which over 90% of the 2001 default has been restructured. Following this operation, the credit rating agency Fitch deemed that Argentine sovereign debt is no longer in a position of partial default. Finally, Colombia introduced a fiscal rule whose aim is to pursue a countercyclical policy and stabilise the effects on the budget of changes in oil prices.

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

During the second quarter of the year, there was a marked increase in the severity of the financial market turbulence in the euro area. Delays in addressing fiscal sustainability issues in Greece led to strong tensions in government bond markets, which initially spread to the more vulnerable economies owing to the rapid deterioration of their public finances and/or the size of their accumulated imbalances. However, the contagion was not confined to these countries, but spread to stock and foreign exchange markets and the financial system of the entire euro area on account of the exposure of a large number of European financial institutions to sovereign bonds issued in these countries. Moreover, the loss of confidence among international investors limited access to the wholesale funding markets, whereby the financial system, which channels the necessary external resources to households and firms, faced a serious liquidity problem.

Given the seriousness of the situation, the European authorities decided at a meeting on 7 May to adopt unprecedented emergency measures to safeguard the financial unity and integrity of the euro area. First, the Ecofin Council of 9-10 May established two new financing arrangements – the European Financial Stabilisation Mechanism and the European Financial Stability Facility – to assist Member States if they encounter difficulties in accessing the capital market. The arrangements are subject to strong conditionality. To date, it has not been necessary to activate these arrangements, which if warranted could be topped up with an additional contribution from the IMF (see Box 3). Second, the ECB, which kept the official interest rate at 1% on its main refinancing operations, again boosted the supply of liquidity and launched, as a temporary measure, the Securities Markets Programme to restore the correct functioning of public and private debt securities markets, whose distortions were hampering the monetary policy transmission mechanism. Significant progress was also made in the fiscal area and in structural reform. In particular, Greece, Portugal and Spain brought forward and considerably stepped up their fiscal consolidation plans, introducing some structural reforms, while Italy, Germany and other euro area economies started setting out their own austerity programmes, scheduled for introduction from 2011 onwards (see Box 4). Similarly, as explained in Box 3, important steps were taken in the reform of European governance to improve the mechanisms for the detection and correction of macroeconomic and fiscal imbalances. Last, the publication on 23 July of the bank-by-bank results of the stress tests on 91 EU financial institutions confirmed the overall resilience of the banking system to negative macroeconomic and financial shocks and was an important step towards restoring confidence to the markets.

The gradual introduction of all of these measures ultimately marked a turning point in the course of the financial tensions. In July sovereign debt spreads started to narrow, although they remain at high levels, and the euro appreciated against other currencies from its low mid-June levels. Similarly, more precise details of fiscal consolidation commitments eased investor concerns, as reflected in the success of all government debt issues.

Against this background, euro area growth is expected to be stronger in Q2 than during the winter months and to slow somewhat in the second half of the year, as a consequence of fiscal consolidation efforts being brought forward in some countries and a forecast loss of momentum in world trade due to the gradual withdrawal of the non-standard measures introduced in response to the crisis. The euro area rate of inflation stabilised during Q2 and inflation expectations remain firmly anchored below 2%. The weakness of domestic demand and continuing

The sovereign debt crisis has highlighted deep-seated weaknesses in the supervisory mechanisms designed to safeguard euro area macroeconomic and financial stability. It has also necessitated the introduction of new instruments to address the exceptional events of recent months.

In late April and early May, the expansive wave from the Greek crisis began to take on unexpected proportions. As it spread to other euro area economies, far-reaching emergency measures, listed in the table below, became necessary. Initially, efforts targeted the Greek liquidity crisis. On 2 May, the countries of the euro area set up a three-year financial assistance programme for Greece, with the commitment of extending bilateral loans for up to €80 billion. This amount can be increased by an additional contribution of €30 billion from the IMF. The first payment was made in mid-May, once the Greek authorities had adopted an ambitious and credible fiscal consolidation programme approved by the IMF, European Commission (EC) and European Central Bank (ECB).

Nevertheless, given the heightening and spreading of tensions in sovereign bond markets, the Ecofin Council meeting of 9-10 May decided to establish a more effective mechanism to provide financial assistance to any euro area member country in need, capable of mobilising up to €750 billion (over 8% of euro area GDP). This instrument comprises three elements. First, the European Financial Stabilisation Mechanism (EFSM), on which any euro area member country in need can call, has a fund of €60 billion which the EC will raise on the capital markets. Second, a company under the name of the European Financial Stability Facility (EFSF) was set up with the aim of granting loans to euro area countries in financial difficulty, up to a maximum of €440 billion, which the EFSF will obtain through bond issues. These loans will be guaranteed by those euro area member countries not benefiting from the assistance in proportion to their share in the capital of the ECB. To ensure the maximum credit rating for bonds issued by the EFSF, each euro area country will guarantee 120% of its share in each of the company's securities issues and, additionally, will set up a liquidity reserve. The EFSF has been functioning since the end

of July, since over 90% of the member countries have already officially approved their participation in this facility, and it is expected to remain in place for three years. Finally, the IMF made a commitment to contribute additional funds to this assistance mechanism, amounting to at least half of the total contributions of the EU Member States (up to a maximum of €250 billion). Recourse to these funds is subject to strict conditionality hinging on the introduction of fiscal adjustment and structural reform measures.

These financial solidarity measures among euro area member countries were accompanied by a very active response from the ECB (discussed in detail in the main text of this Report) and a major commitment to fiscal consolidation by European countries (see Box 4), thus containing the spread of the tensions. However, the critical situation over recent months highlighted the need to fully overhaul governance in the euro area in order to prevent the emergence of situations that jeopardise euro area financial stability and, were they to materialise, to offer a more rapid and structured response.

European institutions are making considerable progress in this area, with the creation of a working group within the European Council in April (Van Rompuy Task Force), with the support of the EC, ECB and all EU Member States, in an attempt to establish a more robust political architecture for the euro area and the EU. This group will present its final conclusions in October. In the meantime, its work is already very advanced, as indicated by the Commission's communication of 30 June, which sets out a series of specific reform proposals and a road map for their introduction.

The reforms proposed thus far focus on the review of the supervisory mechanisms and are likely to involve, specifically, a strengthening of the Stability and Growth Pact (SGP) and a widening of surveillance to macroeconomic imbalances and competitiveness divergences of Member States. In the fiscal area, it is proposed that government debt should again have the relevance it was originally given by the Pact, on account of its close relationship to the sustainability of public finances. Consequently, countries with levels of debt above 60% of

RECENT EURO AREA AND EU ECONOMIC POLICY DECISIONS

DATE	INSTITUTION	DECISION
11 February	Heads of State or Government	Commitment to take measures necessary to safeguard euro area financial stability
25 March	Heads of State or Government	Establishment of principles of future financing mechanism for Greece. Bilateral loans between member countries and IMF
11 April	Eurogroup	Agreement on specific terms of possible financial support to Greece
2 May	Eurogroup	Approval of Greek support programme
3 May	ECB	Suspension of application of minimum credit rating threshold applicable to Greek marketable debt
7 May	Heads of State or Government	Euro area governance and structural reform drive
9-10 May	ECOFIN	European Financial Stabilisation Mechanism
10 May	ECB	Securities Markets Programme
12 May	European Commission	Presentation of first proposal for governance reform
7 June	Eurogroup	European Financial Stability Facility
10 June	ECB	Publication of contribution to governance reform
30 June	European Commission	Announcement with more specific proposals for governance reform

SOURCE: Banco de España.

GDP will be subject to the Excessive Deficit Procedure (EDP), unless the variable is declining at a satisfactory pace (as measured against a yet to be set numerical target). Furthermore, an extension of the system of sanctions and incentives is proposed, whereby they will kick in more automatically, even in a pre-emptive capacity, when progress towards compliance with medium-term objectives is not satisfactory. In the case of countries subject to the EDP, the Commission upholds the suspension and subsequent cancellation of financial commitments associated with structural, agricultural and fishing funds, which make up most of the EU's budget, for those countries that fail to comply with the recommendations. Finally, to provide an incentive for compliance with the SGP while respecting the national sovereignty of fiscal policies, the Commission will make a proposal in September establishing the minimum requirements to be met by national fiscal frameworks (fiscal rules, multiannual budgetary programmes), with the recommendation that they apply to all tiers of government.

For the surveillance and correction of macroeconomic imbalances, a scoreboard of economic and financial indicators will be created. These indicators will include the current account balance, real effective exchange rates measured using unit labour costs and the GDP deflator, net external assets, house prices, government debt and the private sector credit/GDP ratio. Nevertheless, given the complexity in establishing the target or reference values for these indicators, the situations of those countries with larger imbalances will be analysed in greater depth, incorporating other relevant criteria, and on this basis the necessary recommendations will be made. In the most extreme cases, the country will be placed in an "excessive imbalances position", triggering a procedure of closer supervision by the Eurogroup and the European Council and leading to the issuance of more

detailed economic policy recommendations. Meanwhile, the country will be required to report regularly to Ecofin and the Eurogroup on its progress in implementing reforms. The functioning of this mechanism will be consistent with the outcome of the surveillance of structural reform in the Member States conducted by the Commission within the framework of the Europe 2020 strategy, using as a basis the National Reform Programmes (NRPs).

All these changes will be integrated into the "European semester", which will be launched in 2011 and will foster the ex ante coordination of national policies with European objectives. The Semester will start in January each year with the publication by the European Commission of a report entitled "Annual Growth Survey", in which economic issues of relevance to the EU and euro area are reviewed, and will continue in April when the Member States submit their Stability and Convergence Programmes and NRPs to the European Council. The Council's response will be given in July, with the publication of country-specific economic policy guidelines which should be taken into account in the national government budgets for the following year.

In addition to strengthening the surveillance mechanisms, consideration is being given to the possibility of establishing a permanent crisis management mechanism to tackle a possible restructuring of debt by a Member State. The design of this permanent mechanism is still pending discussion by the Working Group, but there is a broad consensus that the financial assistance provided through it will necessarily be subject to a strict conditionality to ensure that the correction of imbalances is addressed with sufficient resolve and to minimise situations of moral hazard.

tight credit standards point to a slow, uneven economic recovery, with growth rates of less than 1.5% forecast for 2011. Furthermore, the downside risks to this scenario have increased owing to the possible effect that a new crisis episode may have both on the confidence of households and firms, although for the moment no noticeable impact has been observed, and on financing conditions in the economy. Progress in the areas of fiscal consolidation, structural reform and euro area governance – details of which will be provided in October – is key to restoring the correct functioning of financial markets, to reducing to a minimum the probability that the downside risks eventually materialise and to laying the foundations for more robust growth.

3.1 Economic developments

According to the second National Accounts estimate for 2010 Q1, euro area GDP rose by 0.2% over the previous quarter (see Table 1). This increase was chiefly attributable to the positive contribution from stockbuilding and, to a lesser extent, to favourable developments in government consumption, exports and investment in capital goods. Conversely, private consumption declined slightly, while construction investment fell sharply owing to the bad weather. Imports quickened, causing net external demand to subtract 0.5 pp from the GDP growth rate, despite the vigour of exports (see Chart 8). The sectoral breakdown of value added also reflects the delays in activity in construction, the only sector to experience a negative quarter-

The severe tensions in the sovereign bond markets during April and May have substantially upset the pace of the design and implementation of fiscal consolidation plans in some euro area countries.

Greece was the first to step up its efforts, amid a crisis of confidence that took its economy to the brink of economic collapse. The situation was such that it required the activation of a financial assistance package under very stringent conditions, including the requirement to draw up a credible and ambitious fiscal consolidation plan. Thus, having already submitted three successive packages of measures in the course of 2010 Q1, on 2 May – immediately after the Eurogroup meeting approving the terms of the assistance mechanism – the Greek government presented an aggressive consolidation plan, this time with realistic targets and more specific measures. The implementation of the plan will be reviewed quarterly by the EC, ECB and IMF. The government's new budgetary targets envisage a deficit reduction of 11 pp of GDP between 2010 and 2014 (see accompanying table), one of the biggest such reductions in the developed economies in recent decades. To achieve this goal, the Greek government plans to introduce important discretionary measures which create sufficient leeway to counter the impact that the contraction in GDP is having on tax revenue. Almost half of the consolidation drive is planned for 2010, when the deficit is expected to drop by more than 5 pp of GDP. The measures introduced rely heavily on expenditure cuts in the form of a pension and public sector wage freeze for the next three years, restrictions on public sector recruitment and a sizeable adjustment in public investment expenditure. Additionally, revenue increases are expected as a result of hikes in VAT, excise duties and income tax.

Following the extraordinary meeting of Ecofin on 9-10 May, Spain and Portugal, two economies severely affected by the tensions in government bond markets, were urged to step up their fiscal austerity efforts in 2010 and 2011. Accordingly, they announced additional initiatives on 12 and 13 May, respectively. Spain's consolidation measures, which are explained in greater detail in Section 4 of this Report, include a deficit reduction of 0.5 pp of GDP in 2010 and a further 1 pp

in 2011, which would mean reducing the deficit from the 11.2% reached in 2009 to 9.3% in 2010, and to 6% in 2011 (compared with the 7.5% previously planned). Meanwhile, in mid-May the Portuguese government announced new adjustment measures amounting to 1.2% of GDP in 2010 and an additional 1% in 2011. Furthermore, the introduction of some of the measures set out in the Stability Programme submitted in March, initially planned for 2011, was brought forward to 2010. As a result, new deficit targets of 7.3% for 2010 and 4.6% for 2011 (instead of the previous 6.6%) were set. The decisions having the greatest budgetary impact include, on the revenue side, a VAT increase (of 1 pp to 21%) and the increases in personal income tax and corporate income tax. On the expenditure side, the measures with most impact are the reduction in government investment, public sector wage restraint and restrictions on recruitment. Overall, more than 60% of the fiscal consolidation agreed within the framework of the Stability and Growth Pact (SGP) for the period 2009-2013 will be carried out in 2010 and 2011. In both cases, austerity measures have been introduced on the income and expenditure sides, although in Spain's case expenditure will bear the brunt.

Meanwhile, Italy and Germany have not altered their targets from those set in their initial stability programmes, but both countries have drawn up austerity programmes for the coming years that will take effect from 2011. The programmes specify measures which, under other circumstances, would have been included in the scope of budgetary discussions for that year. Italy issued a legislative decree on 25 May, targeting an overall consolidation of 1.6% of GDP to be spread equally between 2011 and 2012. Almost two-thirds of the adjustment comes from government expenditure restraints in the form of wage cuts, a freeze on public sector recruitment, cuts in pensions and expenditure on medicines and, most of all, a reduction in transfers to local government. Revenue from the fight against tax evasion also makes a considerable contribution (almost one-third of the total from all measures). In Germany, the government presented a consolidation plan on 7 June for the period 2011-2014, aimed at achieving compliance with the provisions of the EDP and a structural deficit in 2016 close to the Constitution's target of 0.35% of GDP. The

BUDGET TARGETS IN THE EURO AREA (2009-2012)

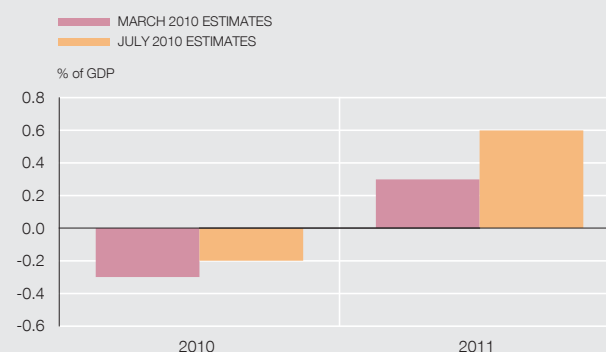
% of GDP

	BUDGET BALANCES (a)			
	2009	2010	2011	2012
Germany	-3.3	-5.5	-4.5	-3.5
Greece	-13.6	-8.1	-7.6	-6.5
Spain	-11.2	-9.3	-6.0	-4.4
France	-7.5	-8.2	-6.0	-4.6
Italy	-5.3	-5.0	-3.9	-2.7
Portugal	-9.4	-7.3	-4.6	-3.0
Euro area	-6.3	-6.6	-5.1	-3.9

SOURCES: Stability and Convergence Programmes and additional measures introduced in 2010.

a. Deficit (-) / surplus (+). The deficits that exceed 3% of GDP have been shaded.

FISCAL ADJUSTMENT. CHANGES IN THE STRUCTURAL BALANCE



SOURCES: European Commission and Banco de España.

plan envisages a deficit reduction of 1.1% of GDP over the four years (0.5% in 2011) and also relies heavily on government expenditure restraints, particularly welfare and armed forces expenditure. However, also being planned are increases in energy taxation and the introduction of a new banking sector charge from 2012.

Finally, on 30 June the French government presented a preparatory report outlining the budgetary programme for the next three years (2011-2013), which is to be approved in the autumn. On the basis of what has been announced so far, which is still very tentative, France intends to contain its budget deficit by freezing central government expenditure over the three-year period, reducing transfers to local government, eliminating tax deductions and implementing restraints on health expenditure. The forthcoming pension reform will also have a significant impact on the country's public finances.

With these budgetary plans, the euro area as a whole looks set to maintain a moderately loose or neutral fiscal policy stance in 2010, with considerable differences between the group formed by Greece, Portugal and Spain, which, together with Ireland, have already started to introduce ambitious fiscal plans, and France and Germany, which support a loose fiscal policy (see accompanying table). In

2011, fiscal consolidation will probably be more generalised, although the degree is still likely to differ across countries. The adjustment for this year, measured as changes in the structural balance, will foreseeably amount to almost 0.6% of euro area GDP (see accompanying chart), an additional effort of 0.3 pp compared with the Commission's spring estimates, which do not take into account the additional consolidation measures presented in May and June.

The effects of these austerity measures on economic growth are very uncertain, although the lack of corrective measures in those economies with sizeable imbalances would undermine confidence and hamper economic growth. Empirical evidence on the macroeconomic effects of fiscal consolidation indicates that they are due to multiple factors. However, the possible short-term negative impact on growth tends to be less when the adjustment is based on restraining primary government expenditure, as planned in almost all of the countries discussed. Furthermore, given the current tensions in the euro area sovereign debt markets, medium-term budget plans based on credible measures may be especially beneficial owing to their effect on consumer and investor confidence, particularly if they are accompanied by institutional and structural reforms that enhance the credibility of these commitments.

on-quarter change, whereas in industry and services the pace of activity was brisker than in previous quarters. In year-on-year terms, GDP rose by 0.6%, leaving behind the negative growth rates recorded since 2008 Q4.

The GDP of the main euro area economies expanded in the first quarter of the year, although the composition varied in some respects. In Germany the 0.2% increase in GDP was attributable mainly to the high positive contribution from stockbuilding and, to a lesser extent, to growth in government consumption, while the contribution to GDP from net external demand was negative due to the rise in imports. By contrast, GDP growth in France and Italy – up by 0.1% and 0.4%, respectively – was supported by favourable external developments, strongly driven by exports and a moderate rise in imports, while government consumption and stockbuilding recorded a zero or slightly negative contribution to GDP. In all three countries private consumption was markedly weak and investment in capital goods picked up.

Based on National Account figures, the quarter-on-quarter rate of change in employment in 2010 Q1 was zero, after declining for six consecutive quarters. In year-on-year terms, employment fell by 1.3%, more so than the number of hours worked, most likely reflecting the movement towards the re-storing standard work hours. The year-on-year increase in GDP, however, meant that apparent labour productivity recorded a positive rate of change – the first since 2008 Q2 – that translated into a considerable reduction in unit labour costs, which in turn gave rise to an increase in business margins (see Chart 8).

The latest conjunctural information, which refers to developments in 2010 Q2, suggests that euro area activity grew more than in Q1 (see Chart 9). On the supply side, based on data to May, both industrial orders and industrial and construction sector production grew with re-

	2008	2009				2010		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
NATIONAL ACCOUNTS (quarter-on-quarter rates, unless otherwise indicated)								
GDP	-1.9	-2.5	-0.1	0.4	0.1	0.2		
Private consumption	-0.7	-0.6	0.1	-0.2	0.2	-0.1		
Government consumption	0.8	0.8	0.7	0.7	-0.2	0.2		
GFCF	-4.0	-5.3	-1.5	-1.1	-1.2	-1.2		
Imports	-4.7	-8.0	-2.8	2.8	1.2	3.8		
Exports	-7.3	-8.4	-1.1	2.9	1.8	2.1		
Contributions to quarter-on-quarter GDP growth (pp)								
<i>Domestic demand (excl. stocks)</i>	<i>-1.1</i>	<i>-1.3</i>	<i>-0.1</i>	<i>-0.2</i>	<i>-0.1</i>	<i>-0.3</i>		
<i>Change in stocks</i>	<i>0.3</i>	<i>-1.1</i>	<i>-0.6</i>	<i>0.5</i>	<i>0.0</i>	<i>1.0</i>		
<i>Net external demand</i>	<i>-1.1</i>	<i>-0.2</i>	<i>0.5</i>	<i>-0.1</i>	<i>0.1</i>	<i>-0.5</i>		
GDP (year-on-year rate)	-2.0	-5.2	-4.9	-4.1	-2.1	0.6		
ECONOMIC INDICATORS (average data for the quarter)								
IPI seasonally and working day-adjusted	-6.8	-9.3	-1.7	2.6	1.3	2.5	2.3	
Economic sentiment	80.0	71.5	75.6	84.1	91.9	96.6	99.3	101.3
Composite PMI	40.2	37.6	43.2	49.5	53.6	54.4	56.6	56.7
Employment	-0.4	-0.8	-0.5	-0.5	-0.2	0.0		
Unemployment rate	8.0	8.8	9.3	9.7	9.8	9.9	10.0	
PRICE INDICATORS (year-on-year change in end-of-period data)								
HICP	1.6	0.6	-0.1	-0.3	0.9	1.4	1.4	
PPI	1.2	-3.2	-6.5	-7.7	-2.9	0.9	3.1	
Oil price (USD value)	40.5	46.8	68.8	67.7	74.4	78.8	75.0	76.1
FINANCIAL INDICATORS (end-of-period data)								
Euro area ten-year bond yield	3.8	4.1	4.2	3.8	4.0	4.0	3.7	3.6
US-euro area ten-year bond spread	-1.76	-1.31	-0.63	-0.47	-0.17	-0.08	-0.72	-0.55
Dollar/euro exchange rate	1.392	1.331	1.413	1.464	1.441	1.348	1.227	1.299
Appreciation/ depreciation of the EER-21 (b)	2.5	-0.6	-0.9	0.2	-1.0	-4.5	-10.3	-7.8
Dow Jones EURO STOXX 50 index (b)	-44.3	-15.5	-2.0	17.2	21.0	-1.2	-13.2	-6.7

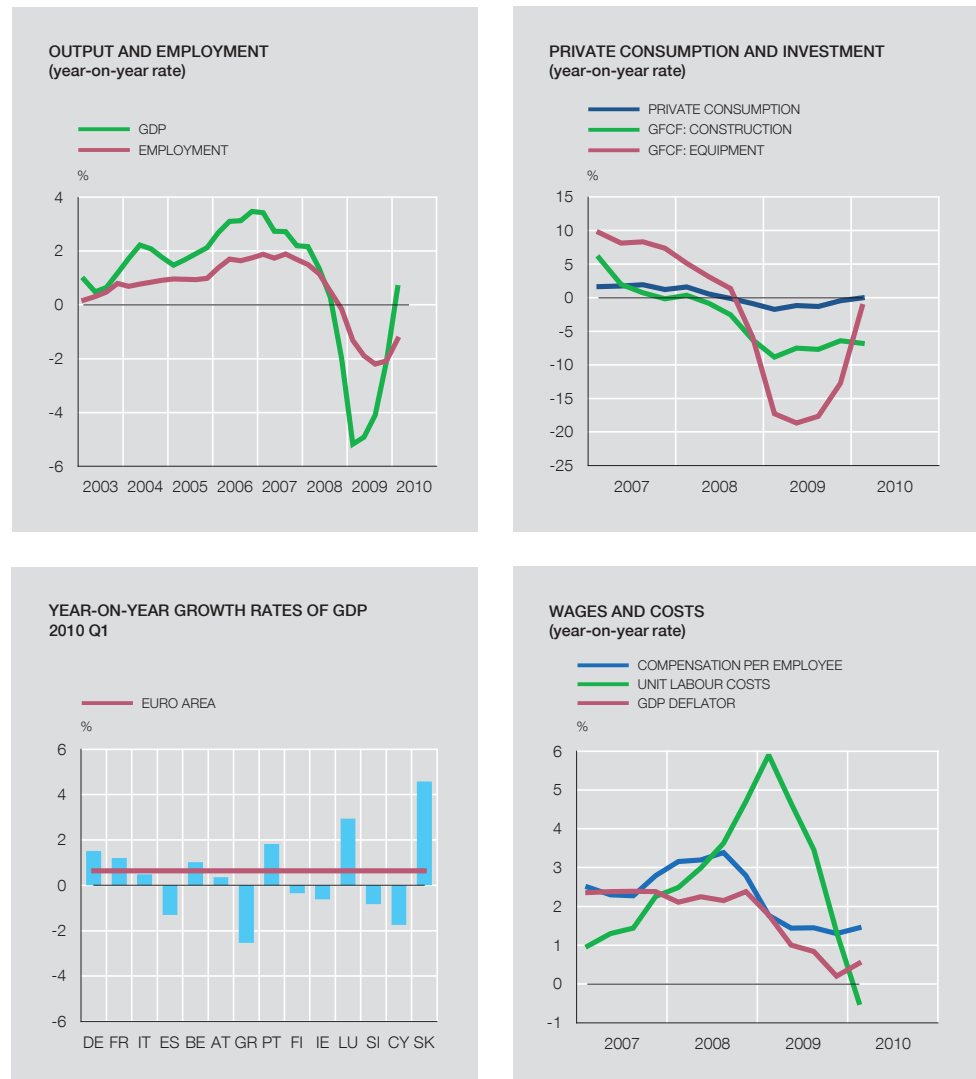
SOURCES: European Commission, Eurostat, Markit Economics, ECB and Banco de España.

a. Information available to 28 July 2010.

b. Percentage change in the year to date.

spect to the previous quarter. The industry and services confidence indicators published by the European Commission and those associated with purchasing manager surveys indicated an improvement in the quarterly average, although in May and June they fell back somewhat due to expectations of weaker demand, while optimism regarding order books rose. The latest information from the qualitative indicators, for developments in July, points to a large increase. Meanwhile, the unemployment rate remained flat at 10% and the qualitative indicators for the labour market continued to strengthen.

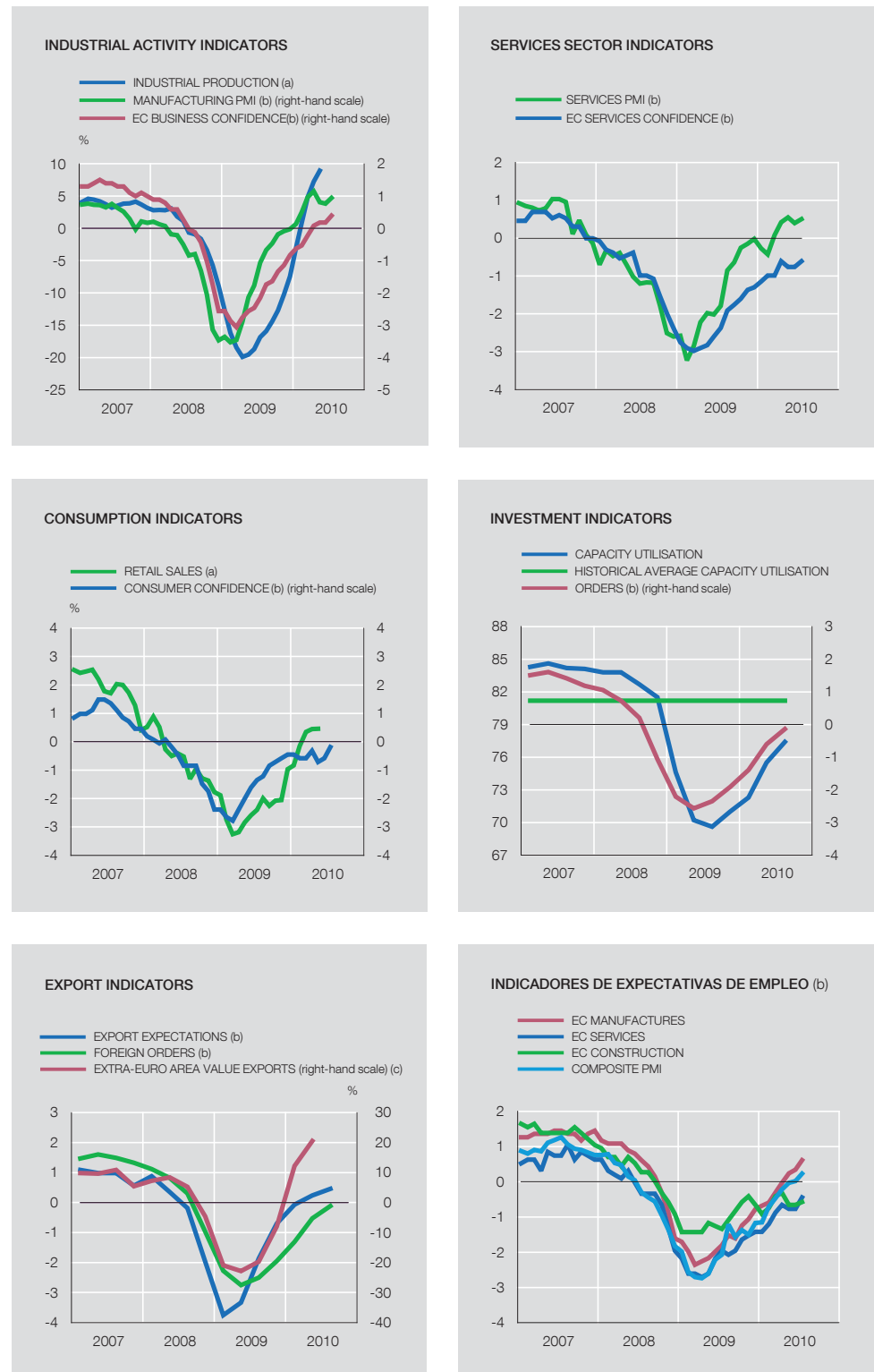
On the demand side, retail sales were weak in April and May, and car registrations were still affected by the phasing-out of car purchase incentive plans in the average for the quarter, although there are signs that the contractionary effect may be coming to an end. Consumer confidence fell in May, possibly associated with the increase in uncertainty caused by the sovereign debt crisis, before improving in June and July. As to investment in capital goods, both the level of capacity utilisation and the European Commission's assessment of industrial order books increased notably during Q2 and Q3, although both still remain below their long-term averages. In addition, goods exports grew at a firm pace in April and May, while the improvement in the outlook for exports and in the assessment of foreign orders continued through to July. Lastly, the European Commission's industrial stock level assessment indica-



Sources: Eurostat and national statistics.

tor suggests that, during the spring, the contribution of stockbuilding to GDP growth may have fallen.

In short, available indicators, mostly for Q2, point to growth in euro area GDP of around 0.5%, driven by the strength of world trade and, temporarily, by investment in construction, which is likely to counter the sharp decline in the previous quarter associated with the adverse weather conditions. The sovereign debt crisis does not seem to have had a noticeable impact on confidence indicators in view of their trend over recent months. The accommodative stance of monetary policy and the introduction of a raft of non-standard measures, which were adopted to restore the correct functioning of the financial system and to bolster confidence in the euro area, would seem to have provided support to the ongoing recovery. Looking ahead to the second half of the year, the pace of growth is expected to slow somewhat owing to the impact, in the short term, of the early implementation of fiscal consolidation measures in some countries and to the persistent weakness of consumption and investment. In particular, unfavourable labour market conditions and low growth in wage income constrain the expansion of private consumption, while excess plant capacity and the still very tight credit standards faced by some countries and sectors hinder the resumption of investment. The pace of world growth



SOURCES: Eurostat and European Commission.

a. Non-centred annual percentage changes, based on the quarterly moving average of the seasonally adjusted series.

b. Normalised data.

c. Quarter-on-quarter rates of the original series. Quarterly average.

	2010		2011	
	GDP	HICP	GDP	HICP
ECB (June 2010)	0.7-1.3	1.4-1.6	0.2-2.2	1.0-2.2
European Commission (May 2010)	0.9	1.5	1.5	1.7
IMF (July 2010)	1.0	1.2	1.3	1.3
OECD (May 2010)	1.2	1.4	1.8	1.0
Consensus Forecast (July 2010)	1.1	1.5	1.4	1.5
Eurobarometer (July 2010)	1.1	1.4	1.3	1.5

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

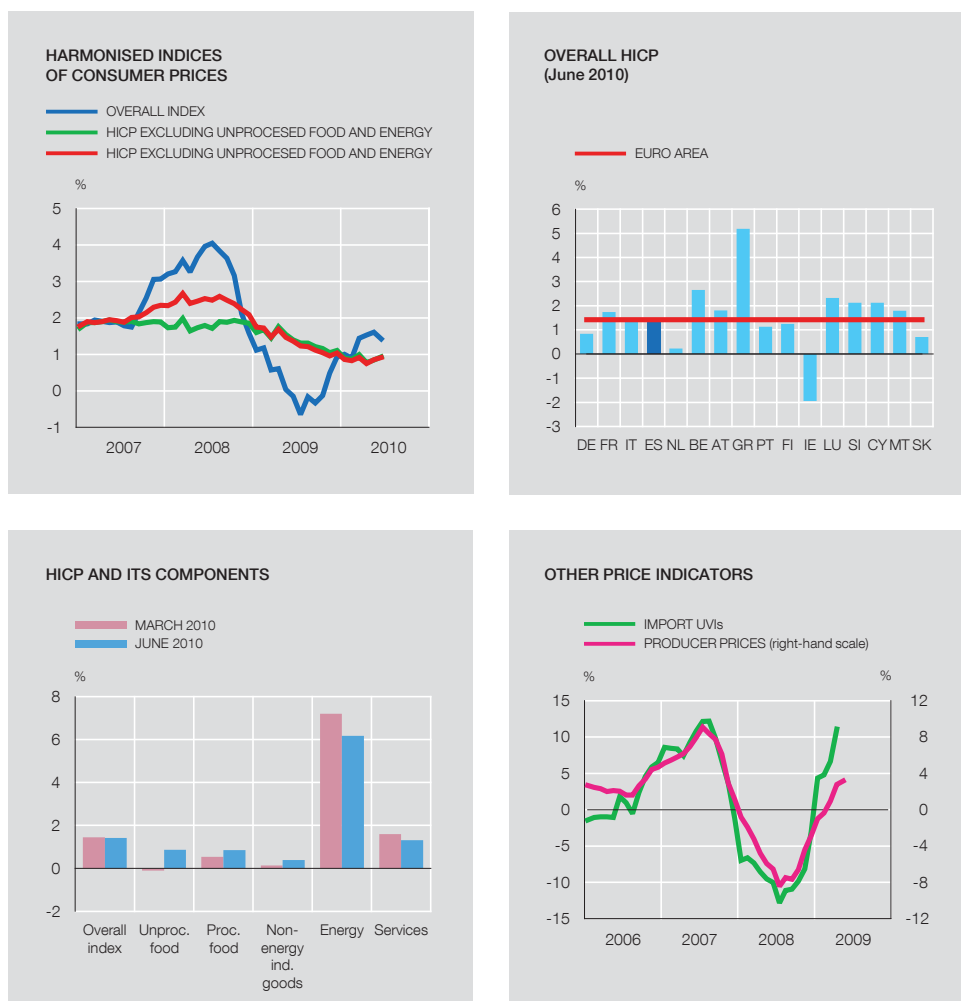
a. Annual rate of change.

is expected to moderate in the second half of the year, as the non-standard measures adopted in response to the crisis run their course.

The latest forecasts for 2011 published by international agencies point to a subdued recovery, with GDP growth rates in the euro area of between 1.2% and 1.5% (see Table 2). The moderate and gradual pace of the recovery is consistent with the usual pattern of developments following a financial crisis, characterised by high levels of excess capacity and tight credit standards, which hinder a more robust pick-up in domestic demand. As a result of the sovereign debt crisis, the downside risks to this baseline scenario have increased. Such risks may stem, *inter alia*, from greater financial tension and the weakening of business and consumer confidence. Furthermore, the recovery hinges closely on the success of the fiscal consolidation drive and structural reforms in driving potential growth and in curbing any lasting increase in unemployment. The unprecedented measures that are being adopted and the ongoing progress in improving European governance should contribute to preventing these risks from materialising.

Euro area inflation levelled off during Q2, after picking up in the first few months of the year as a result of the increase in energy prices. In June the HICP stood at 1.4%, while core inflation, as measured by the CPI excluding unprocessed food and energy, was 0.9%, both rates unchanged from March. Producer prices rose by 3.1% in May, compared with -1% in January, with a particularly sharp rebound in the prices of energy and non-energy intermediate goods. Thus, weak demand, reflected in the sizable slack in capacity, could well be associated with the difficulties encountered by firms to pass on some of the increases in their costs to consumers and helps to explain the favourable developments in the prices of the most stable components of the HICP. In this context, long-term inflation expectations remain anchored below 2% and there is a consensus among international agencies that inflation will remain at moderate levels over the coming quarters (see Table 2).

According to estimates published by the ECB, the euro area current account balance ran a deficit of €44 billion (1.2% of GDP) between January and May 2010, down from the level recorded for the same period of the previous year (1.6% of GDP). This improvement was the result of the more favourable behaviour observed in all of its components, particularly the goods balance, which recorded a surplus. As regards the financial account for the same period, net capital outflows in the form of direct investment amounted to €55 billion, compared with €40 billion in the same period of the previous year, while portfolio investment recorded net inflows of €87 billion, down on the €135 billion for the period January-May 2009. As a result, the basic balance, which is the sum of these two types of investment and the

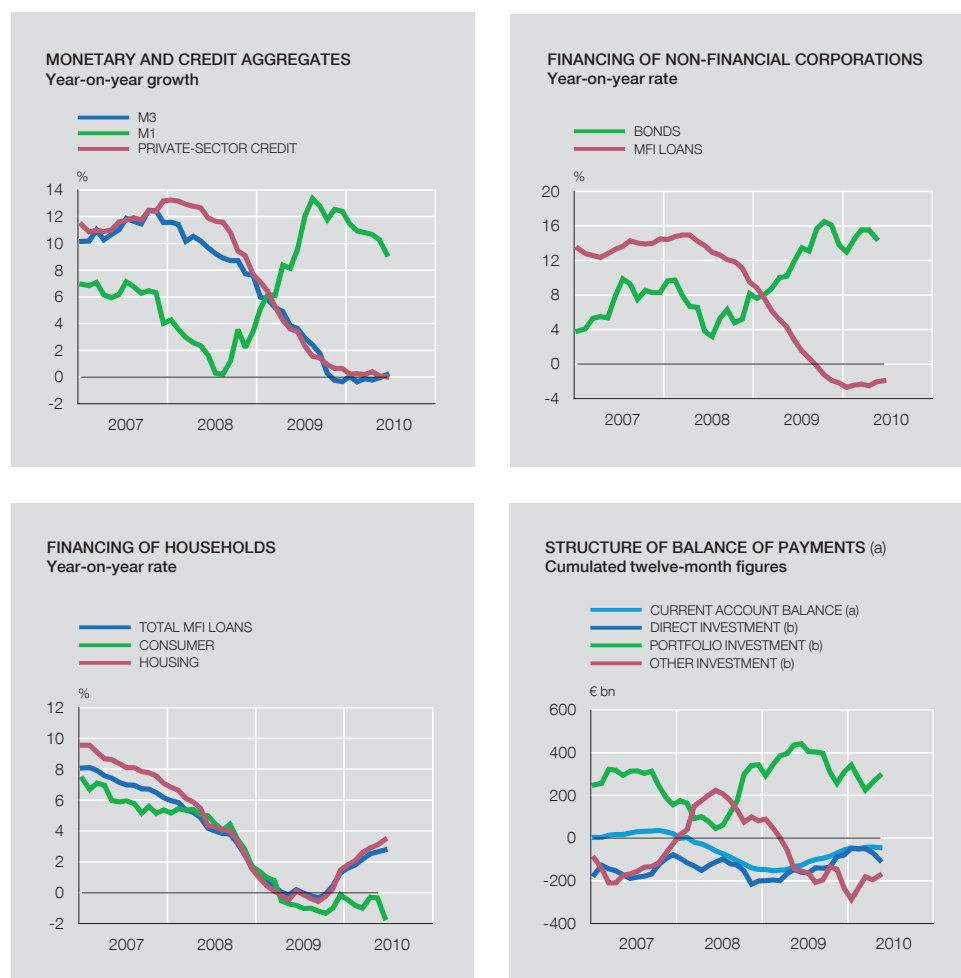


SOURCES: Eurostat and ECB.

current account balance, scarcely changed, showing a deficit of €12.5 billion (see Chart 11).

According to the European Commission's spring forecasts, the euro area's general government budget deficit will stand at 6.6% of GDP in 2010, its highest level since the creation of the monetary union (see Table 3). The fiscal policy stance this year will foreseeably be slightly expansive, with considerable differences across countries. More specifically, Greece and, subsequently, Spain and Portugal had to accelerate their plans for fiscal consolidation, in compliance with the recommendations of the Ecofin Council meeting of 9-10 May, while France and Germany still maintain sizeable stimulus measures. For 2011 the Commission expects a deficit correction of up to 6.1% of GDP, as a result both of the economic recovery and of the planned fiscal consolidation measures, which next year will be more generalised, in accordance with the programmes submitted and/or approved recently by the countries concerned (see Box 2). Furthermore, government debt in the euro area could well stand at around 85% of GDP in 2010, a 7 pp increase on the previous year.

By country, there has been a notable improvement in Greek public finances during the first half of 2010, with a deficit reduction of 45% over the previous year. This exceeds the 40% target



SOURCES: ECB and Banco de España.

a. A positive (negative) sign denotes a surplus (deficit) on the current account balance.

b. Capital inflows minus outflows. A positive (negative) sign denotes a net capital inflow (outflow).

of the economic programme announced by the government in May and required under the conditionality of the financial assistance programme. In the cases of Spain and Portugal, the Commission gave a very positive assessment of the new targets approved in May, although for 2011 both economies will have to specify additional measures to reduce their deficits. Lastly, the Ecofin Council of 13 July decided to initiate an excessive deficit procedure against Cyprus, whose fiscal deficit exceeded the 3% of GDP reference value of the Stability and Growth Pact, and against Finland, whose deficit, in line with forecasts, will exceed the reference value in 2010. Consequently, 15 euro area countries are currently subject to excessive deficit procedures – the exception being Luxembourg.

3.2 Monetary and financial developments

Over recent months financial developments in the euro area have been characterised by the escalation of tensions in government bond markets. Investor concerns over the sustainability of public finances in a number of countries, particularly Greece, led to sovereign spreads widening considerably. The financial support package for Greece was not enough to reverse this trend and the tensions spread to the interbank and bank funding markets, and also to share prices and the exchange rate of the euro, which fell sharply. As Box 3 describes, the situation called for an urgent, unprecedented response from the governments of the EU Member States, which led to the creation on 9 and 10 May of a mechanism to provide financial assistance to

**EURO AREA: GENERAL GOVERNMENT BUDGET BALANCES AND PUBLIC DEBT
OF EURO AREA COUNTRIES (a)**

TABLE 3

	% del PIB					
	2008	2009	2010		2011	
		EDP (b)	EC (c)	IMF (d)	EC (c)	IMF (d)
Belgium	-1.2	-6.0	-5.0	-5.1	-5.0	-4.4
Germany	0.0	-3.3	-5.0	-5.7	-4.7	-5.1
Greece	-7.7	-13.6	-9.3	-8.7	-9.9	-8.8
Spain	-4.1	-11.2	-9.8	-10.3	-8.8	-9.6
France	-3.3	-7.5	-8.0	-8.3	-7.4	-7.1
Ireland	-7.3	-14.3	-11.7	-12.1	-12.1	-11.5
Italy	-2.7	-5.3	-5.3	-5.3	-5.0	-5.3
Luxembourg	2.9	-0.7	-3.5	-3.8	-3.9	-5.0
Netherlands	0.7	-5.3	-6.3	-5.9	-5.1	-5.1
Austria	-0.5	-3.4	-4.7	-4.8	-4.6	-4.5
Portugal	-2.9	-9.4	-8.5	-8.7	-7.9	-7.5
Finland	4.2	-2.2	-3.8	-3.6	-2.9	-3.2
Slovenia	-1.7	-5.5	-6.1	-6.1	-5.2	-4.9
Cyprus	0.9	-6.1	-7.1	-7.6	-7.7	-8.8
Malta	-4.5	-3.8	-4.3	-5.0	-3.6	-4.8
Slovak Republic	-2.3	-6.8	-6.0	-8.0	-5.4	-7.4
MEMORANDUM ITEM: Euro area (including Malta and Cyprus)						
Primary balance	1.0		-3.6		-2.9	
Total balance	-2.0	-6.3	-6.6	-6.9	-6.1	-6.3
Public debt	69.4	78.7	84.7	83.7	88.5	87.7

SOURCES: European Commission, Eurostat and IMF.

a. Deficit (-) / surplus (+). The deficits that exceed 3% of GDP have been shaded.

b. Spring 2010 notification of Excessive Deficit Procedure.

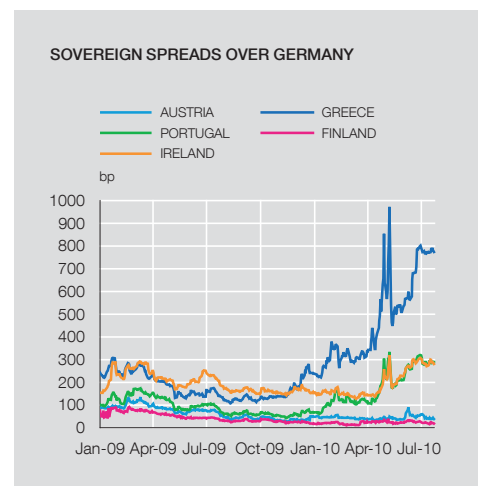
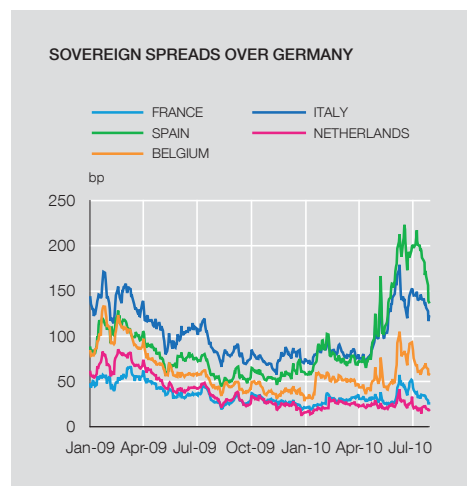
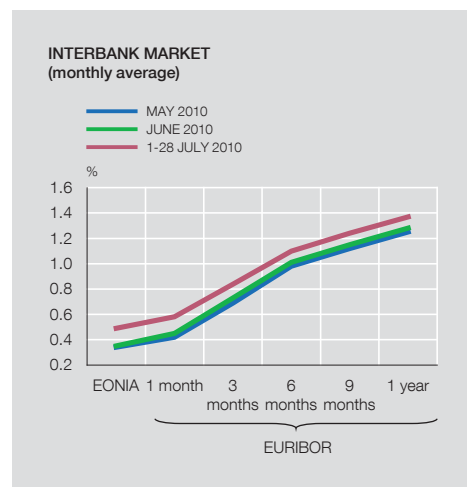
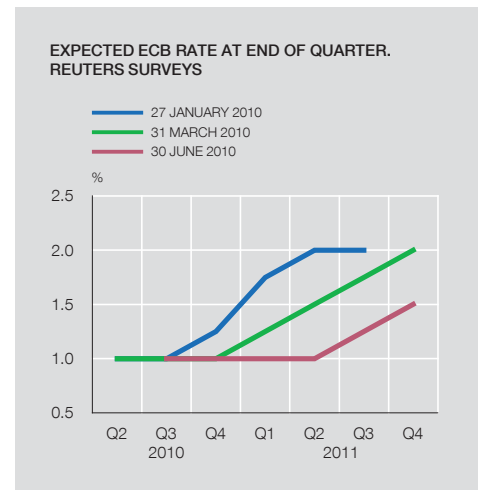
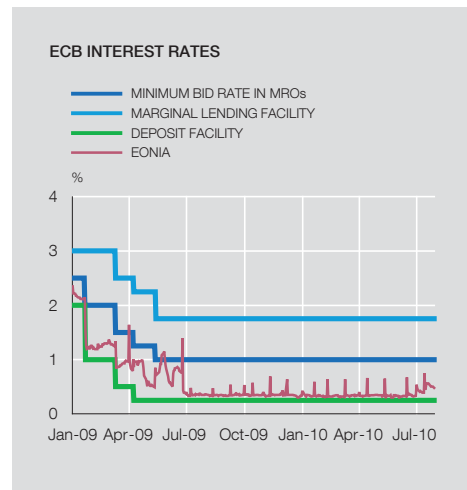
c. European Commission forecasts (spring 2010).

d. IMF forecasts (April 2010).

any euro area member country, subject to strong conditionality. For its part, the ECB introduced – as described below – a number of measures, including a Securities Markets Programme aimed at helping restore the appropriate functioning of certain debt securities markets. The phasing-in of these initiatives, together with the success of a series of government bonds issues and the stress-testing of a large number of EU banks, inter alia, led to a gradual easing of the volatility and tensions in the financial markets from mid-June, and more especially in July, with the publication of the results of the stress tests.

The absence of inflationary pressures in the medium term, in the context of slow economic recovery, meant that, in its meetings to August, the ECB's Governing Council left official interest rates unchanged. Hence the rate on main refinancing operations has stood at 1% since May 2009, while those on the marginal lending and deposit facilities were 1.75% and 0.25%, respectively (see Chart 12).

In response to the resurgence of tensions in government bond markets and their pass-through to the banking system, the ECB, which had already started to withdraw some of the enhanced credit support measures, embarked on new courses of action. Thus, in early May, the ECB decided to suspend the application of the minimum credit rating threshold to marketable debt instruments issued or guaranteed by the Greek government, to bolster longer-term liquidity provision by returning to three-month refinancing operations based on a fixed-rate tender procedure with full allotment and by conducting a new six-month longer-term refinancing op-



SOURCES: ECB and Banco de España.

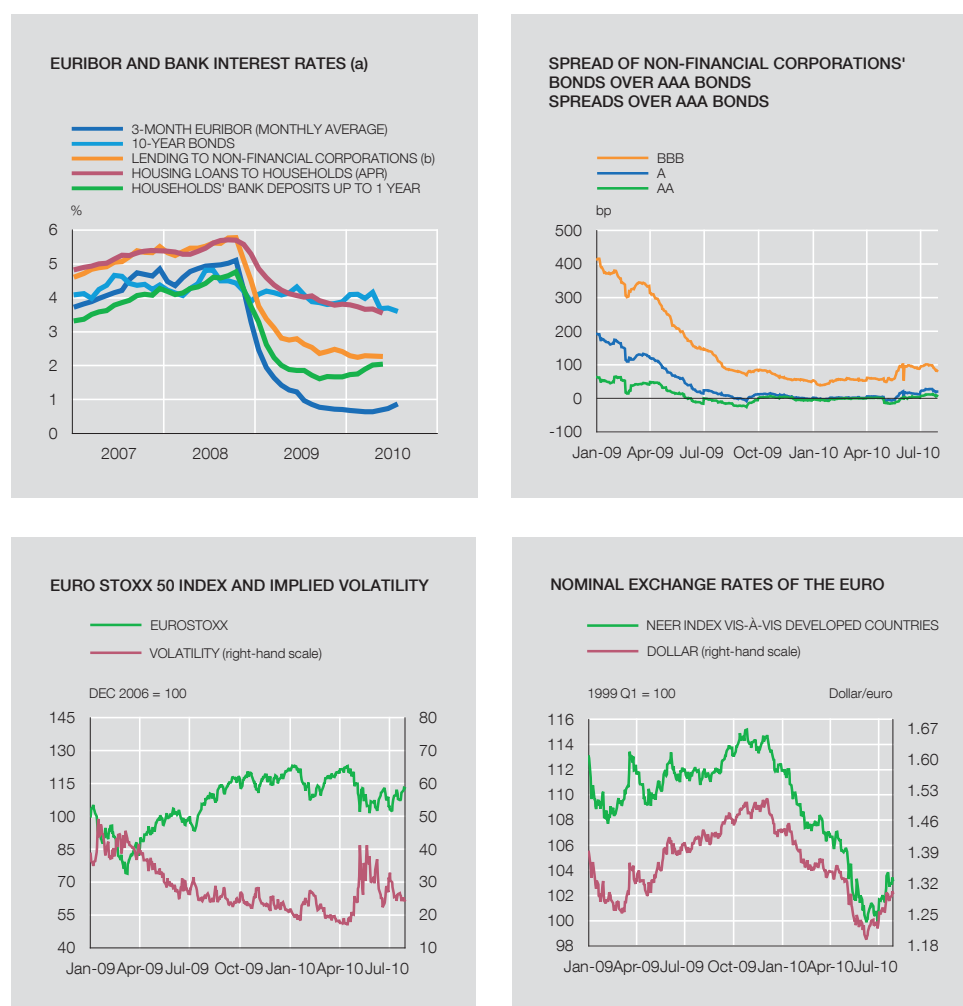
a. ECB estimate drawing on swap market data.

eration, and to resume US dollar liquidity-providing operations. Furthermore, to counter the tensions in the debt securities markets and ensure the transmission of monetary policy, it introduced, as a temporary measure, the Securities Markets Programme, through which it conducts sterilised purchases of public and private debt in the secondary market. The amount purchased weekly has fallen gradually since May, declining to negligible levels in recent weeks, and totals some €60 billion. The interventions are sterilised through weekly tenders to re-absorb the liquidity injected. Additionally, in the framework of non-standard measures and enhanced credit support, the Covered Bond Purchase Programme, which was launched one year ago, concluded as foreseen at the end of June, with €60 billion worth of bonds purchased (in the Spanish market covered bonds are referred to as *cédulas hipotecarias*).

The European Commission authorised the extension of the government programmes to provide support to the banking system for those countries which had so requested, both in the form of guarantees for new debt issuance – subject to stricter conditions – and capital injections. Consequently, the stress tests conducted within the common framework designed by the Committee of European Banking Supervisors on 91 EU banks, representing 65% of the sector, revealed a relatively small overall capital shortfall of €3.5 billion, attributable to seven institutions whose Tier 1 capital ratio would fall below 6% in some of the adverse scenarios considered.

Interbank interest rates rose moderately during Q2 and in July. The average levels of three-month and one-year EURIBOR reached 0.9% and 1.4%, respectively, in July. The financial turmoil led to increased demand for German government bonds, with yields on the ten-year bund falling to 2.76% in July. This decline was more moderate than for US ten-year government bonds, and as a result the spread between German and US bonds fell to around 40 bp. In the euro area, sovereign bond spreads vis-à-vis Germany widened generally to reach record highs in some countries on 7 May, climbing above 900 bp in the case of Greece for the ten-year benchmark bond and 300 bp in Ireland and Portugal (see Chart 12). The introduction of financial assistance mechanisms and the support of the ECB achieved a substantial short-term adjustment, although it failed to take hold, since the upward pressure on sovereign bond yields continued, particularly in the peripheral countries. These developments started to unwind after 10 June, after the success of government bond issues and more particularly in certain countries with the publication of the stress tests on domestic banks. Nevertheless, Greek bond spreads remained extremely high following the further downgrading of Greece's sovereign debt rating to speculative grade by Moody's, as S&P had already done in April. In addition to Greek debt, Moody's also downgraded the sovereign rating of Portugal to A1 and of Ireland to Aa2.

The risk premia in private fixed-income markets have also rebounded since March, albeit relatively moderately. Meanwhile, the cost of bank loans to the private sector held steady, with the exception of home loans, which fell to 3.58% in new business in May, compared with 3.66% in March. Nevertheless, financing conditions remained tight. According to the bank lending survey for Q2, the lending standards for new loans to households and firms again tightened slightly, a trend which is expected to continue over the next three months. Moreover, the demand for loans remained weak with no variation, except in loans for house purchase, which rose slightly. Against this background, bank loans to the private sector recovered slightly in year-on-year terms (see Chart 11). The pace of the decline in lending to non-financial corporations eased in year-on-year terms to -1.9% in June, after -2.4% in March. Lending to households grew 2.8% year-on-year in June, 0.8 pp more than in March, on account of the greater buoyancy of credit for house purchases. However, the year-on-year decline in consumer lending increased further to -1.6% at the end of Q2.



SOURCES: ECB and Banco de España.

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

Movements in equities markets also reflected the climate of uncertainty, with indices posting sharp falls (see Chart 13). Influenced by the lifting of some uncertainties, exchanges resumed an upward trend in July. Overall, the EURO STOXX 50 index has fallen by around 7% since the end of 2009. Along the same lines, the euro slid sharply against the dollar until the beginning of June, before appreciating more than 8% since, making for a depreciation of around 8% in nominal effective terms so far this year. Finally, the M3 monetary aggregate has remained lacklustre, with a slightly positive year-on-year growth rate in June.

4 The Spanish economy

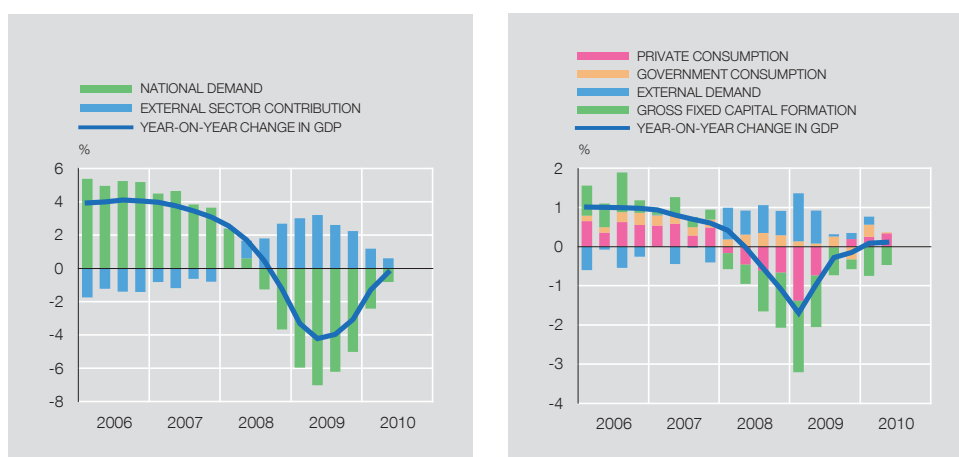
On QNA estimates, the year-on-year rate of contraction of GDP continued to ease in 2010 Q1. Specifically, at 1.3% the decline was 1.8 pp less than in 2009 Q4. The quarter-on-quarter rate of 0.1% was the first positive figure after seven consecutive quarters of falls and consequently ended the recession which had begun in 2008 Q2 and brought a cumulative fall of 4.6% in GDP. As in previous quarters, the smaller year-on-year drop in GDP resulted from a fresh reduction in the negative contribution from national demand, partially offset by a less positive contribution from net exports. The year-on-year fall in employment underwent a sharper moderation than that in activity, and, as a result, the growth of apparent labour productivity slowed to 2.4%, a rate which, although high, was below the more than 3% seen in 2009.

On the available information, in 2010 Q2 the quarter-on-quarter rate of change of GDP remained moderately positive, standing at 0.2%. This development took place in a setting in which the gradual recovery of the world economy, driven by the emerging countries and certain factors of a temporary nature (such as the expiration of some government measures to support demand and households bringing forward their spending to beat the entry into force of VAT rises) offset the possible negative effect on some agents' confidence of the fresh outbreak of financial instability which originated in the sovereign debt markets. In year-on-year terms, the fall in GDP is estimated to have eased further in 2010 Q2 to -0.2%, a drop which is 1.1 pp less sharp than in the first three quarters of this year (see Chart 14). These developments seem to be reflecting the progressively less unfavourable tone of national demand, the fall in which eased to -0.8% in year-on-year terms, mostly as a result of the pick-up in private consumption. The contribution of the external sector to year-on-year GDP growth remained positive (0.6 pp), but was appreciably lower than in the last few quarters due to the surge in imports, boosted by the improvement in exports (which have a high import content) and by a series of temporary factors which seem to have stimulated imports of consumer durables.

In Q2 the process of job destruction is estimated to have eased further to -2.6% year-on-year. The moderation (of 1 pp) in the fall is similar in size to that seen in GDP, so the growth rate of productivity seems to have remained near the level of the preceding quarter. The expansionary trend in compensation per employee seems to have slowed considerably, which, given the still-high growth of productivity, will have led to negative rates of change in unit labour costs. Finally, the rise in year-on-year CPI growth rates initiated at end-2009 persisted in 2010 Q2, reaching 1.5% in June. This development was due mainly to energy price rises, while the pace of expansion of the CPI excluding energy and unprocessed food prices remained low, although it picked up slightly during the quarter. The leading indicator of HICP for July has begun to reflect the effects of the VAT rise, with an increase in the year-on-year rate to 1.9%.

4.1 Demand

In 2010 Q2 private consumption expanded in quarter-on-quarter terms at a rate similar to that in the previous quarter, resulting at the same time in the first positive year-on-year change in almost two years. The confidence indicators relating to this spending component followed diverging paths, since, while the consumer confidence indicator fell somewhat, seeming to reflect the heightened tensions in the financial markets, the retail confidence indicator continued to improve, although more slowly than in Q1 (see Chart 15). July saw decreases in both indicators (only slight in the first, but notable in the second). Meanwhile, the quantitative indicators point to relatively uneven behaviour of the various consumer spending components. Thus, again notable was the sharp year-on-year growth of new private vehicle registrations (with a rate somewhat above 30% in Q2), which is related to households bringing forward their spend-



SOURCES: INE and Banco de España.

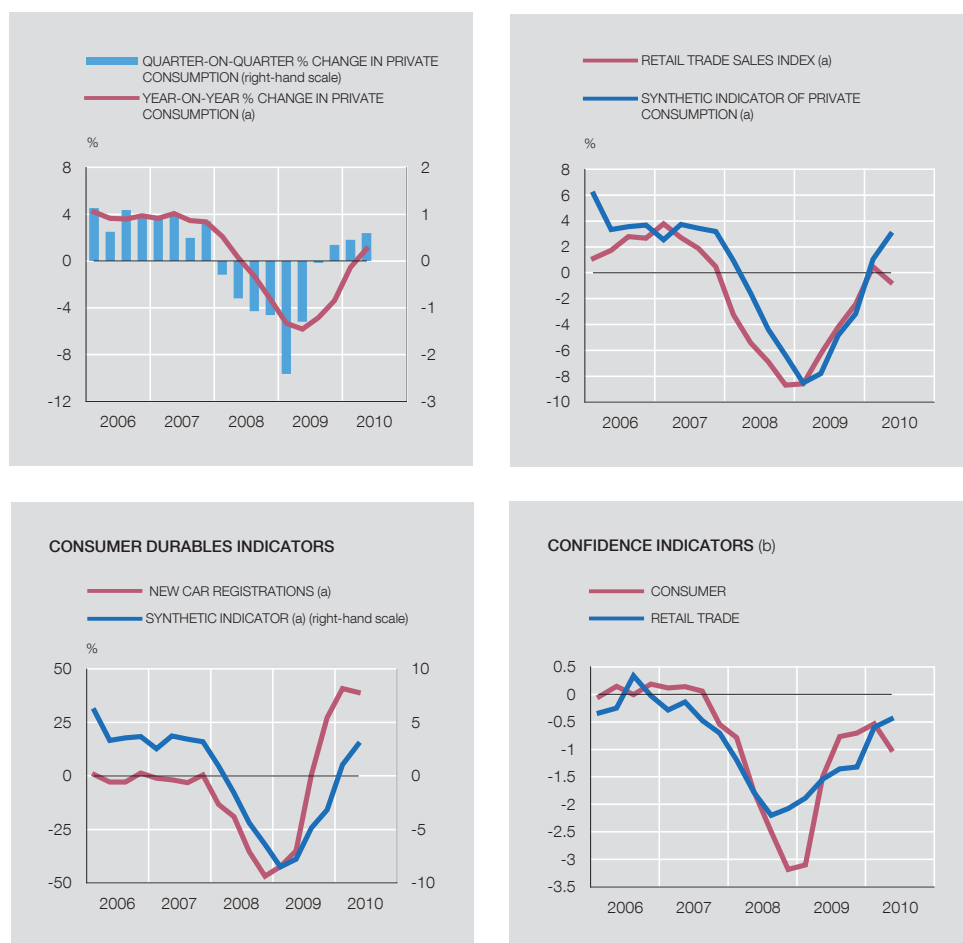
a. Year-on-year percentage change based on seasonally adjusted series.

ing to get in ahead of the expiration of Plan 2000E and of the VAT rises at the beginning of Q3. This latter factor would also explain the high buoyancy shown by other durable goods, along with other temporary influences, such as the process of implementation of the TDT and the holding of the soccer World Cup. By contrast, the consumption of non-durable goods performed less favourably, as shown by the retail trade index, which fell off in the quarter as a whole, after rising in Q1.

At the beginning of Q3, the behaviour of household consumption spending may have been shaped to some extent by the higher prices induced by the rise in indirect taxes, although, on a longer time horizon, private consumption can be expected to continue to recover, albeit at a more modest pace. This will foreseeably be due, firstly, to the persistence of some of the factors which influenced consumer spending, such as the still-unfavourable performance of the labour market, the decline in wealth and the relatively tight credit conditions. Secondly, the fiscal consolidation could have a certain impact on household disposable income in the short-term, which, however, would be offset by the beneficial effects on household confidence in the medium-term resulting from the decrease in uncertainty entailed by the process of budgetary adjustment. The information available on the non-financial accounts of the institutional sectors, which extends to 2010 Q1, shows that in cumulative four-quarter terms household income continued to decelerate and the saving rate fell slightly to 18.5% of disposable gross income, 0.3 pp less than the figure for 2009 as a whole. This decline can be expected to continue in the coming quarters as a result of the simultaneous effect of the gradual recovery in household spending and the deceleration in household income.

Meanwhile, it is estimated that the growth rate of general government final consumption slowed in year-on-year terms in Q2, although the deceleration was modest, since the tax measures approved in mid-May had still not had their full effect on this spending component. This profile will foreseeably be corroborated by the budget outturn data for June, which showed a slowdown in personnel costs consistent with the public sector pay cuts, while, in contrast, net purchases show greater inertia.

The available information shows that investment in capital goods fell for the second consecutive quarter in quarter-on-quarter terms, following the temporary improvement seen in the second



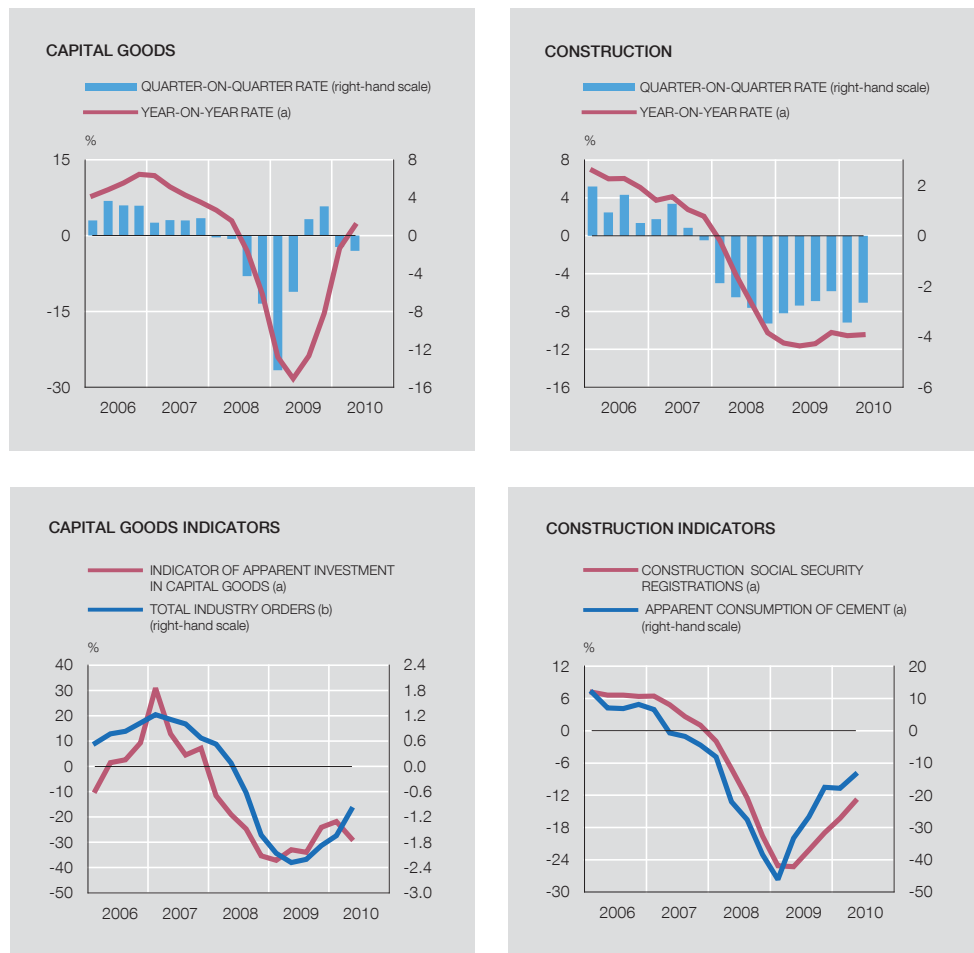
SOURCES: INE, European Commission, ANFAC and Banco de España.

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).

half of 2009. Among the quantitative indicators, new commercial vehicle registrations showed a slowing profile in the April-June period, reflecting a certain petering-out of the boost from Plan 2000E, although the quarter-on-quarter rate was still positive, unlike that shown by the apparent investment indicator for capital goods. Among the qualitative indicators, business confidence, both of industry as a whole and of the capital goods producing sectors, increased further in Q2, with improvements in the assessment of order books. Finally, capacity utilisation in manufacturing industry is still clearly below its historical average, although the April and July quarterly surveys showed a cumulative improvement of four pp to 72.7%. In any event, these developments are consistent with an additional improvement in terms of the year-on-year rate, which, in all likelihood, will have reached positive values by Q2 (see Chart 16).

The uncertainty as to the strength of the recovery and continuing tight credit conditions might further check the implementation of new investment projects by non-financial corporations, as illustrated by the results of the industrial investment survey for the first half of the year. Simultaneously, firms seem to be undertaking a certain restructuring of their balance sheets, such that, in the four quarters preceding 2010 Q1, the sector's net borrowing dipped by 1 pp in comparison with 2009 as a whole to stand at 1.2% of GDP. Contributing to this development was the decrease in business investment and the recovery of business saving, the latter driven by the smaller decline in the surplus and by the fall of interest payments.

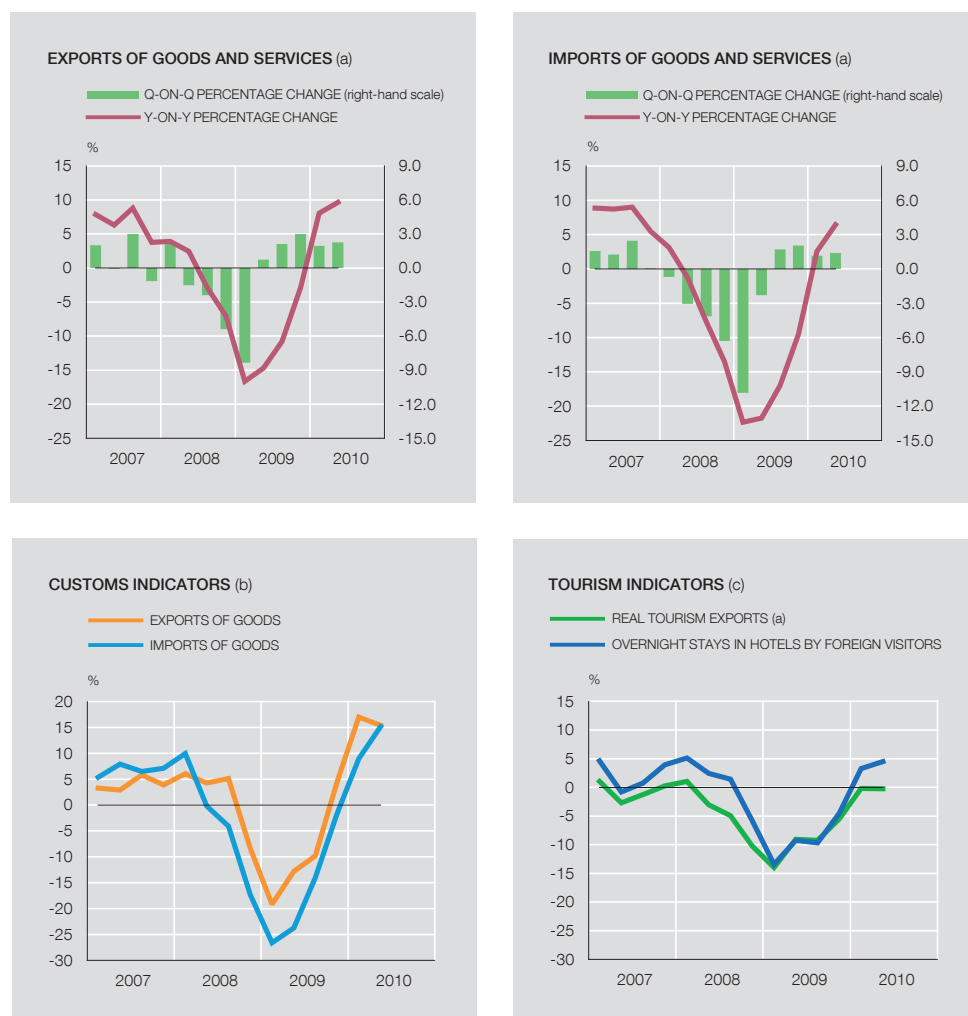


SOURCES: INE, European Commission, Eurostat, OFICEMEN and Banco de España.

a. Year-on-year percentage change based on the seasonally adjusted series, except that social security registrations are calculated from the original series.
 b. Normalised indicator (difference between the indicator and its mean value, divided by the standard deviation).

As regards investment in construction, the various indicators available point to a slight decrease in the year-on-year rate of contraction, comparable with a somewhat greater easing of the quarter-on-quarter fall. Thus, the indicators of both inputs and employment, available up to May for the former and up to June for the latter, reflect a decrease in their rate of adjustment, with less negative year-on-year rates than in previous quarters. Additionally, the qualitative indicators of business sentiment in the sector show a certain recovery of confidence, based on a comparison between the averages of the Q2 and Q1 data, and this trend continued in July.

By type of construction work, the available information points to divergent behaviour between residential investment, where the year-on-year fall-off seems to have eased, and other construction, where it seems to have sharpened. However, in the first case, the rate of fall seems to have continued to be high, in line with the significant decrease in the stock of housing under construction, since the flow of housing completions, despite a progressive decrease, continues to outpace housing starts. Specifically, the number of housing approvals in May was 8,400, only slightly above the monthly average observed since spring 2009 and barely 15% of the average observed for one month of 2007. On the demand side, according to the data on transactions and on new mortgages granted, there has been a certain recovery in house purchase and sale figures in recent months. This relatively favourable development might be



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

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

linked to an improvement in the housing affordability indicators due to cuts in interest rates and in house prices, as well as the boost derived from certain tax factors, such as the VAT rise in July and the partial abolition of house-purchase tax credits in January 2011. Regarding other construction, non-residential building approvals moved unfavourably up to May, while the recent figures for civil engineering works have suffered from the possible decrease in the volume of projects financed by the State Fund for Employment and Local Sustainability in relation to the previous 2009 State Fund for Local Investment, a trend which will foreseeably continue in the future as a result of the planned cuts in government investment.

The latest available information suggests that in 2010 Q2 the contribution of net external demand to year-on-year GDP growth continued to be positive, albeit smaller than in Q1, because, although both exports and imports rose notably, the latter did so more sharply (see Chart 17). The notable pick-up in imports is in line with the vigour of some components of demand whose import content is relatively high, as is the case of exports and of durable goods consumption, the latter being boosted, as mentioned above, by some temporary factors. Meanwhile, exports moved upward as the external markets strengthened (their growth rate

picked up from 16.5% in Q1 to 19.2% on average in April and May) and the price competitiveness indices performed strongly, favoured by the depreciation of the nominal effective exchange rate since the beginning of the year.

On customs data, real goods exports increased by 15.6% year-on-year in the April-May period, somewhat below the rate in Q1 (17.4%), although the April figure may have been affected to some extent by the volcanic ash crisis. The greater export buoyancy materialised above all in capital goods, basically due to notable growth of land and sea transport equipment (of which particularly the former has a temporary component), and in non-energy intermediate goods. At the same time, exports of consumer durables eased because of weakening car sales as government programmes providing direct aid for car purchases in numerous European economies gradually expired. By geographical area, the improvement was apparent both in real sales to the EU and, to a greater extent, in those to third markets, the most notable growth being in exports to China, South-East Asian countries and Japan.

The analysis of real exports of tourism services in Q2 was strongly influenced by a series of temporary factors which had a substantial impact on the indicators (see Box 5). These include Easter Week falling on different dates in 2009 and 2010 and, above all, the effects of the volcanic ash cloud fallout from Iceland, which caused the closure of European airspace for one week in April and the cancellation of thousands of flights in May. Thus, both tourism receipts per balance of payments information and the various nominal and real indicators traced a path of notable decline in April and of recovery in the ensuing two months, despite the fact that the May data were partially effected by the volcanic ash cloud. Specifically, foreign tourist inflows recovered in year-on-year terms from -13.3% in April to 1.7% in June, while overnight hotel stays by non-resident travellers were up from 0.1% to 5.5%, and total expenditure by foreign tourists rose from -11.3% to 2.4%. As regards exports of non-tourism services, the balance of payments data relating to the two-month period of April-May point to a certain improvement in Q2, in line with the recovery of goods trade.

Turning to the imports side, on the most recent information it is estimated that goods purchases abroad rose strongly in 2010 Q2. Specifically, on customs data, real goods imports increased by 17.6% year-on-year, amply exceeding the average growth in Q1 (8.8%) and reflecting the more favourable performance of national demand and the strength of exports. By product group, mention should be made of the strong rises in purchases of intermediate products for use in the chemicals, iron & steel and transport equipment manufacturing industries, in line with the recovery of activity in these sectors, and in purchases of consumer durables (except cars), which may be related to the acquisition of electrical appliances due to the digital switchover and to consumer anticipation of the impending rise in indirect taxes. Finally, the balance of payments data to May point to a certain improvement in real imports of services in 2010 Q2, both in tourism and in non-tourism services.

4.2 Production and employment

In 2010 Q2, the gross value added of the total market economy is estimated to have remained steady with respect to the first quarter of the year, although in year-on-year terms the rate of fall in activity seems to have continued to ease. In industry and market services the estimated year-on-year rates were positive for the first time since mid-2008 (see Chart 18).

Industry again recorded a positive year-on-year performance in Q2, albeit at a more moderate pace than in Q1. The industrial production index (IPI) performed favourably in April and May, so, although lacking the June figure, it has probably posted its first quarter with positive year-on-year rates since 2007. Among the labour market indicators, the year-on-year rate of fall of the number of social security registrations eased by more than 2 pp to 4.9%, and the number

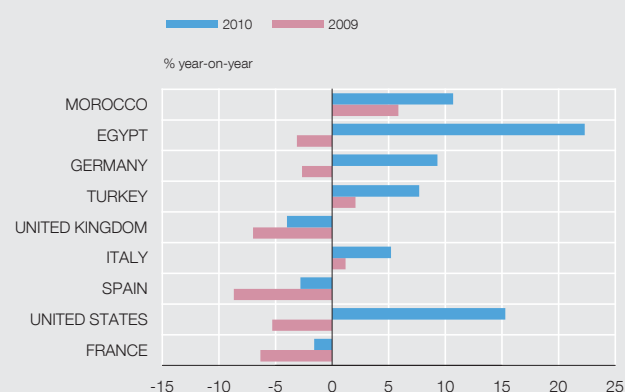
On QNA figures, Spanish tourism exports fell by 9.6% in 2009, after a decline of 4.3% in 2008. The decreases in quarter-on-quarter terms were particularly sharp between 2008 Q2 and 2009 Q1 (around 4 pp on average in each of those quarters). The number of inbound tourists fell by 11.3% between 2008 and 2009. Obviously the main reason for this is the international economic crisis, which reached its peak precisely in late 2008 and early 2009. In any event, during the crisis non-resident tourism performed more poorly in Spain than at international level. Specifically, the World Tourism Organisation (WTO) reports that between 2008 and 2009 world real travel receipts fell by 4.3%, and world inbound tourists by 2.2%. Therefore, there must be other factors which explain the observed performance.

One first possibility is that, although the crisis hit all tourism destinations, it did so with varying severity in each case. Indeed, as can be seen in the chart, in 2009 the drop in tourist arrivals in Spain and in tourism receipts was comparable to that seen in the countries of northern and central Europe. However, the Mediterranean destinations competing most directly with Spain withstood better the effects of the world recession, the most notable examples being Turkey and

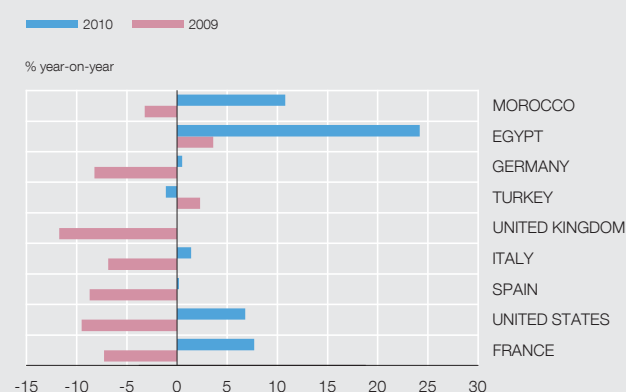
Morocco. There are two potential explanations for this. The first is that the various countries of origin have different weights within the tourism exports of each destination country. In this respect, the decrease in tourist arrivals in Spain extended to most of our main providers of tourists in 2009, including, as shown by the chart, the United Kingdom and Germany, which still show no signs of a solid recovery of tourism demand. Specifically, given the significant weight of the United Kingdom among our providers of tourists (around 25%), some of the greater impact of the crisis on tourism in Spain compared with other countries is explained by the appreciation of the exchange rate of the euro against the pound sterling. The second explanation is that, given that the crisis has negatively affected the income of potential tourists, these have opted to replace higher-cost destinations with other less expensive ones.

The evidence suggests that Spain has continued to lose market share in its two main tourism generating markets (the United Kingdom and Germany). Indeed, Spanish non-resident tourism continues to perform more weakly than the international tourism flows, which are exhibiting a more solid recovery (world tourist arrivals increased

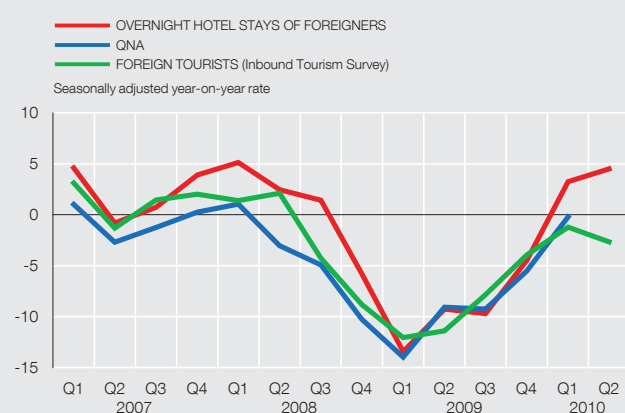
1 INTERNATIONAL TOURIST ARRIVALS (a)



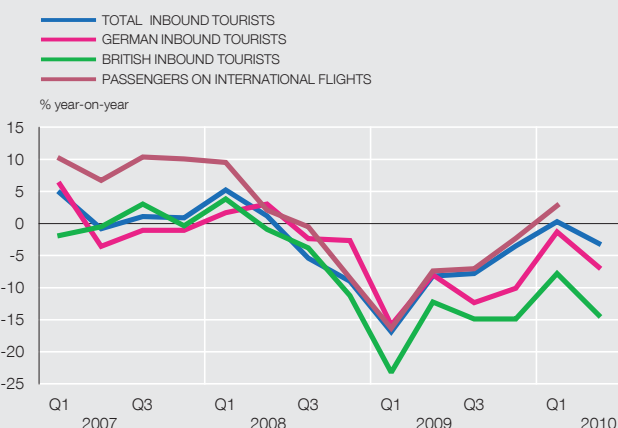
2 TOURISM RECEIPTS (a)



3 REAL TOURISM RECEIPTS



4 TOURIST ARRIVALS AND INTERNATIONAL FLIGHTS



SOURCES: IET, World Tourism Organisation, Ministerio de Fomento and Banco de España.

a. Provisional 2010 data. The numbers of inbound tourists refer to the cumulative January-February figure for the United States; January-March for France and Italy; January-April for the United Kingdom, Germany and Morocco; and January-May for Spain, Turkey and Egypt. The tourism receipts are the cumulative January-March figure for Italy, France, Netherlands and Egypt; and January-April for other countries.

by 7% to April), albeit rather uneven across the various areas. The emerging economies, particularly the Asian ones (whose cyclical position runs ahead of that of the advanced economies) are leading this recovery, whereas, by contrast, tourist arrivals in Europe grew very weakly, with a sharp decrease in northern Europe.

However, the unfavourable trend in Spanish non-resident tourism has a structural component, as indicated by the fact that, since 2000, tourism exports have grown, on average, by 3.5 pp less than world real receipts. Therefore, above and beyond the effects of the crisis and other conjunctural factors, Spain's performance of recent years has to be set against a background of loss of competitiveness as a tourist destination in comparison with eastern Mediterranean countries, some of which boast more modern facilities in the beach tourism segment than those in Spain and a more favourable price-quality ratio.

Once the crisis had passed its peak, non-resident tourism in Spain began a slow recovery in late 2009, in which the decline in tourism receipts in real terms eased gradually to -0.2% in 2010 Q1 according to QNA data, and there was a progressive recovery of tourist arrivals. In Q2 two factors made it harder to interpret the conjunctural data on tourism because they increased greatly their volatility, in particular by prompting much sharper falls in April. Specifically, those steeper falls seem to reflect the effect of Easter Week falling on different dates in 2010 and 2009 and, above all, the constraints on European air space as a result of the Icelandic volcano eruption, which largely explains the aforementioned weakness of tourist arrivals in Europe, which decreased by 3% in April. Those falls were particularly significant in the

case of trips which at least either started or ended in a western or northern European country or depended on the air traffic in those regions. Given the composition by country of origin of the non-resident tourists visiting Spain, the arrivals of passengers on international flights and the arrivals of tourists decreased significantly (by 12% and 13% year-on-year, respectively), as reflected in overnight stays and average length of stay in hotels (these, in any event, are remaining buoyant in 2010 as a whole, against a background of sharp price cuts by hotels). Consequently, the balance of payments data showed that in April nominal tourism receipts decreased further by 4.7%.

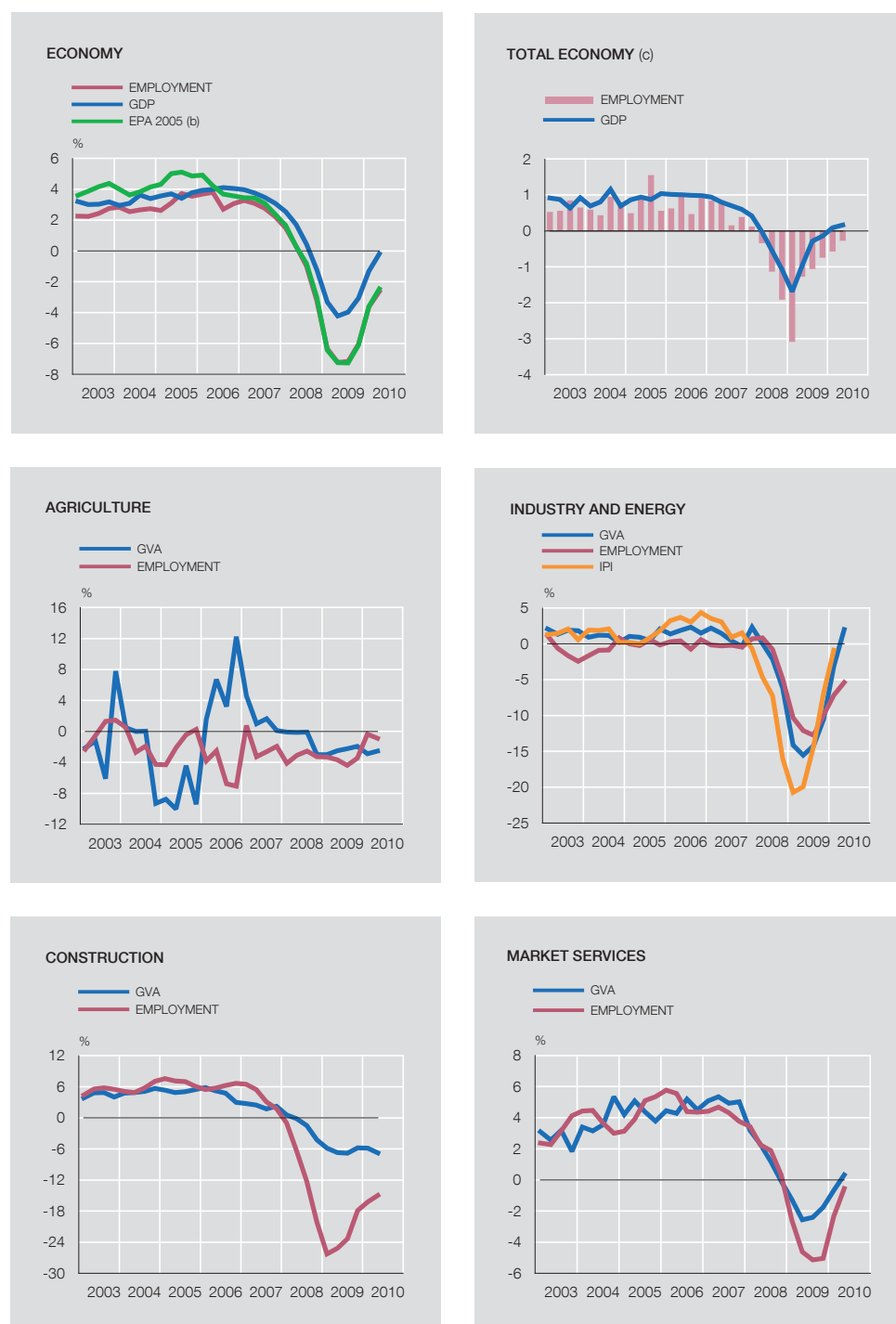
The tourism indicators for subsequent months point to a return to the path of gradual growth, although the data for Q2 as a whole will be negatively affected by the temporary effects of the aforementioned volcano eruption. Thus, in this period, arrivals of foreign tourists decreased by 3.1%, and, accordingly, they were down by 1.8% in the first half as a whole. This behaviour will foreseeably pass through to real tourism receipts, which will keep falling year-on-year in Q2.

The performance of non-resident tourism in Spain in the coming months will be overshadowed by the relatively weak recovery of some of our generating markets. Against this background, the growth potential of the Spanish tourism sector will depend on its ability to improve quality and strengthen the process of diversification towards tourism segments with greater spending power, including most notably the urban and business segments, which are less sensitive to competition from the Mediterranean sun and sand destinations with price and cost advantages.

of registered unemployed tended to stabilise. Meanwhile, the quarterly average of the sentiment indicators also improved in Q2, although the profiles of the European Commission's indicator and of the PMI differed from one another during that quarter. Thus, while the former improved continuously, the latter worsened gradually and in June stood below its March level, although it nevertheless remained above the contraction-expansion threshold. In July, the European Commission's confidence indicator again worsened slightly.

In the construction sector, value-added is estimated to have held at similar rates in Q2, as a result of a moderation in the rate of fall of residential investment, which seems to have been broadly offset by the fall-off in public works.

In market services, the information available for 2010 Q2 points to a return to moderately positive quarter-on-quarter rates following the equally modest contraction in the January-March period. This assessment is based on the quantitative indicators. Thus, both the index of services sector activity and that of large firms' sales showed a more favourable year-on-year change than in Q1, with wholesale & retail trade, transport and accommodation & food service activities performing best, at the expense of those associated with corporate services, which continue to be notably sluggish. As regards employment, the average number of social security registrations in the sector showed a slightly positive change for the second quarter running, after more than six successive quarters of falls. By contrast, the qualitative indicators per-



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

a. Year-on-year percentage 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 DG Economics, Statistics and Research on the basis of the control survey conducted using the methodology applied until 2004 Q4.

c. Quarter-on-quarter rates based on seasonally adjusted series.

formed unevenly, since while the PMI stood above the 50% threshold in Q2 after more than a year-and-a-half below it, the European Commission's confidence survey on the sector showed a decline, which continued in July.

In the labour market, the various conjunctural indicators available indicate that the rate of fall of employment eased further in Q2. Thus the average number of social security registrations decreased by 1.9% year-on-year, which represents a moderation of 1.1 pp with respect to the rate of fall a quarter earlier. Furthermore, in quarter-on-quarter terms, the decrease in the number of registrations eased by 0.1 pp to -0.3%. Meanwhile, hires registered by the INEM (National Public Employment Service) again rose in year-on-year terms in Q2 (4.2% compared with 2% in the previous quarter), driven by temporary recruitment.

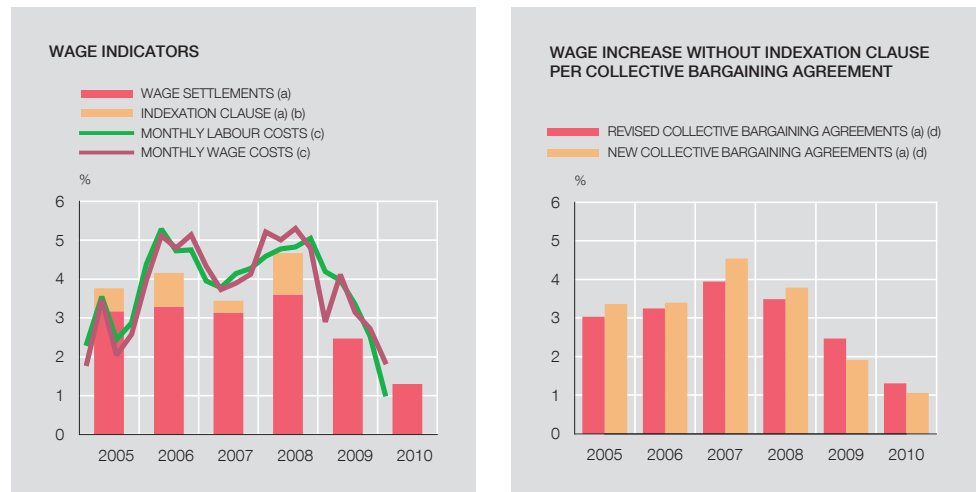
The Q2 Labour Force Survey shows a year-on-year fall in employment of -2.5%, a moderation of 1.1 pp with respect to the previous quarter. The smaller year-on-year decrease in employment was apparent in all sectors of the market economy except for agriculture, and was particularly significant in construction and industry. The slower rate of fall of employment fed through especially to wage-earners, whose numbers diminished by 2.4% year-on-year, compared with 3.7% in the previous quarter, although the performance of the self-employed also improved slightly, since their numbers fell by 3%, against 3.3% previously. By nationality, the rate of job destruction slowed more amongst Spanish workers, who posted a fall of 2.1%, against 4.6% in foreign workers. With regard to contract duration, the rate of decline of temporary workers again eased (-3.8%), although labour shedding continued to be far higher in this group than among those with permanent contracts, who decreased by 1.9%. As a result, the proportion of temporary to total employees increased slightly to 24.9%, 0.5 pp more than in the preceding quarter, although slightly down on a year earlier (25.2%). Lastly, part-time hires continued on the path of growth initiated a quarter earlier, with an advance of 2%, while full-time workers decreased by 3.1%. This left the ratio of part-time to full-time workers at 13.5%, against 12.9% a year earlier.

The labour force recovered notably from the falls of the last two quarters, with growth of 0.2%. This recovery was based on the inclusion of young people and of Spanish males over age 45 in the labour force. The population over age 16 held at a growth rate of 0.1%, while the participation rate increased to 60.1% (from 59.8% in the previous three quarters). As regards the breakdown by sex, the female labour force rallied slightly in Q2 to growth of 1.6% (1.4% in Q1), while the male labour force held on a downward path, although the pace eased (from -1.8% in Q1 to -0.9% in Q2). In terms of nationality, there was a 1.5% reduction in foreign nationals, basically as a result of the continued decline in the foreign population, amounting to -0.7% year-on-year. The participation rate of this group, however, decreased to 76.91%. Spanish nationals increased in number by 0.5% and their participation rate was 57.7%.

Finally, the number of unemployed increased by around 30,000 with respect to Q1, to stand at 4.6 million. However, the year-on-year increase in unemployment eased to around 500,000 people, with a year-on-year rate of change of 12.3%, below the figure of 15% in the previous quarter. The unemployment rate rose by 0.1 pp during the quarter to 20.1%. The unemployment registered by the INEM (National Public Employment Service) also showed a slowdown in the increase in numbers unemployed in 2010 Q2, with a year-on-year increase of 12.6%, following a figure of 18.5% in Q1.

4.3 Costs and prices

Collective bargaining in recent months has confirmed the path of greater wage moderation seen since the beginning of the year. These developments were favoured by the fall in inflation in the closing months of 2009, which rendered the wage indexation clauses ineffective, and by



SOURCES: INE and Ministerio de Trabajo e inmigración.

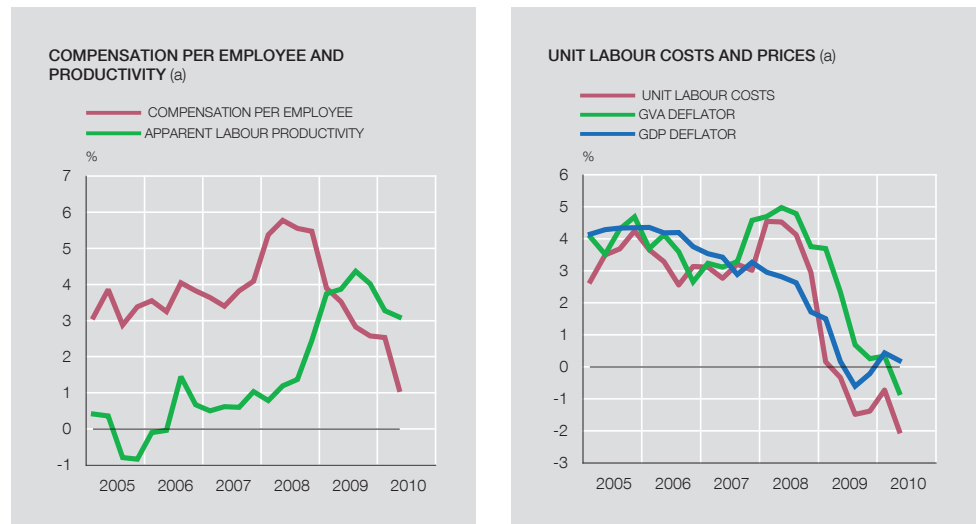
- a. The last year, with information from collective bargaining agreements to June 2010.
- b. Previous year's indexation clause.
- c. ETCL (quarterly labour costs survey). Year-on-year rates of change.
- d. Revised: collective bargaining agreements with economic effects in the year but which were signed 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.

the multi-year agreement entered into by the social partners last February. It is still early to say whether the public sector wage cut is having a moderating effect on wage growth in the private sector, although an effect of this kind in the coming months cannot be ruled out. An additional factor which could favour wage moderation in the second half of the year is the inclusion of provisions in the final design of labour market reform to make it easier for individual firms to opt out of certain clauses in sectoral collective agreements. Relatively few agreements were entered into in the first half of the year, since they covered only 3.6 million workers (somewhat less than half the number in the first half of 2009). Nearly all these agreements date from prior years and have been revised to include a wage increase of 1.3% for 2010, somewhat more than 1 pp below the previous year's settlement (see Chart 19). The newly signed agreements (which apply to somewhat more than 200,000 workers) contain, on average, somewhat lower wage increases for this year, in line with the upper limit of 1% set in the wage settlement for the period 2010-2012.

In terms of compensation per employee, the market economy component eased very slightly in 2010 Q1, by scarcely 0.1 pp to 2.5%. This change contrasts with the figures in the quarterly labour costs survey, according to which the growth rate of total cost dipped by 1.5 pp to 1% year-on-year. It is expected that in Q2 the observed slowdown in negotiated wage rates will contribute to an additional reduction in wage growth, which, together with the stabilisation of productivity growth rates, will allow unit labour costs to fall more sharply in the market economy (see Chart 20).

Meanwhile, the final demand deflator seems to have accelerated moderately in 2010 Q2, which, against a backdrop in which the domestic component of inflation (measured by the GDP deflator) is estimated to have continued growing moderately, can be attributed to an upturn in import prices. This in turn seems to be basically due to higher oil prices.

The main consumer price indicators also picked up in Q2. The CPI increased by 1.6%, compared with the growth of 1.1% in the January-March period (see Chart 21). The rise in

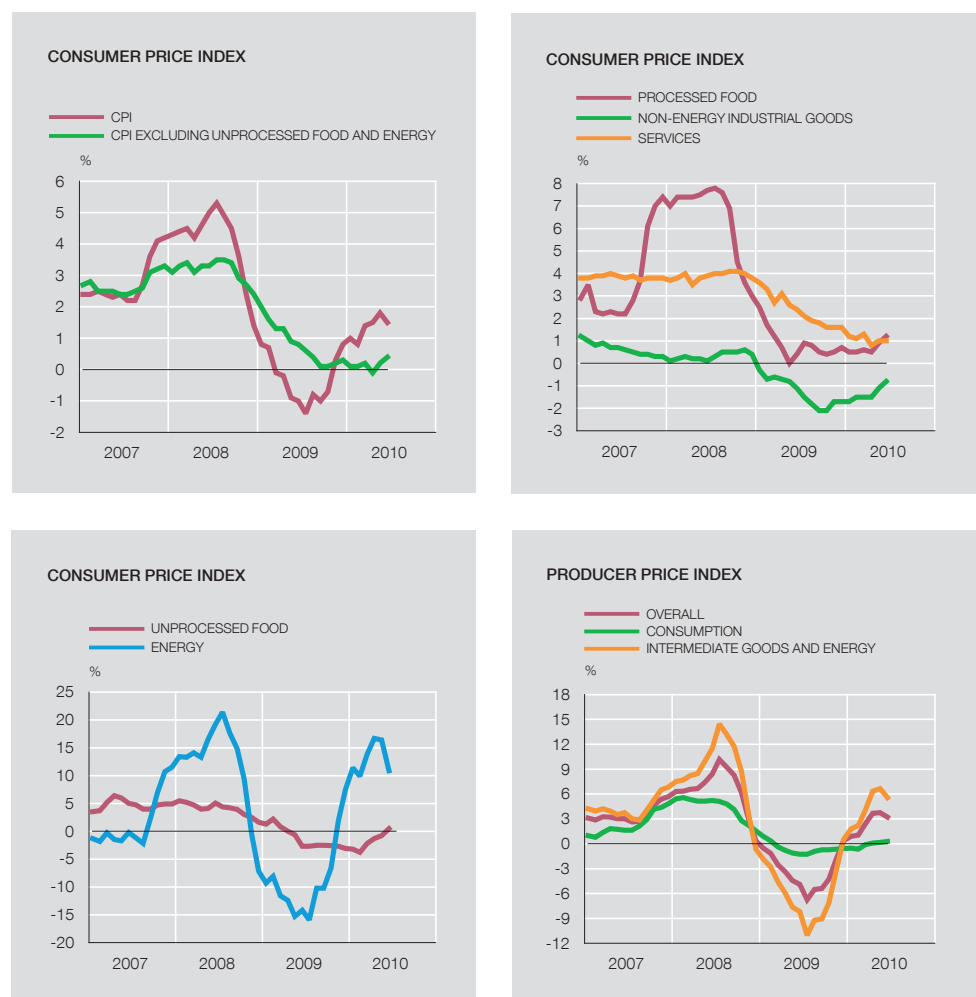


SOURCES: INE and Banco de España.

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

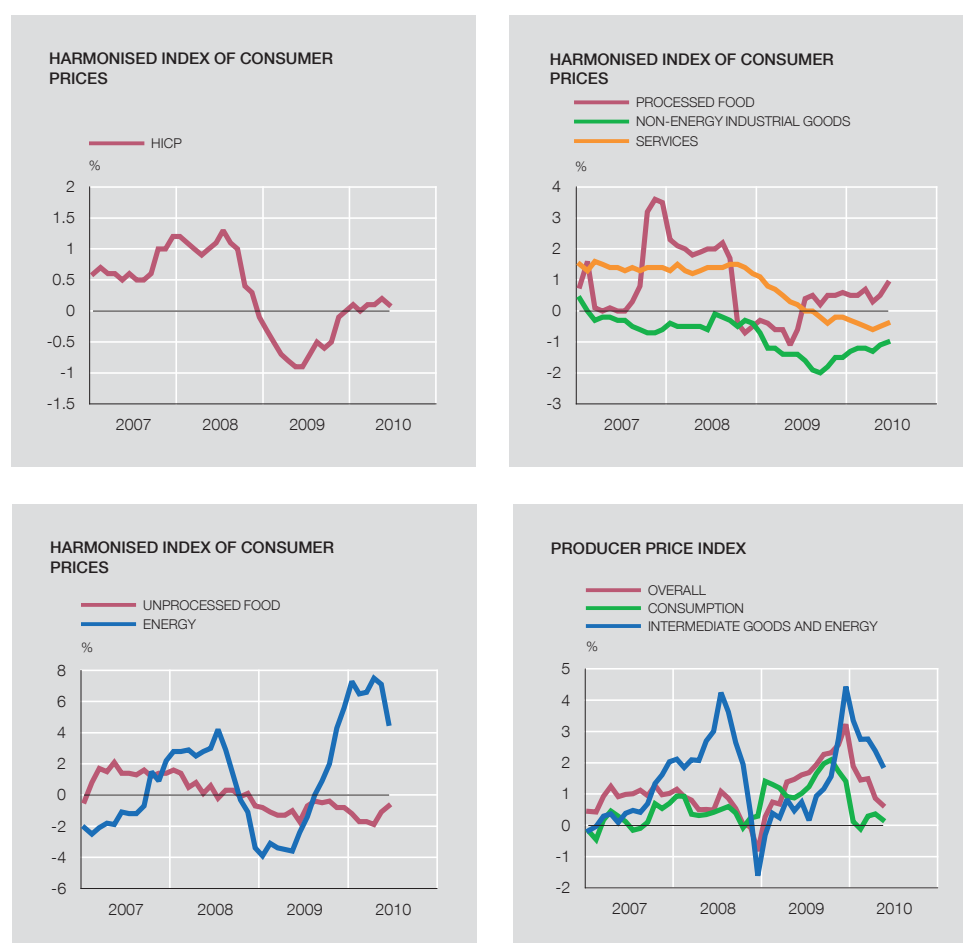
PRICE INDICATORS (a) Spain

CHART 21



SOURCE: INE.

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



SOURCES: Eurostat and Banco de España.

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

the overall index was mainly due to the higher rate of expansion of energy prices (to which the butane and natural gas price rises in April contributed) and, to a lesser extent, of processed food prices. Also, unprocessed food and non-energy industrial goods prices decreased somewhat more slowly. By contrast, the growth rate of services prices eased slightly, posting a change of 1%. As a result of the movements in its various components, the CPI excluding unprocessed food and energy rose by 0.1 pp in Q2 to a year-on-year rate of 0.2%.

The quarterly average increase in HICP inflation was 0.4 pp in both Spain and the euro area. This meant that the differential remained unchanged at 0.1 pp (see Chart 22). In terms of core inflation, the differential held at -0.6 pp for the third quarter running, as a result of small changes of opposite sign in the differentials of the services and non-energy industrial goods components, the growth rates of which, in any event, continued to be lower in Spain. The differentials relating to the more volatile components also underwent more modest changes, with slight reductions in the positive differential in the case of energy products, and in the negative differential in the case of unprocessed food. The leading indicator of the Spanish HICP for July has started to reflect the effects of the VAT rise, which brought about an increase in the year-on-year rate to 1.9% in July, 0.4 pp more than in June. The estimated rise in the euro area is 0.3 pp, giving a differential of 0.2 pp.

€m and %								
	Outturn 2009	Percentage change 2009/2008	Initial budget 2010	Percentage change 2010/2009	Outturn Jan- Mar. Percentage change 2010/2009	Outturn		
	1	2	3	4 = 3/1	5	2009 Jan-Jun	2010 Jan-Jun	Percentage change
	1	2	3	4 = 3/1	5	6	7	8 = 7/6
1 REVENUE	102,038	-21.1	121,206	18.8	4.8	46,352	55,386	19.5
Direct taxes	54,096	-27.0	66,393	22.7	6.8	21,941	24,383	11.1
<i>Personal income tax</i>	30,432	-29.9	42,633	40.1	10.7	14,626	17,762	21.4
<i>Corporate income tax</i>	20,188	-26.1	20,184	-0.0	-32.2	5,548	4,746	-14.5
<i>Other (a)</i>	3,476	2.8	3,576	2.9	0.5	1,767	1,875	6.1
Indirect taxes	28,664	-26.9	40,736	42.1	13.9	15,218	24,433	60.6
<i>VAT</i>	15,784	-36.7	26,111	65.4	18.3	9,202	17,926	94.8
<i>Excise duties</i>	10,141	-9.6	11,964	18.0	-0.5	4,655	5,068	8.9
<i>Other (b)</i>	2,739	-11.2	2,661	-2.9	1.2	1,361	1,439	5.8
Other net revenue	19,277	20.4	14,076	-27.0	-23.1	9,194	6,570	-28.5
2 EXPENDITURE	189,319	27.8	184,542	-2.5	13.4	83,171	86,180	3.6
Wages and salaries	26,570	5.3	27,572	3.8	6.8	13,196	13,508	2.4
Goods and services	4,860	7.2	3,515	-27.7	5.7	1,880	1,941	3.3
Interest payments	17,650	10.8	23,224	31.6	23.2	7,414	9,116	23.0
Current transfers	112,412	35.8	103,137	-8.3	19.0	46,310	49,698	7.3
Investment	10,468	-1.6	9,390	-10.3	3.5	4,907	4,604	-6.2
Capital transfers	17,360	94.1	14,452	-16.7	-9.5	9,464	7,314	-22.7
3 CASH-BASIS BALANCE (3 = 1 - 2)	-87,281	—	-63,336	—	—	-36,819	-30,794	—
MEMORANDUM ITEM: TOTAL TAXES (State plus share of regional and local governments)								
<i>Personal income tax</i>	63,857	-10.5	65,734	2.9	1.1	29,276	30,337	3.6
<i>VAT</i>	33,573	-30.1	29,281	-12.8	2.2	18,632	24,473	31.4
<i>Excise duties</i>	19,349	-1.1	20,450	5.7	2.4	9,138	9,794	7.2

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.

The producer price index continued to accelerate at the beginning of Q2 and, as a result, the year-on-year rate rose from 2.4% in March to 3.7% in April. However, subsequently this trend was broken and June saw the first slowdown in a year, to 3.2%. In any case, that break in the rising trend of the year-on-year rate was caused by the contribution of the energy component. By contrast, the other groups of goods continued to show a mild tendency to accelerate throughout the quarter, more marked in the case of intermediate goods, which reached a rate of 3.2% after five quarters of falls. In the euro area, on data to May, producer prices grew somewhat more slowly than in Spain, except in the case of intermediate goods and capital goods, the favourable differential to Spain of which was, in any event, very close to zero. Finally, the import and export prices of industrial products grew notably, reaching rates of 10.2% and 5.5%, respectively, in May, and this was accompanied by pick-ups in the prices of nearly all their components.

4.4 The State budget

After one-and-a-half years of continuous year-on-year widening of the public deficit in cash terms (measured in cumulative terms since the beginning of the year), it decreased to €30.8 billion in the first half of 2010, after a negative balance of €36.8 billion in the corresponding period of 2009 (see Table 4). The balance improved as a result of both the strong increase in revenue (19.5%) and the notable slowdown in payments to a rate of 3.6%. In both cases,

these developments reflected the impact of measures approved by the government between last year and the opening months of this one. In light of the behaviour observed in this first half, and provided that the expected impact on the public finances of the tax rises and the spending cuts planned for the second half of the year materialise, it can be expected that the balance for 2010 as a whole will gradually approach the government's budget targets. On 20 May the government approved a set of far-reaching measures (see Table 1) entailing spending cuts of around €15 billion in cumulative terms between 2010 and 2011, the initial effects of which became apparent in June. By contrast, the social security budget outturn worsened in the January-May period, as described in Box 6.

For the description of public receipts, information is available on total takings from the main taxes, i.e. the portions assigned to the State and to the ordinary-regime regional governments, which are shown at the bottom of Table 4. According to this information, total receipts increased by 5.8% year-on-year in the first half. Among the direct taxes, personal income tax picked up due to the effect of the elimination of the €400 tax credit, already reflected in withholdings on earned income, and, to a lesser extent, to the rise in the withholding rate on capital gains (although the latter, nevertheless, continued to show strongly negative rates in the first half of the year). Meanwhile, the weak receipts from corporate income tax persisted. Noteworthy among the indirect taxes was the pick-up in VAT receipts by 31.4% with respect to the first half of the previous year. In this case the performance is affected by the sharp decrease in refunds, which, until last year, had been buoyed by the earlier refund schedule under new legislation. Excise duties were up by 7.2%, spurred by rate increases in the second half of 2009. The items aggregated under the "Other State revenue" heading fell sharply, mainly due to lower fee collections on guarantees provided to credit institutions in response to Royal Decree-Law 7/2008 and to lower public debt issue premiums.

State cash-basis expenditure increased by 3.6%, a rate which, despite its recent deceleration, continues to exceed the budget forecast for the year as a whole (-2.5%), because the outturn data for the months elapsed still partially include the impact of the measures adopted to cut spending. Specifically, since the only month affected by the wage cut was June, the sharp year-on-year fall in personnel costs in that month (5.8%) showed up only as a modest deceleration, to 2.4%, in cumulative terms in the whole of Q2. It should be noted that the growth of current transfers, which are mostly to other general government agencies, continued to be high despite the slowdown in the quarter, due to payments to the National Public Employment Service a year ago. Meeting the budget forecast for 2010 as a whole in this expenditure area would require the most recent trend towards moderation to be maintained. By contrast, capital transfers fell sharply due to the large amounts transferred to local government to build up the State Fund for Local Investment in 2009. The replacement of this fund by the State Fund for Employment and Local Sustainability, the amount of which is lower than that of its predecessor, should enable the negative rates of these transfers to be maintained in the remainder of the year. Lastly, mention should be made of the dynamism of interest payments due to the increased public debt outstanding.

4.5 Balance of payments

In the first five months of 2010, the combined current and capital account balance was a deficit of €22.4 million, 22% less than in the same period a year earlier (see Table 5). Most of this correction is due to the smaller current account deficit, which narrowed by 15% to €26 billion. This adjustment is in turn explained by the decrease of more than €5.5 billion in the income deficit, partly offset by the widening of the trade and current transfers deficits (by around €400 million and €1 billion, respectively).

The Social Security System posted a non-financial surplus of €6.5 billion to May 2010, down 31.6% on the same period of the previous year. Non-financial revenue decreased by 4%, while the rise in payments amounted to 4.6% (see accompanying table).

Despite the fall in non-financial revenue, the revenue from Social Security contributions rose slightly by 0.5%, as compared with a fall of 4.4% expected for 2010 as a whole. This small increase took place against a background of easing in the rate of fall of employment, which curbed the fall in the number of Social Security registrations seen since June 2008.

Spending on contributory pensions grew by 5.3% to May, which was more than budgeted for the whole of the year. In 2010 H1 the number of contributory pensions increased by 1.7%, in line with the number

of registrations in the previous year. Spending on sickness benefits was up by 9.6%, in marked contrast to the fall of 9.5% budgeted for the whole of 2010.

As regards the National Public Employment Service (SPEE, by its Spanish abbreviation), the deficit decreased significantly to €728 million in the period January-May 2010, against a deficit of €4 million in the same period of the previous year. This improvement is explained by the sharp growth of €45.5% in revenue, which amply offset the notable rise in expenditure (10.1%). In cumulative terms to June, the growth in spending on unemployment benefits slowed markedly. The coverage rate stood at 78.2% in May, more than 4.5 pp above that in the same month of 2009. The number of those receiving benefits rose by 18.3% with respect to May of the previous year, while registered unemployment grew by 9.3% year-on-year to June.

SOCIAL SECURITY SYSTEM (a)

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

€m and %

	Budget			Outturn JAN-MAY		
	2009	2010	% change	2009	2010	% change
	1	2	3 = 2/1	4	5	6 = 5/4
1 REVENUE	123,726	119,479	-3.4	40,324	38,731	-4.0
1.1 Social security contributions	113,324	108,358	-4.4	35,525	35,693	0.5
1.2 Current transfers	7,439	8,356	12.3	3,761	2,217	-41.0
Other	2,963	2,765	-6.7	1,039	821	-21.0
2 EXPENDITURE	114,476	116,599	1.9	30,804	32,222	4.6
2.1 Wages and salaries	2,453	2,483	1.2	735	732	-0.4
2.2 Goods and services	1,995	2,033	1.9	435	413	-5.1
2.3 Current transfers	109,465	111,556	1.9	29,380	31,035	5.6
Contributory pensions	93,339	95,320	2.1	25,446	26,797	5.3
Sickness	8,144	7,373	-9.5	1,199	1,314	9.6
Other	7,982	8,862	11.0	2,734	2,924	6.9
2.4 Other	563	528	-6.3	254	42	-83.5
3 BALANCE	9,250	2,880	-68.9	9,520	6,508	-31.6

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

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

In the period from January to May 2010, the trade deficit increased by 1% in comparison with the same period of 2009, to €18.8 billion. This near stabilisation was the result of opposing movements in the non-energy deficit, which improved, and in the energy deficit, which worsened, against a background of higher oil prices than a year ago. Both exports and imports of goods posted high nominal growth against a backdrop of worsening terms of trade. Meanwhile, the services balance posted a surplus of €8.1 billion, up 0.3% on the same period of 2009, as a result of the narrower non-tourism services deficit, offset by the worsening of the tourism surplus. Nominal tourism receipts fell by 0.4% in the whole of the reporting period, following significant decreases in the previous year. Tourism payments increased by 2% to May, boosted by promotional offers and despite the moderate deterioration of household confidence. As regards other services, both receipts and payments grew modestly in the first five months of 2010.

€m		January-May		% change 2010/2009 (b)
		2009	2010	
CREDITS	Current account	119,605	128,486	7.4
	<i>Goods</i>	64,222	74,542	16.1
	<i>Services</i>	33,191	33,475	0.9
	— Tourism	12,761	12,708	-0.4
	— Other services	20,431	20,767	1.6
	<i>Income</i>	16,484	15,214	-7.7
	<i>Current transfers</i>	5,707	5,254	-7.9
	Capital account	2,731	4,260	56.0
	Current + capital accounts	122,336	132,746	8.5
DEBITS	Current account	150,204	154,481	2.8
	<i>Goods</i>	82,846	93,357	12.7
	<i>Services</i>	25,066	25,327	1.0
	— Tourism	4,110	4,206	2.3
	— Other services	20,956	21,121	0.8
	<i>Income</i>	31,807	24,662	-22.5
	<i>Current transfers</i>	10,485	11,135	6.2
	Capital account	666	619	-7.2
	Current + capital accounts	150,870	155,099	2.8
BALANCES	Current account	-30,599	-25,995	4,604
	<i>Goods</i>	-18,624	-18,815	-191
	<i>Services</i>	8,126	8,148	22
	— Tourism	8,651	8,502	-149
	— Other services	-525	-354	171
	<i>Income</i>	-15,323	-9,448	5,875
	<i>Current transfers</i>	-4,778	-5,880	-1,103
	Capital account	2,064	3,641	1,577
	Current + capital accounts	-28,535	-22,354	6,181

SOURCE: Banco de España.

a. Provisional data.

b. Absolute changes for balances.

The deficit on the income balance narrowed by 38% in the first five months of 2010. The current transfers deficit widened by 23% due to fact that the easing of emigrants' remittances was outweighed by the fall-off in the Community flows included in this sub-balance. By contrast, the increase in general government receipts from the various Community funds included in the capital balance caused the related surplus to widen by approximately €1.6 billion (76.4%).

5 Financial developments

5.1 Highlights

Developments on domestic financial markets in 2010 Q2 unfolded against a backdrop of fresh episodes of turbulence linked on this occasion to the crisis in confidence affecting the Spanish economy and others in the euro area. As a result, there was high volatility in prices and a widening of risk premia on both public- and private-sector bonds, which also showed notable volatility. These developments were accompanied by a downgrading of Spanish public debt by S&P (in April) and Fitch (in May). During July, there was some easing of tensions on account of the economic policy responses adopted at both the European and domestic levels, and most particularly due to the announcement to disclose the results of the stress tests of financial institutions, and to their actual publication subsequently. In any event, the financing conditions on markets currently faced by credit institutions, corporations and governments remain more restrictive than those in place in previous quarters (see Box 7).

Stock market indices underwent moderate falls in Q2 which were partly corrected in July (see Chart 23). As at 28 July, the IBEX 35 was 2.1% down on its end-March level, less of a fall than in the Eurostoxx 50 (5.6%) and the S&P 500 (5.4%). Since the start of the year the respective declines have amounted to 10.9%, 6.7% and 0.8% for the Spanish, European and US indices. Volatility increased notably, rising to levels at the end of May not seen since December 2008, though these have been subsequently corrected. The yield on Spanish 10-year government debt stood at over 4.8% (over 1 pp above the end-March figure). And this, along with the decline in the yield on the benchmark German Bund, translated into a notable widening of the interest-rate spread between both bonds, which stood in mid-June at around 220 bp, narrowing subsequently to below 150 bp in late July. The credit risk premia of Spanish corporations on derivatives markets trended similarly. In the case of interbank loans, interest rates rose, with the 12-month Euribor standing at the end of the period at 1.42%, 21 bp up on March.

On the real estate market, and according to the latest data published by the Spanish Housing Ministry, the fall in open-market housing continued in 2010 Q2, although the rate of decline moderated further. The year-on-year rate of decline therefore eased from 4.7% in March 2009 to 3.7% in June.

There were generally slight reductions in interest rates on bank lending to households and firms in 2010 Q2, with the exception of the rise in loans for over €1 million to the corporate sector (see Chart 23). Conversely, the cost of corporate securities issues rose both for bonds and equity. According to the July Bank Lending Survey (BLS), the difficulties in gaining access to wholesale funding and the liquidity situation would have led banks to tighten credit standards over this period, especially in the case of those applied to companies. That contrasts with the stability or slight easing of standards anticipated in April by respondent intermediaries.¹ In the last BLS, agents anticipated a further tightening of standards for the current quarter.

The latest data available – for May – on private-sector financing show a slight increase in the year-on-year growth rate of household debt to 0.5%, from 0.1% in March. The funds raised by companies continued to contract with the same intensity as in March (2.4% year-on-year). The breakdown of corporate liabilities by instrument highlights the continuing reduction in credit granted by resident credit institutions and the acceleration in the pace of bond issues, al-

1. For greater details, see “Encuesta sobre Préstamos Bancarios en España: julio de 2010”, by Jorge Martínez Pagés, in the July edition of the *Boletín Económico*.

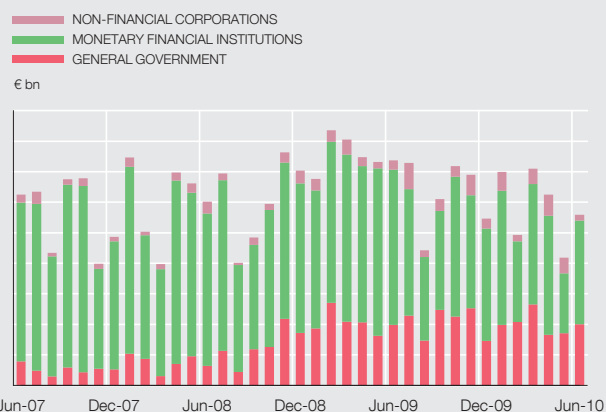
During 2010 Q2 there was a fresh bout of tension in European financial markets. The source of this turbulence lay in the problems of sustainability of Greek public finances, which have ultimately prompted a crisis of confidence in several euro area economies. The Spanish

markets are among those most affected by these developments, to which the greater deterioration in the budget deficit (despite the fact that outstanding public debt departed from a comparatively low level), diminished growth prospects and the market's negative percep-

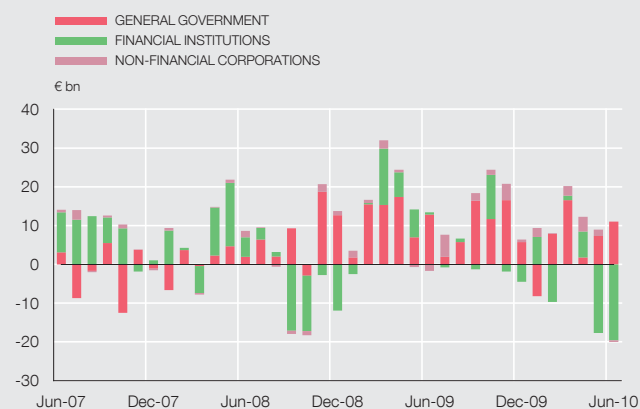
1 TEN-YEAR GOVERNMENT DEBT



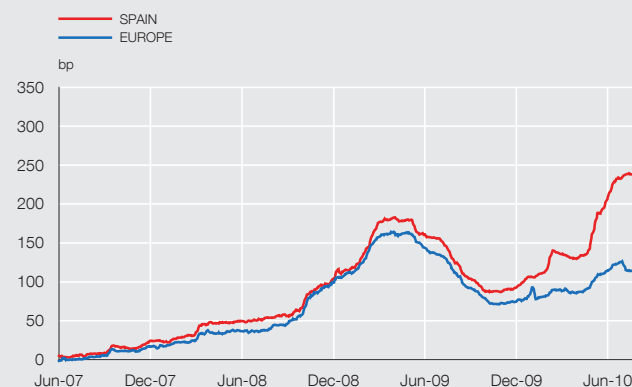
2 GROSS FIXED-INCOME ISSUES (a)



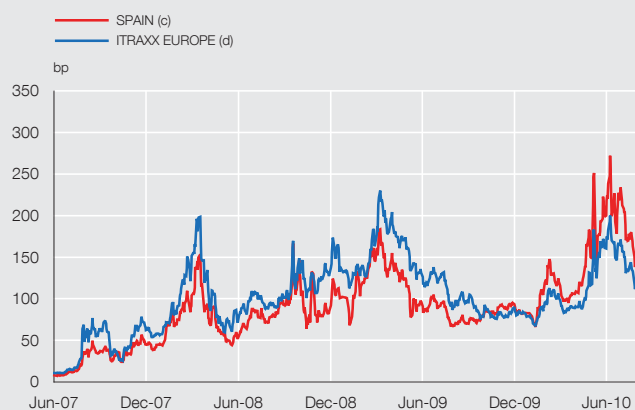
3 NET FIXED-INCOME ISSUES (a)



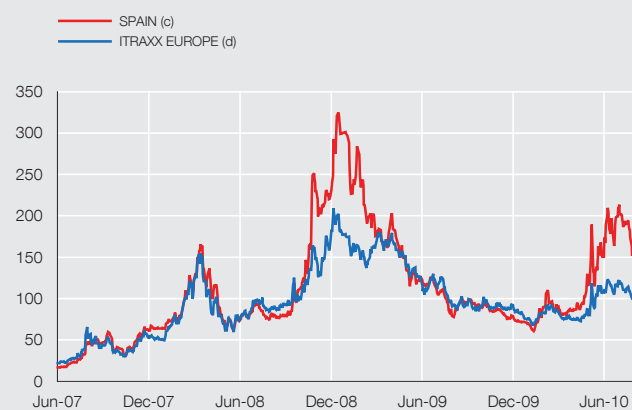
4 SEVEN TO TEN-YEAR COVERED BONDS. ASSET SWAP SPREAD (b)



5 FINANCIAL CORPORATIONS' 5-YEAR SENIOR CDS PREMIA



6 NON-FINANCIAL CORPORATIONS' 5-YEAR CDS PREMIA



SOURCES: Bloomberg, Datastream and Banco de España.

a. Issues by monetary financial institutions and non-financial corporations include those made by their resident and non-resident subsidiaries. Information is not included on issues made by other financial intermediaries.

b. Five-day moving averages.

c. Weighted average of individual data.

d. The different contracts have been linked back maintaining the recorded percentage change.

tion about the situation of certain segments of the Spanish financial system have all contributed. These developments have been accompanied, moreover, by downgrades of Spanish long-term public debt by S&P (from AA+ to AA, in April) and by Fitch (from AAA to AA+, in May). Against this background, this Box focuses on describing how these tensions have affected funding conditions for the various sectors of our economy in recent months.

Yields rose in the Spanish public debt market and, together with the decline in yields on the related German bonds (which acted as safe-haven securities), this led to a significant widening in interest-rate spreads between the respective instruments (see Panel 1). In the primary market, the general government sector continued raising the funds needed to meet payments associated with deficit financing and outstanding debt redemptions, albeit at a higher cost (see Panels 2 and 3).

The financial sector was also greatly affected by these tensions through several channels. First, the rise in public debt yields, which normally act as a reference for setting the price of private securities, exerted upward pressure on credit institutions' borrowing costs. In addition, the depreciation of securities issued by general government has an adverse effect on bank balance sheets, insofar as banks are one of the main holders of such securities. Lastly, certain intermediaries were harmed by the market's negative view of their financial position in association with the impairment of their assets, real estate assets in particular. It should further be borne in mind that the recourse by this sector to the markets plays an important role, since the raising of deposits has proven insufficient to fund the expansion of their activity (even though activity is advancing sluggishly) and to meet the payments relating to the maturity of previously issued debt.

As in the case of public securities, the tensions were reflected in a rise in yields on securities issued by the financial sector, and in credit risk premia, increasing in both cases to notably higher levels than those observed in Europe on average (see Panels 4 and 5). But, unlike with general government, the expression of the difficulties in raising funds was a decline in the volume of issues, meaning that the fresh resources raised were lower in May and June than redemptions of out-

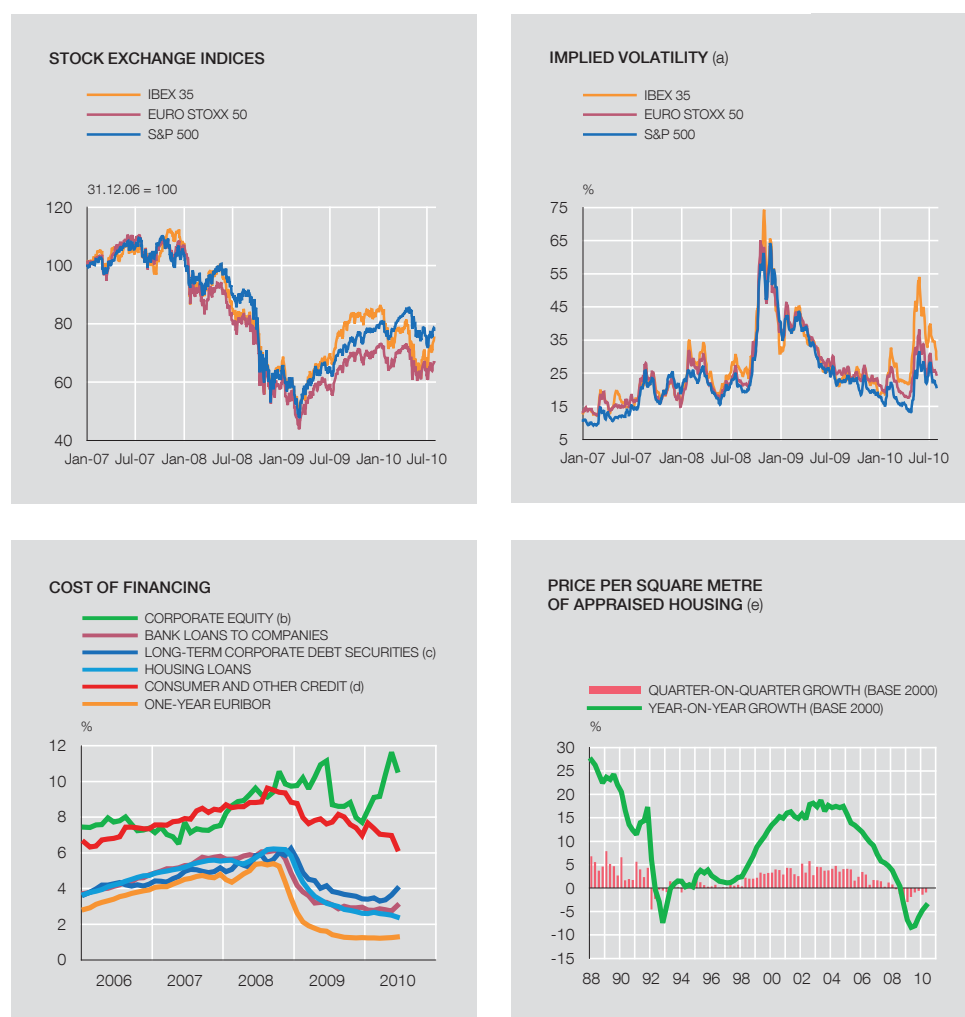
standing debt (see Panels 2 and 3). That led to the biggest decline seen in the outstanding balance of these intermediaries' fixed-income securities since 2008 Q4, following the bankruptcy of Lehman Brothers.

Non-financial corporations were also affected by these tensions, albeit to a lesser extent. And it should be borne in mind that the bulk of this sector's funding requirements is usually covered through resort to bank loans. That said, in the months prior to the recent bout of financial turbulence certain major companies had increased their recourse to the markets, though this trend has eased since May, in a setting marked by the tightening of market financing conditions. Accordingly, net issues in June were negative (see Panels 2 and 3). As was the case with credit institutions, risk premia rose, standing at levels higher than those observed in Europe on average (see Panel 6).

The degree of financial tension in recent months has shown notable variability. There have been specific periods where tensions were especially intense (e.g. during the first week of May), and others in which they eased somewhat, as was temporarily the case following the announcement of the measures adopted by the Ecofin and ECB on 9 May. In recent weeks there has been a clear improvement, as reflected in the favourable outcome of Treasury tenders, in the return to the market of certain private issuers and in the fall in market yields and risk premia (see Panels 1, 4, 5 and 6). Contributing to these latest developments have been the measures adopted over recent months at the European and national levels. Among the former are the creation of the European Financial Stabilisation Mechanism and the European Financial Stability Facility and, most particularly, the decision to disclose the results of the stress tests of banks and their subsequent publication, which have reduced uncertainty and dispelled the doubts that had been raised over certain intermediaries. In Spain's case, the stress tests were performed with a greater degree of detail and covered practically the entire financial system. Other developments that have proven conducive to easing the turbulence have been the approval of the labour-market and savings-bank reforms and the fiscal consolidation package. In any event, despite this improvement, current financing conditions on markets remain more restrictive than those prevailing before the onset of the Greek fiscal crisis.

though the relative weight of this type of financing is scant. In seasonally adjusted annualised quarter-on-quarter terms, bank credit granted to households continues to show a positive albeit moderate growth rate, while that extended to companies continues to decline. The latest information on credit by type, for 2010 Q1, shows an across-the-board decline by branch of activity, albeit with notable divergence in terms of intensity. The latest provisional figures suggest that during June the moderate pick-up in household liabilities continued, while the rate of decline of bank financing of companies eased somewhat.

The stability of household liabilities and income meant that the household debt/gross disposable income (GDI) ratio held during Q1 at around the same levels as end-2009. The debt service burden continued to fall, owing to the lower average financing costs of outstanding



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 market-based long-term debt is calculated as the sum of the average 5-year CDS premium for Spanish non-financial corporations and the 5-year euro swap rate.

d. There is a break in the series in June 2010, as data relating to credit card use are excluded as from that month.

e. Base 2001 to December 2004; base 2005 thereafter.

debt. However, there was some decline both in the sector's gross saving ratio and its net lending capacity once the liabilities relating to debt repayment were discounted following several consecutive quarters of rises. Lastly, net wealth fell off slightly as a result of the decline both in the real estate and (to a lesser extent) financial components. The provisional data for Q2 point to a continuation of the foregoing trends.

In the case of companies, there was a slide in business surpluses, in line with the contraction in borrowed funds. Accordingly, the debt ratio held stable during Q1. The debt burden ratio continued to fall, albeit at a lesser rate, as a consequence of the decline in the average cost of outstanding debt. On the provisional data available, it is estimated these same trends continued during the subsequent months. For the sample of companies reporting to the quarterly Central Balance Sheet Data Office survey (CBQ), among which the biggest have a notable weight, the data for 2010 Q1 show a recovery in return-on-equity levels, resulting from the rise observed in this ratio for the major corporate groups.

% GDP									
	2005	2006	2007	2008	2009				2010
					Q1	Q2	Q3	Q4	Q1
National economy	-6.5	-8.4	-9.6	-9.1	-8.1	-6.9	-5.8	-4.7	-4.3
Non-financial corporations and households and NPISHs	-8.4	-11.1	-13.5	-7.0	-4.4	-0.5	2.4	4.9	6.1
<i>Non-financial corporations</i>	-7.1	-9.5	-11.6	-7.2	-6.6	-4.8	-2.6	-0.7	0.9
<i>Households and NPISHs</i>	-1.3	-1.7	-1.9	0.2	2.3	4.3	5.0	5.6	5.2
Financial institutions	0.9	0.7	2.1	2.0	2.0	1.9	1.7	1.6	1.4
General government	1.0	2.0	1.9	-4.1	-5.8	-8.4	-9.9	-11.2	-11.8
MEMORANDUM ITEM:									
Financing gap of non-financial corporations (a)	-11.4	-17.8	-15.9	-11.9	-9.6	-6.9	-3.8	-0.7	1.2

SOURCE: Banco de España.

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

The volume of doubtful loans has continued increasing, albeit with less intensity than in the previous months. As a result of this and of the decline in debt, the doubtful assets ratio has continued rising. Specifically, for the other resident sectors as a whole (which include, in addition to households and firms, intermediaries other than credit institutions), this indicator stood in May at 5.5%, 0.4 pp above the December figure.

In the case of general government, the slowdown in its attendant debt continued, although the rate of expansion remains very high (20% in May 2010, compared with 29% at end-2009). This buoyancy in the raising of funds, along with the sluggish increase in GDP, has been reflected in further increases in the debt/GDP ratio, and has also entailed a rise, albeit one more moderate, in the associated debt service burden.

The latest information on the Financial Accounts, relating to 2010 Q1, reflects a further decrease in the nation's net borrowing to 4.3% of GDP in twelve-month cumulated terms (0.4 pp below the December level). As in previous periods, this development was the result of a rise in the non-financial private sector's financing capacity, which was partly offset by the increase in the general government deficit, which stood at 11.8% of GDP, and the slight reduction in financial institutions' saving (see Table 6). Most significantly, the balance of corporations' net financial transactions was positive for the first time since 1998. In line with the rise in the budget deficit, it was the general government sector which channelled the bulk of the net funds raised abroad through the purchase of public debt securities by the rest of the world.

In sum, there was a fresh bout of financial instability in Europe in 2010 Q2 that singularly affected the Spanish economy, which has proven particularly vulnerable to the crisis owing to its high debt with the rest of the world. That has entailed a notable tightening of financing conditions in the markets on which general government, firms and credit institutions operate, conditions that have turned around partly in July. If these greater difficulties were ultimately to feed through to household and corporate credit transactions, they might pose a factor of risk to the economic recovery, although the recent slackening of these tensions has lessened the likelihood of this risk materialising. These developments have come about in a setting in which the private-sector indicators of financial pressure have continued stabilising to some extent as a result of the lesser macroeconomic deterioration and of the stabilisation (households) and the

fall-off (firms) in this sector's borrowed funds, although the sluggish increase in revenue is preventing the reduction of debt/income ratios, which remain at high levels. In the case of general government, liabilities have continued increasing at a higher rate, albeit one more moderate than in the preceding quarters. That reinforces the need to persevere with the efforts needed to see through an ambitious and credible fiscal consolidation process.

5.2 Households

During 2010 Q2, interest rates on new credit business with households declined (by 21 bp on loans for house purchases and by 82 bp on loans for consumer purchases and other ends, although in this latter case a significant portion of the decline is attributable to changes in the attendant statistics²). However, in their replies to the BLS, banks stated that during this same period they had slightly tightened credit standards as a result mainly of the liquidity situation and of the difficulties of gaining access to wholesale funding, and they anticipated a further tightening of supply in Q3.

Against this background, household debt increased slightly in April and May 2010, posting year-on-year growth of around 0.5% in the latter month, compared with 0.1% in March. The breakdown by type shows that while credit for house purchases was growing at that date at a rate of around 1%, funds earmarked for consumption and other purposes contracted by 0.5% in relation to the same period a year earlier.

Turning to portfolio decisions, on the latest financial accounts information for 2010 Q1, household investment in financial assets, measured in cumulated annual terms and as a percentage of GDP, held at similar levels to those recorded at end-2009 (see Table 7). Holdings of cash and cash equivalents remain the main destination for these flows, although their volume in terms of GDP declined by 0.8 pp to 3.3%, while the relative significance of those invested in equities and insurance technical reserves scarcely showed any change, accounting respectively for 1.1% and 0.9% of GDP. Net investment in other deposits and fixed-income securities – under which time deposits are included – was negative for the second quarter running.

In line with the stability shown both by debt and income, the household debt ratio held at around 125% of GDI in 2010 Q1 (see Chart 24). Conversely, the debt burden ratio continued declining (on this occasion by 0.4 pp), to below 17% of GDI, owing to the fall in the average cost of outstanding loans. Households' net lending capacity, once the expenses associated with the liabilities incurred were stripped out, posted a slight fall for the first time since late 2007, although it remained at historically high levels. Net household wealth fell slightly as a result of the decline in the real estate component (associated with the fall in house prices) and, to a lesser extent, of the loss of value of financial assets.

The latest data on households' doubtful loans ratio, for 2010 Q1, show it has stabilised somewhat, to which both the easing of the debt burden and the slowdown in the pace of job destruction might have contributed. This indicator thus fell for the second quarter running, in the case of loans extended for house purchase and renovation (standing at 2.7% compared with the high of 3% in September), and rose in the case of loans for consumption and other purposes (to 7.2%, 0.3 pp up on December 2009).

5.3 Non-financial corporations

In 2010 Q2, companies' borrowing costs showed different patterns according to the type of liability involved. The interest rate on new credit transactions for amounts below €1 million fell by 13 bp, standing at 4.08% in June, while the rate on transactions for a higher amount in-

2. In particular, credit card transactions have been excluded since June 2010.

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

TABLE 7

% GDP						
	2006	2007	2008	2009		2010
				Q3	Q4	Q1
HOUSEHOLDS AND NPISHs						
Financial transactions (assets)	11.1	7.2	2.7	3.6	4.2	4.1
Cash and cash equivalents	3.1	-1.0	-0.4	3.4	4.1	3.3
Other deposits and fixed-income securities (a)	5.9	7.5	6.8	0.3	-1.4	-0.8
Shares and other equity (b)	-1.1	0.5	-0.1	0.8	1.1	1.1
Mutual funds	0.2	-1.1	-3.4	-0.7	0.0	0.0
Insurance technical reserves	1.8	0.9	0.2	0.4	0.9	0.9
<i>Of which:</i>						
<i>Life assurance</i>	0.6	0.2	-0.2	0.1	0.6	0.5
<i>Retirement</i>	1.0	0.4	0.3	0.3	0.3	0.4
Other	1.1	0.4	-0.3	-0.6	-0.4	-0.3
Financial transactions (liabilities)	12.7	9.1	2.5	-1.4	-1.4	-1.1
Credit from resident financial institutions (c)	13.0	9.4	3.4	-0.3	-0.5	-0.1
<i>House purchase credit (c)</i>	10.0	7.1	2.7	0.2	0.1	0.3
<i>Consumer and other credit (c)</i>	3.0	2.1	0.8	-0.2	-0.4	-0.2
Other	-0.2	-0.3	-0.9	-1.1	-0.9	-0.9
NON-FINANCIAL CORPORATIONS						
Financial transactions (assets)	25.1	14.4	5.0	-5.5	-7.1	-4.8
Cash and cash equivalents	2.3	-0.4	-1.1	-0.9	-0.2	0.1
Other deposits and fixed-income securities (a)	2.3	2.1	2.3	0.2	-0.6	-0.6
Shares and other equity	11.3	7.8	3.1	0.7	-0.6	-0.9
<i>Of which:</i>						
<i>Vis-à-vis the rest of the world</i>	8.3	6.6	3.1	1.1	0.0	0.1
Trade and intercompany credit	8.3	3.4	0.1	-5.5	-6.0	-3.4
Other	0.9	1.5	0.6	0.0	0.3	0.0
Financial transactions (liabilities)	34.5	26.0	12.2	-2.9	-6.4	-5.7
Credit from resident financial institutions (c)	17.6	13.9	5.5	-1.6	-3.0	-3.6
Foreign loans	3.3	2.8	2.8	1.8	-0.1	-0.8
Fixed-income securities (d)	1.8	0.5	0.3	0.9	1.3	1.3
Shares and other equity	2.9	4.8	2.6	1.1	1.3	1.0
Trade and intercompany credit	8.4	4.3	-0.1	-5.8	-6.4	-3.6
Other	0.6	-0.3	1.1	0.7	0.5	0.0
MEMORANDUM ITEM: YEAR-ON-YEAR GROWTH RATES (%):						
Financing (e)	24.2	15.5	6.4	0.5	-1.0	-1.4
Households and NPISHs	19.6	12.5	4.4	-0.1	-0.3	0.1
Non-financial corporations	27.9	17.7	7.9	0.8	-1.5	-2.5

SOURCE: Banco de España.

a. Not including unpaid accrued interest, which is recorded under "Other".

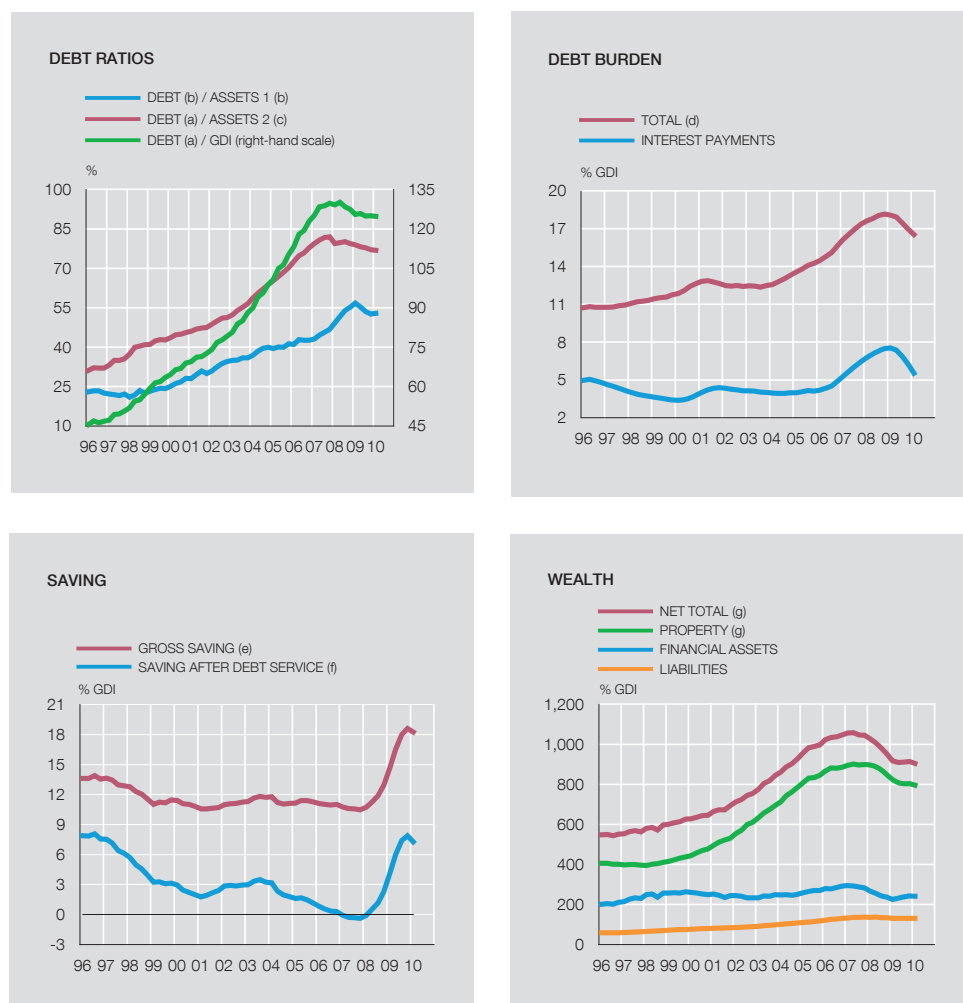
b. Excluding mutual funds.

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.

creased by 29 bp, to 2.56%. The yield demanded on fixed-income securities rose, more markedly so for longer-dated terms (70 bp) than for commercial paper (22 bp). The cost of share issuance rose by 148 bp, reflecting the increase in the risk premium, although it should be borne in mind that this indicator is estimated with less precision. Lastly, according to the July BLS, it is estimated that banks tightened their lending standards for loans to companies between April and June (in contrast to the slight easing anticipated in the previous survey), while they expected a further contraction in supply, albeit one of less intensity, over the three following months.



SOURCE: 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 house and in the price per square metre.

Companies' debt has continued to shrink, with its year-on-year growth standing in May at -2.4%, scarcely 0.1 pp more than in March. However, the related quarter-on-quarter rates indicate that this decline has eased somewhat in recent months. In terms of debt instruments, it is credit granted by resident banks that is falling with most intensity (-4.4% year-on-year), with loans from abroad also falling off considerably (-3.7%). Conversely, fixed-income issues, which are mainly used by the biggest corporations, continued to show a higher rate of expansion in May (48%).

The breakdown of credit by type, the latest information on which is for March 2010, shows that there has been negative year-on-year growth in all branches, although to a very limited extent in the case of credit earmarked for real estate activities (-0.4%) and for other services (-1.1%). In the construction industry, debt continued to decline at a marked rate (-11.9%, compared with -14.1% at end-2009), while the rate of contraction of bank financing granted to industry increased (to 6%, 3.5 pp up on the previous quarter).

In step with these developments, the Financial Accounts information for 2010 Q1 shows that the outstanding balance of net financial transactions of the non-financial corporations sector was positive for the first time since 1998, accounting – in twelve-month cumulated terms – for a value equivalent to 0.9% of GDP, compared with -0.7% in December. Further, the financing gap, an indicator defined as the difference between companies' gross saving and gross capital formation plus permanent investment abroad, also turned positive, standing in annual cumulated terms at 1.2% of GDP compared with -0.7% the previous quarter.

The latest National Accounts estimates of business surpluses, for 2010 Q1, show that such surpluses continued on the declining path of the previous months, in year-on-year terms. This reduction in revenue meant that, despite the contraction in liabilities, the corporate debt ratio scarcely altered (see Chart 25). Nonetheless, the fall in the average cost of debt on balance sheets was once again reflected in a decline in the debt burden ratio.

The information on the sample of corporations reporting to the CBQ, among which the biggest have a notable weight, reveals a different pattern during the opening months of 2010 between the major groups and the other companies, with profits for the former having discernibly trended more favourably. The better performance of the major groups is no doubt linked to the fact that the geographical diversification of their activity has allowed them to offset the negative impact of the weak growth in the Spanish economy. The distinct performance of business surpluses also influenced debt (which rose to a greater extent for corporations with a lesser international presence) and debt burden ratios, the latter rising for these corporations. As an overall effect of these developments, the indicators of financial pressure on investment and employment once again increased, after having fallen in 2009 Q4. However, in Q2 analysts revised their expectations about listed companies' earnings upwards, particularly concerning changes in short-term profits, whereby the related rate of increase has once again turned positive (see Chart 26).

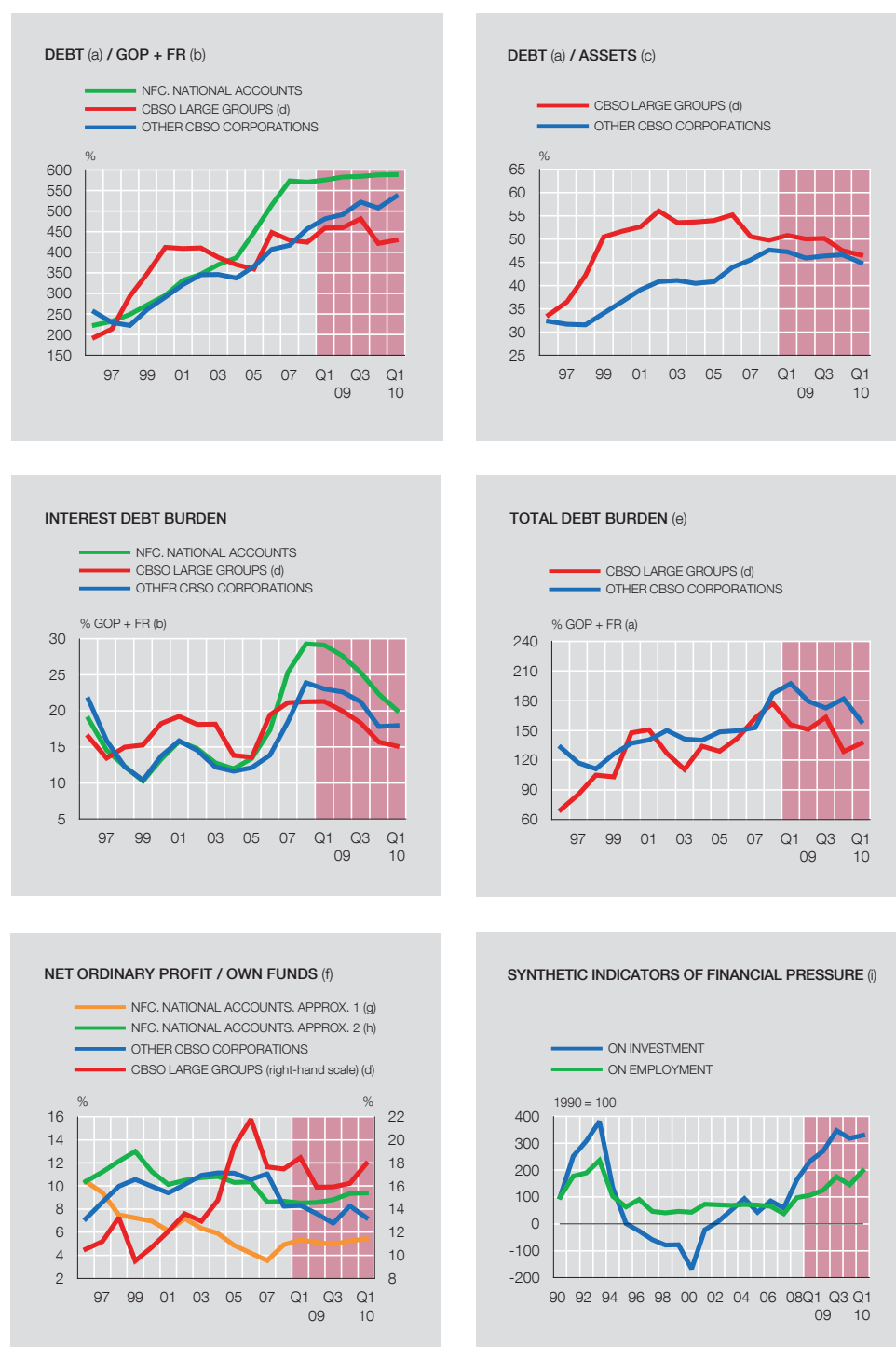
The doubtful assets ratio of non-financial corporations continued to rise during the opening months of 2010, standing at 6.8% in March, 0.6 pp up on end-2009. This increase is chiefly due to the behaviour of credit to construction and real estate services companies, whose ratio rose from 9.6% to 10.6%, while in the other branches the rise was 0.3 pp, to 3.7%.

5.4 General government

General government net borrowing continued to grow during 2010 Q1, rising in annual cumulated terms to 11.8% of GDP, 0.6 pp up on end-2009 (see Table 6).

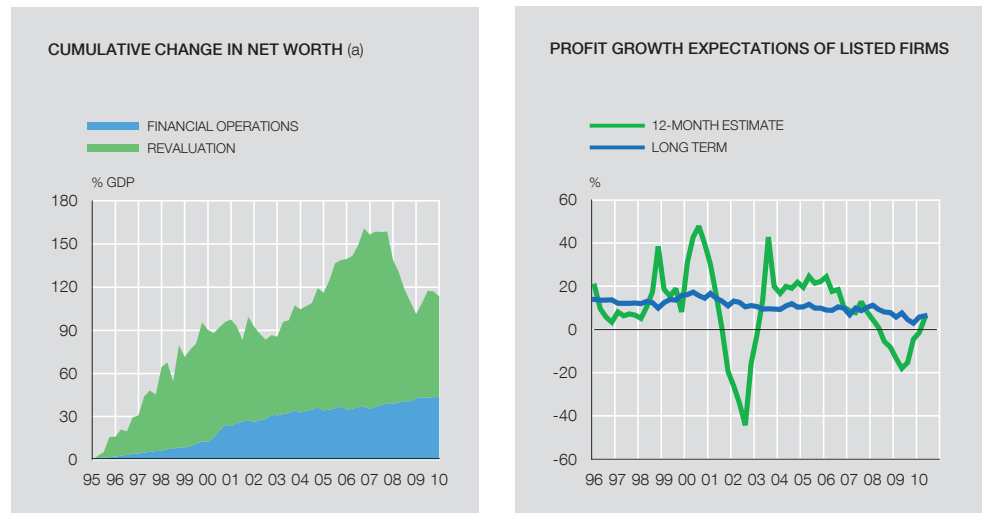
The principal means of financing the general government deficit continued to be through the issuance of fixed-income securities, as a result of which a net volume of funds equivalent to 11% of GDP (see Chart 27) was raised in 2010 Q1 in annual cumulated terms. The bulk of these placements was in securities maturing at over one year, while the relative weight of short-term bonds fell once again. The funds obtained through loans continued to account for a modest amount, standing on this occasion at around 0.7% of GDP. Notable on the assets side is the negative value of deposit flows, in contrast to the increase in the outstanding amount invested in these instruments in the preceding quarters.

Despite the easing of the growth rate of general government indebtedness, this variable remains high (20% in May). And this, combined with lacklustre output, has made for a further increase in the debt/GDP ratio, which was around 55% in March, 2 pp more than in December 2009. Nonetheless, the lower level of borrowing costs has helped lessen the increase in the debt service burden associated with these liabilities, which stood in March at around 1.9% of GDP.



SOURCES: INE y 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 + interest and dividends received - interest paid - fixed capital consumption.
- g. Own funds valued at market prices.
- 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.

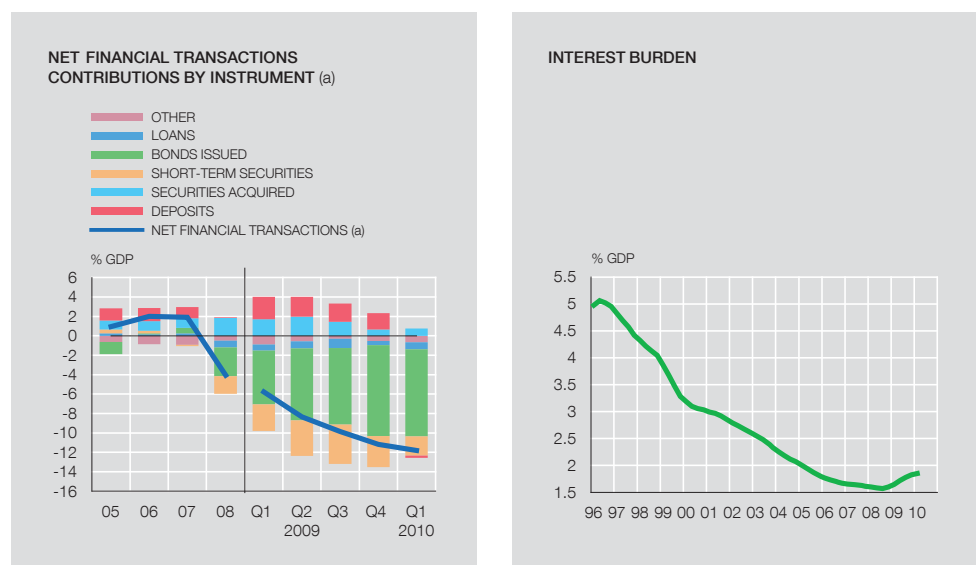


SOURCES: I/B/E/S and Banco de España.

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

GENERAL GOVERNMENT Four-quarter data

CHART 27



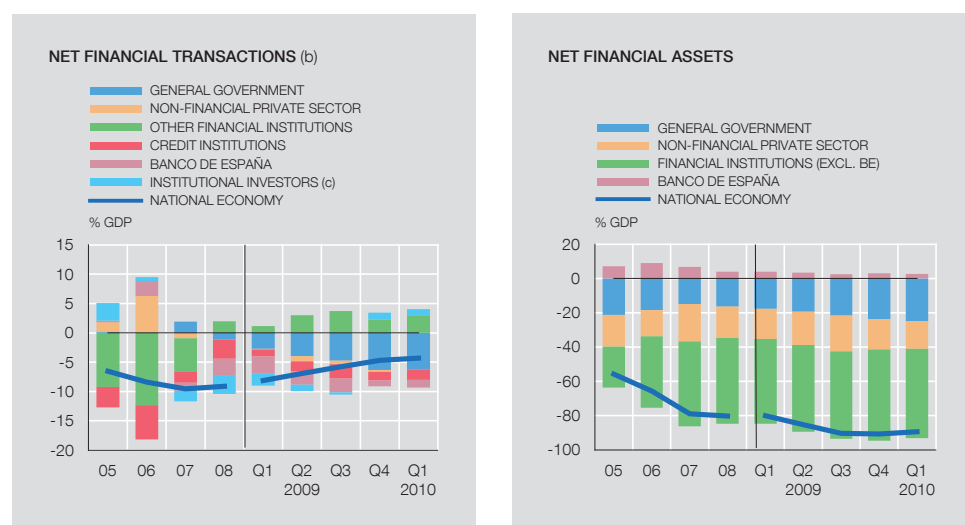
SOURCE: Banco de España.

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

5.5 The rest of the world

In 2010 Q1, the nation's net borrowing continued to fall to 4.3% of GDP in twelve-month cumulated terms, 0.4 pp below the December 2009 level and 4.8 pp down on the end-2008 figure. This was due to the increase in the non-financial private sector's net lending capacity, which was partly offset by the increase in the general government deficit and, to a lesser extent, by the decline in financial institutions' saving.

The sectoral breakdown of financial transactions vis-à-vis non-residents shows that net capital inflows in 2010 Q1 continued to be routed preferentially through general government, with funds raised abroad by this sector accounting for 6.2% of GDP in twelve-month cumulated terms. Net li-



SOURCE: Banco de España.

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

abilities obtained by credit institutions increased slightly to around 1.8% of GDP. Conversely, net flows associated with institutional investors and other non-financial institutions, which include securitisation funds, were once again negative. Despite the nation's lower net borrowing, funds raised in the rest of the world by sectors other than the Banco de España did not suffice to meet it; consequently, once again, the flow of Banco de España net assets vis-à-vis non-residents was negative, accounting for 1.4% of GDP in annual cumulated terms (see Chart 28). On the incomplete information for Q2 drawn from the Balance of Payments (covering the period to May), this trend is expected to have intensified in the subsequent months, in a setting in which the various sectors of the economy underwent greater difficulty gaining access to funding in the rest of the world.

The information on financial flows vis-à-vis the rest of the world in 2002 Q1 shows a decline in the volumes of both assets and liabilities (see Table 8). Thus, in 12-month cumulated terms, capital inflows accounted for an amount equivalent to 4.4% of GDP, compared with the figure of 5% three months earlier. By instrument, the bulk of these funds was channelled through non-residents' purchases of fixed-income securities, which represented 3.3% of GDP. These transactions were once again concentrated in securities issued by general government, flows in which amounted to 5.5% of GDP. Net foreign purchases of credit institutions' debt were also positive, while non-residents disinvested of securities issued by other sectors. Foreign direct investment in Spain stood at 0.8% of GDP (0.3 pp up on December 2009).

Capital outflows accounted for 0.1% of GDP in 2010 Q1 in twelve-month cumulated terms, 0.2 pp down on December 2009. In terms of instruments, there was a further reduction in the outstanding balance of loans granted in the interbank market to foreign institutions, a pattern likewise seen in the funding raised by these intermediaries in the rest of the world. Net purchases of fixed-income securities were slightly negative, while those of shares and other equity fell by 0.2 pp (to 1.3% of GDP). The contraction in Spanish foreign direct investment was more pronounced, posting a negative value (-0.9% of GDP) for the first time since the related series for this variable began in 1990.

% GDP						
	2006	2007	2008	2009		2010
				Q3	Q4	Q1
NET FINANCIAL TRANSACTIONS	-8.4	-9.6	-9.1	-5.8	-4.7	-4.3
FINANCIAL TRANSACTIONS (ASSETS)	18.1	14.8	2.5	-2.5	0.3	0.1
Gold and SDRs	0.0	0.0	0.0	0.0	0.0	0.0
Cash and deposits	5.2	2.1	-0.3	-5.9	-1.8	-1.6
Of which:						
Interbank (a)	3.4	4.2	-0.5	-5.6	-1.7	-1.6
Securities other than shares	-1.2	1.6	1.3	0.5	0.0	-0.3
Of which:						
Credit institutions	-2.0	1.8	1.6	1.5	1.3	0.7
Institutional investors (b)	0.7	0.0	-1.3	-1.3	-0.5	-0.1
Shares and other equity	10.8	8.8	1.9	2.1	1.5	1.3
Of which:						
Non-financial corporations	8.3	6.6	3.1	1.1	0.0	0.1
Institutional investors (b)	1.2	-1.1	-1.6	-0.1	0.3	0.8
Loans	2.1	1.2	0.8	0.4	0.2	0.0
FINANCIAL TRANSACTIONS (LIABILITIES)	26.5	24.3	11.6	3.2	5.0	4.4
Deposits	0.3	7.3	9.0	1.5	0.9	0.5
Of which:						
Interbank (a)	0.6	6.7	6.2	-0.2	0.7	-0.6
Securities other than shares	21.3	8.1	-2.6	-1.2	3.8	3.3
Of which:						
General government	1.0	-1.3	1.2	3.3	5.1	5.5
Credit institutions	8.0	3.6	-1.9	-0.6	1.1	0.9
Other non-monetary financial institutions	12.3	5.8	-1.9	-3.7	-2.4	-3.0
Shares and other equity	0.5	4.6	3.3	1.7	0.9	1.5
Of which:						
Non-financial corporations	0.1	4.7	2.4	0.5	0.1	0.6
Loans	3.5	3.1	2.7	2.1	0.3	-0.4
Other, net (c)	-0.4	0.3	0.4	-1.2	-1.3	-1.3
MEMORANDUM ITEMS:						
Spanish direct investment abroad	8.4	9.5	4.7	2.4	0.6	-0.9
Foreign direct investment in Spain	2.5	4.5	4.6	2.0	0.5	0.8

SOURCE: Banco de España.

a. Correspond only to credit institutions and include repos.

b. Insurance corporations and portfolio investment institutions.

c. Includes, in addition to other items, the asset-side caption reflecting insurance technical reserves and the net flow of trade credit.

As a result of the developments in financial flows with the rest of the world and of the changes in asset prices and in the exchange rate, the value of net liabilities incurred by the Spanish economy amounted to 89% of GDP in March 2010, somewhat more than 1 pp below the December figure (see Chart 28). By institutional sector, this change was essentially due to the decrease in the debit balance vis-à-vis non-residents of financial institutions (excluding the Banco de España) and of the non-financial private sector, which was offset only partly by the increase in general government net liabilities (by 1.3 pp) and by the slight reduction (0.2 pp) in the Banco de España's credit position.

30.7.2010.

RESULTS OF NON-FINANCIAL CORPORATIONS IN 2010 Q1

Overview¹

In 2010 Q1, business activity picked up somewhat at the non-financial corporations reporting their data to the Central Balance Sheet Data Office Quarterly Survey (CBQ), continuing in the pattern that emerged in the last stretch of 2009. In the sample overall, gross value added (GVA) rose by 2.6% to March 2010, as compared to a decrease of 12.5% in 2009 Q1. This positive performance extended to virtually all sample firms, irrespective of size or sector, and was accompanied by greater momentum in both imports and exports.

In turn, personnel costs fell by 1.7% in 2010 Q1, in comparison with a fall of 1.2% a year earlier. This quickening of the rate of decline of personnel costs is due to greater containment of wage costs, and to the continued sharp fall in employment at corporations reporting to the CBQ. Thus, the workforce adjustment in 2010 Q1 was just as severe as in 2009 (in both periods the average number of employees fell by 2.8%). As regards wage costs, average compensation rose by 1.1% in 2010 Q1, more than 0.5 pp less than a year earlier (1.7%), with a very homogeneous performance in all sectors of the sample. Further, as in recent quarters, the brunt of the fall in employment was borne by temporary employment, which fell by 8.5%, although this is a slowdown in the pace of decline. Conversely, the fall in permanent employment quickened slightly, to -1.8%. All sectors of activity, without exception, cut their workforces in 2010 Q1. The most severe job losses were in industry (-4.1%) and in wholesale and retail trade and accommodation and food service activities (-3.3%).

As a result of the pick-up in productive activity and the decline in personnel costs, sample firms' gross operating profit (GOP) rose by 6.5% in 2010 Q1, in sharp contrast to the fall of 20.9% recorded in 2009 Q1. In turn, financial revenue and financial costs decreased significantly in the quarter, due to the delayed effects of lower interest rates, which affected revenue and costs, the lower dividends received and stabilisation of debt levels at CBQ corporations (which remained virtually unchanged in the quarter). In any event, the decline in financial revenue and costs resulted in growth in ordinary net profit (ONP) of 10.2%, slightly higher than the growth in GOP and in marked contrast to the decrease of 31.2% recorded a year earlier. In turn, growth in ONP prompted an increase in returns at sample firms as compared with 2009 Q1; thus, return on investment stood at 4.4% in 2010 Q1, an increase of 0.2 pp on the previous year and one that was widespread across all sectors of productive activity. As a result of this minor increase in return on investment, and of the decrease in the ratio that measures the cost of debt, the difference between these two ratios was positive (1.2) in 2010 Q1, and 0.8 pp higher than in 2009 Q1 when it stood at 0.4.

Lastly, extraordinary costs and revenue made a marginal contribution to results in 2010 Q1, as there were no significant extraordinary transactions. In comparison with a year earlier, gains from disposals declined (due to share disposals in 2009 Q1), corporate income tax rose and fair value losses also rose, albeit very marginally. These transactions were small in comparison with a year earlier, resulting in lower growth in net profit than in ONP. That said, net profit (profit for the year) rose by 4.8% to March 2010, in sharp contrast to a year earlier when it fell by 27.9%.

1. The information that serves as a basis for this article is that sent by the 703 corporations that had voluntarily reported their quarterly data to the Central Balance Sheet Data Office (CBSO) as at 14 June 2010. The GVA generated by this aggregate accounts for 13.6% of the total GVA of non-financial corporations.

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)		
	2008	2007	2008	09 Q1-Q4/ 08 Q1-Q4 (a)	09 Q1/ 08 Q1	10 Q1/ 09 Q1
DATABASES						
Number of corporations		9,243	8,206	778	820	703
Total national coverage		33.7%	27.8%	12.4%	13.8%	13.6%
PROFIT AND LOSS ACCOUNT						
1 VALUE OF OUTPUT (including subsidies)	100.0	8.0	0.1	-11.8	-17.1	13.9
Of which:						
— Net amount of turnover and other operating income	147.3	5.9	1.4	-12.5	-15.4	11.6
2 INPUTS (including taxes)	67.4	8.7	1.6	-13.4	-19.6	20.9
Of which:						
— Net purchases	95.0	4.4	1.1	-20.9	-30.6	44.5
— Other operating costs	21.2	8.9	1.4	-4.4	-2.5	0.7
S.1 GROSS VALUE ADDED AT FACTOR COST [1 – 2]	32.6	6.4	-2.9	-8.5	-12.5	2.6
3 Personnel costs	18.0	6.9	3.4	-1.5	-1.2	-1.7
S.2 GROSS OPERATING PROFIT [S.1 – 3]	14.6	5.9	-9.7	-14.3	-20.9	6.5
4 Financial revenue	5.9	19.4	9.5	-8.6	-20.7	-18.3
5 Financial costs	5.1	38.1	14.8	-30.8	-21.3	-15.6
6 Net depreciation, impairment and operating provisions	6.4	-0.2	15.0	-3.6	-0.9	5.7
S.3 ORDINARY NET PROFIT [S.2 + 4 – 5 – 6]	8.9	4.2	-22.4	-5.5	-31.2	10.2
7 Gains (losses) from disposals and impairment (c)	-2.1	-34.2	(b)	(b)	(b)	-50.3
7' As a percentage of GVA (7 / S.1)		2.7	-6.4	2.4	5.2	3.0
8 Changes in fair value and other gains (losses) (c)	-1.1	39.1	-51.2	-25.8	(b)	90.7
8' As a percentage of GVA (8 / S.1)		-1.6	-3.4	-1.9	-5.3	-0.4
9 Corporate income tax	0.7	-15.3	-66.1	19.7	-32.5	40.3
S.4 NET PROFIT [S.3 + 7 + 8 – 9]	4.9	8.6	-47.3	16.5	-27.9	4.8
S.4' As a percentage of GVA (S.4 / S.1))		25.5	15.1	32.0	20.9	21.4
PROFIT RATIOS	Formulas (d)					
R.1 Return on investment (before taxes)	(S.3 + 5.1) / NA	8.9	7.6	6.3	4.2	4.4
R.2 Interest on borrowed funds / interest-bearing borrowing	5.1 / IBB	4.8	5.0	3.4	3.8	3.2
R.3 Ordinary return on equity (before taxes)	S.3 / E	12.5	9.9	8.8	4.6	5.4
R.4 ROI – cost of debt (R.1 – R.2)	R.1 – R.2	4.1	2.6	2.9	0.4	1.2

SOURCE: Banco de España.

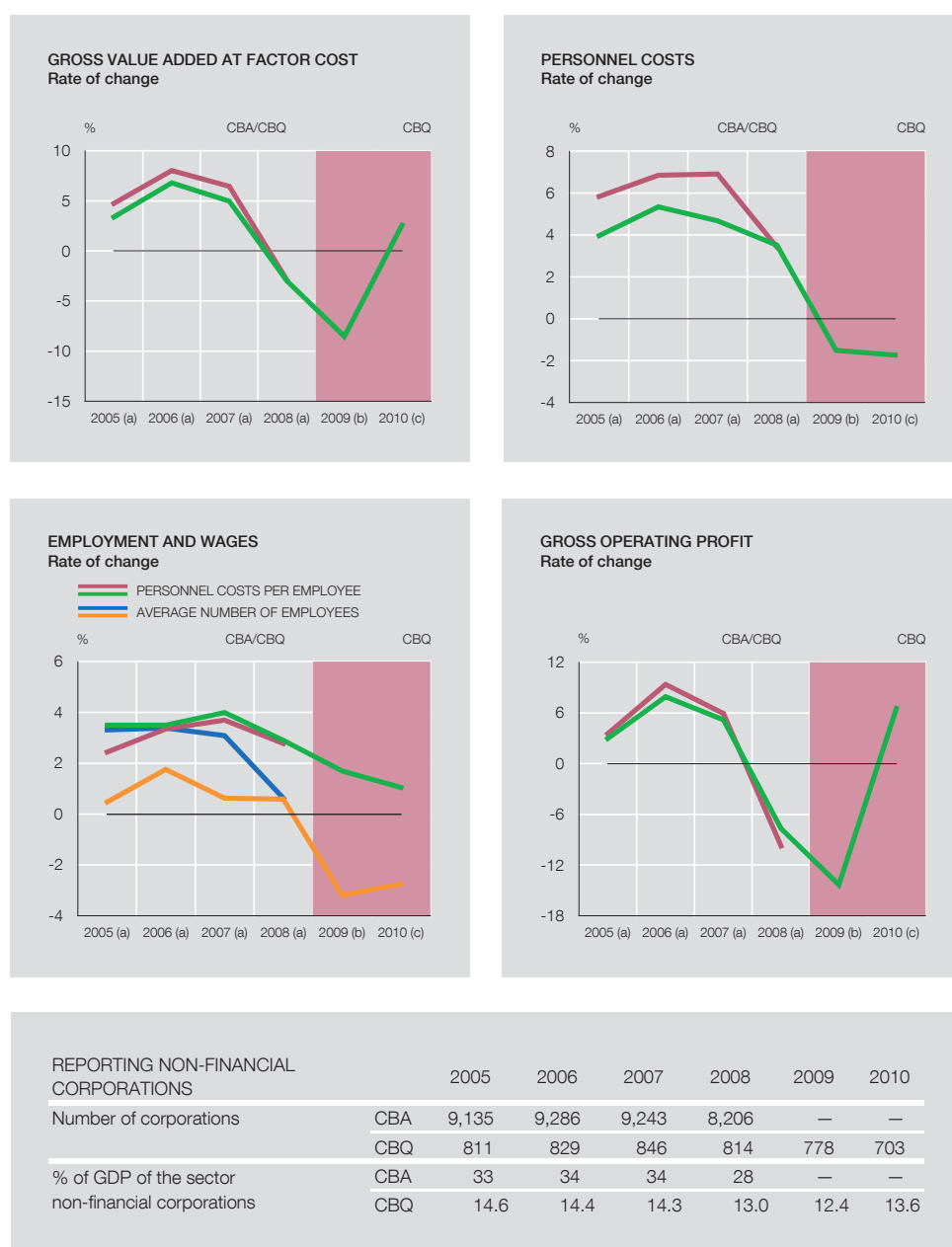
- a. All the data in these columns have been calculated as the weighted average of the quarterly data.
b. Rate not significant or not calculable because the relevant figures are of opposite sign.
c. New P&L headings resulting from application of the new General Chart of Accounts (PGC 2007).
d. NA = Net Assets (net of non-interest-bearing borrowing); E = Equity; IBB = Interest-Bearing Borrowing; NA = E + IBB. The financial costs in the numerators of ratios R.1 and R.2 only include the portion of financial costs that is interest on borrowed funds (5.1) and not other financial costs (5.2).

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

To sum up, the gradual and moderate pick-up in firms' productive activity seen in the final stretch of 2009 continued in 2010 Q1. Moreover, the decline in both personnel and financial costs meant that a growing number of corporations and productive sectors were able to report growth in profits, with higher returns on investment in comparison with 2009 Q1. However, there was no improvement in employment, which continued to head down, or in business investment to accompany this incipient growth in activity at CBQ firms.

Activity

There was a moderate pick-up in productive activity at the corporations reporting to the CBQ in 2010 Q1, after a year in which gross value added (GVA) deteriorated significantly, with signs of incipient recovery evident only in the last few months. Thus, GVA rose by 2.6% in 2010 Q1 (see Table 1 and Chart 1), in comparison with a fall of 12.5% in 2009 Q1. Production and inputs were also



SOURCE: Banco de España.

a. 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 of 2008.

c. Data for 2010 Q1 versus 2009 Q1.

more dynamic, with growth rates in the period of 13.9% and 20.9%, respectively, in marked contrast to the negative growth rates (–17.1% and –19.6%, respectively) seen a year earlier. External activity also showed greater dynamism, as both exports and imports posted higher rates of growth (18.3% and 28.7%, respectively) to March 2010. It must be taken into account, however, that these year-on-year growth rates compare with 2009 Q1, when the recession was at its peak.

A more detailed analysis (see Table 2.A) shows that the recovery extended to virtually all sectors of activity, with the exception of information and communications. This was the only one in which GVA continued to decline (–5.8%) in 2010 Q1, as a result of the poor performance of telecom-



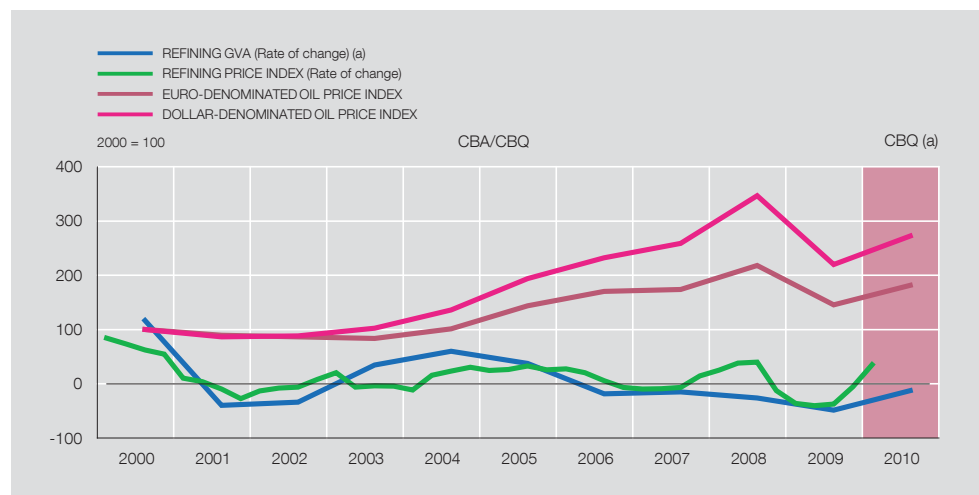
SOURCE: Banco de España.

a. 2005, 2006, 2007 and 2008 data drawn from corporations reporting to the annual survey (CBA), and average data of the four quarters of each year in relation to the previous year (CBQ).

b. Average for the four quarters if 2009 relative to the same period of 2008.

c. Data for 2010 Q1 relative to the same period of 2009.

munications companies. Among the other sectors, industry was particularly noteworthy, posting the highest increase in GVA (13.8%), from the low level of 2009 Q1 when it contracted by 35.3%. Energy firms and those engaging in wholesale and retail trade and accommodation and food service activities also recorded sharp increases in GVA (around 6% in both cases) in the quarter. Thus, GVA at wholesale and retail trade and accommodation and food service activity firms rose by 6.8%, in keeping with the incipient recovery in private consumption in the quarter and in contrast to 2009 Q1 when their value added fell by 12.9%. In turn, GVA at energy sector companies to March 2010 rose by 5.9%, mainly owing to increased momentum in the utility subsec-

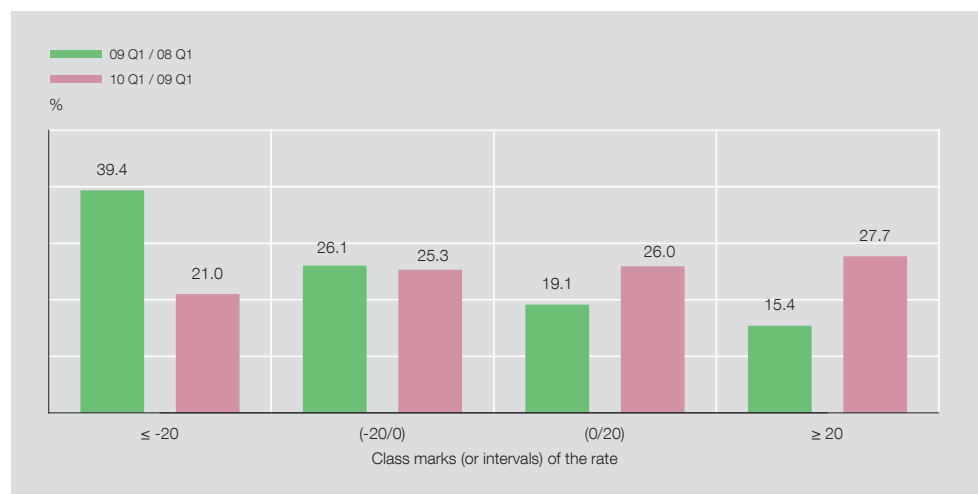


SOURCES: Banco de España and Ministerio de Industria, Turismo y Comercio (Informe mensual de precios).

a. 2009 data relate to the CBQ.

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

CHART 3



SOURCE: Banco de España.

tor (electricity, gas and water) where GVA rose by 6.9%. This positive performance was due to higher electricity demand (which, on Red Eléctrica data, rose by 4.3% in 2010 Q1) and lower generating costs borne by the electric utilities, as a result of the high rainfall levels in the quarter that meant that the bulk of the electricity generated came from hydroelectric plants. In the other large energy subsector, oil refining corporations saw a sharp fall in their GVA (-12.7%), as a result of rising crude oil prices against a backdrop of shrinking operating margins (see Chart 2). Lastly, the sector that covers all other activities recorded very modest growth (1.1%), which was, nevertheless, a significant improvement on a year earlier when GVA fell by 8.7%.

Chart 3 presents qualitative data on the breakdown of sample firms, irrespective of their size or sector, by rate of change of GVA. The first conclusion to be drawn is that the percentage of

**VALUE ADDED, EMPLOYEES, PERSONNEL COSTS AND COMPENSATION PER EMPLOYEE.
BREAKDOWN BY SIZE AND MAIN ACTIVITY OF CORPORATIONS**
Rates of change 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		CBA		CBQ		CBA		CBQ		CBA		CBQ	
	2008	09 Q1- Q4 (a)	09 Q1	10 Q1	2008	09 Q1- Q4 (a)	09 Q1	10 Q1	2008	09 Q1- Q4 (a)	09 Q1	10 Q1	2008	09 Q1- Q4 (a)	09 Q1	10 Q1
Total	-2.9	-8.5	-12.5	2.6	0.6	-3.2	-2.8	-2.8	3.4	-1.5	-1.2	-1.7	2.8	1.7	1.7	1.1
SIZE:																
Small	-8.6	—	—	—	-3.7	—	—	—	2.1	—	—	—	6.1	—	—	—
Medium	-3.5	-14.2	-13.5	1.8	-1.1	-6.2	-5.9	-4.3	4.0	-5.2	-4.5	-3.1	5.2	1.0	1.5	1.2
Large	-2.7	-8.3	-12.5	2.6	1.0	-3.0	-2.6	-2.7	3.4	-1.3	-1.0	-1.7	2.4	1.7	1.6	1.0
BREAKDOWN BY ACTIVITY:																
Energy	3.0	-7.2	-8.5	5.9	3.5	0.0	0.6	-2.2	6.0	1.1	3.8	-2.0	2.4	1.1	3.2	0.2
Industry	-9.8	-23.2	-35.3	13.8	-1.7	-6.2	-5.2	-4.1	1.3	-6.9	-5.9	-3.0	3.1	-0.8	-0.8	1.2
Wholesale & retail trade and accommodation & food service activities	-1.5	-6.7	-12.9	6.8	0.9	-5.8	-5.7	-3.3	3.5	-4.9	-8.2	-2.2	2.6	0.9	-2.7	1.1
Information and communication	0.4	-6.5	-5.9	-5.8	-0.3	-0.8	0.1	-2.8	1.9	1.0	1.9	-0.5	2.2	1.8	1.8	2.3
Other activities	-2.8	-5.2	-8.7	1.1	1.2	-0.8	-0.6	-2.0	4.5	1.4	2.7	-1.4	3.3	2.2	3.3	0.6

companies whose GVA has increased rose significantly, to 53.7%, in 2010 Q1; this is almost 20 pp more than a year earlier (35.4%) and is proof that the pick-up in activity has gradually spread to a greater number of firms. The chart also shows a substantial shift towards the higher GVA growth segments; thus, the percentage of companies whose GVA has risen by more than 20% has almost doubled, from just over 15% in 2009 Q1 to almost 28% to March 2010.

**Employment and
personnel costs**

In 2010 Q1, personnel costs fell by 1.7%, amplifying the rate of decline in 2009 (-1.2%). As then, this decrease was due to the fall in employment in the period. It is also connected with the lower rate of growth in average compensation, which rose by 1.1% in the quarter, as compared with an increase of 1.7% a year earlier.

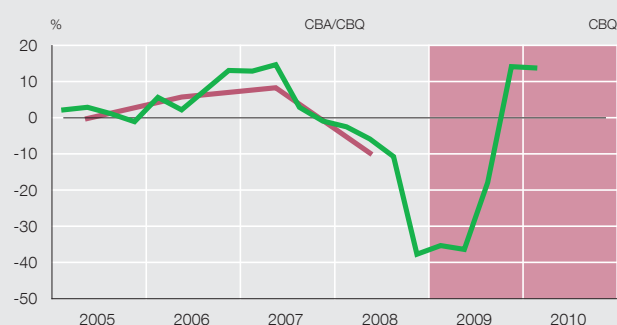
The average number of employees at corporations reporting to the CBQ fell by 2.8% in 2010 Q1, a rate of decline identical to that recorded a year earlier, despite the incipient pick-up in activity. The adverse employment performance stems from the workforce adjustments that continued to be seen in most firms that make up the CBQ sample. The brunt of these adjustments was borne by temporary employment, which fell by 8.5%, although this is a slowdown in comparison with 2009 when the rate of decline verged on 16%. Permanent employment also fell, albeit to a lesser extent (-1.8%), but this is a deterioration in comparison with 2009 when permanent employment fell by 0.3% in Q1 and by 0.8% in the year as a whole. An analysis by sector (see Table 2.A) shows that employment declined in all sectors of activity, but with a varying degree of intensity. Thus, both the industry and the wholesale and retail trade and accommodation and food service activity aggregates continued to record the sharpest falls in employment, although in both cases with an improvement on the previous year. The average number of employees at industrial firms fell by 4.1% to March 2010, against -5.2% in 2009, while in the wholesale and retail trade and accommodation and food service activity aggregate the workforce cuts moderated, from -5.7% in 2009 to -3.3% in 2010 Q1. Other sectors of activity recorded smaller cuts, from -2% in the other activities aggregate to -2.8% in the information and communications sector, although in all these cases employment fell more sharply than in 2009. Lastly, the data in

The data compiled by the CBQ on industrial corporations reflect a pick-up in their productive activity in 2010 Q1. Thus, their GVA rose by 13.8% to March, in sharp contrast to the severe contraction (-35.3%) recorded in 2009 Q1. This improvement was assisted by the recovery in external activity, with notable growth both in exports and imports, in light of the gradual revival in world trade. However, not all industrial subsectors recorded an equally positive performance. Thus, while some subsectors, such as chemicals or manufacture of mineral and metal products, posted strong growth in GVA (42.9% and 55%, respectively), activity at others, such as manufacture of computer and electronic products or the food industry, continued to contract in 2010 Q1. In turn, in keeping with past performance, personnel costs continued to head down, falling by 3% in the quarter. This is a consequence of the extensive workforce adjustments, which affected virtually all industrial subsectors and led to a cut of 4.1% in the

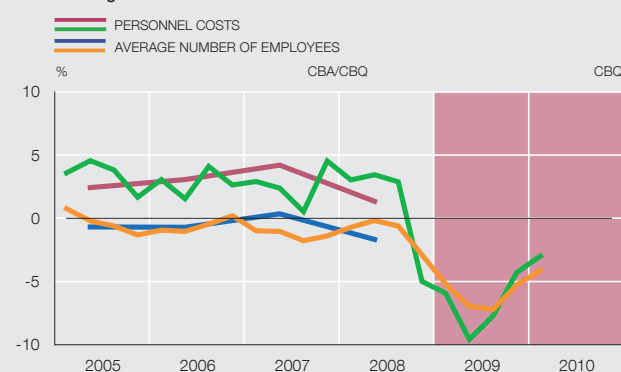
average number of employees in the sector. As in the quarterly sample as a whole, average compensation in the sector was contained, growing by 1.2% in the period. The slight pick-up in activity, on the one hand, and the decrease in personnel costs, on the other, meant that ordinary profit rose sharply in 2010 Q1, representing a significant reversal of trend as compared with a year earlier. Thus, gross operating profit (GOP) rose by 78.2% in 2010 Q1, regaining the ground lost in the severe contraction (-70.3%) recorded in 2009. Once the decrease in financial costs and revenue in the quarter is discounted, ordinary net profit (ONP) also rose substantially, in contrast to the negative values recorded in 2009 Q1. The growth in ONP prompted a pick-up in returns in 2010; thus, return on investment stood at 3.4%, an increase of slightly more than 2.5 pp on a year earlier (0.7%). There was also a clear improvement in return on equity, which, at 3.5%, moved back into positive territory (from -2.4% in 2009 Q1). In turn, the

PERFORMANCE OF THE INDUSTRIAL CORPORATIONS REPORTING TO THE CBSO

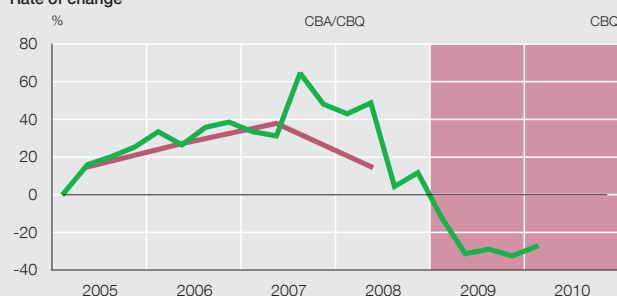
GROSS VALUE ADDED AT FACTOR COST
Rate of change



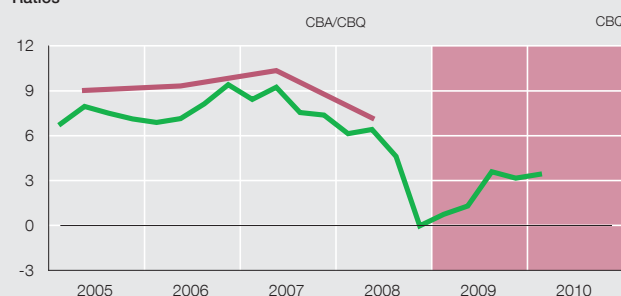
EMPLOYMENT AND WAGES
Rate of change



FINANCIAL COSTS
Rate of change



RETURN ON INVESTMENT
Ratios



REPORTING INDUSTRIAL CORPORATIONS

		2005				2006				2007				2008				2009				2,010			
Number of corporations	CBA	2,410				2,397				2,356				2,069				—				—			
	CBQ	320	309	302	294	315	300	288	279	309	299	285	280	283	272	258	246	246	242	233	208	188	—	—	—
% of GDP of the sub-sector industrial corporations	CBA	28.7				31.1				33.6				24.5				0.0				—			
	CBQ	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	10.8	9.6	—	—	—

SOURCE: Banco de España.

ratio that measures the cost of debt continued to decline in 2010 Q1, to 3.3%, 0.5 pp lower than a year earlier. This prompted a recovery in the difference between the return on investment and financial costs, from the clearly negative values seen in 2009 Q1 (-3.1) to just above zero (0.1) in 2010 Q1. This latter figure sums up, to a great extent, the present situation of the industrial sector, where the signs of improvement in productive activity in 2010 Q1

prompted growth in both ordinary profit and returns. However, this pick-up in activity has still to extend to all sector aggregates, and to pass through into employment generation, as industrial corporations reporting to the CBSO continue to destroy jobs. Accordingly, data on coming quarters are needed in order to determine to what extent the incipient turnaround seen in 2010 Q1 may prove to be a firm change in trend.

Table 4 confirm that most sample firms (59.8%) continued to make cuts in their average workforce, although the percentage is slightly lower than in 2009 (61%).

Average compensation continued to moderate in 2010 Q1, growing by 1.1%, 0.6 pp less than a year earlier. Thus, there was further containment of wage costs at corporations reporting to the CBQ, against a backdrop of lower wage increases negotiated in collective bargaining agreements and low inflation rates (0.8% at end-2009). Wage growth was very similar in virtually all sectors, averaging approximately 1%. Thus, wage costs in both the industry and the wholesale and retail trade and accommodation and food service activity aggregates rose by 1.2%, while in the energy sector and the other activities aggregate wage costs rose by just 0.2% and 0.6%, respectively. In fact only the information and communications sector reported higher growth (2.3%) in average compensation in 2010 Q1. Lastly mention should be made of the figures presented in Table 2.B, which distinguishes between corporations that maintained or increased their average staff levels and those that made workforce cuts. The table shows an above-average increase (1.8%) in average compensation in the group of firms where average staff levels fell, and a decline in personnel costs per employee (-2.1%) in the quarter in the group of firms where average staff levels rose (or remained the same). However, it should be noted that wage growth was also moderate in the group of firms where the average workforce was cut, confirming that wage cost containment is firming up and extending to most corporations in the sample.

Profits, rates of return and debt

Gross operating profit (GOP) rose by 6.5% in 2010 Q1, due to the increased buoyancy of productive activity and the decline in personnel costs resulting from the continued fall in employment. The pick-up in GOP represents a quite significant change in trend as compared with 2009 Q1 when it deteriorated considerably (-20.9%). Moreover, as was the case throughout 2009, financial costs declined in 2010 Q1 (-15.6%), prompting an attendant decline in their relative importance in non-financial corporations' results. In turn, the ratio that measures the interest burden (interest on borrowed funds/GOP + financial revenue) continued in the downward path seen since 2008, falling to levels similar to those recorded in 2007, confirming the beneficial effect the decline in financial costs is having on the business cost structure (see Chart 4).

The following table analyses the factors behind the decline in financial costs in 2010:

	10 Q1 / 09 Q1
Change in financial costs	-15.6%
A. <i>Interest on borrowed funds (1 + 2)</i>	-17.1%
1 Due to the cost (interest rate)	-17.2%
2 Due to the amount of interest-bearing debt	0.1%
B. <i>Commissions and cash discounts</i>	1.5%

EMPLOYMENT AND PERSONNEL COSTS
Details based on changes in staff levels

TABLE 2.B

	TOTAL CBQ CORPORATIONS 2010 Q1	CORPORATIONS INCREASING (OR NOT CHANGING) STAFF LEVELS	CORPORATIONS REDUCING STAFF LEVELS
Number of corporations	703	309	394
PERSONNEL COSTS:			
Initial situation 09 Q1 (€m)	7,118.6	2,124.0	4,994.6
Rate 10 Q1 / 09 Q1	-1.7	2.0	-3.3
AVERAGE COMPENSATION:			
Initial situation 09 Q1 (€)	11,291.0	13,805.1	10,479.4
Rate 10 Q1 / 09 Q1	1.1	-2.1	1.8
NUMBER OF EMPLOYEES:			
Initial situation 09 Q1 (000s)	631	154	477
Rate 10 Q1 / 09 Q1	-2.8	4.2	-5.0
Permanent			
Initial situation 09 Q1 (000s)	541	129	412
Rate 10 Q1 / 09 Q1	-1.8	3.7	-3.5
Non-permanent			
Initial situation 09 Q1 (000s)	90	25	65
Rate 10 Q1 / 09 Q1	-8.5	6.7	-14.3

SOURCE: Banco de España.

As the figures show, the decline in financial costs in 2010 Q1 was due exclusively to the lower interest rates, with no impact from changes in debt levels. The successive interest rate cuts made since 2009 were gradually passed through to firms' financial costs and results; in consequence, the ratio that measures the financial cost stood at 3.2% in 2010 Q1, 0.6 pp lower than in 2009 Q1. This is its lowest value throughout the time series, signifying, in turn, that little room remains for further decline. Debt, which is the other determinant of financial costs, underwent no substantial change in the sample firms, against a backdrop of sluggish investment. Indeed, the data compiled by the CBQ to approximate business investment indicate that gross fixed capital formation fell by 18.8% in 2010 Q1 in the CBQ sample overall, affecting all activity aggregates. The E1 and E2 ratios (see Chart 4) may be used to complete the analysis of firms' debt levels and their financial position. The E1 ratio shows that debt levels traced a very stable path, with values very similar to those recorded in 2009; moreover, this was true of both components of the ratio (interest-bearing borrowing and net assets), in keeping with the absence of large-scale investment and debt transactions. In turn, the E2 ratio was practically stable in 2010 Q1, in contrast to the gentle increase seen since 2004. This was due both to the positive influence of the containment of borrowing and the increase in GVA (the ratio denominator) in the quarter.

Financial revenue fell sharply to March 2010 (-18.3%), due to the dip in dividends received (-3.3%) and, especially, to the sharp decline in interest received as consideration for loans and deposits (-30.2%). The combined impact of lower financial costs and revenue and higher depreciation and operating provisions (which rose by 5.7%) resulted in growth in ONP of 10.2% in 2010 Q1, in marked contrast to the sharp decline (-31.2%) of a year earlier. In keeping with the GVA and GOP performance described above, ONP rose in virtually all sectors of activity of the sample, with the sole exception of information and communications where it fell by 10.2%. In any event, the combined performance of ONP and financial costs (the numerator used to calculate the return on investment) prompted a pick-up in returns in 2010 Q1. Thus, return on investment (R.1) stood at

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

TABLE 3

		CBA	CBQ (a)		
		2008	09 Q1-Q4 (a)	2009 Q1	2010 Q1
Total corporations		8,206	778	703	703
Corporations reporting source/destination		8,206	727	670	670
Percentage of net purchases by source	Spain	65.5	84.0	85.3	84.8
	Total abroad	34.5	16.0	14.7	15.2
	<i>EU countries</i>	17.2	11.1	9.9	10.3
	<i>Third countries</i>	17.3	4.9	4.8	4.9
Percentage of net turnover by destination	Spain	84.7	91.8	91.9	91.3
	Total abroad	15.3	8.2	8.1	8.7
	<i>EU countries</i>	10.3	6.0	4.9	5.8
	<i>Third countries</i>	5.1	2.2	3.2	2.9
Net external demand (exports less imports), rate of change	<i>Industry</i>	-19.1	125.1	57.9	-57.8
	<i>Other corporations</i>	1.4	34.6	51.0	96.7

SOURCE: Banco de España.

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

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

TABLE 4

		CBA		CBQ (a)			
		2007	2008	08 Q1 - Q4 (a)	09 Q1 - Q4 (a)	2009 Q1	2010 Q1
Number of corporations		9,243	8,206	814	778	820	703
PERSONNEL COSTS		100	92	100	100	100	100
Falling		25.9	29.5	33.4	57.0	54.0	55.6
Constant or rising		73.8	62.2	66.6	43.0	46.0	44.4
AVERAGE NUMBER OF EMPLOYEES		100	92	100	100	100	100
Falling		31.3	38.2	46.2	62.4	61.0	59.8
Constant or rising		68.3	53.5	53.8	37.6	39.0	40.2

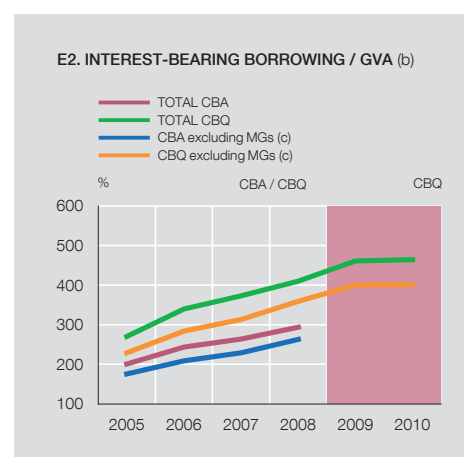
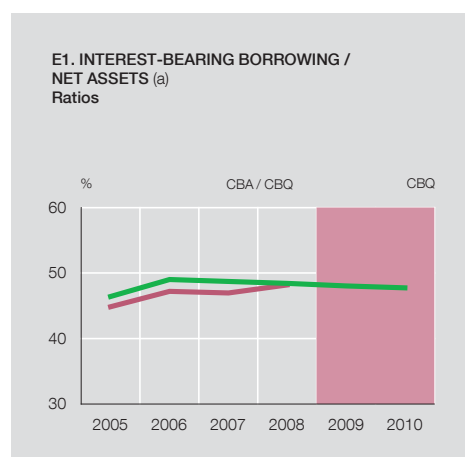
SOURCE: Banco de España.

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

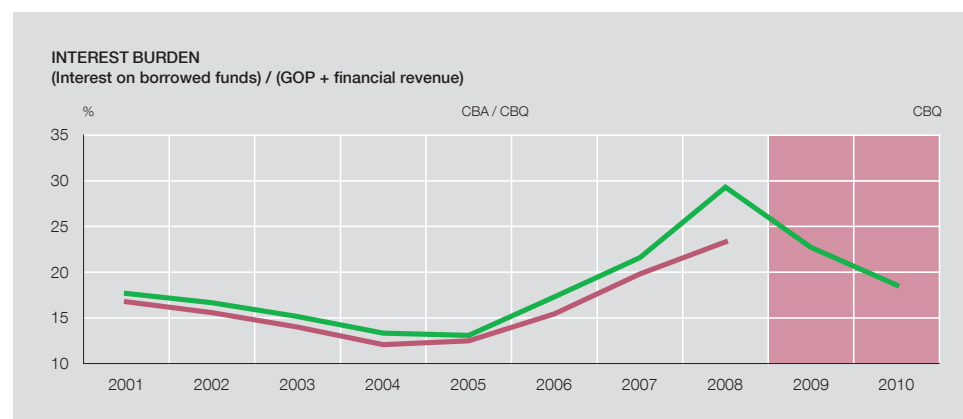
4.4% to March 2010, 0.2 pp higher than a year earlier. Return on equity also performed favourably, standing at 5.4%, an increase of 0.8 pp on 2009 Q1. In fact, returns in all sectors were similar to or slightly higher than a year earlier, showing that this positive performance extended to a growing number of CBQ sample firms. This is further confirmed by the data presented in Table 6, which offers a breakdown by level of return. Thus, in the case of return on investment (R.1), the percentage of corporations with positive returns rose by 3 pp, to 67.3% (from 64.4% in 2009), while in the case of return on equity (R.3), this percentage rose to 63.7%, almost 6 pp above the 2009 Q1 figure (57.9%). Lastly, the small increase in the return on investment ratio, together with the decline in financial costs, meant that the difference between the two was positive (1.2) in 2010 Q1 and higher than a year earlier (0.4), representing a turnaround in the trend of previous quarters.

DEBT RATIOS

CHART 4



	2005	2006	2007	2008	2009	2010
CBA	200.7	243.5	263.5	293.4		
CBQ	270.2	339.7	373.2	409.7	461.0	464.4
CBA excl. MGs	175.8	208.6	229.2	263.2		
CBQ excl. MGs	228.7	283.9	313.0	359.0	400.5	401.4



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
CBA	16.8	15.6	14.0	12.1	12.5	15.4	19.8	23.3		
CBQ	17.7	16.7	15.2	13.3	13.1	17.3	21.6	29.3	22.7	18.6

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 companies.

**GROSS OPERATING PROFIT, ORDINARY NET PROFIT, RETURN ON INVESTMENT AND
ROI-COST OF DEBT (R.1 – R.2).
BREAKDOWN BY SIZE AND MAIN ACTIVITY OF CORPORATIONS**
Ratios and growth rates 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)	
	2008	09 Q1-Q4 (a)	09 Q1	10 Q1	2008	09 Q1-Q4 (a)	09 Q1	10 Q1	2008	09 Q1-Q4 (a)	09 Q1	10 Q1	2008	09 Q1-Q4 (a)	09 Q1	10 Q1
Total	-9.7	-14.3	-20.9	6.5	-22.4	-5.5	-31.2	10.2	7.6	6.3	4.2	4.4	2.6	2.9	0.4	1.2
SIZE:																
Small	-27.0	—	—	—	-50.0	—	—	—	4.3	—	—	—	0.3	—	—	—
Medium	-14.2	-26.2	-25.9	9.8	-29.6	-40.7	-40.4	28.3	6.0	4.1	3.7	5.1	1.4	0.5	-0.4	2.5
Large	-9.0	-13.9	-20.8	6.5	-21.4	-4.4	-30.9	9.7	7.7	6.3	4.2	4.4	2.7	2.9	0.4	1.2
BREAKDOWN BY ACTIVITY:																
Energy	1.6	-9.4	-11.4	8.2	-1.9	0.0	-15.9	11.6	7.7	7.3	5.5	5.0	2.8	3.8	1.6	1.8
Industry	-22.8	-49.3	-70.3	78.2	-34.6	-44.8	(b)	(b)	7.2	2.8	0.7	3.4	2.0	-0.9	-3.1	0.1
Wholesale & retail trade and accommodation & food service activities	-8.2	-10.2	-20.3	22.5	-17.6	-15.8	-34.1	82.7	8.9	4.8	6.0	7.2	3.7	1.4	1.8	3.5
Information and communication	-0.3	-8.6	-8.1	-7.7	6.0	-15.7	-11.5	-10.2	23.6	28.2	28.2	29.8	18.1	23.3	23.0	25.9
Other activities	-18.8	-18.9	-29.7	7.9	-61.7	(b)	(b)	(b)	5.8	5.1	2.5	2.4	0.9	0.6	-1.2	-0.6

SOURCE: Banco de España.

**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)	
		2009 Q1	2010 Q1	2009 Q1	2010 Q1
Number of corporations		820	703	820	703
Percentage of corporations by profitability bracket	R ≤ 0%	35.6	32.7	42.1	36.3
	0% < R ≤ 5%	26.7	28.7	18.5	21.9
	5% < R ≤ 10%	13.8	13.7	9.5	10.9
	10% < R ≤ 15%	5.7	5.4	5.7	6.2
	15% < R	18.2	19.5	24.1	24.7
MEMORANDUM ITEM: Average return		4.2	4.4	4.6	5.4

SOURCE: Banco de España.

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

To conclude, an analysis of extraordinary costs and revenue shows that extraordinary revenue fell considerably in terms of rate of change, as there were no significant transactions in 2010 Q1, as compared with 2009 Q1 when substantial capital gains were obtained from share disposals. All the above, along with the increase in corporate income tax, dented net profit growth somewhat in comparison with the rate of growth of ONP and GOP; thus, net profit rose by 4.8% to March 2010, in marked contrast to the severe contraction (-27.9%) recorded a year earlier.

14.6.2010.

DEBT OF SPANISH NON-FINANCIAL CORPORATIONS. DEVELOPMENT OVER TIME AND
COMPARISON WITH THE EURO AREA

Debt of Spanish non-financial corporations. Development over time and comparison with the euro area

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Introduction

Between the mid-1990s and 2007, the rate of growth of borrowing by Spanish non-financial corporations rose very sharply, outpacing the rate of growth of GDP and of income generated by the sector. In consequence, aggregate debt ratios to gross operating surplus and GDP, which were initially lower than the euro area average, rose above said average and above the ratios of most other euro area countries, exceeded only by those of Portugal and Belgium (see Chart 1). Over the past two years, the rate of growth of corporate debt has moderated significantly, recording negative rates of change since end-2009. Nevertheless, low growth in GDP and corporate profits has meant that debt ratios have remained high.

To assess the implications for macroeconomic and financial stability of this change in the financial situation of firms, it is important not only to study aggregate indicators for the whole non-financial corporations sector but also to make a more disaggregated analysis. In particular, a study at sectoral level that may help determine whether this comparatively high aggregate debt is the result of widespread greater recourse to borrowing across all branches of activity, or of a greater increase in borrowing in just some areas of activity or a specific pattern by productive specialisation concentrated on activities with greater propensity for debt. Similarly, to estimate the level of leverage attained, comparisons by sector with other euro area countries are also appropriate.

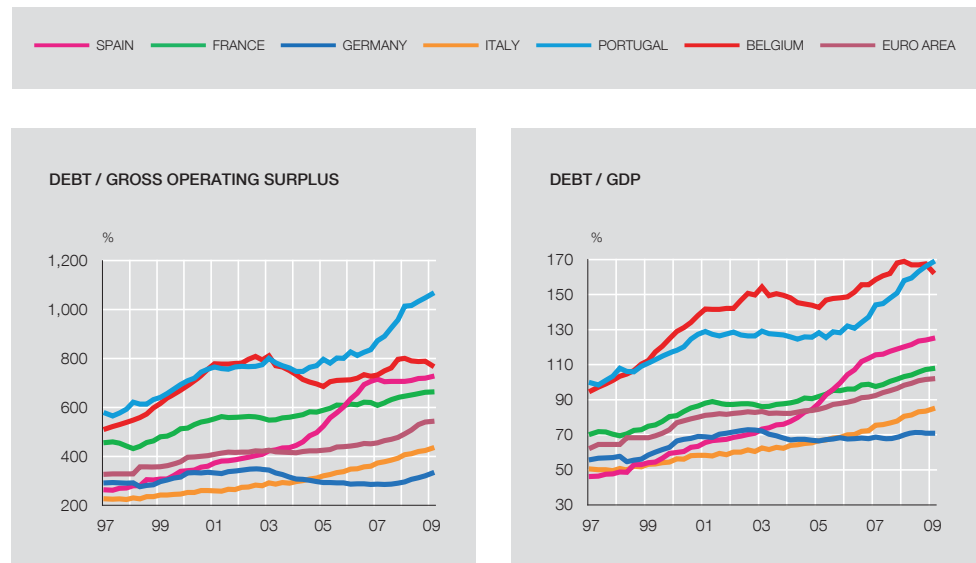
This article analyses the debt ratios of Spanish non-financial corporations by sector, both over time and in comparison with other euro area countries, using the BACH database that contains harmonised data on the balance sheets and profit and loss accounts, aggregated by sector, of a sample of firms from the main euro area countries. The article first examines the debt ratios of these corporations in the present decade, a period of maximum growth in corporate debt. There follows a comparative analysis with the euro area for 2007 (permitting an approximation of the financial position of Spanish firms vis-à-vis their euro area peers immediately before the economic crisis) and for 2008 (the last year for which information is available in the BACH database). Accordingly, the analysis reflects the impact on debt ratios of the initial phase of the recent economic crisis.

Development of Spanish non-financial corporations' debt ratios, 2000-2007

One advantage of accounting data is that they permit analysis of indicators that are not available in the national accounts, such as, for example, debt-to-asset ratios. However, the BACH database does not distinguish between interest-bearing and trade debt, both of which are included under liabilities. A further disadvantage is that the database covers only a sample of firms (although the coverage is reasonable), meaning that the findings must be interpreted with caution.¹

This article analyses three indicators: i) the ratio of debt to gross operating profit (GOP), which measures the capacity to meet the cost of debt repayments with profits generated; ii) the ratio of financial costs to GOP, which reflects the debt burden and also helps identify cases in which

1. Thus, while in Belgium and France there is blanket coverage of the different sectors of activity considered, in other countries the coverage is only partial. For Spain the coverage is average for the group of countries overall. The lowest levels of coverage are for Germany and Portugal for the hotels and restaurants sector; in both cases the sample firms represented 20% of the total value added of this branch of activity in 2007. In Spain, the lowest level of coverage corresponded to the real estate sector, where the firms considered represented 34% of total sector employment in 2007.



SOURCES: Eurostat and Banco de España.

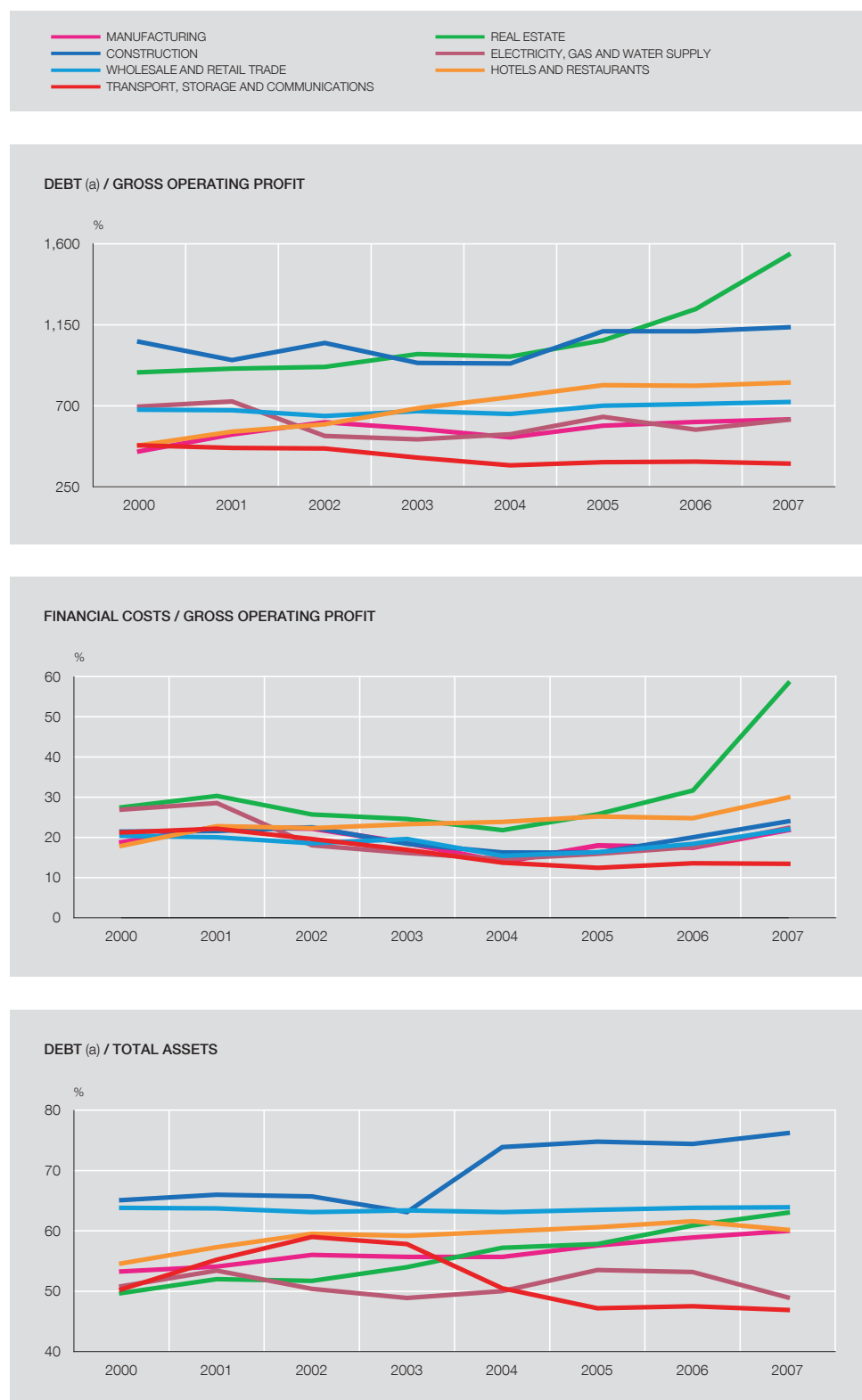
higher debt levels are connected with a higher volume of trade rather than interest-bearing debt; and iii) the debt-to-asset ratio, which reflects the portion of assets that are financed by borrowing and is the habitual measure of leverage.

Regarding the sectoral breakdown, seven branches of activity are considered: real estate; construction; wholesale and retail trade; hotels and restaurants; manufacturing; energy (electricity, gas and water supply); and transport, storage and communications.²

As Chart 2 shows, the debt-to-GOP ratio rose in the non-financial corporations sector as a whole between 2000 and 2007, with a quite widespread increase across the different branches of activity. In fact, transport, storage and communications (which recorded the lowest ratio in most years) and energy were the only sectors in which it did not rise. However, the extent of the increase varied considerably by sector. Real estate firms saw the sharpest rise, especially in the latter years of the period, resulting in a debt-to-GOP ratio in 2007 that was some 650 pp higher than in 2000. The increase was also quite significant in the hotels and restaurants sector (350 pp). Conversely, the lowest climb was seen in wholesale and retail trade (43 pp), followed by construction, whose ratio did not rise significantly (80 pp) since the marked increase in sector debt was partially offset by the strong income momentum in the period.

Although debt ratios rose, the decline in the cost of borrowing meant that between 2000 and 2004 the proportion of gross business income needed for debt servicing declined. As from 2004, against the backdrop of a tightening in the monetary policy stance, this ratio began to rise, especially in real estate services due to their comparatively high debt levels. In this sector, the portion of GOP absorbed by financial costs rose by 31 pp between 2000 and 2007, with most of this growth concentrated in the final years of the period. The construction sector recorded a much more moderate increase (2.6 pp; 7.8 pp as from 2004), similar to that of most other branches of activity, since although its debt levels were among the highest, a comparatively large proportion

2. On average in the period, these branches of activity represented 71% of the value added of all non-financial corporations. For the euro area they represented 66% in 2007. The sectors not covered were either not available for all the countries considered or were of marginal weight in the total non-financial corporations sector.



SOURCE: BACH.

a. Debt includes trade credit.

corresponded to trade debt. The only two sectors in which this indicator did not rise in the period analysed were energy, and transport, storage and communications, in line with the decline in their debt ratios in the period and, prior to 2005, due to the decline in the cost of borrowing.

In the case of the debt-to-asset ratio, the increase was also quite widespread, but less marked, with real estate and construction firms posting the strongest growth. Real estate firms saw their leverage ratio climb by 13 pp between 2000 and 2007, from a relatively low level at the start of the decade in comparison with other branches of activity to one of the highest by 2007. In the case of construction, which recorded the highest debt-to-asset ratio throughout the period, the rise was also notable, albeit somewhat smaller (11 pp). The other service activities analysed presented much more moderate increases (or virtually none at all in the case of wholesale and retail trade), while in transport, storage and communications and in energy the ratio declined, in step with the debt-to-GOP ratio. Accordingly, these continued to be the least indebted sectors in 2007.

Comparison with the euro area of Spanish firms' debt ratios before the crisis

Table 1 presents, for each country and sector, the 2007 values for all three ratios analysed, while Chart 3 compares the Spanish indicators with the euro area average.³ As the table shows, in most countries the debt-to-GOP ratio differs significantly by sector, with real estate and construction firms posting comparatively high values. In fact in 2007 real estate firms recorded the highest debt ratios in all countries save for Germany and Italy where construction firms presented the highest leverage. Conversely, electricity, gas and water supply firms recorded, on average, the lowest levels. The comparison by country shows that the most significant differences between Spain and the rest of the euro area were in real estate: in this sector Spanish firms' ratios were among the highest, second only to their Portuguese peers, and almost 50% higher than the weighted average as a function of GDP. Spanish construction firms presented debt-to-GOP ratios similar to the average of the other countries (and below the weighted average), while Spanish transport, storage and communications firms recorded lower ratios, reflecting a greater debt repayment capacity than their euro area peers.

In step with their higher debt-to-GOP ratios, real estate firms also presented the highest debt burden ratios in all countries except Italy. By contrast, construction firms' ratios were lower, despite their relatively high leverage, possibly owing to their comparatively large proportion of trade debt. The comparison by country shows that, in the real estate sector, Spanish firms presented the second highest ratios (behind their Portuguese peers). Specifically, Spanish real estate firms dedicated almost 60% of their gross income to servicing debt, 13 pp above the average for the other countries and more than 20 pp above the weighted average as a function of GDP (see Chart 3). By contrast, in all other branches of activity, Spanish firms posted ratios generally very similar to those of the other countries analysed.

In the case of the debt-to-asset ratio, the construction sector recorded the highest figure in most countries in 2007 and the electricity, gas and water supply sector the lowest. Spain was noteworthy in that it presented a comparatively high ratio both in construction and manufacturing (and, to a lesser extent, in energy). In all other branches of activity, Spanish firms tended to post recourse to debt levels similar to the euro area average, save in transport, storage and communications where Spanish firms recorded lower leverage than most of their euro area peers (see Chart 3).

To draw implications regarding the comparatively high debt levels thrown up by these aggregate indicators for Spanish firms in comparison with their euro area peers, the extent to which

3. The BACH database includes data from the Netherlands and Austria, but neither country is included in the analysis: the Netherlands, due to the lack of information on financial costs, and Austria, because the sectoral breakdown available for 2007 is different from that of the other countries.

%	COUNTRIES (a)						Weighted average (b)	Average ratio (c)
	Spain	France	Germany	Italy	Portugal	Belgium		
DEBT / GROSS OPERATING PROFIT								
Manufacturing	624.1	503.5	536.6	626.3	554.2	745.0	559.9	593.1
Real estate	1,538.7	979.5	1,097.1	816.1	2,331.5	1,369.4	1,039.9	1,318.7
Construction	1,136.7	703.2	2,250.0	1,163.7	1,299.1	546.4	1,412.0	1,192.5
Electricity, gas and water supply	622.3	530.4	356.0	502.5	530.7	1,183.8	491.5	620.7
Wholesale and retail trade	720.7	637.1	643.9	1,035.3	864.4	721.4	746.6	780.4
Hotels and restaurants	829.2	538.8	269.1	826.5	1,121.3	914.7	540.5	734.1
Transport, storage and communications	377.7	559.5	561.5	747.8	748.2	559.1	610.8	635.2
Average (d)	835.6	636.0	816.3	816.9	1,064.2	862.8	771.6	839.2
Weighted average as function of GVA (e)	868.7	689.3	773.4	813.9	1,027.7	823.9	767.4	825.6
FINANCIAL COSTS / GROSS OPERATING PROFIT								
Manufacturing	21.8	15.5	20.5	18.6	24.5	36.0	19.5	23.0
Real estate	58.4	30.3	40.8	25.2	76.6	55.6	35.5	45.7
Construction	24.0	13.7	26.7	33.3	49.0	17.4	24.5	28.0
Electricity, gas and water supply	22.4	21.1	9.5	13.3	23.0	35.8	15.6	20.6
Wholesale and retail trade	22.0	15.2	17.9	27.5	34.6	35.6	20.8	26.1
Hotels and restaurants	30.0	17.1	10.5	28.1	35.9	38.5	18.9	26.0
Transport, storage and communications	13.4	23.7	30.2	23.2	30.7	24.5	26.3	26.5
Average (d)	27.4	19.5	22.3	24.2	39.2	34.8	23.0	28.0
Weighted average as function of GVA (e)	27.7	20.4	24.8	24.0	38.5	36.0	24.2	28.7
DEBT / TOTAL ASSETS								
Manufacturing	60.0	56.9	42.9	60.9	57.0	49.7	52.2	53.5
Real estate	63.0	62.5	65.2	62.2	71.5	55.1	63.3	63.3
Construction	76.2	68.7	67.3	73.5	72.3	51.7	68.5	66.7
Electricity, gas and water supply	49.0	41.3	37.8	51.6	49.0	55.9	43.4	47.1
Wholesale and retail trade	63.9	65.5	60.4	73.7	66.1	59.6	65.2	65.1
Hotels and restaurants	60.2	67.5	45.3	64.8	63.7	67.9	58.3	61.8
Transport, storage and communications	46.9	66.2	39.1	56.8	64.1	50.1	52.7	55.3
Average (d)	59.9	61.2	51.1	63.4	63.4	55.7	57.7	59.0
Weighted average as function of GVA (e)	62.4	62.5	51.6	64.1	63.9	53.9	58.3	59.2

SOURCES: Eurostat, BACH and Banco de España.

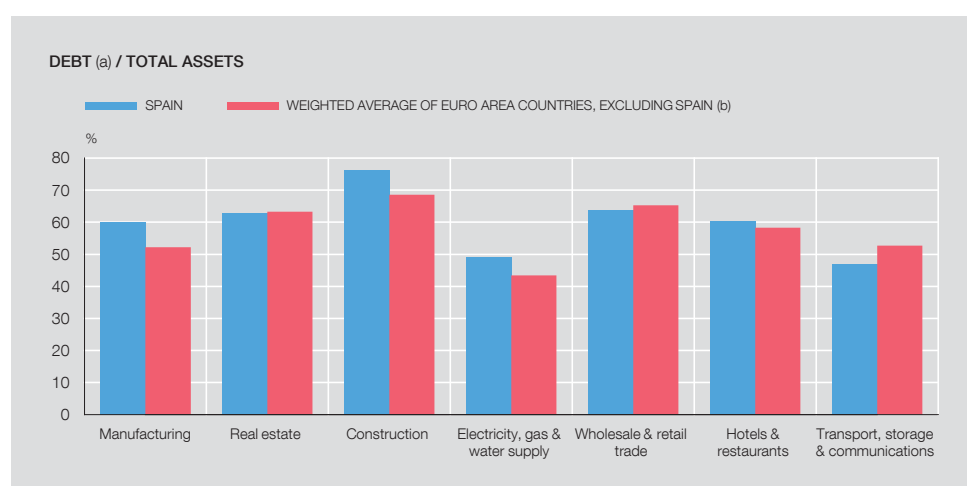
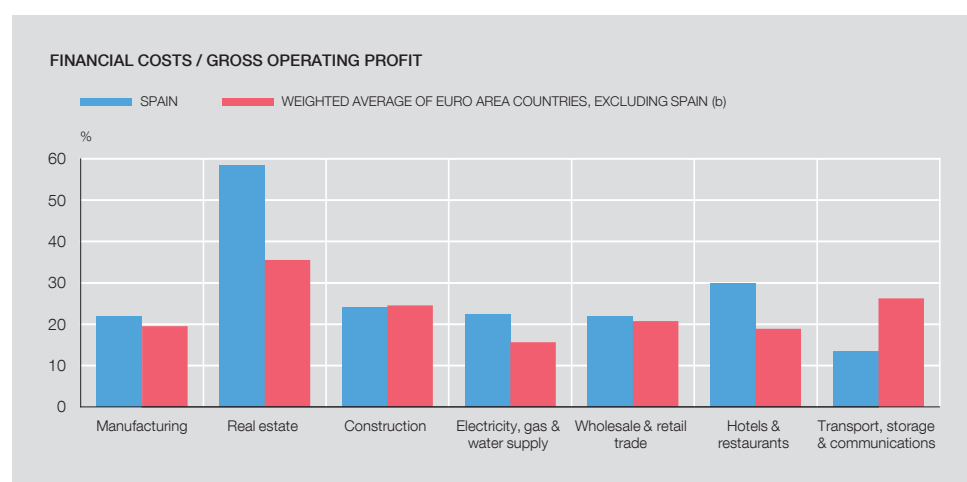
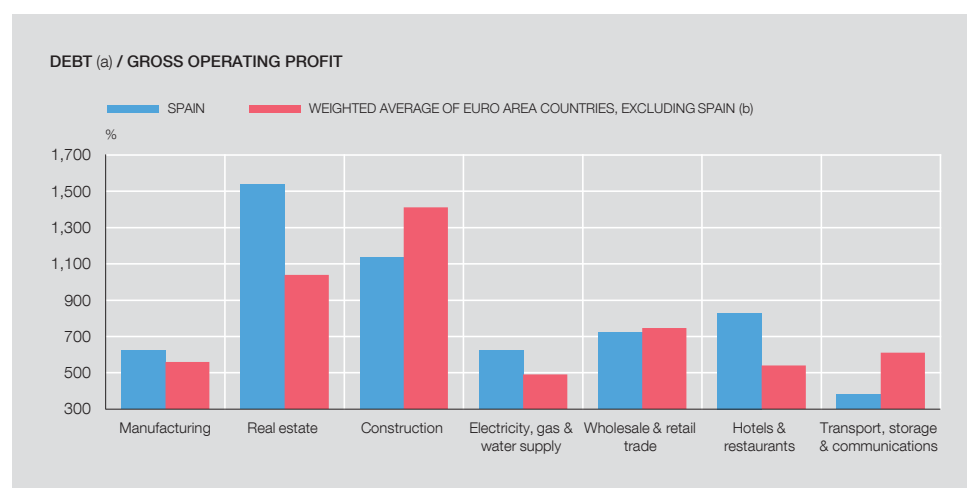
- a. Non-consolidated data.
b. As a function of the GDP of each country, excluding Spain.
c. Excluding Spain.
d. For each country, simple mean of the sectoral ratios.
e. For each country, weighted average as a function of the GVA of each sector.

these findings reflect the greater weight in Spain, in terms of activity, of the sectors with greater propensity for debt (construction and real estate services) was analysed (see the first four bars of all three panels in Chart 4). Specifically, the first two bars show, for each of the ratios analysed, average sectoral values for Spain and for an aggregate of the other economies, considering the weight in terms of GVA of each sector in each country. The next two bars depict the same ratios calculated by applying an equal sector weighting to all countries (based on weight in terms of euro area GVA). This exercise shows that, in the case of the debt-to-GOP and debt-to-asset ratios, with the same sector breakdown the comparatively high level of debt in Spain tends to converge towards that of the euro area, although it remains higher. Conversely, in the case of the debt burden ratio, the gap increases slightly. If real estate firms are excluded, the debt-to-GOP and debt burden ratios become virtually level (see the last two bars of all three panels in Chart 4),⁴ but in the case of the debt-to-asset ratio there is no further

4. In fact, in the case of the debt-to-GOP ratio, Spain would dip below the aggregate of the other countries.

**DEBT AND DEBT BURDEN OF NON-FINANCIAL CORPORATIONS.
SECTORAL BREAKDOWN. 2007**

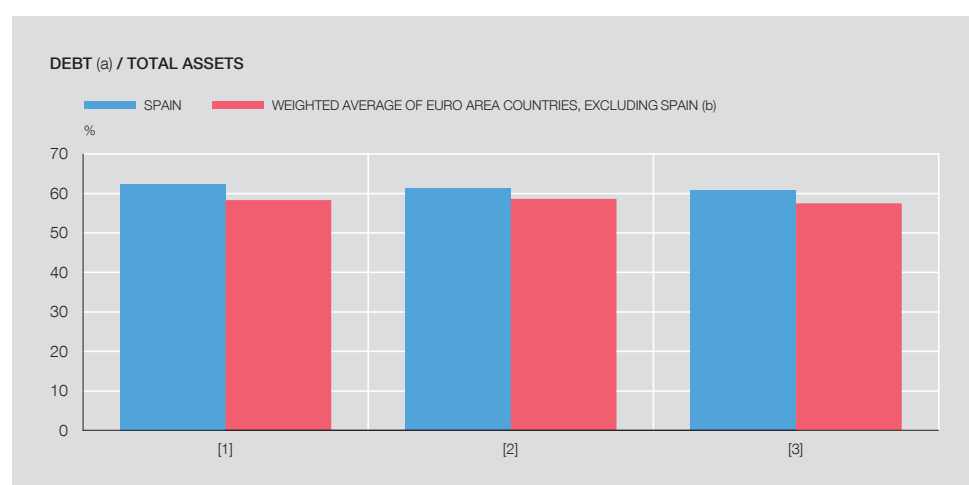
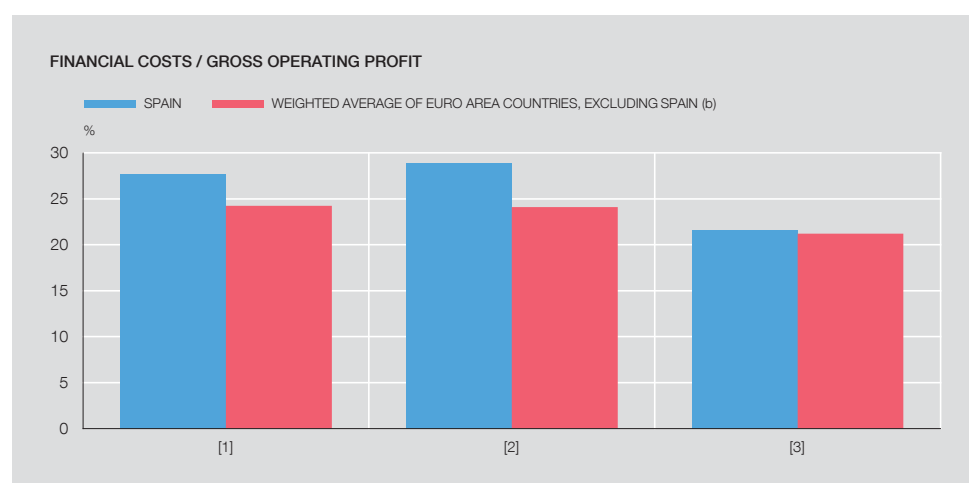
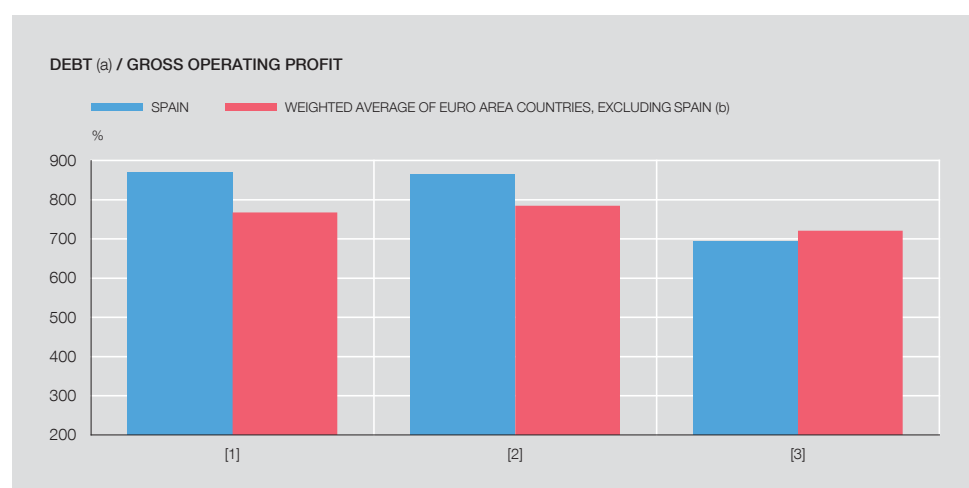
CHART 3



SOURCES: Eurostat, BACH and Banco de España.

a. Debt includes trade credit.

b. Weighted average by GDP of ratios in Germany, France, Italy, Portugal and Belgium.



SOURCES: Eurostat, BACH and Banco de España.

a. Debt includes trade credit.

b. Weighted average as a function of GDP of debt ratios of Belgium, France, Germany, Italy and Portugal.

[1]: Aggregate ratio, weighting the sectoral values in each country by the gross value added (GVA) of that branch of activity.

[2]: Aggregate ratio, weighting each sector equally in all countries (in accordance with weight in euro area GVA).

[3]: Aggregate ratio, weighting each sector equally in all countries (in accordance with weight in euro area GVA), excluding real estate.

%	COUNTRIES (a)						Weighted average (b)	Average ratio (c)
	Spain	France	Germany	Italy	Portugal	Belgium		
DEBT / GROSS OPERATING PROFIT								
Manufacturing	890.5	608.5	653.1	724.2	641.6	903.5	669.8	706.2
Real estate and construction	1,869.8	879.2	1,127.3	1,265.1	1,962.4	1,064.4	1,104.2	1,259.7
Electricity, gas and water supply	768.8	616.1	632.8	497.5	523.6	1,203.9	622.7	694.8
Wholesale and retail trade	805.5	643.1	598.3	1,134.4	875.9	767.6	756.5	803.9
Hotels and restaurants	1,157.4	574.2	222.3	1,037.5	1,519.3	821.8	588.1	835.0
Transport, storage and communications	401.7	609.2	555.5	760.2	754.5	581.4	627.2	652.2
Average (d)	982.3	655.1	631.6	903.1	1,046.2	890.4	728.1	825.3
Weighted average as function of GVA (e)	1,178.7	720.9	752.3	982.2	1,119.6	876.4	814.1	890.3
FINANCIAL COSTS / GROSS OPERATING PROFIT								
Manufacturing	37.9	23.9	25.3	25.6	31.5	55.4	26.7	32.4
Real estate and construction	68.5	24.0	37.5	39.0	80.7	43.2	35.2	44.9
Electricity, gas and water supply	29.7	30.9	16.8	15.7	36.8	54.2	23.2	30.9
Wholesale and retail trade	26.8	18.1	17.9	36.6	51.6	43.9	24.7	33.6
Hotels and restaurants	48.4	19.7	10.9	41.0	53.0	40.9	23.5	33.1
Transport, storage and communications	16.2	26.8	32.1	25.7	34.5	31.6	29.0	30.1
Average (d)	37.9	23.9	23.4	30.6	48.0	44.9	27.0	34.2
Weighted average as function of GVA (e)	44.9	23.2	27.3	32.4	51.4	45.4	28.9	35.9
DEBT / TOTAL ASSETS								
Manufacturing	58.9	58.1	42.6	58.8	57.9	50.7	51.9	53.6
Real estate and construction	69.2	64.4	65.2	72.4	72.9	53.1	66.3	65.6
Electricity, gas and water supply	52.8	45.3	40.0	53.6	49.2	55.1	45.9	48.7
Wholesale and retail trade	63.4	64.7	58.8	70.9	67.1	58.7	63.7	64.0
Hotels and restaurants	64.1	67.1	42.3	57.9	64.3	60.3	55.0	58.4
Transport, storage and communications	48.7	67.7	39.7	57.4	65.0	51.6	53.6	56.3
Average (d)	59.5	61.2	48.1	61.8	62.7	54.9	56.1	57.8
Weighted average as function of GVA (e)	62.4	63.0	51.3	64.8	64.9	53.8	58.5	59.5

SOURCES: Eurostat, BACH and Banco de España.

a. Non-consolidated data.

b. As a function of the GDP of each country, excluding Spain.

c. Excluding Spain.

d. For each country, simple mean of the sectoral ratios.

e. For each country, weighted average as a function of the GVA of each sector.

correction of the difference that remained after applying the same sector breakdown, although for this ratio the differences are smaller.

Comparison with the euro area of Spanish firms' debt ratios after the first phase of the recent crisis (2008)

The BACH database for 2008 includes a change in the sectoral groupings, the main implication for the purposes of this analysis being that a large proportion of firms that were previously classified as real estate services are now included in the construction sector. Accordingly, these two branches of activity have been grouped together, it being impossible to maintain the sectoral definitions used in the preceding sections.⁵

As Table 2 shows, debt-to-GOP ratios rose in general in 2008, both in Spain and in the other euro area economies. Although this was a result, in some cases, of higher corporate debt (for example, in the energy sector and, somewhat less generally, in construction and real estate services), it was

5. The other branches of activity are also affected by changes in the sectoral groupings, but to a lesser extent. In any case, for the purposes of this analysis, the rate of change of the indicators between 2007 and 2008, constructed on the basis of the new sectoral groupings available, has been applied to the 2007 levels, to prevent any possible skips in levels arising from changes in the sectoral breakdowns.

%	COUNTRIES					
	Spain	France	Germany	Italy	Portugal	Belgium
SECTORS						
MANUFACTURING						
Debt	0.1	4.6	2.5	1.3	7.8	7.7
Gross operating profit	-29.9	-13.5	-15.8	-12.4	-6.9	-11.2
Financial costs	21.8	33.9	3.7	20.5	19.7	36.5
Total assets	2.0	2.4	3.1	4.9	6.1	5.6
REAL ESTATE AND CONSTRUCTION						
Debt	-1.7	4.6	1.4	10.4	10.2	14.4
Gross operating profit	-28.9	1.6	7.2	-0.3	-5.5	4.9
Financial costs	14.7	7.1	1.6	18.4	28.7	21.3
Total assets	-4.0	5.1	1.9	11.1	8.7	16.7
ELECTRICITY, GAS AND WATER SUPPLY						
Debt	26.4	18.8	15.1	5.2	9.7	12.8
Gross operating profit	2.3	2.3	-35.3	6.3	11.2	11.0
Financial costs	35.8	49.5	13.9	24.8	78.0	67.9
Total assets	17.3	8.3	8.8	1.3	9.2	14.4
WHOLESALE AND RETAIL TRADE						
Debt	-1.0	1.3	-0.4	0.6	3.2	3.6
Gross operating profit	-11.4	0.3	7.2	-8.1	1.9	-2.6
Financial costs	8.1	19.6	7.2	22.1	51.8	20.2
Total assets	-0.2	2.5	2.3	4.6	1.7	5.2
HOTELS AND RESTAURANTS						
Debt	17.4	1.9	-12.6	16.7	10.6	-7.2
Gross operating profit	-15.9	-4.3	5.8	-7.1	-18.4	3.3
Financial costs	35.6	10.2	10.0	35.7	20.5	9.7
Total assets	10.3	2.6	-6.4	30.5	9.5	4.4
TRANSPORT, STORAGE AND COMMUNICATIONS						
Debt	6.7	6.7	4.9	3.4	6.3	9.0
Gross operating profit	0.3	-2.0	6.0	1.7	5.4	4.8
Financial costs	20.6	10.9	12.8	12.2	18.2	35.3
Total assets	2.7	4.3	3.2	2.3	4.8	5.8

SOURCES: Eurostat, BACH and Banco de España.

largely owing to a less favourable profit performance (see Table 3). The most marked profit contractions were, in general, in manufacturing and in hotels and restaurants, and in the case of Spain also in the real estate sector. In Spain, where the data available does distinguish between construction and real estate services, debt-to-GOP ratios rose in both, but much more markedly in real estate.

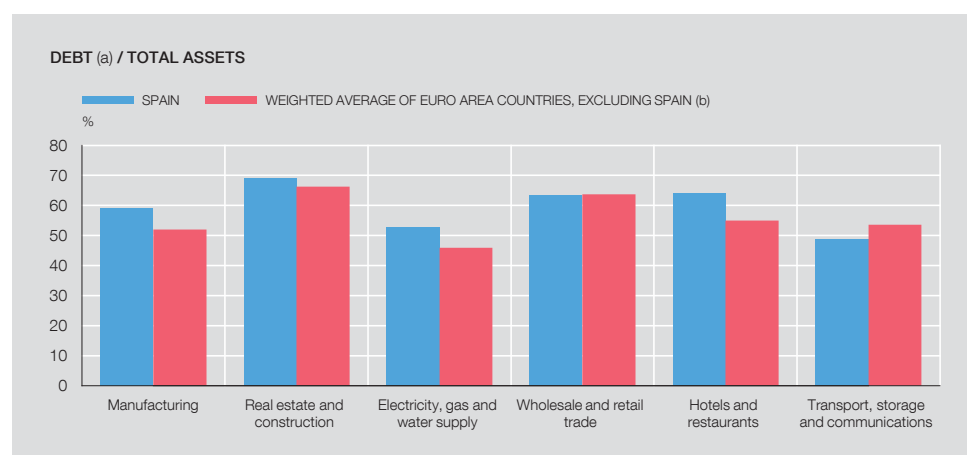
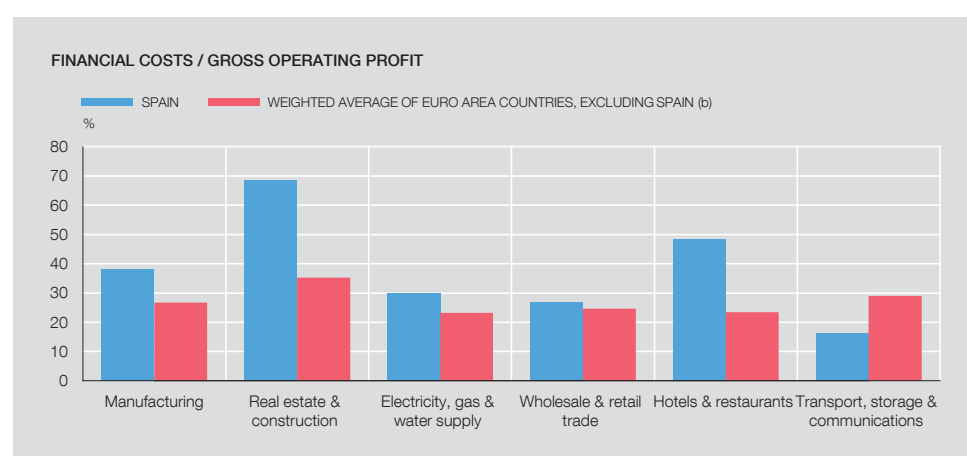
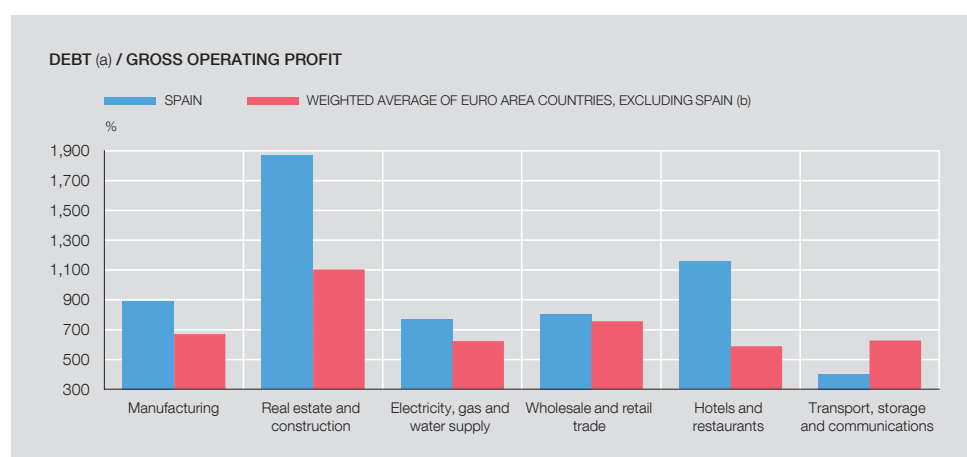
Spanish firms recorded a particularly severe contraction in corporate profit in 2008 (see Table 3), prompting a higher increase in their debt-to-GOP ratios, especially in firms linked to the real estate sector and, to a lesser extent, in hotels and restaurants and manufacturing firms. Thus, in 2008, Spanish non-financial corporations recorded higher ratios than their euro area peers in most branches of activity, with the sole exception of the transport, storage and communications sector (see Chart 5).

The debt burden ratio also rose, in general, by country and by sector, and more markedly than the debt-to-GOP ratio, reflecting the rise in the average cost of borrowing.

As regards the debt-to-asset ratio, the differences between Spanish firms and their euro area peers were less marked than in the case of the debt-to-GOP ratio, although on this indicator

**DEBT AND DEBT BURDEN OF NON-FINANCIAL CORPORATIONS.
SECTORAL BREAKDOWN. 2008**

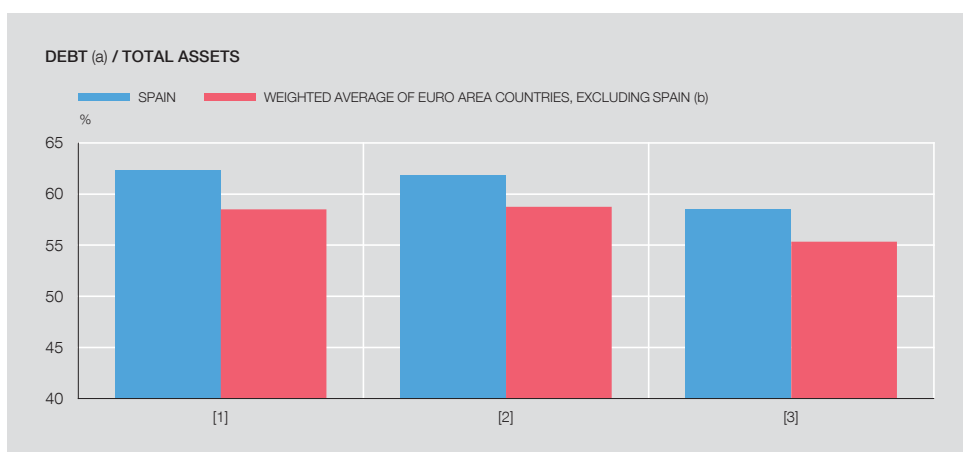
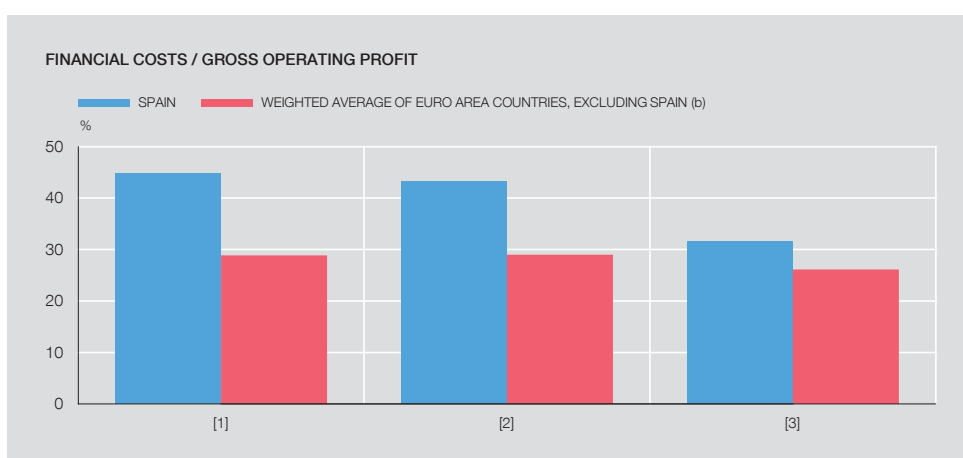
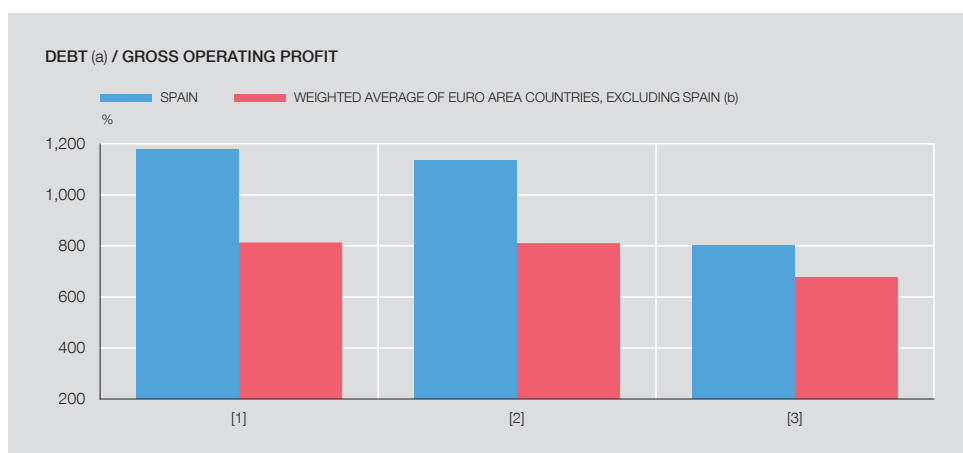
CHART 5



SOURCES: Eurostat, BACH and Banco de España.

a. Debt includes trade credit.

b. Weighted average by GDP of ratios in Germany, France, Italy, Portugal and Belgium.



SOURCES: Eurostat, BACH and Banco de España.

a. Debt includes trade credit.

b. Weighted average as a function of GDP of ratios in Germany, France, Italy, Portugal and Belgium.

[1]: Aggregate ratio, weighting the sectoral values in each country by the gross value added (GVA) of that branch of activity.

[2]: Aggregate ratio, weighting each sector equally in all countries (in accordance with weight in euro area GVA).

[3]: Aggregate ratio, weighting each sector equally in all countries (in accordance with weight in euro area GVA), excluding real estate and construction

also leverage was higher in Spain than in the rest of the euro area, save in transport, storage and communications and in wholesale and retail trade.

When the same exercise as before is conducted to identify factors that may explain why Spanish firms present higher aggregate debt, it is seen, as in 2007, that if equal weight is assigned to each sector in all the economies, the difference between the Spanish debt-to-GOP ratio and the euro area average narrows slightly, although less so than in 2007 (see Chart 6). If real estate and construction firms are excluded from the sample, a large part – but not all – of the difference is corrected.

In the case of the debt burden ratio, applying the same sectoral breakdown in all the countries prompts minimal convergence towards the euro area aggregate. Specifically, the difference (16 pp) decreases by 1.6 pp. If real estate and construction firms are then excluded from the sample, the Spanish ratio falls more than the euro area aggregate, narrowing the gap. But there remains a difference between them of 5.6 pp, as in 2007.

Turning lastly to the debt-to-asset ratio, the differences in sectoral breakdown account for 20% of the divergence between the Spanish and euro area ratios. However, in contrast to the case of the other two indicators, and as in 2007, excluding the construction sector and real estate services from the sample does not prompt any convergence towards the leverage of the other euro area countries.

Conclusions

These findings, based on the financial statements of a broad sample of firms, indicate that the increase in debt ratios in the Spanish non-financial corporations sector overall between 2000 and 2007 was the result of a quite widespread increase across the different branches of activity. This increase was particularly marked in the case of real estate services.

The comparison with the euro area shows that part of the higher debt of Spanish firms reflected in the aggregate ratios prior to the recent economic crisis was associated with the situation of Spanish real estate firms, whose debt-to-GOP ratios were much higher than those of their European peers. The fact that the sectors with greater propensity for debt had greater weight in Spain in terms of activity (especially the construction sector) also helps explain, in some of the indicators analysed, some of the differences with the euro area average, although save in the case of the debt-to-asset ratio this is comparatively less important. In the other sectors, the differences between Spanish and other euro area firms were generally smaller, though they also reflected higher debt among Spanish firms, save in the case of the debt-to-asset ratio where the differences tended to be less marked, even in the real estate sector.

The less favourable profit performance of Spanish non-financial corporations during the economic crisis led to a widening of the gap between their debt-to-GOP and debt burden ratios and those of their European peers, especially among real estate firms. In the case of debt-to-asset ratios the differences also widened somewhat in comparison with 2007, but to a lesser extent.

In short, all the above highlights the need for Spanish firms to make changes in their balance sheets to reduce debt levels, especially considering that the widespread risk reassessment resulting from the crisis should also prompt a downward revision of desirable debt ratios. However, these findings also signal that, in this respect, some areas of activity will need to make greater efforts than others: the real estate sector, for example, which during the growth phase came to account for too large a share of the Spanish economy in terms of assets and liabilities. In all other branches, which are more significant in terms of productive investment, fewer adjustments appear to be needed.

14.5.2010.

CYCLICAL MIGRATION PATTERNS

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

Introduction¹

Since the mid-1990s, and coinciding with a period of strong economic expansion, the flow of immigrants into Spain has been very high, amounting to more than 600,000 persons per annum between 2006 and 2008. Thus, the foreign population has risen from just over 1% of the total 15 years ago to 12.2% at the start of 2010, prompting strong population growth – verging on 2% – throughout the period.

In recent quarters, however, there has been a notable slowdown in immigrant inflows, against the backdrop of a sharp deterioration in economic activity that has had a severe impact on the labour market. In particular, INE² estimates show that monthly immigrant inflows have more than halved, from around 75,000 persons at end-2007 to just over 35,000 at the start of 2010 (see Chart 1). Accordingly, since 2009, the number of immigrants entering Spain has been similar to those leaving, resulting in a net change close to zero. In this setting, it would be interesting to know the factors behind the decline observed in migration flows and, in particular, to endeavour to ascertain the role played by the cyclical position.

This article aims to analyse these questions. The next section presents the results of estimating the effect on migration flows of economic conditions in the countries of origin and destination. It also includes, on the basis of these estimates, a series of simulations of the possible development of inflows of immigrants to Spain, under different economic growth hypotheses. There follows a similar analysis of outflows of immigrants from Spain, although in less detail given the comparative lack of data available. The last section presents a series of conclusions.

Immigrant inflows and the economic cycle

The decision to emigrate may depend on a wide range of factors, but clearly economic factors are of key importance. The impact of each of these factors may be approximated using an estimated econometric model, in which bilateral migration flows between countries depend on different economic variables of each country, with account also taken of other kinds of political and social factors³ that may play a part in the decision to emigrate. Using this kind of analysis it is possible to quantify the relative impact the different factors, and especially the cyclical position of the economy, have on migration flows.

In this case, to conduct an empirical exercise of this kind, a database has been used with information on annual flows of immigrants from the main countries of origin to the OECD countries between 1980 and 2004, together with data from other series of variables on each country's economic and social position.

The main findings of this estimate are presented in Table 1, which shows that economic situation is a key determinant factor in the decision to emigrate. Specifically it is estimated that for

1. This article summarises the key findings presented in Lacuesta & Puente (2010), *El efecto del ciclo económico en las entradas y salidas de inmigrantes en España*, Documentos de Trabajo, No. 1016, Banco de España, forthcoming. 2. See <http://www.ine.es/metodologia/t20/t2030259.htm>. 3. In particular, the additional variables included are: geographical distance; a common language; indicators of political freedom and of conflicts; inequality and fiscal pressure indices; range of public expenditure; and degree of development of the immigrant community in the host country.



SOURCE: INE, current population estimates.

every additional percentage point of economic growth in the country of destination, immigration to that country rises by more than 10%. This would suggest that, once the decision to emigrate has been taken, the choice of the specific country of destination is closely connected to the economic growth of possible host countries. In principle, the importance of the cyclical position in the choice of host country would appear more justifiable in the case of short-term temporary migration, while decisions to emigrate on a permanent basis should have a lower correlation to the economic situation. But the uncertainty associated with all migration processes, together with the fact that the first years in the country of destination are generally the most difficult ones, will tend to raise the importance of the host country's cyclical position in migration decisions.

Conversely, according to these estimates, differences in the relative level of GDP per capita between the countries of origin and destination, which in theory should play a considerable part when it comes to explaining migration flows, have a much smaller and much less significant effect. There is only weak evidence to show that countries with lower GDP per capita produce higher numbers of immigrants. It should be noted, however, that the nature of the database used may condition these findings, at least in part, since all the potential host countries are OECD members. This means that the differences in GDP per capita are very high in all country pairings, thus reducing the explanatory power of this variable in the regression.

The other determinants included as control variables, which aim to approximate the political and social situation of the countries concerned, give the expected results. Of particular note is the effect of the size of the immigrant community in the host country: considering both the numbers of immigrants from the same country of origin and the size of the immigrant community overall, there is a very clear positive impact on migration flows. This could be interpreted to mean that persons are more likely to decide to emigrate if there is already a network of immigrants in the country of destination, whether or not of the same nationality. However, this effect becomes negative when the proportion of foreign population rises above a certain level, suggesting the existence of elements of saturation. In the case of Spain, the estimates show that the impact of the presence of immigrants already established in the country remains positive.

Migration elasticities with respect to the economic cycle estimated using the model described can be used to simulate immigration patterns under different economic growth hypotheses. Thus, a first exercise is to attempt to assess the extent to which the large flows of immigrants

	Estimator	Standard deviation	Significativity
Log (GDP per capita in country of origin)	-0.0374	(0.0205)	at 10%
Log (GDP per capita in country of destination)	0.0650	(0.1250)	
GDP per capita growth in country of origin (pp)	-0.0073	(0.0062)	
GDP per capita growth in country of destination (pp)	0.1013	(0.0209)	at 1%

SOURCE: Banco de España (Documento de Trabajo, No. 1016).

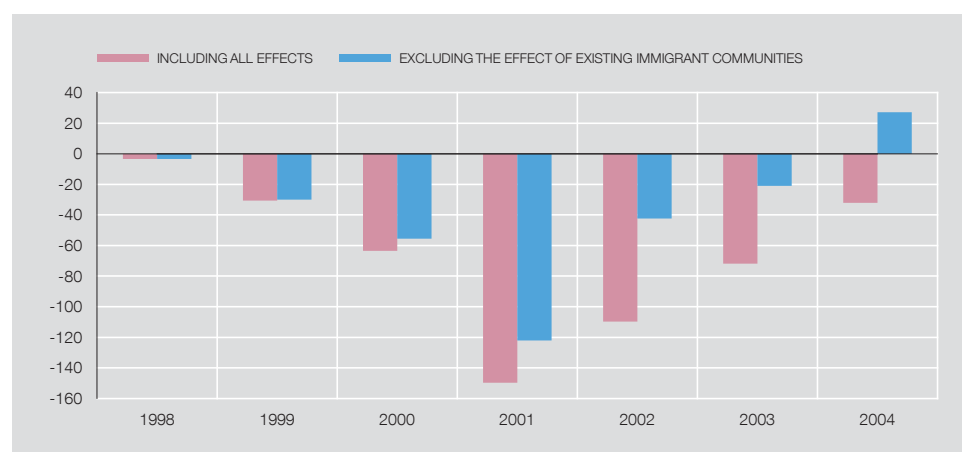
a. Migration flows and stocks are obtained from the OECD, and in the case of Spain, as from 1998, from the municipal registers, as these are deemed a more appropriate source.

b. The observations are weighted by the square root of a geometric mean of the population of the countries of origin and destination.

c. The regression includes other controls: geographical distance; existence of a common language; indicators of political freedom and of conflicts; inequality and fiscal pressure indices; range of public expenditure; and degree of development of the immigrant community in the host country.

**ESTIMATED CHANGE IN THE FLOW OF IMMIGRANTS TO SPAIN
IN A LOWER GROWTH SCENARIO (a)**
(thousands per annum)

CHART 2



SOURCE: Banco de España.

a. The scenario is built by replacing actual GDP per capita growth rates in Spain between 1998 and 2004 with the average of the European OECD member countries.

to Spain in recent years are connected with the country's strong economic growth. Specifically, Chart 2 depicts the change that would have been seen in immigration to Spain had Spanish economic growth equalled average growth in the European OECD member countries between 1998 and 2004. The pink bars in the chart show the total effect of this lower growth scenario on immigration flows. It is estimated that immigrant inflows would have been 14% lower in the period, representing some 461,000 fewer immigrants. These estimates indicate that the decrease would be due not only to the lower economic growth, but also to the lower degree of development of the immigrant community associated with this lower level of immigration. The blue bars in Chart 2 permit a distinction to be drawn between these two effects, as they represent only the direct impact resulting from lower economic growth. Thus, excluding the effect of the size of the immigrant community, the decline is substantially smaller (247,000 fewer immigrants in the period overall). These findings suggest that a large number of the immigrants coming to Spain in recent years did so attracted by the country's strong economic growth, and that this effect was reinforced by the associated development of immigrant communities. Conversely, in the event of prolonged low economic growth, any substantial decrease in immigrant inflows could be exacerbated by the smaller size of the immigrant communities.

	GDP per capita	Actual inflows	Forecast inflows (a)	Actual outflows	Forecast outflows (b)
2007	1.74	920,534			
2008	-0.75	679,172	691,137	406,617	
2009	-4.40	466,378	353,455	398,309	377,410

SOURCES: INE and Banco de España.

a. Based on the model in Table 1.

b. Based on the model in Table 3.

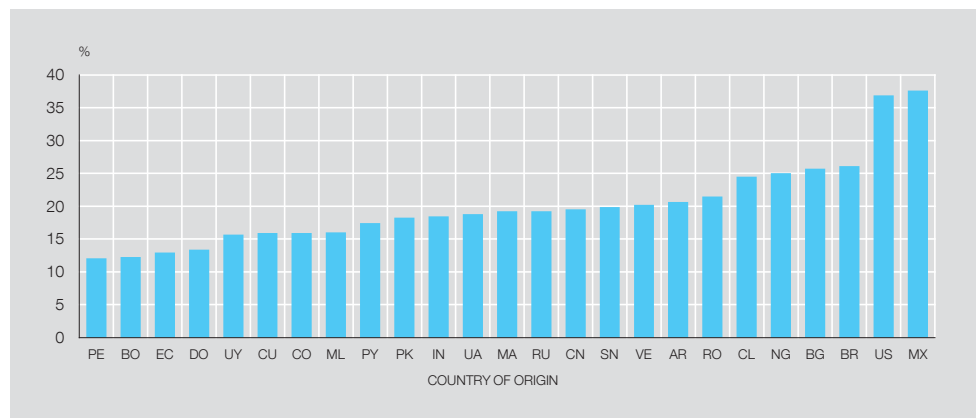
The estimates may also be used to approximate how much of the slowdown observed in immigration in recent quarters may be explained by the economic crisis. These findings are presented in Table 2, which shows that immigrant inflows fell considerably between 2007 and 2009, from more than 900,000 immigrants per annum to approximately half that figure. The decrease in inflows resulting from application of the estimated elasticities would be very similar to that seen in 2008, but higher than that recorded in 2009. This suggests that the present decline in immigrant inflows is closely connected to the economic recession and, therefore, that as the economic situation improves, these inflows could be expected to recover somewhat. However, it should be emphasised that the empirical model used is a relatively simple one and that it is unable to explain the intensity of migration flows in Spain in recent years.

Cyclical pattern of immigrant outflows

Just as inflows of immigrants are affected by relative economic opportunities between their countries of origin and the rest of the world, outflows of immigrants resident in host countries also depend, in principle, on these same factors. In this case, however, the effect of the economic cycle on the percentage of immigrants who finally leave their country of destination after a period of residence is less clear. First, because the cyclical economic component may affect the numbers of groups interested, a priori, in temporary residence⁴ abroad. Specifically, if the economic situation in the country of destination deteriorates, temporary migration flows will shrink with respect to permanent ones. And second, because cyclical developments may also make it more likely that persons who emigrated with the intention of staying in the host country will decide to return, when faced with an economic situation that is much worse than expected.

The lack of systematic records of outflows of foreign nationals means that it is not possible to apply the analysis used in the case of inflows. Accordingly, outflows of foreign nationals from Spain may only be analysed using the information considered to be most appropriate for this purpose to date. In the case of Spain, the main difficulty arises from the fact that immigrants do not generally remove themselves from municipal registers when they decide to leave the country, whether to return home or to move to a third country. Given these limitations, in its current population estimates the INE (2008) supplements the information on deregistrations with data on non-renewals of municipal registrations, following implementation in 2005 of Organic Law 14/2003, and with the results of a pilot population survey. The aforesaid Law requires that foreign non-EU nationals without a permanent resident permit renew their municipal registration every two years.⁵ These data provide the basis for the following analysis.

4. Immigration may be temporary or permanent; temporary immigrants include, in particular, seasonal immigrant workers, immigrants in transit to another country and those who plan to return to their home countries. 5. The last compulsory renewal of data held in the municipal registers was in 1996. These registers were previously governed by Law 7/1985, whereby each municipality was required to renew its register every year ending in 01 and 05. Since May 1996 the new legislation (Law 4/1996) simply requires that local authorities inform of inflows to and outflows from their municipalities.



SOURCE: Non-renewals of municipal registers (INE).

NB: PE=Peru; BO=Bolivia; EC=Ecuador; DO=Dominican Republic; UY=Uruguay; CU=Cuba; CO=Colombia; ML=Mali; PY=Paraguay; PK=Pakistan; IN=India; UA=Ukraine; MA=Morocco; RU=Russia; CN=China; SN=Senegal; VE=Venezuela; AR=Argentina; RO=Romania; CL=Chile; NG=Nigeria; BG=Bulgaria; BR=Brazil; US=United States; MX=Mexico.

Considering that compulsory renewal is not applicable to all immigrant groups, and that it takes time for local authorities to confirm deregistrations, the INE estimates that around 30% of immigrants entering Spain at any one time will eventually leave the country [INE (2008)]. Using the microdata provided by the INE on certain characteristics of persons who had not renewed their municipal registrations (year and province of last registration and nationality), an empirical estimate has been made of the relationship between outflows of immigrants and significant macroeconomic variables of the Spanish regions they leave and of their countries of nationality. For this purpose, the rate of departure of immigrants from Spain in their first years of residence was estimated, followed by analysis of the correlation with variables such as the level or rate of change of GDP per capita.

The rate of departure was estimated using data on all inflows of foreign nationals to Spain in 2003, based on the Estadística de Variaciones Residenciales (statistics on changes in residence), along with data on municipal registrations not renewed as of December 2005. The ratio between non-renewals and inflows may be taken as an approximation of the rate of departure, over the first two years of their residence in Spain, of immigrants who entered the country in 2003.⁶ This limits analysis of the determinants of the rate of departure, as it rules out estimates, as made in the previous section, based on changes in bilateral migration flows over time. Accordingly, the correlations between outflows and the economic cycle obtained using these estimates should be interpreted with caution.

Chart 3 depicts the rate of departure by nationality for the main countries of origin of immigrants to Spain. The average rate of departure estimated on the data available is 18%, although there are considerable differences by nationality. In the case of immigrants from the United States and Mexico, departure rates are over 37%, while for those from the only two European countries whose nationals were required to renew registration in 2005 (Romania and Bulgaria) they are slightly above average. In contrast, a large number of Latin American countries appear in the lower part of the distribution: for instance, Ecuador, Bolivia and Peru, with

6. The analysis is limited to immigrants entering the country in 2003, as those entering in previous years are less likely to be subject to compulsory renewal of registration, as they are more likely to have been granted permanent residence, to have taken Spanish nationality or to have moved within Spain.

	Estimator	Standard deviation	Significativity
Log (GDP per capita in country of nationality-2003)	0.0609	(0.0130)	at 1%
Log (GDP per capita in province-2003) (d)	-0.4267	(0.0572)	at 1%
GDP per capita growth in country of nationality 2005-2003 (pp)	0.0030	(0.0009)	at 1%
GDP per capita growth in province 2005-2003 (pp) (d)	-0.0112	(0.0091)	

SOURCE: Banco de España (Documento de Trabajo, No. 1016).

a. Includes only countries with more than 100 inflows whose rate of departure is between 0 and 1.

b. The observations are multiplied by the square root of the number of inflows.

c. The regression includes geographical distance.

d. Province of last residence in Spain.

departure rates of around 12%, and Uruguay, Colombia and Paraguay with rates of around 15%. However, the region's three largest economies – Argentina, Chile and Brazil – present rates over 20%, while those for the remaining groups from Africa and Asia are close to average (18%). Nevertheless, it should be noted that these rates of departure are calculated for the first years of residence, so the cumulative rate will be higher.

These data have been used to estimate a model that correlates the rate of departure with GDP per capita in the countries of origin and in the Spanish provinces in which the immigrants were resident in 2003. Moreover, average GDP per capita growth in both areas in the period 2003-2005 is used to approximate the cyclical situation. This permits analysis of whether or not there is a correlation between outflows of immigrants from Spain and the present economic situation. The model also takes into account the distance between the country of origin and Spain.

The results of these estimates are presented in Table 3, which shows higher outflows among immigrants from richer countries, possibly owing to greater mobility among more highly-skilled workers. This result is similar to that obtained in most international studies and is very robust to the inclusion of other variables in the specification. The table also shows that immigrants in Spanish provinces with lower GDP per capita present higher departure rates, possibly due to the weight of farming in these provinces, meaning that seasonal immigrant farmworkers may be over-represented. Moreover, the findings show that departure rates are sensitive to some extent to the economic situation in the country of origin. Specifically, countries of origin with higher economic growth rates attract more returning immigrants. This is not a very large impact, as a growth differential in GDP per capita in terms of PPP of 1 pp in the country of origin would boost outflows by 0.3%. However, the economic cycle in the region of destination does not present a significant negative correlation, although given the low variability of growth at provincial level this result should be taken with caution.

The model does not permit a direct estimate of the increase in outflows that may have been due to the recession, since the outflows correspond to just one generation of immigrants (those who entered Spain in 2003) who leave the country during their first years of residence. In fact, the pattern of outflows over time may be expected to heed two factors: the number of immigrant inflows in previous years and the corresponding rate of departure. According to the estimates in Table 3, the departure rate during the first years of residence in Spain is not significantly affected by the economic cycle of the host country. Therefore, outflows will be determined by previous years' inflows, with a slight time lag. On the basis of this hypothesis, Lacuesta & Puente (2010) conduct a simulation exercise of expected emigration to Spain, assuming that outflows in any one year relate to the inflows of the

previous two years.⁷ The INE estimates that 406,617 immigrants left Spain in 2008 and 398,309 in 2009 (see Table 2). As the fifth column of the table shows, the above-mentioned simulation exercise may be used to explain this decline.⁸ Specifically, fewer immigrants left Spain in 2009 as a result of the cyclical position, insofar as fewer immigrants entered Spain in 2008 than in 2007. However, the decrease was relatively small, as many of those leaving had entered the country in 2007, when inflows were higher. In accordance with these findings, the number of immigrants leaving Spain should continue to decline in 2010, since significantly fewer immigrants entered the country in 2008 and 2009 than in previous years.

Conclusions

Over the last decade, Spain has recorded demographic growth verging on 2% year-on-year. This has had a substantial impact on economic growth and on the functioning of the labour market and has prompted a very significant increase in the available labour supply. However, over the last two years this rate of growth has gradually decreased, to 0.6% in 2009 and 0.1% in 2010 Q1, due to a gradual decline in net immigrant inflows against a backdrop of severe economic contraction.

This moderation in the rate of growth of the foreign population could be due to fewer foreign nationals entering Spain, more foreign residents leaving the country, or a combination of both. The findings presented here show that, in the case of immigrant inflows, the rate of growth, rather than the level of GDP per capita in the country of destination, is the determinant economic variable. Different exercises show, therefore, that a large part of the moderation in immigrant inflows in 2009 may be explained by Spain's less favourable economic situation. Moreover, while the present slowdown continues, this purely economic effect may be exacerbated by the role played by the degree of development of the immigrant community.

In any case, it should be noted that the empirical model used is relatively simple and that it is unable to explain more than a relatively small portion of the large flows of immigrants to Spain in recent years. In this respect, it is particularly difficult to forecast the future pattern; a more complex model would need to be developed, permitting analysis of the fundamental determinants of the migration boom in Spain in the recent past, and of whether or not it may remain as intensive in the medium and long term.

Regarding immigrant outflows, data have been obtained following implementation in 2005 of Organic Law 14/2003, which requires that foreign non-EU nationals who are not permanently resident renew their municipal registration every two years. The estimates reflect significant outflows from Spain, possibly representing a rate of departure verging on 30% for non-EU and temporary immigrants, with considerable variations by country of origin. Immigrants from countries with higher GDP per capita present higher rates of departure, although the correlation with the economic cycle appears to be low. In this respect the fundamental determinant of outflows in the short term would appear to be the strength of inflows; accordingly, some moderation may be expected considering the decline in the number of immigrants entering the country in recent quarters. But this estimate is subject to a high degree of uncertainty, associated with the relative lack of statistical data available.

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7. According to the INE, 70% of immigrant outflows come within the first two years of residence. In its current population estimates, the INE (2008) conducts this exercise with greater precision, taking into account the complete time pattern of outflows. 8. Using these numbers from the INE and their assumed distribution over the years of residence, the implicit rate of departure would be 47%. This is quite high, compared with the 30% deriving from the previous estimates based on non-renewals for non-EU and temporary immigrants. Some of the differences may be down to the fact that, according to the estimates in Table 3, EU immigrants should post higher rates of departure, as they come from richer and less distant countries. Moreover, a lower figure is also obtained if more weight is assigned, when calculating the implicit rate, to the inflows of the past year in respect of those of previous years.

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Introduction¹

From the mid-1990s until the beginning of the latest recession a large number of the most advanced economies recorded a notable increase in residential investment, accompanied by sharp increases in house prices. These trends have come to an end in recent years, with a substantial adjustment in prices and volumes. Analysis of the housing market in Spain is of particular interest, given the dynamism of residential investment during the boom and the intensity of the subsequent correction. During the expansionary phase, housing investment grew at an average annual rate of more than 8% and, as a proportion of nominal GDP, it peaked in 2007 at 9.3%, somewhat more than five percentage points (pp) above its level in 1995 and well above the euro area and US levels (see Chart 1). The strong growth in housing supply entailed a notable expansion of employment in construction, which as a share of total employment reached 13.8% in 2007, up almost 5 pp from 1996. Since 2008 residential investment has adjusted sharply and its importance in terms of GDP and employment has fallen rapidly.

There are many interactions between housing market developments and the rest of the economy and these have been the subject of different analyses. Some authors have studied the extent to which house prices are consistent with their macroeconomic fundamentals (Ayuso and Restoy (2006)), while others have highlighted the role of non-financial wealth – practically all in the form of housing – as a determinant of household spending (L'Hotellerie and Sastre (2006)). The role of residential investment in the monetary transmission mechanism has also received detailed attention. Finally, general equilibrium models are increasingly being used that take into account specific features of the housing market (Rubio (2009)).

From a different standpoint, Leamer (2007) has emphasised the importance of residential investment developments when analysing the business cycle. In fact, according to this author, eight of the last ten recessions in the United States were preceded by contractions in residential investment. This article, which is part of a broader joint research project with the central banks of Germany, France and Italy, analyses the nature of the cyclical fluctuations in the Spanish housing market over the period 1980-2008, in order to highlight a set of stylised facts.² Following this introduction, the next section sets out the evidence available for housing investment as a leading indicator and, insofar as this is possible, it makes an international comparison. Afterwards, the possible existence of asymmetries in fluctuations in GDP and housing market variables is discussed, and finally the main conclusions are drawn.

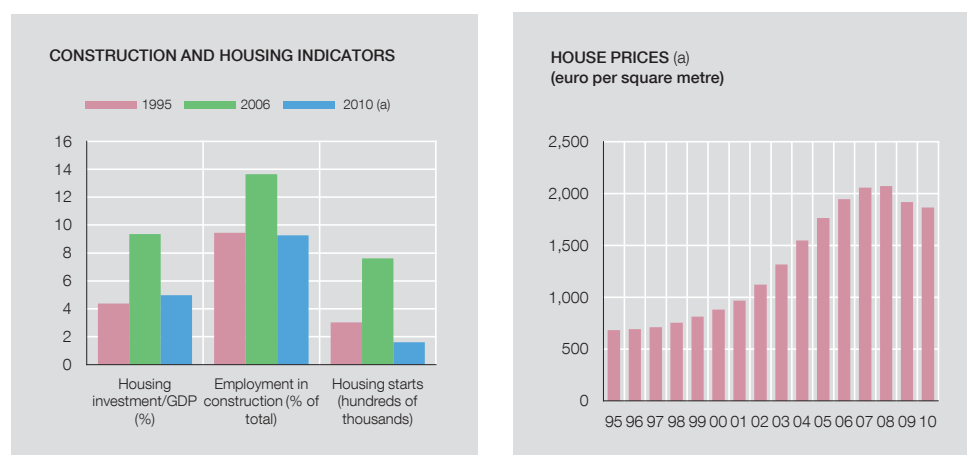
Residential investment as a leading indicator

The aim of this section is to ascertain the extent to which residential investment cycles in Spain tend to precede GDP cycles, as in the United States and other countries, as well as to characterise the cyclical behaviour of a set of housing-related variables.³ The cyclical behaviour of

1. This article is a summary of Álvarez, L.J. and Cabrero, A. (2010), "Does housing really lead the business cycle?", Working Paper, Banco de España. 2. Álvarez et al. (2010) analyse the interdependence between the housing markets of the main euro area countries. 3. Owing to the idiosyncrasy of housing markets and the heterogeneity of the sources and quality of the statistical information available, it is desirable that methodological approaches be adopted that are flexible enough to allow these problems to be addressed. Thus, non-parametric methods are used to define the cycle and to date turning points. The filtering procedures used highlight the cyclical and temporary fluctuations, eliminating from the time series those that are permanent in nature (associated with the trend). This requires what is known in the literature as an "ideal band pass filter". Those readers interested in the technical aspects may refer to the working paper on which this article is based.

CONSTRUCTION AND HOUSING INDICATORS

CHART 1



SOURCES: Instituto Nacional de Estadística and Ministerio de Vivienda.

a. The 2010 data refer to the first quarter.

CROSS-CORRELATIONS BETWEEN DEMAND COMPONENTS AND GDP Epanechnikov filter

TABLE 1

	Volatility (a)	Variable leads GDP				Contemporaneous	Variable lags GDP			
		4	3	2	1		4	3	2	1
Private consumption	1.1	0.53	0.63	0.72	0.78	0.80	0.79	0.76	0.73	0.72
Government consumption	1.0	0.43	0.51	0.58	0.64	0.70	0.75	0.78	0.78	0.76
Investment in machinery and equipment	5.2	0.79	0.82	0.85	0.86	0.84	0.79	0.71	0.62	0.51
Residential investment	3.8	0.86	0.87	0.87	0.86	0.83	0.79	0.74	0.68	0.61
Non-residential construction investment	3.4	0.51	0.59	0.66	0.71	0.74	0.75	0.75	0.74	0.72
Other investment	2.5	0.87	0.89	0.90	0.89	0.86	0.81	0.76	0.70	0.64
Exports of goods and services	2.0	0.08	0.12	0.15	0.16	0.15	0.11	0.05	-0.01	-0.06
Imports of goods and services	3.9	0.78	0.84	0.88	0.90	0.90	0.86	0.81	0.74	0.66

SOURCES: INE and Banco de España.

a. Ratio between the standard deviation of the component and that of GDP.

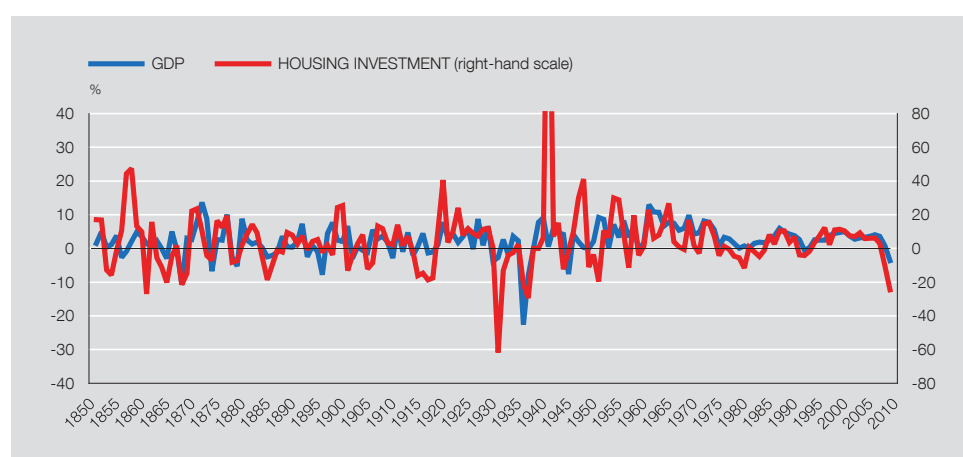
residential investment can be examined in comparison with that of other spending components. A correlation analysis using an Epanechnikov filter, like the one used in Leamer (2007), shows that residential investment leads GDP fluctuations, is procyclical and displays considerably larger variations than GDP itself and household consumption spending (see Table 1). In fact, residential investment is found to be more closely linked to future than to contemporaneous or past GDP, in line with the results of Leamer (2007) for the United States, with a relatively high maximum correlation coefficient (0.87).⁴

The above evidence relates to quarterly developments in housing investment in recent decades. However, this leading behaviour of residential investment is confirmed historically. Specifically, Chart 2 shows annual growth of housing investment and GDP in Spain for the period 1850-2010, using the estimates of Prados de la Escosura, linked to national accounts data for

4. To analyse the robustness of the results, alternative estimates have been made, which confirm that housing market fluctuations are procyclical and lead GDP fluctuations. The lead is estimated to be from one to three quarters, depending on the estimation procedure used.

HISTORICAL DEVELOPMENTS IN HOUSING INVESTMENT AND GDP IN SPAIN (1850-2009)

CHART 2



SOURCES: Prados de la Escosura (2003) and INE.

INTERNATIONAL COMPARISON

TABLE 2

	Variable leads GDP (No of quarters)				Maximum cross-correlation			
	France	Germany	Italy	Spain	France	Germany	Italy	Spain
Residential investment	0	2	0	1	0.53	0.71	0.53	0.76
Building permits	5	5	nd	4	0.75	0.59	nd	0.75
Housing starts	4	nd	nd	4	0.58	nd	nd	0.75

SOURCES: Ministerio de Vivienda, Colegio de Arquitectos and Datastream.

the most recent period. A correlation analysis conducted on this long sample period, excluding the years 1935-1940, confirms the leading nature of housing investment, since residential investment fluctuations tend to precede those in GDP by one year.

This evidence is also found in certain other developed countries. In Germany, residential investment leads GDP, but in France and Italy is contemporaneous with it (see Table 2). However, using an alternative estimation procedure Ferrara and Vigna (2009) find that French residential investment leads the business cycle, and this finding is corroborated when building permits and housing starts in that country are analysed.

Nevertheless, theoretical literature has, to date, not been able to provide an analytically based explanation for why housing investment should lead activity. In general equilibrium models with different sectors it is found that positive technological shocks tend to reduce the price of housing, which boosts households' demand for housing. These models therefore entail a trade off between prices and volumes in the housing market, a feature that is not observed in the data. Some more recent models are capable of explaining why housing investment should lead business investment, but not why it should lead GDP. A key element of this second family of models (Fisher (2007)) is that the labour productivity of households increases as they consume housing services. The empirical evidence available for the United States indicates that, for a given level of education and professional activity, workers living in larger dwellings are more productive, as they enjoy more rest. In this context, an increase in productivity is

	Volatility (a)	Variable leads GDP				Contemporaneous	Variable lags GDP			
		4	3	2	1	0	4	3	2	1
Non-residential construction investment	3.4	0.51	0.59	0.66	0.71	0.74	0.75	0.75	0.74	0.72
Gross value added of construction	2.7	0.70	0.76	0.81	0.83	0.84	0.83	0.80	0.77	0.73
Building permits	11.1	0.73	0.70	0.66	0.60	0.52	0.44	0.35	0.26	0.17
Housing starts	9.1	0.64	0.63	0.62	0.59	0.55	0.50	0.44	0.37	0.29
Cement production	5.8	0.59	0.65	0.70	0.74	0.75	0.72	0.68	0.63	0.56
Cement consumption	6.1	0.77	0.82	0.87	0.89	0.90	0.88	0.84	0.79	0.73
Employment in construction (Full-time equivalent)	11.6	0.91	0.93	0.92	0.88	0.81	0.73	0.63	0.53	0.43
Mortgages	3.4	0.19	0.28	0.36	0.43	0.49	0.54	0.57	0.59	0.60

SOURCES: INE and Ministerio de Vivienda.

a. Ratio between the standard deviation of the component and that of GDP.

associated with an increase in residential investment relative to business investment, reflecting the spillover effect on productivity. Recently, Yuan (2009) has developed a theoretical model capable of explaining why residential investment leads GDP. In this model, households have collateral constraints and observe a future productivity signal one period in advance, which induces them to increase their current spending, so that they can smooth the fluctuations in their consumption. This higher spending is financed through access to the mortgage market, since its interest rates are more favourable than those for consumer finance. Thus, the initial increase in consumer spending is accompanied by higher investment in housing. In the next period the anticipated increase in productivity materialises and stimulates aggregate activity.

In addition to housing investment, other housing sector indicators are also seen to lead GDP. Building permits and housing starts tend to lead GDP by four quarters (see Table 3), in line with the evidence for France and Germany presented above, and employment in construction also precedes the expansion of activity. The anticipatory nature of such indicators could be useful for monitoring and analysing cyclical developments, and in the preparation of short-term forecasts. However, when the gross value added of the construction sector is analysed, it does not appear to lead the business cycle, possibly because this variable has other components, such as non-residential construction, including public investment. Finally, input indicators, such as the output of construction materials or cement consumption, are seen to be more linked to current than to future GDP.

House prices, for their part, have behaved procyclically with respect to residential investment, although their fluctuations do not coincide with those of investment. This result is highly robust, as can be seen in Table 4, which presents a correlation analysis using six different estimation procedures. In each case a positive correlation is observed between the two variables. This suggests that housing demand factors (e.g. demographics and interest rates), which move prices and volumes in the same direction if there are no supply restrictions, may have been more important in the time period analysed than supply factors.

Asymmetries in expansions and recessions

A recurrent theme in the analysis of cyclical fluctuations is their possible asymmetry, that is to say the extent to which cyclical contractions are shorter or more intense than expansions. There exists an abundant theoretical literature presenting diverse mechanisms that would a priori justify the existence of these asymmetries. Although this literature focuses on the asym-

	Volatility (a)	Prices lead housing investment				Contemporaneous	Prices lag housing investment			
		4	3	2	1		4	3	2	1
Hodrick-Prescott	0.8	0.38	0.46	0.51	0.55	0.58	0.60	0.62	0.62	0.62
Hodrick-Prescott band pass	0.9	0.40	0.47	0.53	0.57	0.60	0.63	0.65	0.65	0.64
Baxter-King	0.9	0.35	0.43	0.49	0.54	0.58	0.61	0.65	0.68	0.69
Christiano-Fitzgerald	0.8	0.26	0.33	0.38	0.44	0.49	0.52	0.55	0.58	0.57
Butterworth	0.6	0.38	0.50	0.59	0.65	0.70	0.72	0.72	0.70	0.64
Epanechnikov	1.0	0.45	0.51	0.57	0.61	0.64	0.68	0.70	0.72	0.74

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

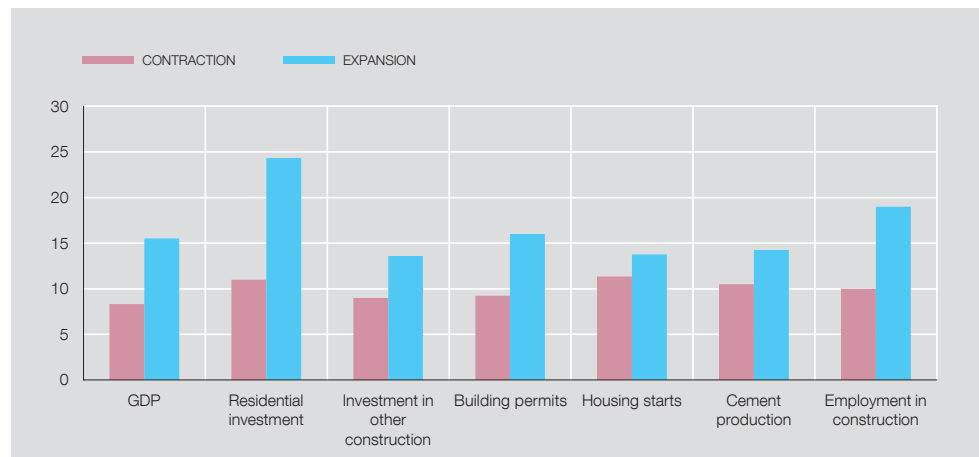
a. Ratio between the standard deviation of housing investment and house prices.

metries in the fluctuations in aggregate GDP, the arguments apply equally to investment. First, some economists attribute the asymmetries to the presence of capacity constraints. Productive activity is carried out in firms that operate at a variable level of capacity utilisation. In contractions, firms operate at a lower level of capacity utilisation, or stop operating altogether. However, in expansions firms are constrained by their installed capacity, which cannot be expanded in the short run. Other researchers rationalise the asymmetries on the basis of the existence of credit constraints, which are particularly important in the housing market; in contractions, households and firms may desire to obtain greater financing than they are granted by the financial markets. Other authors emphasise labour market asymmetries; while firms can adjust employment easily during contractions, during expansions they are constrained in the short run by the need to select workers and train them to do their jobs. This mechanism can be expected to be less important in construction investment than in other productive activities, since the skill level of workers in this sector is generally lower than in the economy as a whole.

Expansion and contraction periods are defined using the Harding and Pagan (2001) methodology, which is also used by the OECD to determine turning points. First, the local peaks and troughs in the cyclical fluctuations are identified intuitively and subsequently those periods of expansion or contraction that last for less than a minimum number of quarters established beforehand are eliminated, which ensures that the expansions and recessions alternate.

In the sample period analysed five peaks and four troughs are detected for most of the variables considered, all of which are related to construction investment. The average duration of a cycle (the expansion and recession periods combined) is six years, with a relatively homogeneous distribution across the variables. There is, however, considerable heterogeneity in terms of the amplitude of fluctuations. The fluctuations in GDP are much less pronounced than those in residential investment, which in turn vary less than the short-term development indicators housing starts and building permits.

Asymmetries are analysed by calculating the average duration of expansions and contractions. The results obtained tend to confirm that periods of GDP contraction are shorter than those of expansion (see Chart 3). Although the quantitative results differ somewhat depending on the estimation procedure used, contractions are generally found to last somewhat more than two years, while expansions last for four years. Residential investment displays the same asymmetrical pattern, with a longer cycle both in the contractions and, especially, in the expansions. By contrast, price variables do not display significant asymmetries.



SOURCES: INE, Colegio de Arquitectos, Ministerio de Vivienda and Banco de España

a. Sample period: 1980 Q1-2008 Q4

Conclusions

This article has presented a set of stylised facts about the cyclical behaviour of the Spanish housing market, showing that residential investment leads GDP over the business cycle, something that is also seen in the United States and in Germany and, less clearly, in France. This type of empirical regularity, which may be useful for the purposes of analysing and monitoring business conditions, is still lacking a sufficiently well grounded, clear theoretical explanation, so that further research efforts are needed to help improve its interpretation. The boom in residential investment in Spain between the mid-1990s and the beginning of the latest recession was accompanied by notable increases in house prices. This close association between house price fluctuations and residential investment is in keeping with a view of housing market cycles which basically sees them as linked to demand developments. The latter were fundamentally driven in Spain during this period by immigrant inflows and relatively low interest rates. Finally, some asymmetries in the behaviour of housing investment have been identified: contractions in GDP and real housing market variables have tended to be considerably shorter than expansions, while house price cycles display greater symmetry.

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Introduction

In 2010 Q2 new provisions of certain importance were promulgated in various areas of the financial system.

The notable new developments in the field of credit institution regulation are the new legal regime for institutional protection schemes (IPSSs), certain amendments to the legislation on the Fund for the Orderly Restructuring of the Banking Sector ("FROB", by its Spanish acronym) and on depositor and investor guarantee schemes, and a new legal provision to regulate and control the advertising of banking products and services.

As in the banking market, provisions have been passed in the securities market to update the law on investor compensation schemes and to regulate the advertising of investment products and services. Also, improvements have been introduced to allow greater flexibility in the operations of collective investment institutions (CIIs), and certain problems in the liquidation of their assets have been resolved. Also, the legislation on fees/commissions and standard contracts in investment services has been updated, as has the regime governing the advertising of these services, adapting it to current circumstances.

Provisions have been set in place to implement the legal regime governing payment services and payment institutions and the regime governing the prevention of money laundering and terrorist financing, thereby completing the transposition of Community legislation to the Spanish legal system.

Lastly, in the EU a financial support mechanism has been set in place for Member States in difficulties caused by exceptional circumstances, and a fund to support Greece has been set up.

Measures to promote economic recovery and employment

Royal Decree-Law 6/2010 of 9 April 2010 (BOE of 13 April 2010) on measures to promote economic recovery and employment was enacted. The most noteworthy provisions in the field of financial regulation were as follows:

INSTITUTIONAL PROTECTION SCHEMES (IPSS) FOR CREDIT INSTITUTIONS

Under the regime applicable to IPSSs set up in common by various credit institutions, these schemes are deemed to be consolidatable groups of credit institutions. Thus, when an IPSS is set up, it must, in addition to complying with the rules in CBE 3/2008 of 22 May 2008¹ on determination and control of minimum own funds, meet the following requirements: 1) there must be a central credit institution that is responsible for compliance with IPSS regulatory requirements on a consolidated basis and establishing a binding business strategy; 2) the IPSS contractual agreement shall contain a mutual commitment on solvency and liquidity between the institutions composing the IPSS, unlimited in respect of liquidity and committing at least 40% of own funds in solvency support; 3) the constituent institutions shall pool a significant portion (at least 40%) of their profits, which must be distributed in proportion to the participating interest of each institution in the IPSS; 4) the institutions must remain in the IPSS for a minimum period of 10 years and give at least 2 years' notice of their intention to leave it upon ex-

1. See "Financial Regulation: 2008 Q2", *Economic Bulletin*, July 2008, Banco de España, pp. 134-143.

piry of that period, such withdrawal having to be authorised by the Banco de España. Also, the contractual agreement must include a system of penalties for withdrawal from the IPS which encourages the continued presence and stability of institutions in the IPS; 5) the aforementioned central institution shall be one of the credit institutions forming part of the institutional protection scheme or an investee of all of them which also forms part of the IPS; and 6) in the judgement of the Banco de España, the requirements set out in the current regulations on financial institutions' own funds for assigning a risk weight of 0% to the exposures between the IPS members are met.

AMENDMENT OF LEGISLATION ON
THE FUND FOR THE ORDERLY
RESTRUCTURING OF THE
BANKING SECTOR (FROB)

Certain time limits set in previous legislation are reduced. Thus it is stipulated that the action plan² shall be submitted simultaneously (the previous time limit was within one month) with the institution's notification to the Banco de España of the weakness of its economic and financial position.

The amendment reduces to ten calendar days (previously one month) the period within which the Banco de España must notify that it requires an action plan to be submitted by a credit institution suffering from financial weakness evidenced by the deterioration of its assets, of its regulatory capital or of external confidence in its solvency.

The amendment reduces to five working days (previously ten) the period which the Ministry for Economic Affairs and Finance has to manifest its opposition to the proposals made by the FROB in the economic report detailing the financial impact of the restructuring plan submitted on the funds contributed out of the State budget.

Further, a new instance is added in which a credit institution has to be restructured with the intervention of the FROB. It is when a financially weak institution finds itself in circumstances which, in the Banco de España's judgement, are such that a viable remedy will not foreseeably be found without the FROB's support.

For savings bank equity units issued with a view to subscription by the FROB, the amendment provides that the two reports specified in Royal Decree 302/2004³ of 20 February 2004 on saving banks' equity units will be replaced by a single report issued by the FROB, and they will not have to be quoted on an organised secondary market so long as they are owned by the FROB. These units will be eligible as tier 1 capital.

Lastly, the FROB retains representation rights in the savings bank's general assembly in proportion to the equity units held by it. This representation will not count for the purposes of calculating limits on the representation of general government and of public law entities and corporations.

SECURITISATION SPES:
AMENDMENT OF LEGISLATION

The current legislation⁴ has been amended to allow securitisation SPEs to own real estate, goods, securities or financial claims and amounts received in payment of principal and interest of mortgage-backed securities or other claims grouped together in their assets pursuant to a ruling derived from any legal proceeding initiated to settle those claims (e.g. the proceeds from liquidation of mortgage or non-mortgage collateral).

² This action plan sets out the actions envisaged to remedy that situation. Those actions should be aimed at ensuring the institution's viability, either by strengthening its net assets and solvency or by facilitating its merger with or absorption by another institution of recognised solvency or the full or partial transfer of its business or operating units to other credit institutions. ³ See "Financial Regulation: 2004 Q1", Economic Bulletin, April 2004, Banco de España, p. 94. ⁴ Specifically, the fifth additional provision of Law 3/1994 of 14 April 1994 adapting Spanish law on credit institutions to the Second Banking Directive. Also, other amendments relating to the financial system are introduced.

To ensure investor protection, Securities Market Law 24/1988 of 28 July 1988⁵ was amended to require the intervention of a duly authorised institution to provide investment services in certain securities offerings⁶ to the general public that do not require a prospectus and can be publicised by any means. Non-compliance with this requirement by the issuer shall be classed as a very serious infringement under the securities market organisation and discipline regulations.

Law 26/2009 of 23 December 2009⁷ on the State budget for 2010 was reformed to enable SPEs securitising loans to SMEs to function more flexibly, so that the liquidity obtained from the securitisation process could also be used to finance the current assets of SMEs.⁸

The Official Credit Institute ("ICO" by its Spanish acronym) has made available since 14 June a new direct line of finance to SMEs and self-employed workers (ICOdirecto), in which the ICO assumes 100% of the credit risk on transactions of up to €200,000.

The Royal Decree-Law came into force on 14 April 2010.

***Amendment of legislation
on depositor and investor
guarantee schemes***

Royal Decree 628/2010 of 14 May 2010 (BOE of 3 June 2010) amending Royal Decree 2606/1996 of 20 December 1996⁹ on credit institution deposit guarantee funds (DGFs) and Royal Decree 948/2001 of 3 August 2001¹⁰ on investor compensation schemes was enacted in order to complete the transposition of Directive 2009/14/EC of the European Parliament and of the Council of 11 March 2009.¹¹

The most significant provisions in the Royal Decree are as follows:

The level of protection remains at €100,000 both in DGFs and in the ICS, and those guarantees continue to apply per depositor or investor, whether a natural or a legal person, regardless of the number and type of cash, securities or financial instrument deposits in the holder's name at the same institution.

The period which the Banco de España has to check that a credit institution is unable to repay deposits which are due and payable is reduced to five working days.

Two different time periods are established for DGFs to pay guaranteed amounts, depending on whether the payee is a depositor or an investor. DGFs have to pay depositors within 20 working days of the date when insolvency proceedings were declared against the institution

5. See "Regulación Financiera: tercer trimestre de 1988", *Boletín Económico*, October 1988, Banco de España, pp. 61-62. 6. Specifically, some of the cases of securities public offerings set out in Article 30 bis of Securities Market Law 24/1988, such as those targeted at fewer than 100 natural or legal persons of a Member State, without including qualified investors; those targeted at investors that purchase securities for a minimum of €50,000 per investor in each separate offering; and those whose unit nominal value is at least €50,000. 7. See "Financial Regulation: 2009 Q4", *Economic Bulletin*, January 2010, Banco de España, pp. 172-174. 8. Previously, an institution which assigned loans and credits had to reinvest the resulting liquidity in new lending, particularly to SMEs, with maturities longer than one year. 9. See "Regulación financiera: cuarto trimestre de 1996", *Boletín Económico*, January 1997, Banco de España, pp. 106-109. 10. See "Financial Regulation: 2001 Q3", *Economic Bulletin*, October 2001, Banco de España, pp. 93-97. 11. Directive 2009/14/EC introduced a series of essential reforms in the regulation of European deposit guarantee schemes, as follows: it fosters cooperation between European schemes, raises credit institutions' reporting obligations to depositors on the coverage of their deposits by foreign or domestic schemes, increases credit institutions' obligations to inform depositors of the coverage of their deposits by foreign or national schemes, increases the level of deposit coverage, reduces the time periods for the competent authorities to declare that a given institution is unable to satisfy the amounts claimed by depositors or investors and to make payment, and, lastly, obliges guarantee funds to conduct stress tests to assess their ability to cope with a possible crisis at a credit institution. A significant portion of these reforms were made in Spain through Royal Decree 1642/2008 of 10 October 2008. See "Financial Regulation: 2009 Q1", *Economic Bulletin*, April 2009, Banco de España.

or when the Banco de España verified the credit institution's inability to pay. In duly justified circumstances, that time period may be extended by up to 10 more working days (previously the time period was three months, which, with extensions, could be prolonged to nine months). The time period which DGFs or the ICS have to pay investors remains at three months, but this period will begin running when the credit position of the investor is identified and calculated (previously it was from when the credit institution's inability to pay was verified or insolvency proceedings were declared). In duly justified circumstances, it may be extended up to another three months (previously it could be extended up to a maximum of nine months).

Credit institutions have to make available to customers information on the functioning of the DGFs of which they are members, specifying the amount and scope of the cover offered. Also, they must inform about the conditions and the formalities which must be completed to obtain compensation payouts.

The surplus held by DGFs in excess of the amount needed to fulfil their objectives shall remain in their assets and may not be distributed or returned to member institutions.

DGFs have to conduct regular operational tests to assess their ability to cope with a possible crisis at an institution.

Lastly, it is expressly specified that the ICS will not cover investors holding a securities account with an institution not covered by the ICS, even if that institution had in turn deposited the securities in an account at one covered by the ICS.

The Royal Decree came into force on 4 June 2010.

Regulation and control of advertising for financial products and services

BANKING PRODUCTS AND SERVICES

Ministerial Order EHA/1718/2010 of 11 June 2010 (BOE of 29 June 2010) on regulation and control of advertising for banking products and services replaced and repealed Chapter III of the Ministry for Economic Affairs and Finance Order of 12 December 1989¹² on interest rates and fees/commissions, operating rules, customer information and advertising of credit institutions.

The Ministerial Order establishes a new administrative control regime for advertising by Spanish credit institutions and the branches in Spain of foreign credit institutions targeted at customers or potential customers resident in Spain and relating to banking products and services other than investment financial instruments and services. Also included in its scope of application is advertising activity relating to the provision of payment services by payment institutions regulated by Law 16/2009¹³ of 13 November 2009 on payment services.

Advertising activity is defined as all manner of communication which offers banking products or services or disseminates information on them, whatever the medium used.¹⁴ Excluded from regulation are certain advertising activities such as: a) corporate advertising campaigns; b) the contents in an institution's internet pages or other medium that are necessary to enter into transactions; and c) information on the specific characteristics of the transactions included in the institution's operational internet pages where those transactions are carried out.

¹². See "Regulación financiera: cuarto trimestre de 1989", Boletín Económico, January 1990, Banco de España, p. 35. ¹³. See "Financial Regulation: 2009 Q4", Economic Bulletin, January 2010, Banco de España, pp. 150-155. ¹⁴. Press, radio, television, e-mail, internet or other electronic media, indoor or outdoor posters, billboards, pamphlets, circulars and letters forming part of an advertising campaign, telephone calls, door-to-door visits or any other system of dissemination.

The current system of prior authorisation is replaced by an advertising control system based on two lines of action: the first, *preventive*, involves the establishment of the general principles to which advertising must conform and the general criteria governing the minimum content and format of the advertising message, which will be determined by the Banco de España, as well as the requirement that credit institutions have procedures and internal controls to protect the legitimate interests of customers and manage the risks to which they are or may be exposed as a result of their advertising activity; and the second, consisting of revision or *ex post* action, enables possible inappropriate conduct to be corrected, for which purpose the Banco de España may require the withdrawal or rectification of any advertising not complying with the aforementioned Ministerial Order or, where applicable, require such warnings as it deems necessary about the advertised produce or service to be included in the advertising.

Institutions and persons holding administrative or management positions in them that fail to comply with the obligations set in this Ministerial Order or its implementing regulations shall be liable to administrative penalties pursuant to the provisions of Law 26/1988 of 29 July 1988¹⁵ on the discipline and intervention of credit institutions.

The Ministerial Order came into force on 30 June 2010.

INVESTMENT PRODUCTS AND SERVICES

Following identical principles to those in the previous case, *Ministerial Order EHA/1717/2010 of 11 June 2010* (BOE of 29 June 2010) on regulation and control of advertising for investment products and services established the rules, principles and criteria to which advertising for financial instruments and investment services has to conform.

This Ministerial Order regulates advertising activity targeted at investors resident in Spain relating to financial instruments, to other financial products subject to supervision by the Spanish National Securities Market Commission (CNMV), to investment and ancillary services and ancillary and reserved activities involving the aforementioned financial instruments, and to CII, venture capital entity and securitisation SPE management activity.

As with banking products, advertising activity is defined as all manner of communication addressed to the general public in order to promote, whether directly or through third parties, the use of a certain investment service or activity or the subscription or acquisition of financial instruments, as well as those communications made by any interested party during a takeover bid with a view to influencing the outcome.

Likewise, there is an advertising control system based on two lines of action. The first is *preventive*, in which the CNMV will determine the general principles to which advertising must conform and the general criteria governing the content and format of the advertising message and any other matter that may affect advertising. Further, investment firms and other entities providing investment services are required to have a commercial communication policy with suitable criteria and procedures to ensure compliance with current legislation.

The second, which involves revision or *ex post* action, provides that the CNMV has administrative power to require the withdrawal or rectification of any advertising not complying with the aforementioned Ministerial Order or to require that such warnings as it deems necessary about the advertised produce or service have to be included in the advertising by the offeror or is-

¹⁵. See "Regulación financiera: tercer trimestre de 1988", Boletín Económico, October 1988, Banco de España, pp. 56-58.

suer. Failure to comply with such requirements may be liable to penalties in accordance with the provisions of Securities Market Law 24/1988 of 28 July 1988.

If a prospectus has to be prepared, the advertising must indicate such publication and state where investors are, or will be, able to obtain it. In these cases, the advertising information must be consistent with the information contained in the prospectus.

The Ministerial Order came into force on 30 June 2010.

**Amendment of regulations
on collective investment
institutions**

Royal Decree 749/2010 of 7 June 2010 (BOE of 8 June 2010) amended the implementing regulations of Law 35/2003 of 4 November 2003 on CII approved by Royal Decree 1309/2005 of 4 November 2005¹⁶ and other regulations in the tax field.

AMENDMENTS AIMED AT
ENHANCING THE FLEXIBILITY OF
CII OPERATIONS

The legal regime governing exchange-traded funds, or ETFs, is made more flexible.¹⁷ Thus, the constitution of these funds before a notary and their registration in the mercantile register become optional. Also, their investment policy objectives are broadened, since they may reproduce not only an index meeting the conditions set out in the regulations, but also any other underlying index expressly authorised by the CNMV.

Exchange-traded index open-end investment companies are provided for in legislation. Their legal regime is similar to that of an ETF, but in the form of an open-end investment company. They enjoy certain exceptions with respect to open-end investment companies. Thus, upon admission to listing, they are not required to have the stipulated minimum number of shareholders;¹⁸ they are exempt from most of the special rules applicable to open-end investment companies regarding the application for admission of their shares to stock-exchange trading; nor are they subject to the procedure for share transfers.¹⁹

Also, the legal regime governing real estate CII is made more flexible, as follows: 1) the assets in which they invest may include listed real estate investment companies (referred to by their Spanish acronym "SOCIMI"),²⁰ provided they have no holdings in the capital or net assets of other real estate CII; 2) their main corporate purpose may include investment in other real estate CII of similar characteristics, up to a limit of 10% of their assets, and 3) the percentage of the compulsory investment in urban rental properties is reduced from 90% to 80% of their assets, to equate it to that set for SOCIMI.

With regard to hedge funds (also known as alternative investment funds), certain exceptions are stipulated for unit-holders having the status of professional investor (previously known as qualified investors) as defined in the Securities Market Law²¹ in respect of the subscription and purchase of units, and the rest of the text is brought into line with this new nomenclature.

AMENDMENTS AIMED AT
ENABLING CII ASSETS TO BE
LIQUIDATED MORE READILY

Legal provisions are laid down to introduce the concept of *special-purpose CII* or *investment compartments* (hereafter "special-purpose CII"), known in the international arena as "*side*

¹⁶. See "Financial Regulation: 2005 Q4", Economic Bulletin, January 2006, Banco de España, pp. 112-119. ¹⁷. ETFs resemble index funds, but the acquisition or sale of their shares is now permitted not only once a day, but throughout the daily trading period on the relevant exchange. Their shares are admitted to trading on a stock exchange. ¹⁸. The number of shareholders may not be below 100. In the case of investment firms composed of compartments, the minimum number of shareholders in each compartment may not be less than 20 and in no case may the total number of total shareholders of the firm be less than 100. ¹⁹. See Article 28 of Law 35/2003 of 4 November 2003. ²⁰. Regulated by Law 11/2009 of 26 October 2009. See "Financial Regulation: 2009 Q4", Economic Bulletin, January 2010, Banco de España, pp. 166-169. ²¹. The term "professional client" and characteristics thereof were introduced by Law 47/2007 of 19 December 2007. See "Financial Regulation: 2007 Q4", Economic Bulletin, January 2008, Banco de España, pp. 183-189.

pockets”). These new entities are the result of spinning off a part of the original CII in order to transfer solely those assets which are affected by exceptional circumstances preventing them from being valued or sold on reasonable terms and which represent more than 5% of the CII's net assets. Hence a special-purpose CII will have the same legal form as the original CII, but is subject to a special valuation, liquidity, subscription and redemption regime which enables its assets to be liquidated in an orderly fashion.

The units or shares of the resulting special-purpose CII will be received by the unit-holders or shareholders of the original CII in proportion to their investment in the original CII.

The creation of the special-purpose CII must be notified to the CNMV and will be considered to be a significant event. Also, the unit-holders or shareholders must be notified in writing, indicating the reasons for creating the special-purpose CII and the conditions governing it.

Once the redemptions have been satisfied or the repurchases or transfers vis-à-vis investors have been carried out, the resulting special-purpose CII will be extinguished and the CNMV notified accordingly.

It should be noted that open-end investment companies whose shares are admitted to trading on stock exchanges or other regulated markets or multilateral trading facilities may not create special-purpose compartments, must necessarily opt for CII and may not apply for admission to trading on stock exchanges or other regulated markets or multilateral trading facilities.

The liquidation regime governing securities funds is improved in that the liquidator (i.e. the IIC management company with the involvement of the depositor) may, via liquidations on account, progressively distribute the proceeds from disposal of the fund's securities and assets proportionally among all the fund's unit-holders, once all creditors' claims have been satisfied or the amounts due and payable to them have been settled. Previously, by contrast, securities funds were subject to certain requirements and time limits stipulated in the implementing regulations. This same liquidation regime also becomes applicable to real estate investment funds, albeit subject to certain specific features detailed in the legislation allowing such funds to gradually be liquidated and the resulting liquidity distributed among unit-holders without need to wait until all the assets are sold.

Finally, the implementing regulations on non-resident income tax, corporate income tax and personal income tax are amended. Those amendments consist of exemption from the obligation to make withholdings from or prepayments on account of income derived from the transfer or redemption of shares or equity holdings in ETFs or exchange-traded index open-end investment companies.

The Royal Decree came into force on 9 June 2010.

***Investment services:
updating of legislation on
fees/commissions and
standard contracts***

Ministerial Order 1665/2010 of 11 June 2010 (BOE of 23 June 2010) implementing Articles 71 and 76 of Royal Decree 217/2008 of 15 February 2008²² on the legal regime of IFs and of other investment services entities in respect of fees/commissions and standard contracts was promulgated.²³

²². See “Financial Regulation: 2008 Q1”, Economic Bulletin, April 2008, Banco de España. ²³. The Ministerial Order repeals in full the Ministerial Order of 25 October 1995 and the Ministerial Order of 7 October 1999, which had been partially repealed by Royal Decree 217/2008.

The legal regime governing fees/commissions shows no significant new features with respect to the previous situation. Thus, their minimum content is defined, the formal requirements are specified and it is stipulated that entities may not apply fees/commissions at rates higher than or for items other than those stated in the brochure, nor may they charge fees/commissions or expenses for unnecessary transactions or for services not effectively rendered or not expressly accepted or requested by the customer.

Also, the regime of prior inspection of fee and commission brochures by the CNMV remains in place. Following receipt of a brochure from entities, the CNMV will have 30 days (previously 15 days) to formulate objections or recommendations for rectification purposes or require the inclusion of specific financial services when such services contribute to the aforementioned objective of transparency. If it takes no action, the CNMV has to make the brochure available to the public on its website. The brochure will become applicable once the aforementioned time limit of 30 days has elapsed.

As regards standard contracts, the current regime of prior inspection is replaced by a system of ex post inspection by the CNMV. This measure represents an improvement for entities, since they will not have to wait for their standard contract to be authorised in order to be able to use it with their customers, but rather will be able to use it directly, provided it has been made public sufficiently. However, the CNMV may require entities to rectify or terminate any standard contracts that do not comply with current legislation. This measure is to be adopted without prejudice to such liability as may have been incurred by the entity under the penalty regime established by the Securities Market Law.

The minimum content of these contracts is brought up to date,²⁴ although the CNMV reserves the right to specify in greater detail the compulsory content of the standard contracts for certain services.²⁵ Also included is a list of investment services for which the entities wishing to provide them must prepare standard contracts, as well as a general clause permitting entities to use standard contracts for the provision of other services not contained in the list.

Lastly, the legal regime governing the making public of fee and commission brochures and standard contracts is updated and adapted to current circumstances. Thus the CNMV has to make available to the public on its website the fee and commission brochures and the changes thereto sent by entities, once the CNMV has checked that they comply with current legislation. For their part, the entities have to do the same in all their full and representative offices and on their websites. The CNMV may set the requirements and conditions applicable to such publicity in order to achieve, inter alia, the widest dissemination of information.

The Ministerial Order came into force on 24 June 2010.

Payment services and institutions: implementing regulations

Royal Decree 712/2010 of 28 May 2010 (BOE of 29 May 2010) on the legal regime governing payment services and payment institutions ("PIs"),²⁶ implements Law 16/2009 of 13 Novem-

²⁴. Standard contracts must now be worded in accordance with Legislative Royal Decree 1/2007 of 16 November 2007 enacting the consolidated text of the General Consumer and User Protection Law and other supplementary laws and with the rules of conduct set out in Securities Market Law 24/1988 of 28 July 1988 and its implementing regulations. ²⁵. Specifically, portfolio management, safekeeping and administration of financial instruments and any other services or cases which the CNMV considers should be standardised and for which it has thus deemed a standard contract to be compulsory. ²⁶. Payment institutions are legal persons that have been granted authorisation to provide and execute all or some of the payment services specified in Law 16/2009. Included are the following: a) services enabling cash to be placed on or withdrawn from a payment account as well as all the operations required for operating a payment account; b) execution of payment transactions such as direct debits, payment transactions through a payment card or a similar device, and credit transfers, including standing orders; c) issuing and/or acquiring of payment instruments; and d) money remittance. Under Law 16/2009 the provision of these services is reserved to the payment institutions now being discussed and to traditional credit institutions, electronic money institutions and the Spanish State postal service.

ber 2009 on payment services and *Ministerial Order EHA/1608/2010 of 14 June 2010* (BOE of 18 June 2010) on transparency of conditions and information requirements applicable to payment services implements the general obligations in this area contained in Law 16/2009. This completes the transposition to Spanish legislation of Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007²⁷ on payment services in the internal market.

LEGAL REGIME FOR PAYMENT INSTITUTIONS

It is the prerogative of the Ministry for Economic Affairs and Finance to authorise the creation of PIs, following an report from the Banco de España and the Executive Service of the Commission for the Prevention of Money Laundering and Monetary Offences on the matters in their areas of competence. Before commencing their operations, PIs must be registered in the Special Registry of PIs to be set up by the Banco de España. This registry will state the payment services for which they have been authorised and, in addition, their agents and branches.

The requirements for obtaining and conserving the authorisation to operate as a payment institution are established, *inter alia*, as follows: 1) have at all times a minimum initial capital between €20,000 and €125,000, depending on the type of payment services provided; 2) have suitable shareholders or owners of qualifying holdings;²⁸ 3) have directors, general managers or similar officers of recognised repute; 4) have in place solid corporate governance procedures effective for identifying, managing, controlling and communicating risks and have the means to forestall and prevent money laundering and terrorist financing.

The special features of hybrid PIs, i.e. entities that, in addition to providing payment services, engage in some other economic activity are addressed.²⁹ In certain cases they may be required to set up a separate PI; specifically, this is so when the performance of economic activities other than payment services may affect their financial soundness or detract from the Banco de España's ability to supervise compliance by PIs with their obligations.

CROSS-BORDER ACTIVITY

PIs authorised in another EU Member State which wish to engage in cross-border activity in Spain through the opening of branches or in exercise of the freedom to provide services may do so only if the Banco de España receives a communication from the PI's supervisory authority which contains certain information.³⁰

PIs authorised in a non-Member State of the EU must, in addition to meeting the requirements set for resident PIs, comply with other additional ones, such as having at least one person who is responsible for managing the branch it is intended to establish in Spain and who effectively determines the orientation of that branch. Authorisation may be denied in application of the principle of reciprocity.

Similarly, Spanish PIs intending to engage in cross-border activity in a non-Member State of the European Union through the opening of branches, in exercise of the freedom to provide services or through a subsidiary must apply to do so to the Banco de España, providing certain information in their application.³¹

27. See "Financial Regulation: 2007 Q4", Economic Bulletin, January 2008, Banco de España, pp 194-196. 28. "Qualifying holding" means a direct or indirect holding in an undertaking which represents 10 % or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the management of that undertaking. 29. Unlike other financial intermediaries, payment institutions are not entities with an exclusive corporate purpose, since they are permitted to provide payment services simultaneously with other ancillary services or any other economic activity. 30. Among other things, the information to be provided shall include a programme of activities indicating, in particular, the transactions it is intended to carry out, the organisational structure of the branch, and the names and service records of the proposed managers of the branch. 31. Among other things, the information to be provided shall include a programme of activities, the organisational structure of the branch, and the names and service records of the proposed managers of the branch.

Lastly, provision is made for the creation or acquisition of qualifying holdings in the PI of a non-Member State of the EU by a Spanish PI, which, in any event, shall be subject to prior authorisation from the Banco de España.

AGENTS AND DELEGATION OF FUNCTIONS

Spanish PIs and branches in Spain of foreign PIs intending to provide payment services through an agent must provide the Banco de España with information about the internal control and communication procedures and bodies to be used in their relations with agents, both to forestall and prevent money laundering and terrorist financing and to ensure compliance with the applicable sectoral regulations.

To delegate essential operational functions relating to payment services, PIs must notify the Banco de España, such notification including detailed information on the characteristics of the delegation and the identify of the firm to which it is intended to delegate. The delegation must be carried out in such a way as not to affect the quality of the PI's internal control over the delegated functions or the Banco de España's ability to supervise the PI.

GUARANTEE REQUIREMENTS, OWN FUNDS REQUIREMENTS AND OPERATING LIMITS ON PAYMENT ACCOUNTS

PIs must safeguard the funds received from payment service users or received through another payment service provider for the execution of payment transactions, observing for this purpose one of the two procedures stipulated in Law 16/2009. Under the first method, they shall not be commingled at any time with the funds of any other natural or legal person and, where applicable, they shall be deposited in a separate account in a credit institution or invested in secure, liquid low-risk assets, in respect of which the payment service user shall be insulated in accordance with insolvency law against the claims of other creditors of the payment institution. Alternatively, they shall be covered by an insurance policy or some other comparable guarantee from an insurance company or a credit institution which has a high credit rating and does not belong to the same group as the PI.

Regarding the first procedure, a list is given of the secure, liquid low-risk assets in which the funds may be invested. Regarding the second, the conditions to be met by the insurance policy or comparable guarantee are specified.

The method to be applied by PIs for calculating their own funds requirements is specified. It is based on a weighting of the amount of the payment transactions executed by them during the previous year.³²

Also, several provisions are set in place to ensure that any PI with a shortfall of own funds will return to compliance with the own funds regulations. Specifically, the PI must immediately notify the own funds shortfall to the Banco de España and submit within one month a programme setting out its plans for re-establishing compliance. In these circumstances, PIs are obliged to submit any appropriation of profits to the Banco de España for prior authorisation.³³

³² However, the Banco de España may –on its own initiative or in response to the PI in question, and having regard to the need to improve its solvency, protect the interests of users or of the payments system, or ensure more effective supervision of the PI– decide that own funds requirements have to be calculated by one of the other two methods envisaged in law: in one of them, the calculation is based on the preceding year's overheads, and in the other, on the sum of different income, expenses and fees/commissions. ³³ If the own funds shortfall exceeds 20% of own funds requirements, the PI must allocate to reserves all the net profit or surplus, unless the Banco de España authorises otherwise as a result of approval of the programme to return to compliance.

The provisions relating to operating limits on payment accounts of PIs regulate the effect of a payment account remaining inactive for one year³⁴ and they also limit the possibility of an account having a debit balance as a result of transactions initiated directly by the payer holding the payment account.³⁵

DISCIPLINARY AND SUPERVISION REGIME

The disciplinary regime set out in Law 26/1988 of 29 July 1988 on the discipline and intervention of credit institutions shall, with certain adaptations, be applicable to PIs and persons holding administration or management positions in them.

PIs must send to the Banco de España information on: a) any acquisition of a qualifying holding in them; b) the financial institutions with direct or indirect holdings in their capital; c) any person holding at least 2.5% of their capital.

OTHER PROVISIONS ON THE LEGAL REGIME FOR PAYMENT SERVICES

Some aspects of the payment service regulations may not apply to payment instruments of small amount,³⁶ if this is expressly agreed.

Also set out are transparency requirements and certain conditions for payment transactions subject to framework contracts and for other ("single") transactions. In those cases in which the payment service user is not a consumer, the parties may agree that such requirements are totally or partially non-applicable.

Both in single transactions and in those subject to a framework contract, the payment service provider is required to furnish previously to the user, in a readily accessible form, certain general information and the conditions applying to the service. The general information on single transactions must basically include prior information on the maximum execution period of the payment service, the expenses to be paid by the user to the provider for that service and, in the event that the payment transaction includes a change of currency, the effective or reference exchange rate to be applied.

In the case of transactions under a framework contract, the payment service provider shall furnish the user with prior information on the conditions contained in it. When a payment transaction takes place, the provider shall furnish the payer with explicit information on the maximum execution period and on the expenses to be paid, adding, where applicable, a breakdown of those expenses. Similarly, the payee's payment service provider must furnish to the payee certain information on payment transactions subject to a framework contract, such as the amount of the payment transaction and of any related expenses and, where applicable, the related breakdown of expenses and/or interest to be paid by the payee.

Finally, regarding the currency-exchange bureaux that were authorised to make transfers abroad before the new legislation came into force, the procedure and the minimum requirements for their authorisation to be recognised or, where applicable, for them to be converted into PIs are set out.

34. Payment accounts will, from the time they are opened and at all times thereafter, have associated with them a cash deposit account opened by one of its holders at a credit institution authorised in the European Union, to which the balance of the payment account has to be transferred if the latter shows no transaction in the preceding year. **35.** Save in exceptional cases envisaged in law, payment accounts may have a debit balance only as a result of the provision of payment services initiated by the payee thereof, and never as a result of payment transactions initiated directly by the payer holding the payment account. **36.** Specifically, for individual payment transactions not exceeding €30 or subject to an expense limit of €150 or allowing the storage of funds not exceeding at any time €150, payment service providers are permitted to agree with users that certain provisions of Law 16/2009 will not apply.

The Royal Decree came into force on 30 May 2010 and the Ministerial Order on 8 July 2010.

**Prevention of money
laundering and terrorist
financing: new regulations**

Law 10/2010 of 28 April 2010 (BOE of 29 April 2010), on the prevention of money laundering and terrorist financing has been published. It repeals Law 19/1993 of 28 December 1993³⁷ on certain measures to prevent money laundering, and amends law 19/2003 of 21 May 2003, on the prevention and blocking of terrorist financing, and Law 19/2003 of 4 July 2003³⁸ on the legal regime governing capital movements and cross-border transactions and on certain measures to prevent money laundering.

This law transposes Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005³⁹ into Spanish law and adopts the penalty rules of Regulation (EC) No 1781/2006 of the European Parliament and of the Council of 15 November 2006 on information on the payer accompanying transfers of funds. The Law, in line with the Directive, unifies the rules for the prevention of money laundering and terrorist financing insofar as the prevention obligations of subject parties are concerned.⁴⁰

Table 1 offers, in summary form, a comparison between the main provisions of this Law and the situation prior to this Law.

SUBJECT PARTIES

A preventive burden is placed on parties acting as intermediaries in legal operations or transactions when there are signs or proof that they involve assets of illicit origin. Among the parties required to supervise these acts are, as under the previous rules, financial institutions,⁴¹ property developers, auditors, notaries, registrars, casinos, lawyers and court attorneys, and dealers in jewels and objets d'art. The Law includes some new parties, such as the recently regulated payment institutions, loan brokers, persons who, without obtaining authorisation to be a specialised credit institution, carry on some of the activities thereof, and persons who deal professionally in goods when payments are made in cash or cash equivalents⁴² in amounts of €15,000 or more, whether through a single operation or in several operations which appear to be linked.

At the same time, the threshold amount of cash or cash equivalents for which individuals are required to make a prior declaration of inward or outward cross-border transfers is raised from €6,000 to €10,000, and from €80,500 to €100,000 in the case of movements of cash or cash equivalents within the national territory. Only individuals, acting on behalf of firms which, duly authorised and registered by the Ministry of the Interior, carry on activities involving the transit of cash or cash equivalents, are excepted from this obligation.

37. See "Regulación financiera: cuarto trimestre de 1993", *Boletín Económico*, January 1994, Banco de España, pp. 78 and 79. 38. See "Financial Regulation: 2003 Q3", *Economic Bulletin*, October 2003, Banco de España, pp. 94-96. 39. On the prevention of the use of the financial system for the purpose of money laundering and terrorist financing, which was implemented by Commission Directive 2006/70/EC of 1 August 2006 laying down implementing measures for Directive 2005/60/EC of the European Parliament and of the Council as regards the definition of 'politically exposed person' and the technical criteria for simplified customer due diligence procedures and for exemption on grounds of a financial activity conducted on an occasional or very limited basis. 40. Those aspects relating to the blocking of funds allegedly linked to terrorism, which remain within the sphere of the Ministry of the Interior, continue to be regulated by Law 12/2003 of 21 May 2003. 41. This definition includes credit institutions, insurance companies, investment firms, management companies of collective investment institutions and investment companies whose management is not entrusted to a management company, management companies of pension funds, venture capital management companies and venture capital companies whose management has not been entrusted to a management company and mutual guarantee companies. 42. For the purposes of the Law, cash and cash equivalents shall be deemed to include: a) national or foreign banknotes or coins; b) bearer cheques denominated in any currency; and c) any other physical device, including electronic devices, conceived to be used as a bearer means of payment. In the case of cross-border movements, cash and cash equivalents also include: traveller's cheques, negotiable instruments, including cheques, notes, and payment orders, whether issued to the bearer, endorsed without restriction, issued to the order of a fictitious beneficiary or in any other form by virtue of which title thereto is transferred by delivery and incomplete instruments, including cheques, notes and payment orders, that have been signed, but with the name of the beneficiary omitted.

LAW 19/1993 OF 28 DECEMBER 1993	LAW 10/2010 OF 28 APRIL 2010
Subject parties	
Financial institutions, property developers, auditors, notaries, registrars, casinos, lawyers, court attorneys, and dealers in jewels and objets d'art.	In addition, payment entities, loan brokers and natural or legal persons who trade professionally in goods, when payments are made in cash or cash equivalents in amounts of €15,000 or more
Natural persons are required to submit prior declarations for inward or outward cross-border transfers of cash or cash equivalents when their amount is €6,000 or more, and for movements within the national territory when their amount is €80,500 or more.	The amounts are raised to €10,000 and €100,000, respectively.
Due diligence measures	
Some.	These shall be applied to their customers to: 1) check the nature of their professional or business activities; 2) conduct ongoing monitoring of their business; 3) determine if they are acting on their own behalf or on behalf of third parties; and 4) to determine the structure of ownership or control of legal persons, to ensure that they do not establish business relations if it is not possible to determine such structure.
Some.	These measures shall be enhanced in certain cases; in particular, when the customer is a person with public responsibilities, or is an immediate family member or known to be a close associate of such a person.
Reporting obligations	
Subject parties shall perform a special examination of any action or operation (including mere attempts), which by its nature may suggest the possibility of links to money laundering or terrorist financing. A report shall be submitted without delay and on the party's own initiative to the Executive Service of the Commission for the Prevention of Money Laundering and Monetary Offences.	No significant changes.
Subject parties shall notify the Executive Service, with such periodicity as may be determined, of those operations that may be established in regulations, and shall provide it with any documentation or information that it requests from them for the exercise of its powers.	No significant changes.
Subject parties shall keep for at least six years all documentation relating to the performance of the obligations established in the Law.	The period for keeping the documentation is lengthened to ten years.
Internal control measures	
Subject parties shall establish appropriate internal control and communication procedures and bodies to know, anticipate and prevent operations relating to money laundering or terrorist financing.	Due diligence, reporting, document retention, and risk assessment and management policies and procedures are added. Also, the internal control measures shall be subject to annual examination by an external expert.
Not envisaged.	Approval of an appropriate manual for the prevention of money laundering and terrorist financing, which shall be kept updated, with complete information on the internal control measures.
Penalty rules	
Very serious offences: public warning and fines of between €90,000 and the larger of the following amounts: 5% of the subject party's net worth, double the financial amount of the operation, or €1.5 million.	Very serious infringements: public warning and fines of between €150,000 and the larger of: 5% of the subject party's net worth, double the financial amount of the operation, or €1.5 million.
Serious offences: private or public warning and fines of between €6,000 and the larger of: 1% of the subject party's net worth, 150% of the financial amount of the operation, or €150,000.	Serious infringements: private or public warning and fines of between €60,001 and the larger of: 1% of the subject party's net worth, 150% of the financial amount of the operation, or €150,000.
Not envisaged.	Minor infringements: private warning and fines of up to €60,000.
In relation to individuals, in the event of failure to comply with the obligation to declare movements of capital: fine of between €600 and half the value of the means of payment concerned.	In relation to individuals, in the event of failure to comply with the obligation to declare movements of capital: fine of between €600 and twice the value of the means of payment concerned.

SOURCES: BOE and Banco de España.

One of the most important changes made by this Law is the establishment of a series of due diligence measures to be performed by the subject parties, to obtain information on their customers both at the time of establishing business relations and during the course of the relationship with them. They shall not carry on business or perform transactions with natural or legal persons who have not been duly identified. In particular, opening, dealing in or keeping accounts, passbooks, assets or instruments that are numbered, coded, anonymous or in fictitious names is prohibited.

Subject parties shall apply customer due diligence measures to new and existing customers,⁴³ among other purposes, in order to: 1) know and check the nature of their professional or business activities; 2) conduct ongoing monitoring of their business and of their business and risk profile, including the source of their funds; 3) obtain information on customers to determine if they are acting on their own behalf or on behalf of third parties (formal and real ownership), so that, if there are signs or proof that customers are not acting on their own behalf, they shall obtain precise information in order to know the identity of the persons on whose behalf they are acting; and 4) to determine the structure of ownership or control of legal persons (if it is not possible to determine such structure they may not establish relations with such customer).

The subject parties shall always apply the measures when there are signs of money laundering or terrorist financing, when dealing in new products or when a transaction arises that is significant in terms of its volume or complexity.

The general rule is that subject parties may adjust the application of the measures according to the risk, type of customer, product or operation. The Law determines the existence of certain customers⁴⁴ and operations⁴⁵ for which not all of the due diligence measures are applicable, generally only formal identification being required.

By contrast, these measures shall be expressly enhanced in certain cases envisaged in the Law (in particular, and in addition to private banking, money remittances and currency exchange transactions, when the customer is a person with public responsibilities, or is an immediate family member or known to be a close associate of such a person), where the customer has not been physically present for identification purposes and in cross-border correspondent banking relationships with third countries.

Subject parties shall, as under the previous rules, perform a special examination of any action or operation (including mere attempts), of whatever amount, when there are signs that it may be linked to money laundering or terrorist financing, and summarise the results of the examination in a written report. This report shall be forwarded without delay and on the party's own initiative to the Executive Service of the Commission for the Prevention of Money Laundering and Monetary Offences. The latter shall also be notified of any operations that appear to be incongruous with the nature, volume of activity or operational background of the customer, provided that no economic, professional or business justification for their conduct is appreciated in the special examination, as well as of those operations that are specified in regulations, with such periodicity as may be determined.

43. A period of five years is established for the application of due diligence procedures to existing customers. **44.** Such as: a) public law entities of the Member States of the European Union or of similar third countries; b) financial institutions domiciled in the European Union or in similar third countries whose compliance with due diligence requirements is subject to supervision, and c) companies with a stock exchange quotation whose securities are listed on a regulated market of the European Union or a similar third country. **45.** Such as: a) life assurance policies with an annual premium that does not exceed €1,000 or a one-off premium that does not exceed €2,500, unless splitting of the operation is apparent; b) social welfare instruments, provided that liquidity is limited to the cases envisaged in the legislation on pension schemes and funds and they cannot be used as collateral for a loan; c) collective insurance covering pension commitments, provided that it complies with certain requirements, and d) electronic money in the terms specified in regulations.

Apart from this notification based on evidence, the subject parties are still required to make systematic and periodic notifications to the Executive Service of all operations in an amount exceeding the threshold determined in regulations.

Finally, subject parties shall keep for at least ten years (previously six) all the documentation relating to the performance of the obligations established in the Law.

INTERNAL CONTROL MEASURES

The internal control measures are updated as they are adapted to the changes made by the Law. The subject parties, with the exceptions that may be determined in regulations, shall approve in writing and apply appropriate policies and procedures in the area of due diligence, reporting, document retention, internal control, evaluation and management of risks, ensuring compliance with the relevant provisions and communication, in order to anticipate and prevent operations relating to money laundering or terrorist financing. The internal control measures shall be subject to annual examination by an external expert.

A new requirement is for subject parties to approve an appropriate *manual* for the prevention of money laundering and terrorist financing, which shall be kept up to date, with complete information on the internal control measures. For exercise of its supervision and inspection function, the manual shall be available to the Executive Service of the Commission for the Prevention of Money Laundering and Monetary Offences, which may require them to adopt the appropriate remedial measures.

PENALTY RULES AND OTHER PROVISIONS

The penalty rules are updated, to cover a larger number of offences, distinguishing between very serious and serious offences and, for the first time, minor ones, and the financial penalties are raised, without prejudice to any criminal liability.

At the same time, it is envisaged that the Ministry of Economy and Finance may decide to set up centralised preventive bodies for the professional associations subject to the Law, which will have the function of intensifying and channelling the collaboration of the professional associations with the judicial, police and administrative authorities responsible for the prevention and suppression of money laundering and terrorist financing, without prejudice to the direct liability of the professionals who are included as subject parties.

It is also envisaged that information on certain operations shall be exchanged among the subject parties in order to anticipate or prevent operations related to money laundering and terrorist financing, in addition to the exchange of information and collaboration between the Spanish authorities and the competent authorities of other states already established.

The Law came into force on 30 April 2010, except for the due diligence measures, which must be applied within five years from that date.

European Financial Stabilisation Mechanism and European Financial Stability Facility

Council Regulation No 407/2010 of 11 May 2010 (OJL of 12 May 2010) establishing a European Financial Stabilisation Mechanism (EFSM) has been published. The purpose of this mechanism is to provide assistance to those Member States experiencing, or seriously threatened with, a severe economic or financial disturbance caused by exceptional occurrences beyond their control. Its activation will be in the context of a joint EU/IMF support and it will be subject to strict conditionality requirements. This mechanism shall be maintained for as long as necessary to safeguard financial stability and shall operate without prejudice to the balance-of-payments assistance for non-euro area Member States. The contribution from the Union budget shall be up to €60 bn.

Member States applying for financial assistance shall discuss with the Commission, in liaison with the European Central Bank (ECB), an assessment of its financial needs. Assistance shall be granted by a Council decision, adopted by a qualified majority on a proposal from the Commission. The assistance shall take the form of a loan or a credit line granted to the Member State.

The loan shall, as a rule, be disbursed in instalments. The Commission shall verify at regular intervals whether the economic policy of the beneficiary Member State accords with its adjustment programme and, on the basis of the findings of such verification, decide on the release of further instalments.

At the same time, *Royal Decree Law 9/2010 of 28 May 2010 (BOE of 29 May 2010)* has been published in Spain, authorising the government to grant guarantees, in an amount of up to €53.9 bn, for operations conducted through the European Financial Stability Facility (EFSF). The EFSF was set up following the agreement reached by the euro area Member States to supplement the EFSM with a contribution of up to €440 bn.

Its purpose is to raise funds on the international capital markets, with the backing of the guarantees granted by the euro area Member States, in order to provide loans, in liaison with the IMF,⁴⁶ to those euro area Member States having difficulty meeting their financial needs, subject to strict conditionality. This facility shall be maintained until 30 June 2013.

The Regulation entered into force on 13 May 2010 and the Royal Decree Law on 19 May 2010.

Support Fund for Greece

Royal Decree Law 7/2010 of 7 May 2010 (BOE of 7 May 2010) has been published, which sets up a Support Fund for Greece, and authorises an extraordinary loan in the amount of €9.8 bn to fund it.

In response to Greece's request for assistance, the Eurogroup has activated a support mechanism, consisting in the provision of financing, through bilateral loans pooled by the European Commission. These loans will be granted with strong elements of conditionality, negotiated by the IMF, the European Commission, the ECB and the Greek government.

The amount of the financial package totals €110 bn over three years, of which €80 bn will be contributed by the euro area Member States (€30 bn of which is to be disbursed in 2010), and the other €30 bn by the IMF.

Spain's total contribution to this assistance programme, calculated on the basis of its ECB capital key, adjusted to the euro area Member States, excluding Greece, totals €9.8 bn, of which €3.7 bn will be disbursed in 2010.

The Royal Decree Law entered into force on 7 May 2010.

6.7.2010

⁴⁶ The IMF shall make a special contribution of €250 bn.

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

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1. IMF Special Data Dissemination Standard (SDDS).

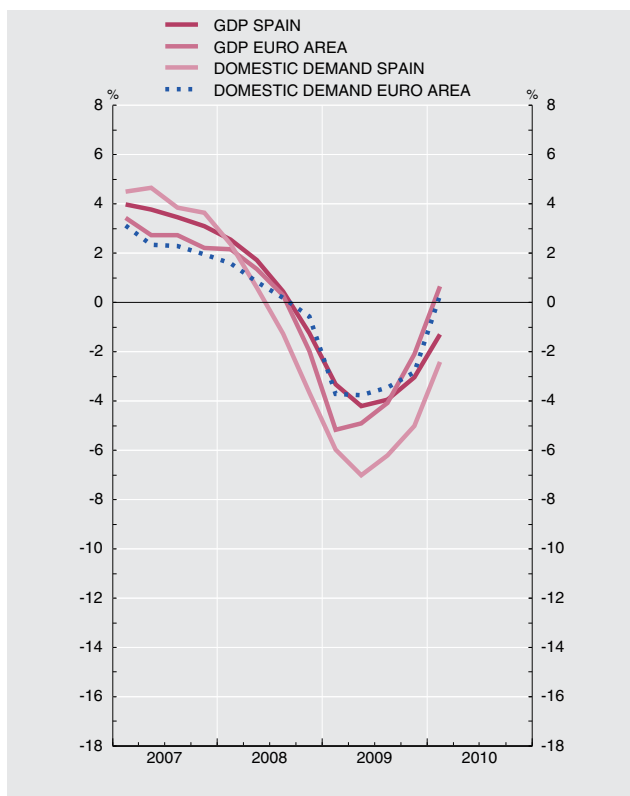
1.1. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES, REFERENCE YEAR 2000=100. DEMAND COMPONENTS. SPAIN AND EURO AREA (a)

■ Series depicted in chart.

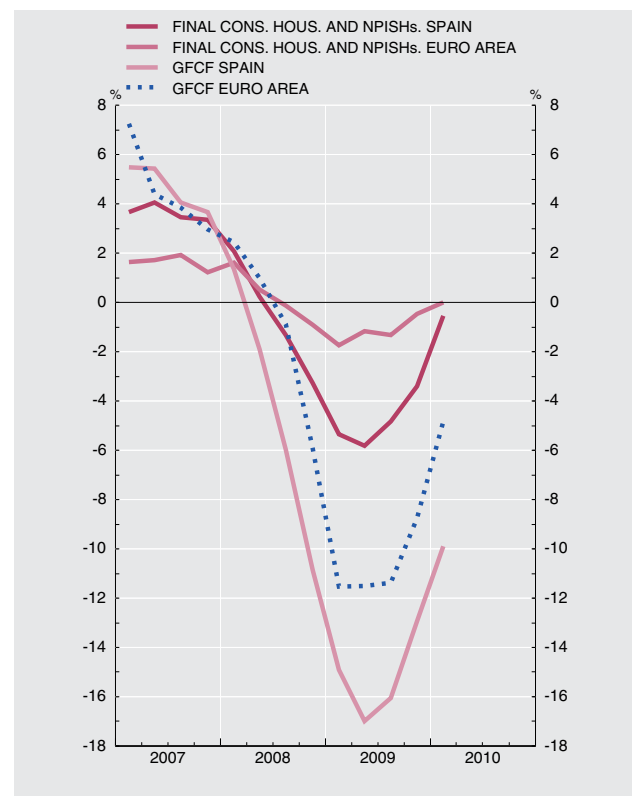
Annual percentage changes

		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	2.8	3.6	1.6	5.5	2.3	4.6	4.6	4.2	2.4	6.6	6.3	8.0	5.5	1 053	9 013
08	P	0.9	0.5	-0.6	0.3	5.4	2.2	-4.4	-0.8	-0.5	0.5	-1.0	0.8	-4.9	0.9	1 089	9 258
09	P	-3.6	-4.1	-4.8	-1.2	3.8	2.7	-15.3	-10.8	-6.0	-3.4	-11.5	-13.1	-17.9	-11.8	1 051	8 968
07	Q2	P	3.8	2.7	4.1	1.7	5.9	5.4	4.4	4.6	2.3	6.3	6.5	8.7	5.6	262	2 243
	Q3	P	3.5	2.7	3.5	1.9	5.7	4.0	3.8	3.8	2.3	8.8	7.3	9.0	6.3	265	2 266
	Q4	P	3.1	2.2	3.3	1.2	5.1	3.7	3.0	3.6	1.9	3.8	4.2	5.5	3.6	269	2 285
08	Q1	P	2.5	2.2	2.1	1.6	4.6	1.7	1.3	2.4	1.6	3.9	5.6	3.1	4.2	272	2 317
	Q2	P	1.7	1.4	0.2	0.5	5.1	2.3	-1.9	1.0	0.6	2.4	3.7	-1.3	2.4	274	2 325
	Q3	P	0.4	0.3	-1.3	-0.1	5.8	2.3	-6.0	-0.9	-1.3	0.2	-2.9	-7.6	0.8	273	2 322
	Q4	P	-1.2	-2.0	-3.3	-0.9	6.3	2.6	-10.9	-5.9	-3.7	-0.6	-7.1	-13.5	-3.9	270	2 294
09	Q1	P	-3.3	-5.2	-5.3	-1.7	6.0	3.0	-14.9	-11.5	-6.0	-3.7	-16.6	-22.3	-13.3	267	2 237
	Q2	P	-4.2	-4.9	-5.8	-1.2	4.7	2.9	-17.0	-11.5	-7.0	-3.8	-14.7	-21.7	-14.7	262	2 234
	Q3	P	-4.0	-4.1	-4.8	-1.3	4.1	3.0	-16.0	-11.4	-6.2	-3.5	-10.8	-13.6	-12.4	260	2 246
	Q4	P	-3.1	-2.1	-3.4	-0.5	0.8	2.0	-12.9	-8.7	-5.0	-2.8	-2.9	-9.6	-7.0	261	2 250
10	Q1	P	-1.3	0.6	-0.6	0.0	1.5	1.4	-9.9	-4.8	-2.4	0.3	8.0	5.7	2.6	264	2 263

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.

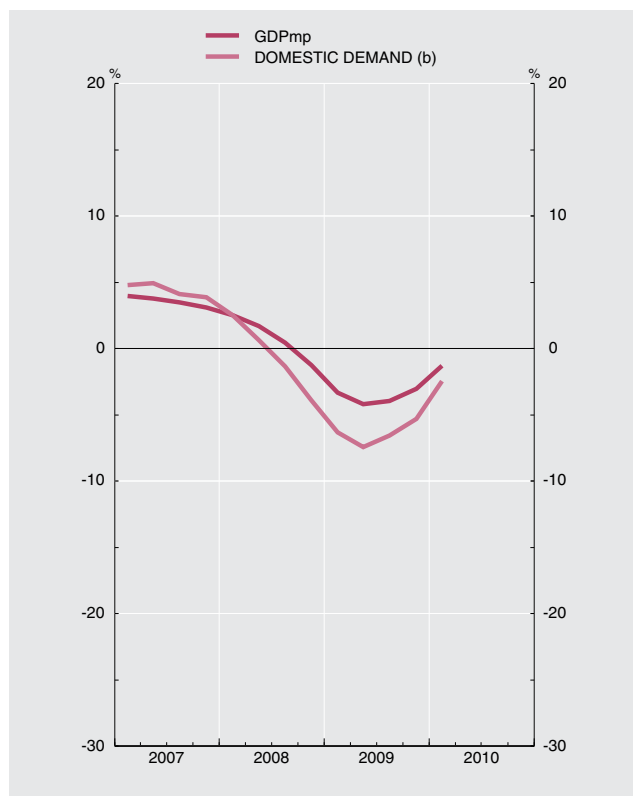
1.2. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES. REFERENCE YEAR 2000=100. DEMAND COMPONENTS. SPAIN: BREAKDOWN (a)

■ Series depicted in chart.

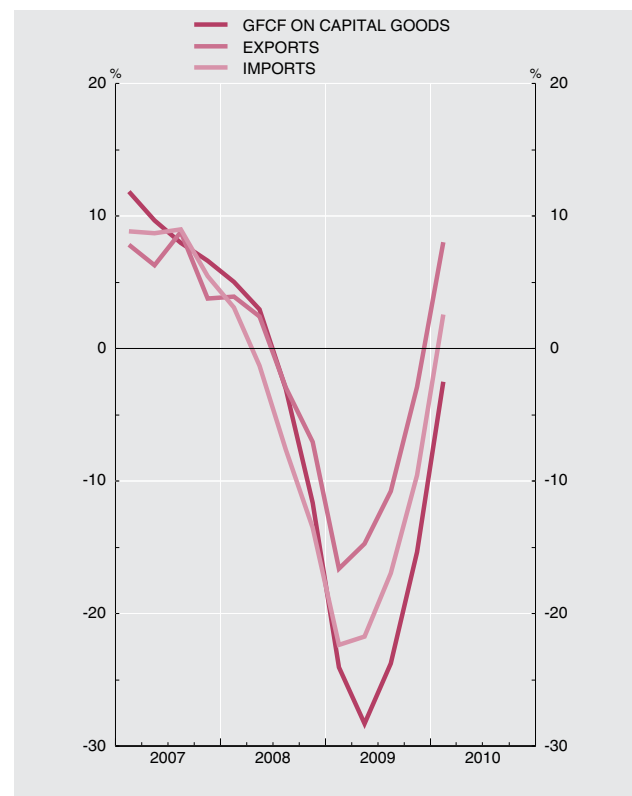
Annual percentage changes

		Gross fixed capital formation					Exports of goods and services				Imports of goods and services				Memorandum items:	
		Total	Capital goods	Construction	Other products	Change in Stocks (b)	Total	Goods	Final consumption of non-residents in economic territory	Services	Total	Goods	Final consumption of residents in the rest of the world	Services	Domestic demand (b) (c)	GDP
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
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	Q2	P	5.4	9.7	4.1	4.0	-0.1	6.3	7.9	-2.7	8.4	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	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	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	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	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	-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	-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	-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	-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	-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	-5.3	-3.1
10	Q1	P	-9.9	-2.5	-10.6	-17.5	0.0	8.0	13.0	-0.2	-1.6	2.6	5.3	-1.7	-2.5	-1.3

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.

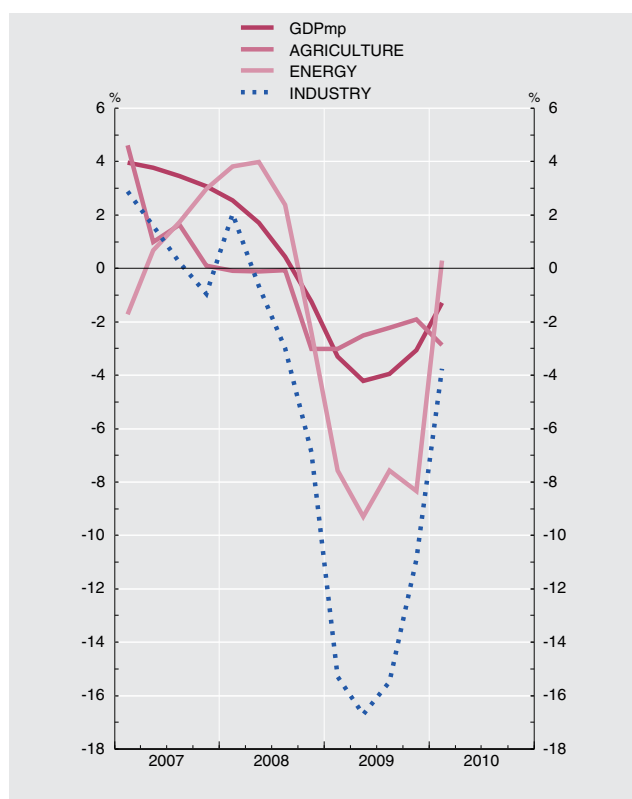
1.3. GROSS DOMESTIC PRODUCT. VOLUME CHAIN-LINKED INDICES. REFERENCE YEAR 2000=100. BRANCHES OF ACTIVITY. SPAIN (a)

■ Series depicted in chart.

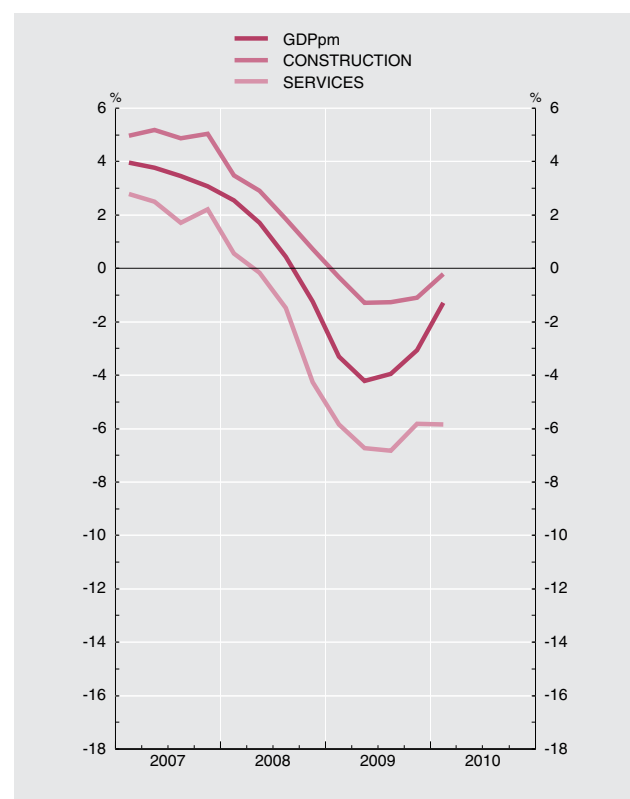
Annual percentage changes

			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	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
10	Q1	P	-1.3	-2.9	0.3	-3.8	-5.9	-0.2	-0.7	1.4	-1.5	0.8	0.6

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).

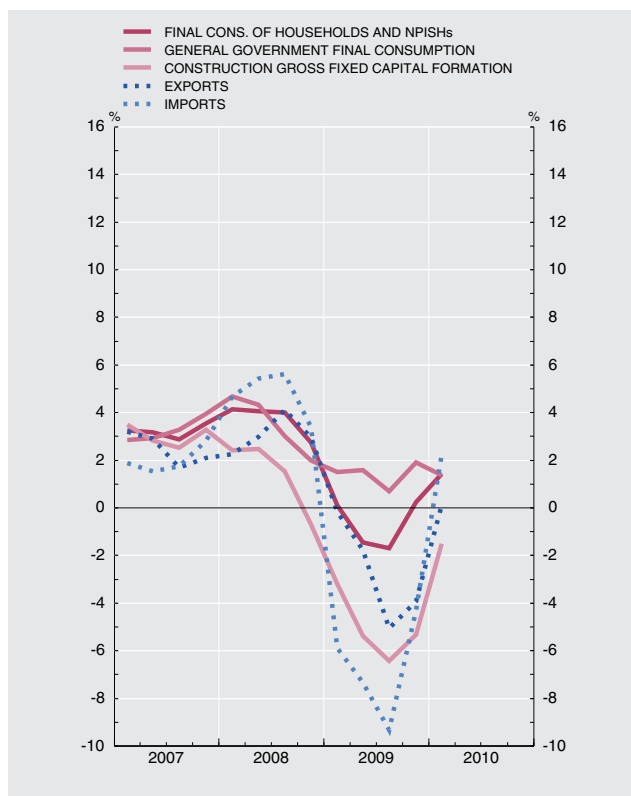
1.4. GROSS DOMESTIC PRODUCT. IMPLICIT DEFLATORS. SPAIN (a)

■ Series depicted in chart.

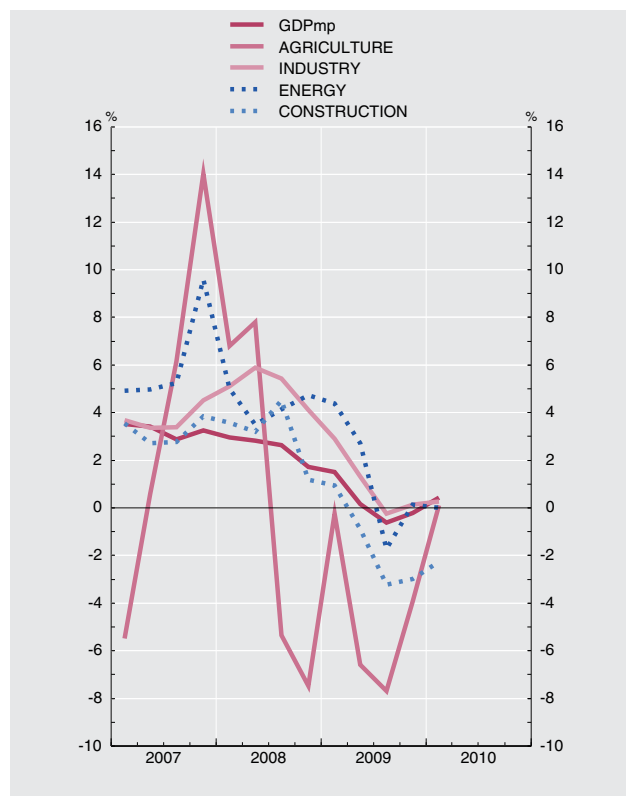
Annual percentage changes

		Demand components								Branches of activity						
		Final consumption of households and NPISHs (b)	General government final consumption	Gross fixed capital formation			Exports of goods and services	Imports of goods and services	Gross domestic product at market prices	Agriculture and fisheries	Energy	Industry	Construction	Of which		
				Capital goods	Construction	Other products								Services	Market services	
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	
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	Q2	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	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	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	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	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	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	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	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	-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	-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	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	
10	Q1	1.4	1.4	0.6	-1.5	1.2	0.1	2.2	0.4	0.1	0.0	0.3	-2.2	1.0	0.9	

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.

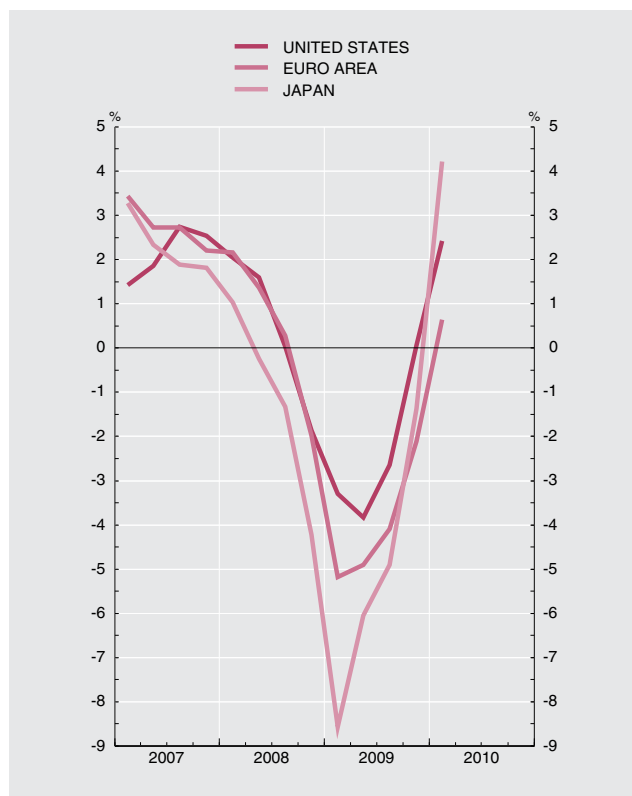
2.1. INTERNATIONAL COMPARISON. GROSS DOMESTIC PRODUCT AT CONSTANT PRICES

■ Series depicted in chart.

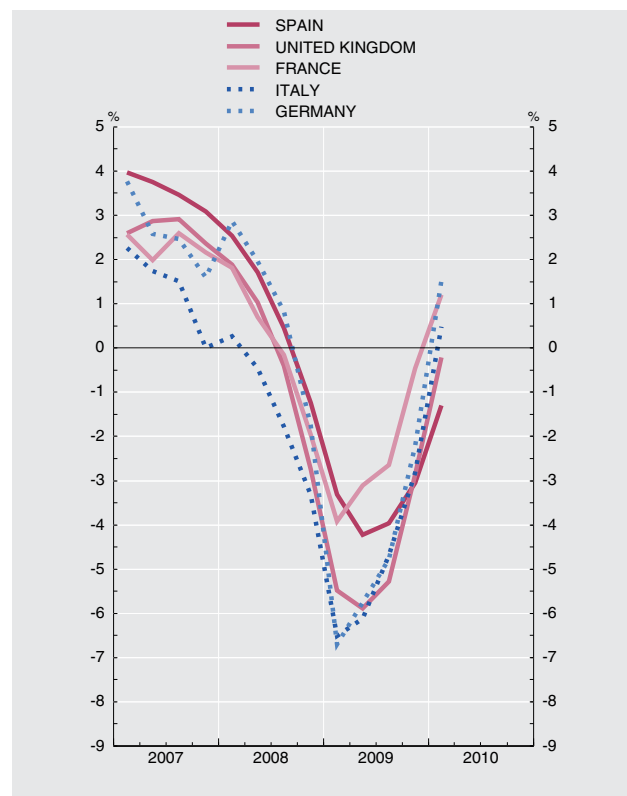
Annual percentage changes

	OECD	EU-27	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3	4	5	6	7	8	9	10
07	2.8	2.9	2.8	2.6	3.6	2.1	2.3	1.4	2.3	2.7
08	0.5	0.6	0.4	1.0	0.9	0.4	0.1	-1.3	-1.2	-0.1
09	-3.4	-4.2	-4.1	-4.9	-3.6	-2.4	-2.5	-5.1	-5.3	-4.9
07 Q1	2.8	3.4	3.4	3.8	4.0	1.4	2.6	2.3	3.3	2.6
Q2	2.6	2.9	2.7	2.6	3.8	1.9	2.0	1.7	2.3	2.9
Q3	2.9	2.9	2.7	2.5	3.5	2.7	2.6	1.5	1.9	2.9
Q4	2.7	2.5	2.2	1.6	3.1	2.5	2.2	0.0	1.8	2.4
08 Q1	2.3	2.3	2.2	2.9	2.5	2.0	1.8	0.3	1.0	1.9
Q2	1.5	1.6	1.4	2.0	1.7	1.6	0.7	-0.5	-0.2	1.0
Q3	0.3	0.5	0.3	0.8	0.4	0.0	-0.2	-1.8	-1.3	-0.4
Q4	-2.2	-1.9	-2.0	-1.8	-1.2	-1.9	-2.0	-3.3	-4.2	-2.7
09 Q1	-4.8	-5.1	-5.2	-6.7	-3.3	-3.3	-3.9	-6.5	-8.6	-5.5
Q2	-4.5	-5.1	-4.9	-5.8	-4.2	-3.8	-3.1	-6.1	-6.0	-5.9
Q3	-3.4	-4.3	-4.1	-4.8	-4.0	-2.6	-2.6	-4.7	-4.9	-5.3
Q4	-0.7	-2.3	-2.1	-2.2	-3.1	0.1	-0.5	-2.8	-1.4	-2.9
10 Q1	2.4	0.5	0.6	1.5	-1.3	2.4	1.2	0.5	4.2	-0.2

GROSS DOMESTIC PRODUCT
Annual percentage changes



GROSS DOMESTIC PRODUCT
Annual percentage changes



Sources: ECB, INE and OECD.

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

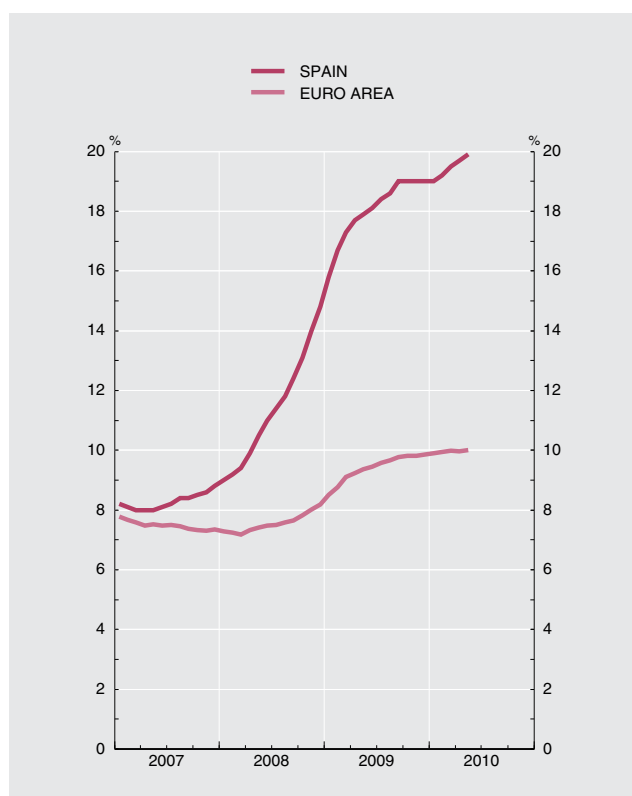
2.2. INTERNATIONAL COMPARISON. UNEMPLOYMENT RATES

■ Series depicted in chart.

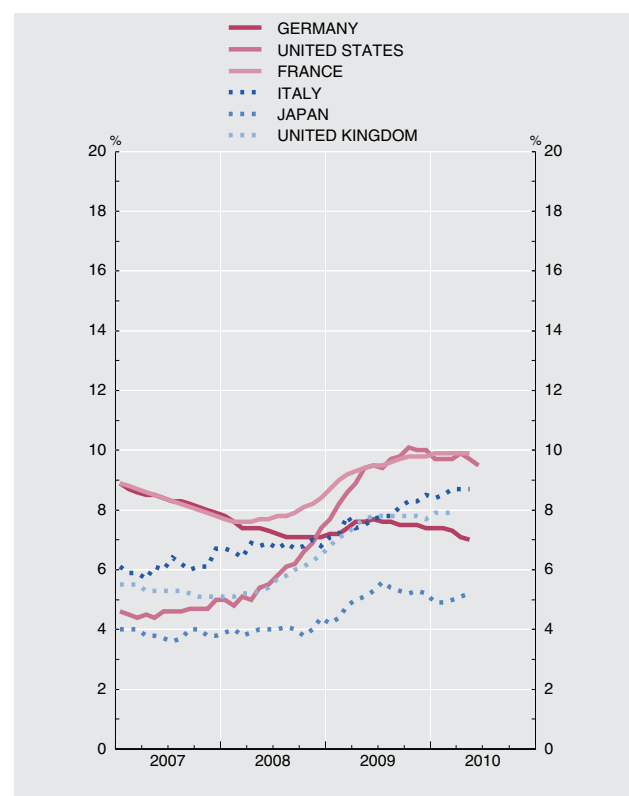
Percentages

	OECD	EU-27	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3	4	5	6	7	8	9	10
07	5.7	7.1	7.5	8.4	8.3	4.6	8.3	6.1	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	9.4	7.8	5.1	7.6
09 Jan	7.3	7.9	8.5	7.2	15.8	7.7	8.7	7.1	4.2	6.8
Feb	7.6	8.2	8.8	7.2	16.7	8.2	9.0	7.2	4.4	7.1
Mar	7.9	8.5	9.1	7.4	17.3	8.6	9.2	7.8	4.8	7.2
Apr	8.1	8.7	9.2	7.6	17.7	8.9	9.3	7.4	5.0	7.5
May	8.4	8.9	9.4	7.6	17.9	9.4	9.4	7.5	5.1	7.7
Jun	8.5	9.0	9.5	7.7	18.1	9.5	9.5	7.7	5.3	7.8
Jul	8.5	9.1	9.6	7.6	18.4	9.4	9.5	7.8	5.6	7.8
Aug	8.6	9.2	9.7	7.6	18.6	9.7	9.6	7.8	5.4	7.8
Sep	8.7	9.3	9.8	7.5	19.0	9.8	9.7	8.1	5.3	7.8
Oct	8.8	9.3	9.8	7.5	19.0	10.1	9.8	8.3	5.2	7.8
Nov	8.7	9.4	9.8	7.5	19.0	10.0	9.8	8.3	5.3	7.8
Dec	8.7	9.4	9.9	7.4	19.0	10.0	9.8	8.5	5.2	7.7
10 Jan	8.7	9.5	9.9	7.4	19.0	9.7	9.9	8.4	4.9	7.9
Feb	8.6	9.6	9.9	7.4	19.2	9.7	9.9	8.5	4.9	7.9
Mar	8.7	9.6	10.0	7.3	19.5	9.7	9.9	8.7	5.0	7.9
Apr	8.7	9.6	10.0	7.1	19.7	9.9	9.9	8.7	5.1	...
May	8.6	9.6	10.0	7.0	19.9	9.7	9.9	8.7	5.2	...
Jun	...	...	...	...	...	9.5	...	...	...	...

UNEMPLOYMENT RATES



UNEMPLOYMENT RATES



Source: OECD.

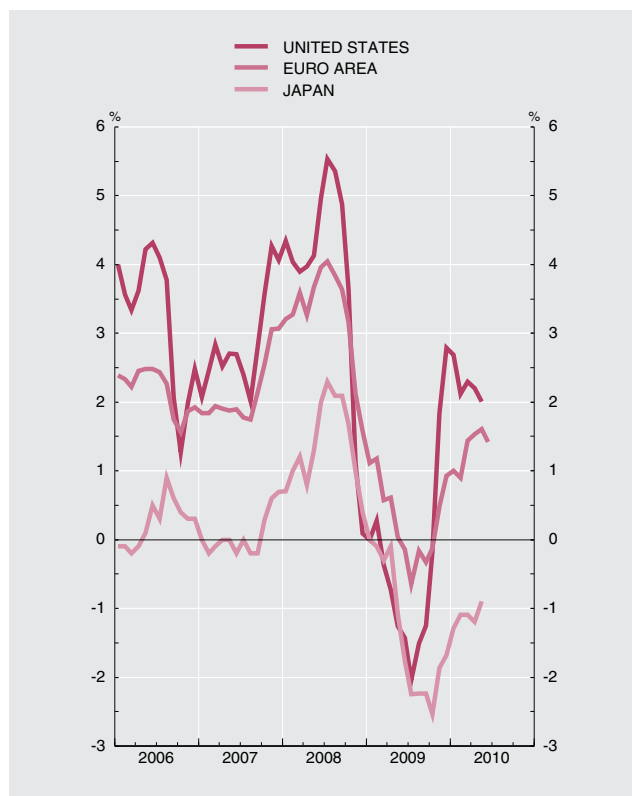
2.3. INTERNATIONAL COMPARISON. CONSUMER PRICES (a)

■ Series depicted in chart.

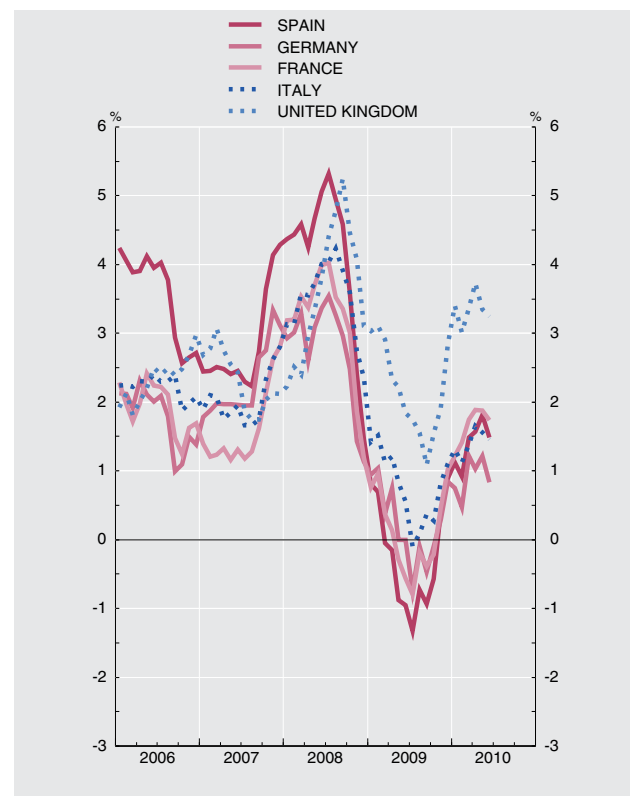
Annual percentage changes

	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	0.4	1.0	0.3	0.2	-0.2	-0.3	0.1	0.8	-1.4	2.2
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	0.6	1.3	0.6	0.8	-0.2	-0.7	0.1	1.2	-0.1	2.3
May	-0.1	0.8	0.0	-	-0.9	-1.3	-0.3	0.8	-1.1	2.2
Jun	-0.3	0.6	-0.1	-	-1.0	-1.4	-0.6	0.6	-1.8	1.8
Jul	-0.8	0.2	-0.6	-0.7	-1.3	-2.0	-0.8	-0.1	-2.2	1.7
Aug	-0.5	0.6	-0.2	-0.1	-0.7	-1.5	-0.2	0.1	-2.2	1.5
Sep	-0.5	0.3	-0.3	-0.5	-0.9	-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	1.8	1.9	1.4	1.2	1.5	2.3	1.7	1.4	-1.1	3.4
Apr	1.8	2.1	1.5	1.0	1.6	2.2	1.9	1.6	-1.2	3.7
May	1.8	2.0	1.6	1.2	1.8	2.0	1.9	1.6	-0.9	3.3
Jun	...	1.9	1.4	0.8	1.5	...	1.7	1.5	...	3.2

CONSUMER PRICES
Annual percentage changes



CONSUMER PRICES
Annual percentage changes



Sources: OECD, INE and Eurostat.

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

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

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

■ Series depicted in chart.

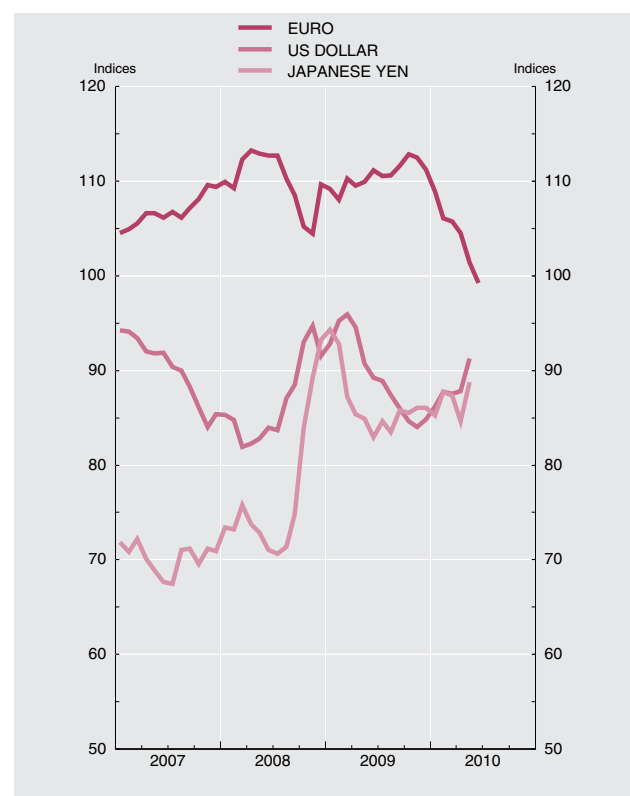
Average of daily data

	Exchange rates			Indices of the nominal effective exchange rate vis-à-vis the (a) developed countries 1999 Q1=100			Indices of the real effective exchange rate vis-à-vis the developed countries (b) 1999 Q1=100					
	US dollar per ECU/euro	Japanese yen per ECU/euro	Japanese yen per US dollar	Euro	US dollar	Japanese yen	Based on consumer prices			Based on producer prices		
							Euro	US dollar	Japanese yen	Euro	US dollar	Japanese yen
	1	2	3	4	5	6	7	8	9	10	11	12
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-J	1.3328	127.28	95.48	110.5	84.8	113.3	109.7	93.1	87.9	105.0	96.0	86.8
10 J-J	1.3283	121.50	91.47	106.0	80.0	116.0	104.3	88.1	86.8	99.8	93.5	84.9
09 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	86.1	107.6	88.7	84.8
Dec	1.4614	131.21	89.81	113.0	76.6	113.4	111.2	84.8	86.1	106.2	89.5	84.9
10 Jan	1.4272	130.34	91.32	110.8	77.4	112.5	108.9	86.2	85.3	104.1	91.2	83.6
Feb	1.3686	123.46	90.21	108.0	79.1	116.2	106.1	87.8	87.7	101.6	92.6	86.4
Mar	1.3569	123.03	90.68	107.4	78.9	115.9	105.7	87.5	87.4	101.1	93.0	85.4
Apr	1.3406	125.33	93.49	106.1	79.3	112.6	104.5	87.8	84.7	100.2	93.5	82.7
May	1.2565	115.83	92.15	102.8	82.4	118.1	101.4	91.3	88.8	96.9	97.3	86.5
Jun	1.2209	110.99	90.92	100.7	83.1	121.0	99.2	...	...	94.8	...	...

EXCHANGE RATES



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



Sources: ECB and BE.

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

b. Obtained by multiplying the relative prices of each area/country (relation between its price index and the price index of the group) by the nominal effective exchange rate.

A decline in the index denotes a depreciation of the real effective exchange rate and, may be interpreted as an improvement in that area/country's competitiveness.

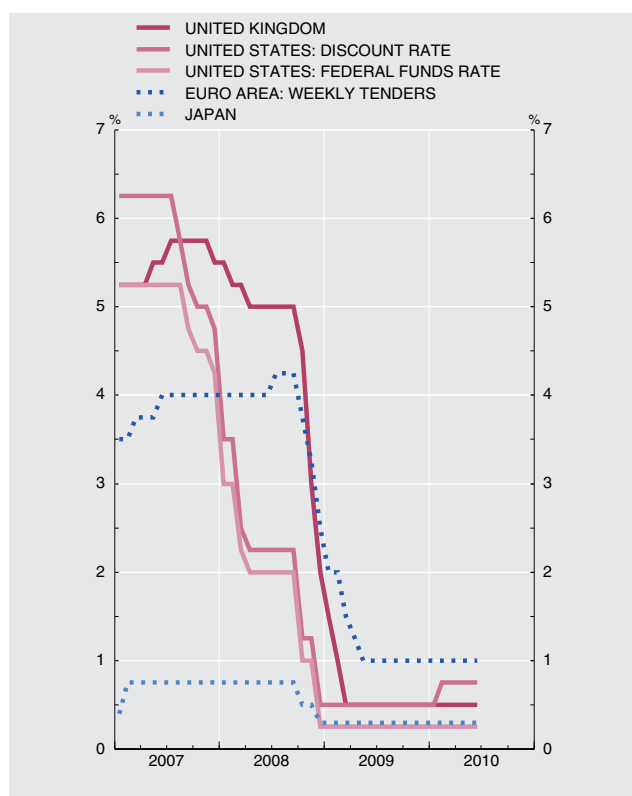
2.5. OFFICIAL INTERVENTION INTEREST RATES AND SHORT-TERM INTEREST RATES

■ Series depicted in chart.

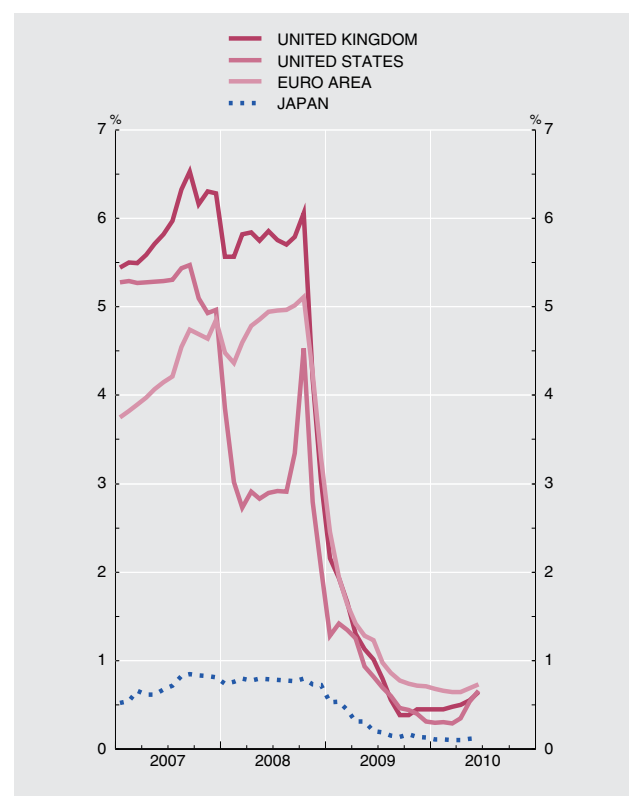
Percentages

	Official intervention interest rates					3-month interbank rates									
	Euro area	United States		Japan	United Kingdom	OECD	EU-15	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
		Discount rate (b)	Federal funds rate												
	(a)	(b)	(c)	(d)											
07	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
08															
09															
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
Apr	1.00	0.75	0.25	0.30	0.50	0.51	0.62	0.65	-	-	0.35	-	-	0.10	0.50
May	1.00	0.75	0.25	0.30	0.50	0.61	0.66	0.69	-	-	0.54	-	-	0.11	0.55
Jun	1.00	0.75	0.25	0.30	0.50	0.70	0.74	0.73	-	-	0.66	-	-	0.12	0.64

OFFICIAL INTERVENTION INTEREST RATES



3-MONTH INTERBANK RATES



Sources: ECB, Reuters and BE.

a. Main refinancing operations.

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

c. Discount rate.

d. Retail bank base rate.

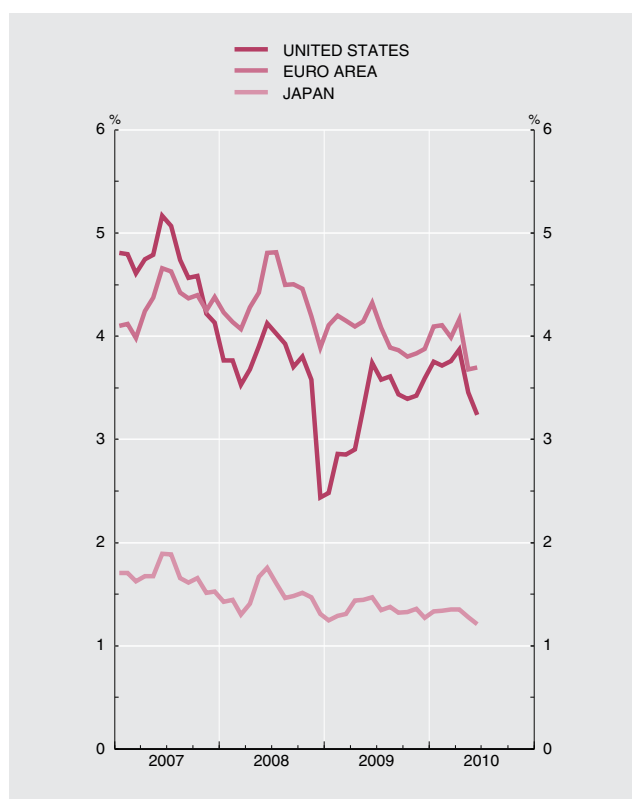
2.6. 10-YEAR GOVERNMENT BOND YIELDS ON DOMESTIC MARKETS

■ Series depicted in chart.

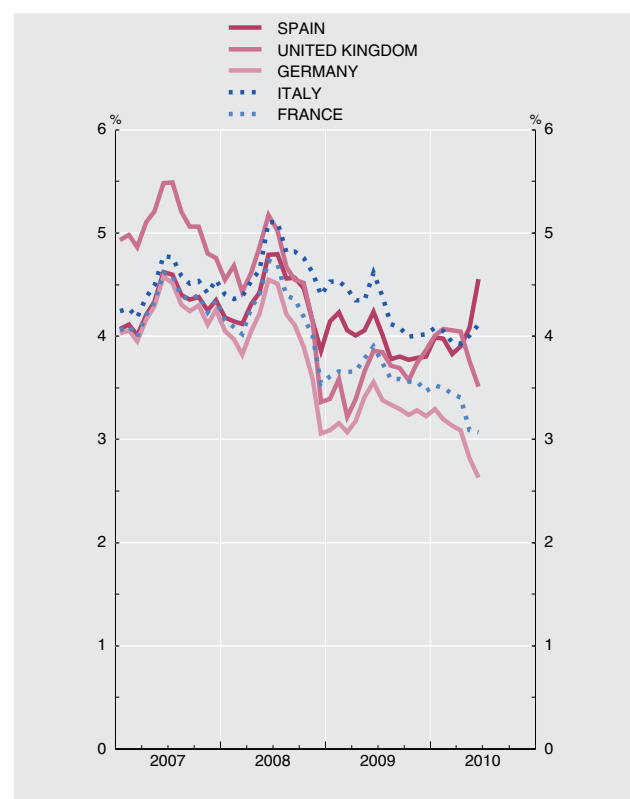
Percentages

	OECD	EU-15	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3	4	5	6	7	8	9	10
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
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	3.99	3.14	3.83	3.76	3.45	3.94	1.35	4.05
Apr	3.42	3.67	4.16	3.09	3.90	3.87	3.41	3.93	1.35	4.05
May	3.16	3.49	3.68	2.82	4.08	3.46	3.09	4.01	1.28	3.76
Jun	3.05	3.49	3.70	2.63	4.56	3.24	3.07	4.11	1.21	3.51

10-YEAR GOVERNMENT BOND YIELDS



10-YEAR GOVERNMENT BOND YIELDS



Sources: ECB, Reuters and BE.

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

■ Series depicted in chart.

Base 2000 = 100

	Non-energy commodity price index (a)						Oil		Gold		
	Euro index	US dollar index					Index (b)	Brent North sea	Index (c)	US dollars per troy ounce	Euro per gram
	General	General	Food	Industrial products				US dollars per barrel			
				Total	Non-food agricultural products	Metals					
	1	2	3	4	5	6	7	8	9	10	11
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-J	116.6	168.2	194.1	134.6	118.6	143.2	183.3	51.6	327.9	914.6	22.08
10 J-J	146.6	210.6	199.8	224.7	202.5	236.7	...	77.4	413.2	1 152.7	28.06
09 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	144.3	211.7	197.2	230.6	202.0	246.1	280.9	78.8	399.1	1 113.3	26.37
Apr	150.6	218.7	197.0	246.7	219.3	261.7	298.1	84.5	411.8	1 148.7	27.52
May	151.9	206.7	195.0	222.0	210.7	228.1	268.4	75.8	432.1	1 205.4	30.96
Jun	152.4	201.1	193.9	210.5	206.2	212.9	...	75.0	441.8	1 232.4	32.45

NON-ENERGY COMMODITY PRICE INDEX



PRICE INDICES FOR NON-ENERGY COMMODITIES, OIL AND GOLD



Sources: The Economist, IMF, ECB and BE.

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

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

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

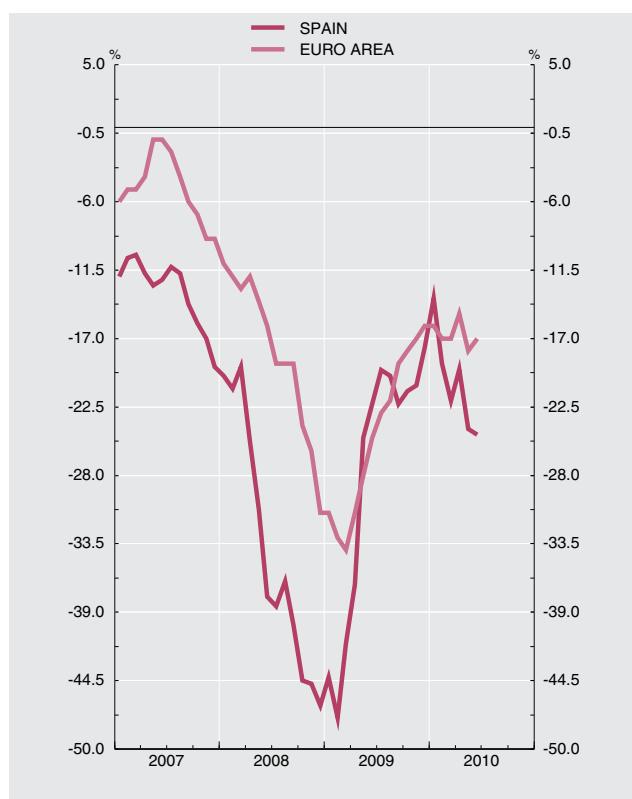
3.1 INDICATORS OF PRIVATE CONSUMPTION. SPAIN AND EURO AREA

■ Series depicted in chart.

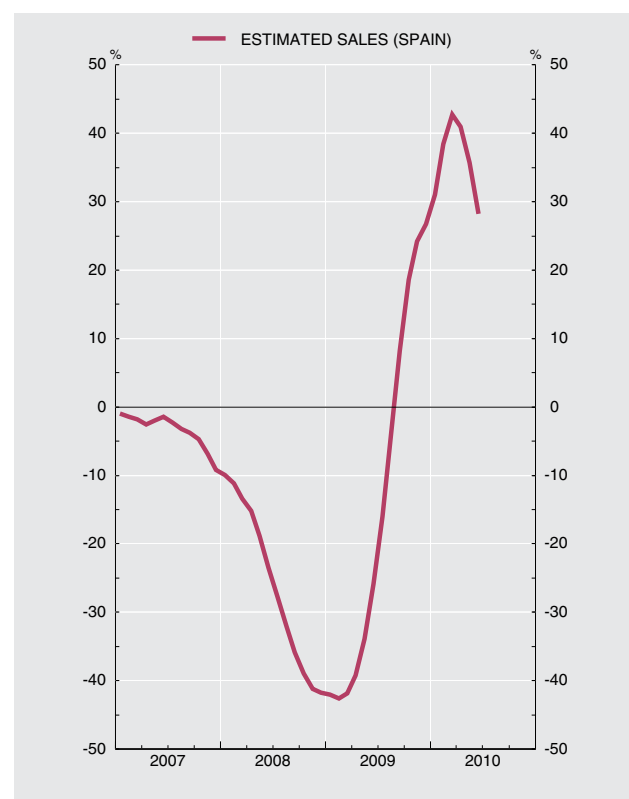
Annual percentage changes

	Opinion surveys (net percentages)						New car registrations and sales				Retail trade indices (2005=100, NACE 2009) (Deflated indices)								
	Consumers			Retail trade confidence index (a)	Memorandum item: euro area		of which			Memorandum item: euro area	General retail trade index	General index without petrol stations							
												Total	Food	Large retail outlets	Large chain stores	Small chain stores	Single-outlet retailers	Memorandum item: euro area (b)	
	Confidence index	General economic situation: anticipated trend	Household economic situation: anticipated trend		Consumer confidence index	Retail trade confidence index (a)	Registrations	Private use	Estimated sales										Registrations
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	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	5.3	-5.7	-5.8	-3.4	-6.0	-1.6	-7.1	-7.2	-1.8
09 J-J	P	-36	-38	-20	-26	-30	-18	-38.7	-32.8	-38.3	-5.7	-7.5	-8.1	-4.6	-7.6	-3.2	-10.1	-9.3	-2.4
10 J-J	P	-21	-17	-9	-14	-17	-5	39.6	33.6	39.5	-1.8	...	...	...	...	...	...	...	...
09 Jul	P	-20	-16	-8	-22	-23	-13	-10.7	-1.3	-10.9	7.4	-4.4	-4.9	-2.9	-5.3	-0.3	-7.5	-6.5	-1.3
Aug	P	-20	-15	-8	-23	-22	-14	-0.6	1.7	-0.0	15.2	-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	9.9	-3.8	-3.8	-2.5	-4.8	-1.1	-2.7	-4.4	-2.6
Oct	P	-21	-15	-7	-21	-18	-15	26.4	28.6	26.7	10.9	-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	34.3	-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	19.8	-1.2	-0.1	0.2	0.9	3.4	-1.5	-3.0	0.3
10 Jan	P	-14	-8	-4	-20	-16	-5	17.4	16.6	18.1	8.3	-4.5	-3.2	-3.1	-2.3	-0.8	-5.6	-4.7	-0.3
Feb	P	-19	-11	-5	-11	-17	-8	47.0	33.0	47.0	2.9	-0.9	0.2	0.9	1.6	4.2	-5.2	-1.4	0.3
Mar	P	-22	-17	-9	-12	-17	-6	64.2	53.4	63.1	10.2	3.6	5.3	4.9	7.3	9.6	1.5	2.1	2.0
Apr	P	-20	-13	-9	-9	-15	-1	40.7	38.3	39.3	-10.1	-2.4	-1.1	-2.5	-2.4	-0.5	-3.7	-1.2	-0.0
May	P	-24	-27	-12	-15	-18	-6	44.5	39.9	44.6	-13.1	-1.8	-0.7	-0.9	-2.9	0.4	-1.9	-1.7	0.5
Jun	P	-25	-25	-14	-14	-17	-6	24.7	22.1	25.6	-8.8	...	...	...	...	...	...	...	...

CONSUMER CONFIDENCE INDEX



CAR SALES Trend obtained with TRAMO-SEATS



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

a. To April 2010, NACE 1993. From May 2010, NACE 2009.

b. Data adjusted by working days.

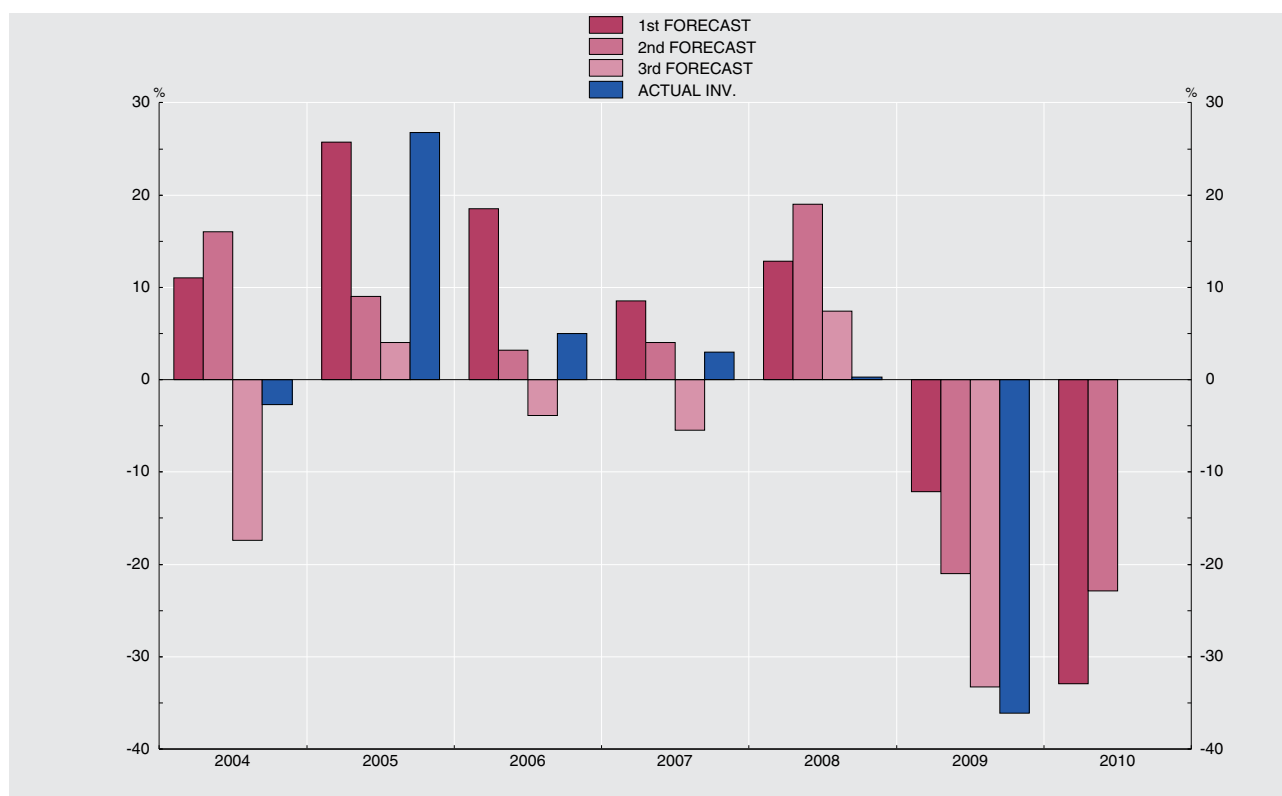
3.2. INVESTMENT IN INDUSTRY (EXCLUDING CONSTRUCTION): OPINION SURVEYS. SPAIN

■ Series depicted in chart.

Annual percentage changes at current prices

	1	2	3	4	
	ACTUAL INV.	1st FORECAST	2nd FORECAST	3rd FORECAST	
04	■		■	■	
05		-3	11	16	-17
06		27	26	9	4
07		5	19	3	-4
08		3	9	4	-6
09		0	13	19	7
10		-36	-12	-21	-33
		...	-33	-23	...

INVESTMENT IN INDUSTRY
Annual rates of change



Source: Ministerio de Industria, Turismo y Comercio.

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

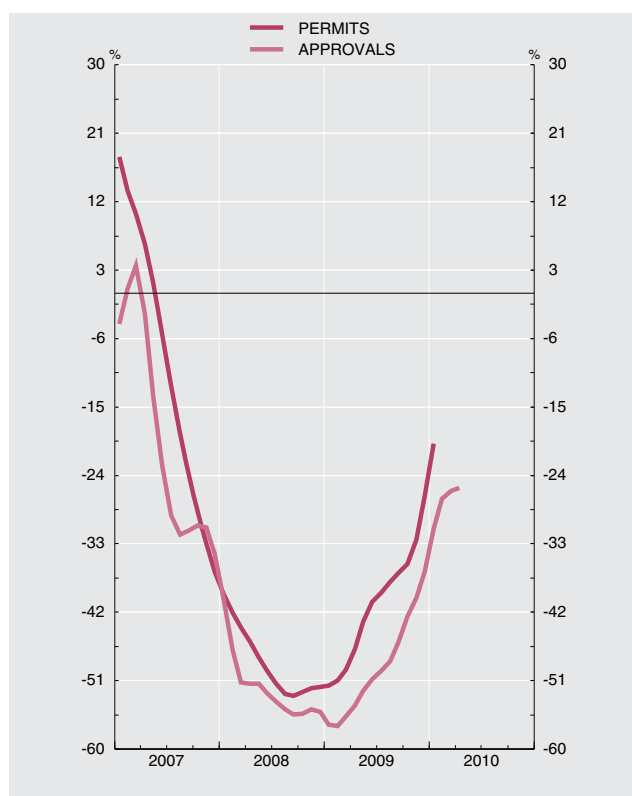
3.3. CONSTRUCTION. INDICATORS OF BUILDING STARTS AND CONSUMPTION OF CEMENT. SPAIN

■ Series depicted in chart.

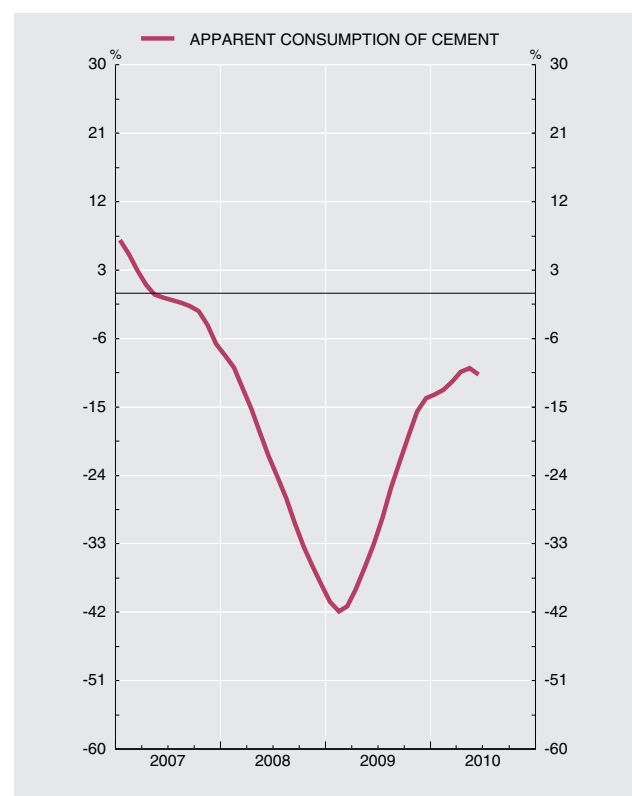
Annual percentage changes

		Permits: buildable floorage				Approvals: buildable floorage		Government tenders (budget)							Apparent consumption of cement	
		Total	of which		Non-residential	Total	of which		Total		Building					Civil engineering
			Residential	Housing			For the month	Year to date	Total	Residential	of which		Non-residential			
											Housing					
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	-43.4	-49.3	-49.2	-27.2	-51.4	-56.8	-8.1	-8.1	1.2	3.7	-19.9	0.5	-11.4	-32.7	
09 J-J	P	-45.9	-53.0	-52.3	-24.6	-56.0	-61.7	-6.5	-6.5	7.8	2.7	-17.2	9.1	-11.8	-40.8	
10 J-J	P	...	...	...	...	...	...	...	...	...	...	...	...	...	-15.9
09 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	43.4	-13.2	147.9	139.5	-6.0	151.1	22.0	-37.4	
Jun	P	-22.2	-42.9	-44.1	38.1	-52.3	-57.5	94.3	-6.5	87.3	-14.1	49.0	138.4	98.4	-19.3	
Jul	P	-47.8	-49.1	-51.0	-44.6	-46.2	-51.2	-0.5	-5.6	41.5	360.0	256.7	-0.5	-12.0	-32.3	
Aug	P	-36.5	-46.9	-46.6	-15.5	-52.7	-54.6	8.1	-4.4	-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	-7.5	-44.8	-68.0	4.2	-14.5	-23.9	
Oct	P	-53.0	-55.0	-54.4	-48.0	-42.4	-45.6	-34.0	-7.5	-8.6	-13.3	-24.7	-7.7	-40.4	-21.1	
Nov	P	-30.8	-34.4	-31.8	-22.2	-37.1	-39.7	-32.3	-9.8	-35.3	-35.3	-96.7	-35.3	-30.9	-9.3	
Dec	P	-36.3	-35.0	-37.2	-39.1	-42.4	-50.7	5.2	-8.1	-5.6	45.0	55.0	-19.7	7.4	-20.0	
10 Jan	P	-10.0	-9.7	-13.0	-10.6	-29.5	-40.6	-55.0	-55.0	-46.4	-63.0	-48.2	-39.3	-59.4	-15.6	
Feb	P	...	...	...	...	-20.9	-24.0	-54.5	-54.7	-38.6	-55.1	-51.1	-36.1	-61.2	-24.0
Mar	P	...	...	...	...	-24.5	-11.6	-42.4	-50.3	-10.4	93.8	80.2	-27.7	-56.5	-21.9
Apr	P	...	...	...	...	-23.7	-23.7	-12.3	-43.7	5.3	-67.3	-65.3	34.5	-20.2	-10.4
May	P	...	...	...	...	...	...	...	...	...	...	...	...	...	-10.1
Jun	P	...	...	...	...	...	...	...	...	...	...	...	...	...	-14.0

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.

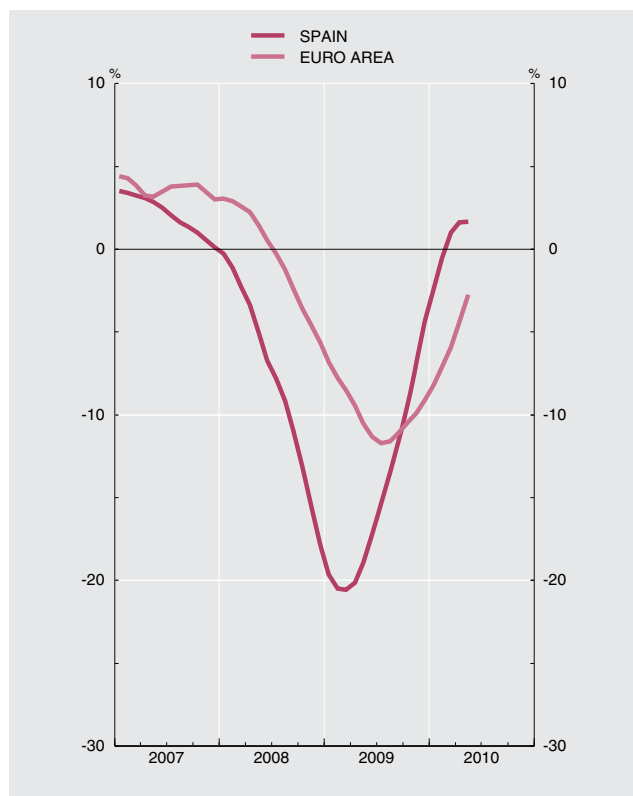
3.4. INDUSTRIAL PRODUCTION INDEX. SPAIN AND EURO AREA (a)

■ Series depicted in chart.

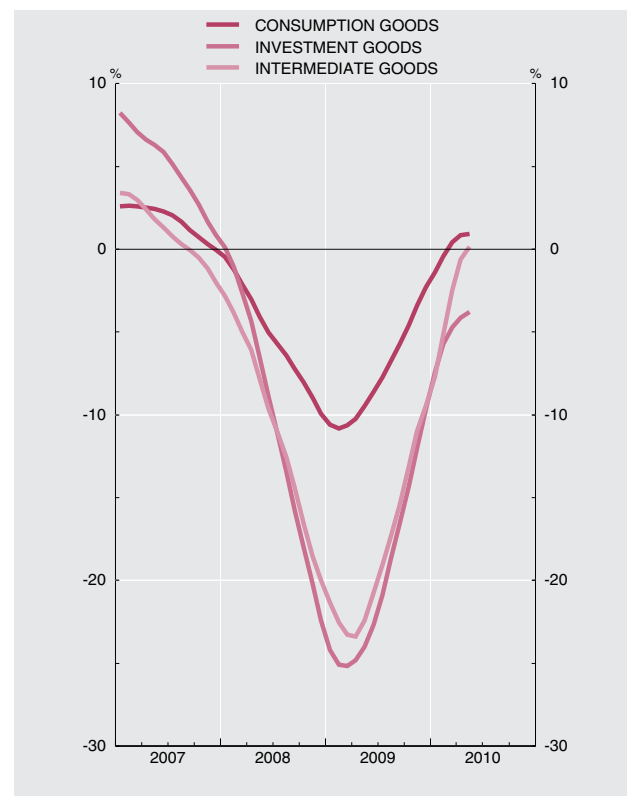
Annual percentage changes

		Overall Index		By end-use of goods				By branch of activity (NACE 2009)			Memorandum item: euro area				
		Total		Consumer goods	Capital goods	Intermediate goods	Energy	Mining and quarrying	Manufacturing	Electricity and gas supply	of which		By end-use of goods		
		Original series	12-month %change 12								Total	Manufacturing	Consumer goods	Capital goods	Intermediate goods
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
07	MP	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	MP	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	MP	82.6	-16.2	-8.8	-22.5	-21.4	-8.6	-24.3	-17.0	-7.6	-14.9	-15.9	-5.0	-20.9	-19.2
09 J-M	MP	82.0	-22.8	-13.6	-29.5	-30.4	-9.7	-32.0	-24.0	-9.9	-18.9	-20.3	-7.0	-24.5	-25.4
10 J-M	MP	83.4	1.6	1.6	-2.2	4.9	-0.3	6.0	1.4	3.2	6.7	6.9	3.4	5.2	11.0
09 Feb	P	82.4	-24.3	-14.1	-33.0	-31.8	-9.7	-35.8	-25.5	-10.9	-19.1	-21.0	-8.4	-25.8	-25.5
Mar	P	85.4	-13.5	-0.9	-16.8	-21.6	-12.1	-24.3	-13.6	-11.7	-19.4	-20.5	-7.6	-23.3	-26.1
Apr	P	79.8	-28.4	-20.8	-33.6	-36.4	-11.2	-38.3	-29.5	-13.2	-21.4	-21.9	-7.3	-27.3	-27.1
May	P	81.9	-22.3	-12.8	-28.7	-28.4	-12.5	-27.7	-23.2	-11.0	-17.9	-18.8	-5.3	-23.1	-23.6
Jun	P	86.2	-14.3	-4.1	-23.0	-18.8	-7.8	-15.4	-15.2	-5.4	-16.8	-17.8	-5.3	-22.4	-22.0
Jul	P	91.8	-16.9	-10.7	-25.2	-20.5	-6.7	-28.6	-17.9	-5.1	-15.8	-16.7	-4.1	-23.1	-20.0
Aug	P	61.8	-10.6	-5.7	-11.1	-16.9	-6.7	-16.9	-11.5	-3.5	-14.9	-16.1	-5.5	-21.8	-19.4
Sep	P	87.1	-12.7	-5.3	-17.5	-17.7	-7.1	-16.3	-13.6	-4.0	-12.6	-13.0	-2.8	-18.3	-15.5
Oct	P	88.0	-12.8	-9.8	-16.4	-14.9	-8.0	-20.3	-13.2	-6.3	-11.1	-11.8	-4.7	-17.3	-12.2
Nov	P	87.3	-4.0	1.3	-8.0	-3.7	-10.2	-4.3	-3.3	-9.8	-6.8	-7.0	-1.9	-13.1	-5.6
Dec	P	79.1	-1.5	0.9	-8.4	4.8	-8.1	-20.9	-0.4	-6.8	-3.7	-4.2	-0.9	-11.0	0.0
10 Jan	P	76.7	-5.0	-5.1	-7.0	-3.3	-5.7	-7.1	-5.1	-3.5	2.1	2.3	1.7	0.0	4.9
Feb	P	80.8	-1.9	-3.1	-3.5	1.1	-3.6	4.1	-2.5	2.6	4.4	4.6	2.6	3.1	7.3
Mar	P	91.2	6.8	8.5	2.0	8.0	7.7	7.8	6.4	11.0	7.8	8.1	5.8	4.7	12.0
Apr	P	82.1	2.9	3.8	-4.9	8.4	-0.4	8.0	2.7	3.8	9.6	9.7	2.9	9.2	15.8
May	P	86.1	5.1	3.9	1.5	9.8	1.9	16.0	5.1	3.7	9.4	9.5	4.0	8.6	14.7

INDUSTRIAL PRODUCTION INDEX
Trend obtained with TRAMO-SEATS



INDUSTRIAL PRODUCTION INDEX
Trend obtained with TRAMO-SEATS



Sources: INE and BCE.

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

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

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

■ Series depicted in chart.

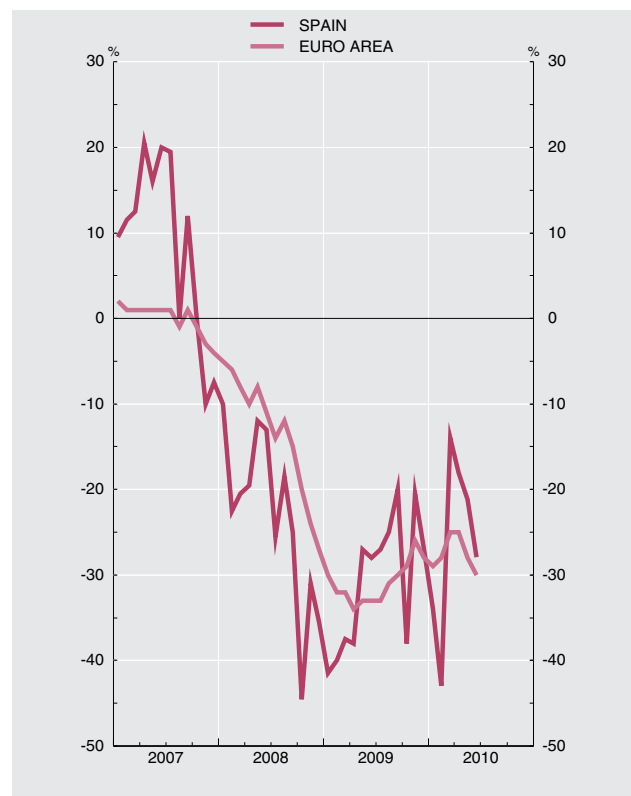
Percentage balances

		Industry, excluding construction										Construction					Memorandum item: euro area (b)		
		Business climate indicator	Production over the last three months	Trend in production	Total orders	Foreign orders	Stocks of finished products	Business climate indicator				Business climate indicator	Production	Orders	Trend		Industry, excluding construction		Construction climate indicator
		(a)		(a)	(a)		(a)	Consumption	Investment	Intermediate goods	Other sectors				Production	Orders	Business climate indicator	Order Book	
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
07	M	0	7	6	3	-0	9	-2	6	-2	-1	9	20	11	18	21	5	5	-
08	M	-18	-16	-8	-24	-17	21	-12	-8	-28	-3	-23	-2	-20	-16	-16	-9	-15	-13
09	M	-29	-34	-11	-54	-52	23	-19	-26	-37	-44	-31	-20	-32	-13	-19	-28	-56	-31
09 J-J	M	-34	-45	-18	-56	-54	27	-21	-31	-46	-35	-35	-22	-36	-11	-22	-35	-58	-32
10 J-J	M	-18	-15	1	-43	-36	13	-13	-18	-20	-54	-26	-19	-30	-15	-25	-9	-35	-28
09 Mar		-36	-56	-26	-57	-61	26	-22	-34	-51	-35	-38	-38	-38	-11	-26	-38	-61	-32
Apr		-33	-43	-15	-58	-56	27	-21	-32	-42	-53	-38	-19	-40	-3	-15	-35	-60	-34
May		-33	-44	-13	-58	-55	27	-23	-33	-38	-58	-27	-27	-39	2	-18	-33	-61	-33
Jun		-32	-28	-12	-58	-55	28	-20	-24	-45	-59	-28	-27	-38	-3	-34	-32	-63	-33
Jul		-28	-27	-5	-57	-56	23	-19	-29	-33	-34	-27	-23	-24	-15	-21	-29	-61	-33
Aug		-25	-30	-1	-55	-50	19	-16	-20	-30	-37	-25	-26	-24	-6	-2	-25	-56	-31
Sep		-26	-26	-7	-53	-45	19	-19	-23	-28	-56	-20	-22	-27	9	-23	-24	-55	-30
Oct		-23	-20	-3	-51	-47	16	-16	-18	-27	-55	-38	-23	-47	-24	-21	-21	-53	-29
Nov		-24	-20	-2	-52	-49	17	-16	-20	-29	-74	-21	-15	-23	-32	-13	-19	-51	-26
Dec		-24	-22	-4	-50	-49	17	-13	-24	-29	-61	-27	2	-29	-23	-20	-16	-47	-28
10 Jan		-22	-25	1	-51	-47	16	-15	-24	-23	-55	-34	-48	-26	-40	-26	-14	-44	-29
Feb		-22	-26	-1	-48	-44	15	-13	-24	-26	-54	-43	-35	-41	-36	-41	-13	-42	-28
Mar		-18	-21	1	-44	-36	11	-13	-16	-20	-55	-14	-57	-20	12	-28	-10	-38	-25
Apr		-16	-9	4	-40	-30	11	-11	-13	-17	-52	-18	9	-25	6	-12	-7	-32	-25
May		-18	-4	-1	-38	-33	14	-13	-12	-20	-52	-21	11	-27	-8	-7	-6	-28	-28
Jun		-15	-1	1	-36	-27	11	-12	-17	-14	-54	-28	9	-39	-26	-37	-6	-26	-30

INDUSTRIAL BUSINESS CLIMATE
Percentage balances



CONSTRUCTION BUSINESS CLIMATE
Percentage balances



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

a. Seasonally adjusted.

b. To April 2010, NACE 1993; from May 2010, NACE 2009.

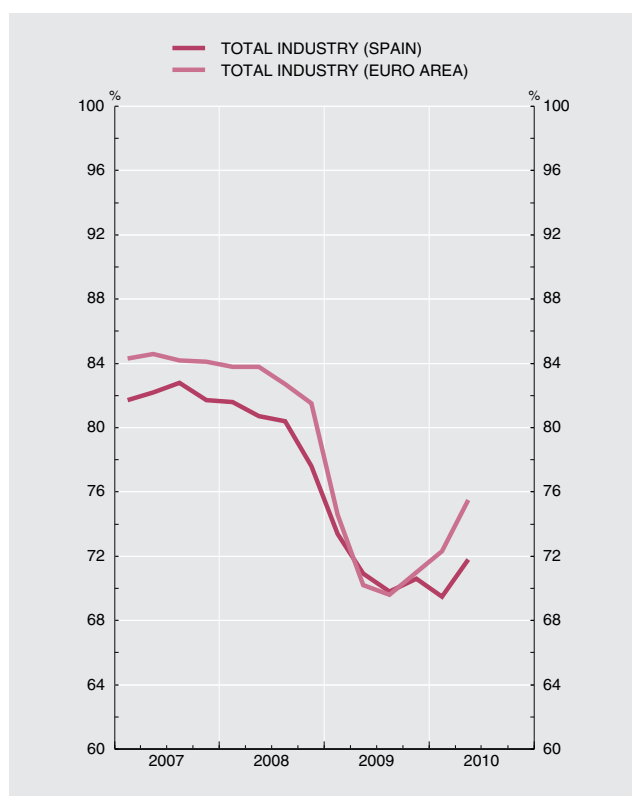
3.6. BUSINESS SURVEY: CAPACITY UTILISATION. SPAIN AND EURO AREA (NACE 2009)

■ Series depicted in chart.

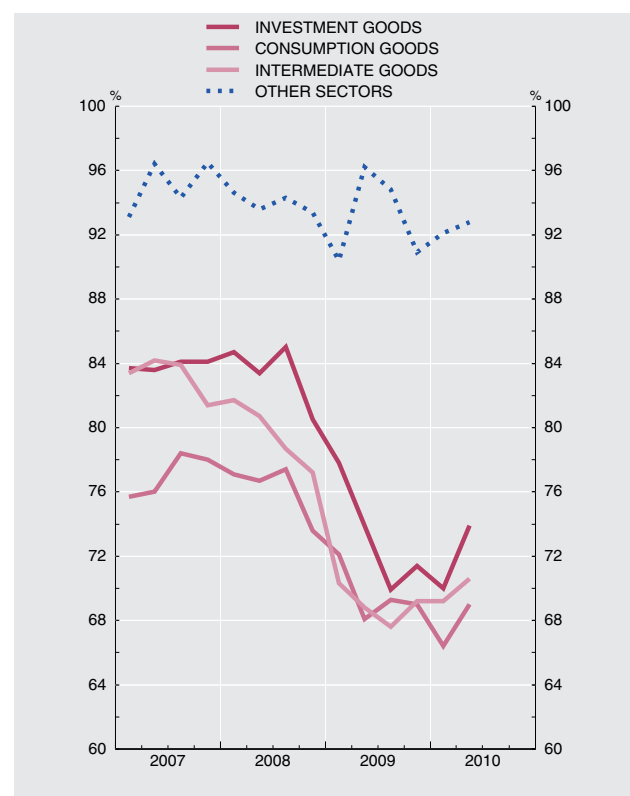
Percentages and percentage balances

	Total industry			Consumer goods			Investment goods			Intermediate goods			Other sectors (a)			Memo- randum item: euro area capacity utilisation (b) (%)
	Capacity utilisation		Installed capacity	Capacity utilisation		Installed capacity	Capacity utilisation		Installed capacity	Capacity utilisation		Installed capacity	Capacity utilisation		Installed capacity	
	Over last three months	Forecast		Over last three months	Forecast		Over last three months	Forecast		Over last three months	Forecast		Over last three months	Forecast		
	(%)	(%)	(Per- centage balan- ces)	(%)	(%)	(Per- centage balan- ces)	(%)	(%)	(Per- centage balan- ces)	(%)	(%)	(Per- centage balan- ces)	(%)	(%)	(Per- centage balan- ces)	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
07	82.1	83.3	1	77.0	78.6	3	83.9	84.8	-0	83.2	84.5	1	95.1	96.0	-	84.3
08	80.1	80.4	7	76.2	77.3	8	83.4	83.3	6	79.6	79.7	7	94.0	94.5	-0	83.0
09	71.2	71.4	26	69.6	70.7	18	73.3	73.6	25	69.0	68.5	34	93.1	94.3	1	71.4
09 Q1-Q2	72.2	72.2	24	70.1	70.8	14	75.9	75.1	19	69.6	69.4	35	93.3	94.7	-	72.4
10 Q1-Q2 P	70.7	72.3	23	67.7	68.6	20	72.0	72.7	24	69.9	72.6	27	92.5	93.2	0	73.9
07 Q4	81.7	82.5	4	78.0	78.4	6	84.1	85.0	6	81.4	82.4	4	96.5	97.0	-	84.1
08 Q1	81.6	82.6	4	77.1	78.6	5	84.7	86.2	7	81.7	82.1	3	94.6	95.5	-	83.8
Q2	80.7	81.8	5	76.7	79.0	6	83.4	83.3	4	80.7	81.7	5	93.6	94.1	-	83.8
Q3	80.4	80.8	6	77.4	78.1	11	85.0	84.7	5	78.7	79.3	4	94.3	94.1	-	82.7
Q4	77.6	76.5	12	73.6	73.5	12	80.5	78.8	7	77.2	75.6	16	93.4	94.1	-0	81.5
09 Q1	73.4	72.9	22	72.1	71.8	9	77.8	76.2	17	70.3	70.1	36	90.4	92.7	-	74.6
Q2	70.9	71.4	26	68.1	69.8	20	73.9	73.9	22	68.8	68.7	35	96.2	96.7	-	70.2
Q3	69.8	70.7	30	69.3	70.8	19	69.9	70.6	38	67.6	68.4	36	94.8	95.8	3	69.6
Q4	70.6	70.4	24	69.0	70.4	23	71.4	73.7	22	69.2	66.7	28	90.9	91.9	-	71.0
10 Q1	69.5	70.7	25	66.4	67.1	20	70.0	71.0	26	69.2	70.9	30	92.1	92.8	0	72.3
Q2 P	71.8	73.9	21	69.0	70.1	19	73.9	74.3	22	70.6	74.3	24	92.8	93.6	-	75.5

CAPACITY UTILISATION. TOTAL INDUSTRY
Percentages



CAPACITY UTILISATION. BY TYPE OF GOOD
Percentages



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

a. Includes mining and quarrying, manufacture of coke and refined petroleum products, and nuclear fuels.

b. To April 2010, NACE 1993; from May 2010, NACE 2009.

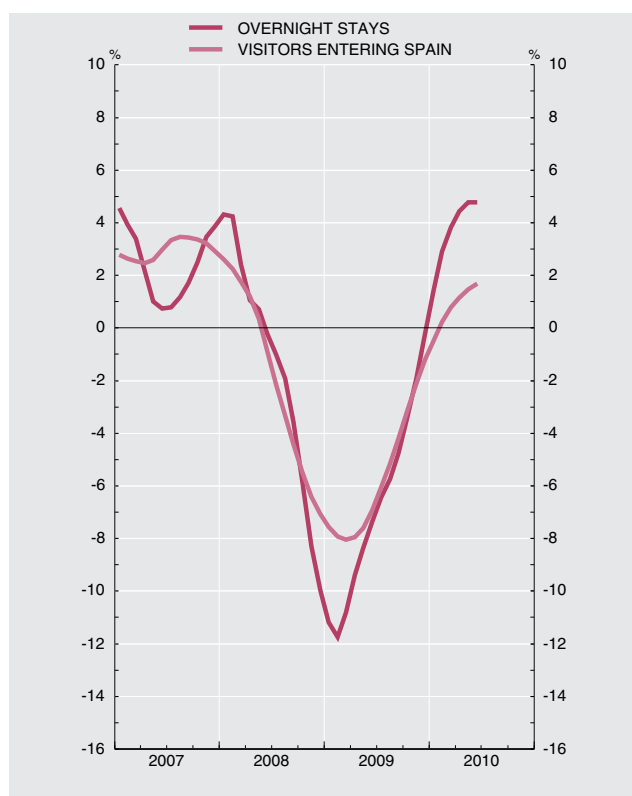
3.7. TOURISM AND TRANSPORT STATISTICS. SPAIN

■ Series depicted in chart.

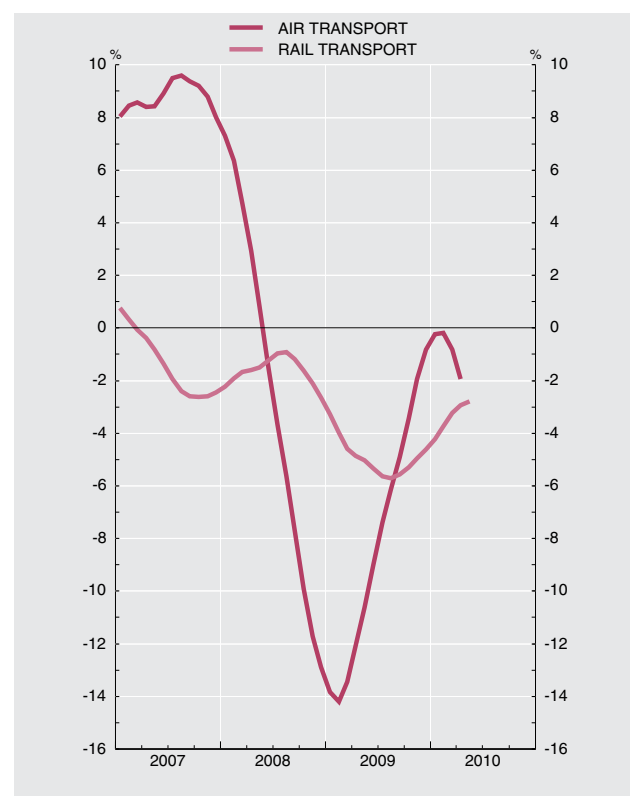
Annual percentage changes

		Hotel stays (a)		Overnight stays		Visitors entering Spain			Air transport				Maritime transport		Rail transport	
		Total	Foreigners	Total	Foreigners	Total	Tourists	Day-trippers	Passengers			Freight	Passengers	Freight	Passengers	Freight
		1	2	3	4	5	6	7	Total	Domestic flights	International flights	11	12	13	14	15
07		3.1	4.0	1.7	2.1	0.2	1.1	-1.3	9.1	9.0	9.2	4.2	5.2	4.7	-1.3	-1.5
08		-1.7	-0.1	-1.2	0.2	-1.3	-2.5	0.7	-3.0	-7.5	0.3	0.0	-1.5	-2.1	-0.7	-10.3
09	P	-6.8	-10.1	-6.6	-9.2	-3.4	-8.8	4.8	-8.0	-8.0	-8.0	-9.6	-2.2	-12.9	-5.8	-24.8
09 J-J	P	-10.1	-12.5	-9.3	-10.4	-8.0	-11.6	-2.4	-13.0	-15.3	-11.2	-18.8	-3.0	-17.0	-5.9	-31.5
10 J-J	P	5.2	7.8	4.3	4.0	1.2	-1.8	5.3	...	...	...	...	...	...	...	...
09 Mar	P	-19.8	-20.1	-19.1	-15.6	-15.8	-20.8	-8.6	-19.0	-18.2	-19.5	-13.0	-27.2	-14.0	-1.3	-13.0
Apr	P	-1.7	-8.5	1.5	-5.9	-0.7	-1.6	0.5	-5.0	-9.3	-1.6	-23.0	23.5	-19.6	-12.4	-40.5
May	P	-9.0	-11.4	-9.6	-11.0	-9.2	-11.7	-5.1	-11.9	-13.0	-11.2	-19.9	-5.1	-18.0	-2.9	-32.1
Jun	P	-8.2	-10.7	-6.6	-7.6	-7.6	-10.0	-3.1	-8.7	-9.2	-8.4	-21.4	-2.6	-12.9	-5.7	-28.1
Jul	P	-5.2	-9.0	-5.5	-9.0	0.6	-6.1	12.2	-4.8	-2.5	-6.1	-9.4	4.0	-15.9	-8.4	-29.4
Aug	P	-4.9	-10.9	-5.0	-10.6	0.6	-8.1	12.2	-5.4	-1.4	-7.7	-10.4	-10.3	-11.4	-6.3	-28.3
Sep	P	-6.4	-9.7	-6.6	-8.8	-5.0	-9.5	3.2	-5.1	-1.3	-7.3	-2.9	-3.6	-10.8	-5.8	-19.1
Oct	P	0.1	-3.8	-1.7	-5.4	3.5	-3.6	15.8	-2.7	-0.2	-4.1	0.1	4.3	-10.4	-6.9	-27.6
Nov	P	-2.9	-3.8	-3.6	-5.6	1.6	-3.1	7.2	-0.8	1.2	-2.3	4.0	5.4	-0.5	-2.3	-3.4
Dec	P	2.2	-0.5	0.0	-2.5	4.9	-3.6	14.2	2.1	3.8	0.6	17.9	-0.4	-1.2	-4.3	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	-6.5	7.7
Feb	P	4.0	7.0	4.3	4.8	-0.1	-3.8	4.1	1.4	1.8	1.1	19.5	-5.5	-1.7	-4.1	-14.0
Mar	P	7.5	6.9	7.5	5.9	8.1	3.2	14.4	5.5	5.4	5.6	29.8	10.7	1.9	-3.2	-9.2
Apr	P	3.6	8.4	1.0	0.1	-5.4	-13.3	6.2	-8.6	-3.3	-12.4	40.7	-5.3	2.7	3.6	2.3
May	P	5.8	9.4	5.7	6.1	-1.3	1.1	-4.9	...	...	...	...	...	...	-4.2	...
Jun	P	6.9	9.2	5.4	5.4	4.5	1.7	9.4	...	...	...	...	...	...	...	...

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 indicator are in Table 23.15 of the BE Boletín estadístico.

a. Information from hotel directories. Since January 2006, the frequency of data collection has been increased to every day of the month.

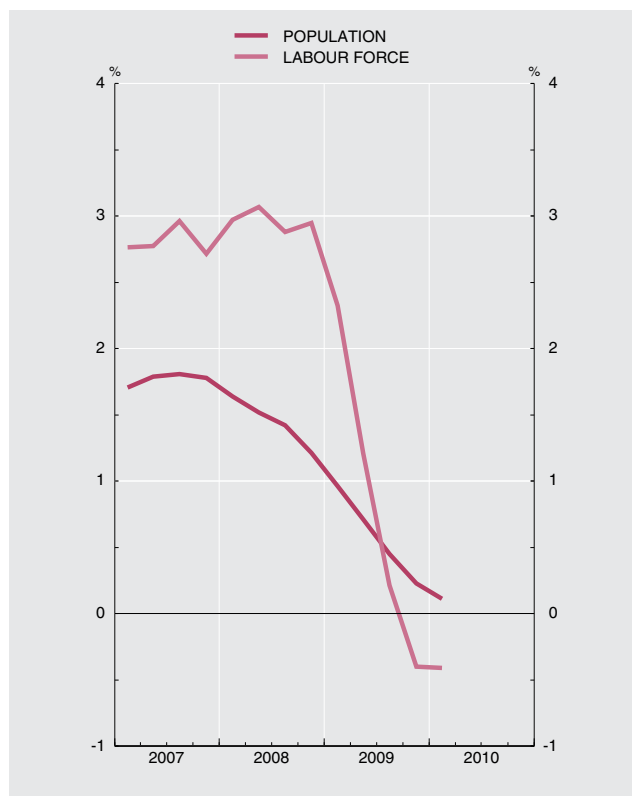
4.1. LABOUR FORCE. SPAIN

■ Series depicted in chart.

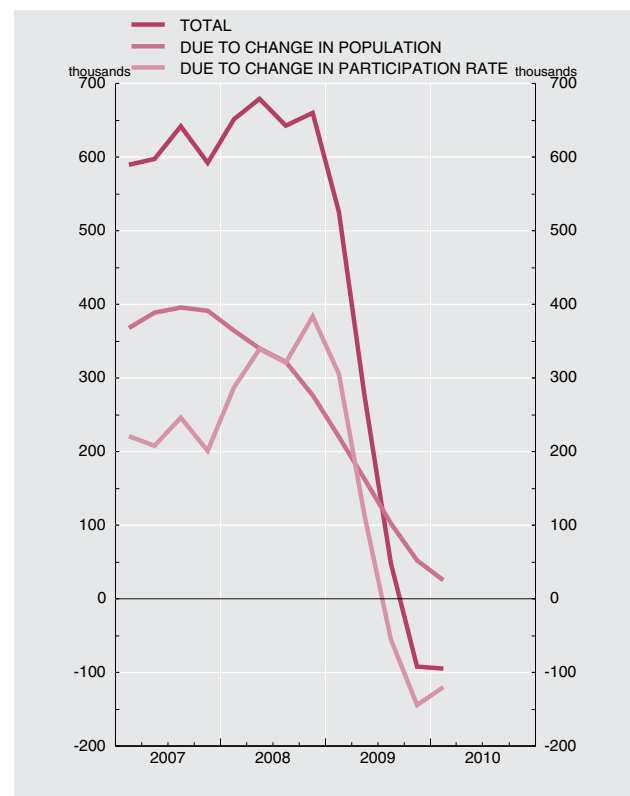
Thousands and annual percentage changes

Population over 16 years of age					Labour force					
		Thousands	Annual change	4-quarter % change	Participation rate (%) (a)	Thousands (a)	Annual change (b)			4-quarter % change
							Total	Due to change in population over 16 years of age	Due to change in participation rate	
		1	2	3	4	5	6	7	8	9
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
09	M	38 432	224	0.6	59.95	23 037	189	134	55	0.8
09	Q1-Q1M	38 409	366	1.0	60.15	23 102	525	220	305	2.3
10	Q1-Q1M	38 451	42	0.1	59.83	23 007	-95	25	-120	-0.4
07	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
10	Q1	38 451	42	0.1	59.83	23 007	-95	25	-120	-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

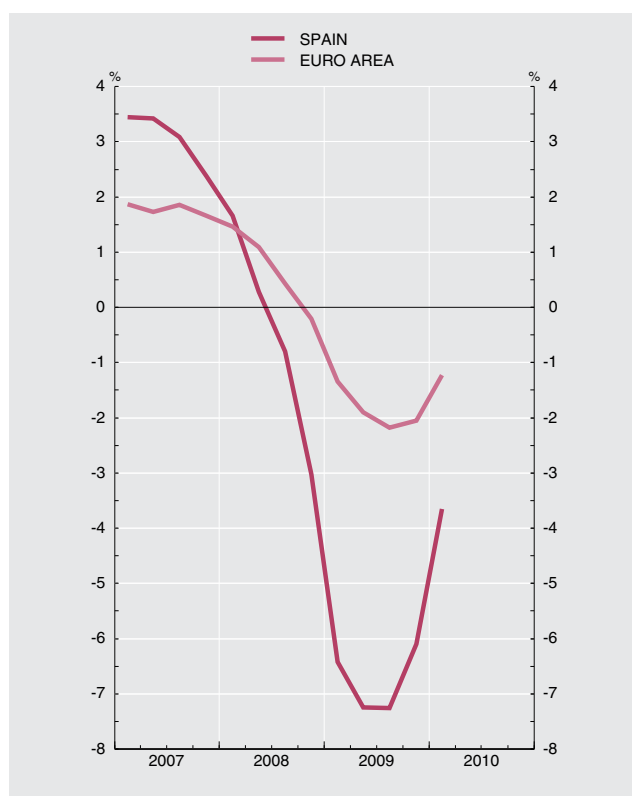
4.2. EMPLOYMENT AND WAGE-EARNERS. SPAIN AND EURO AREA

■ Series depicted in chart.

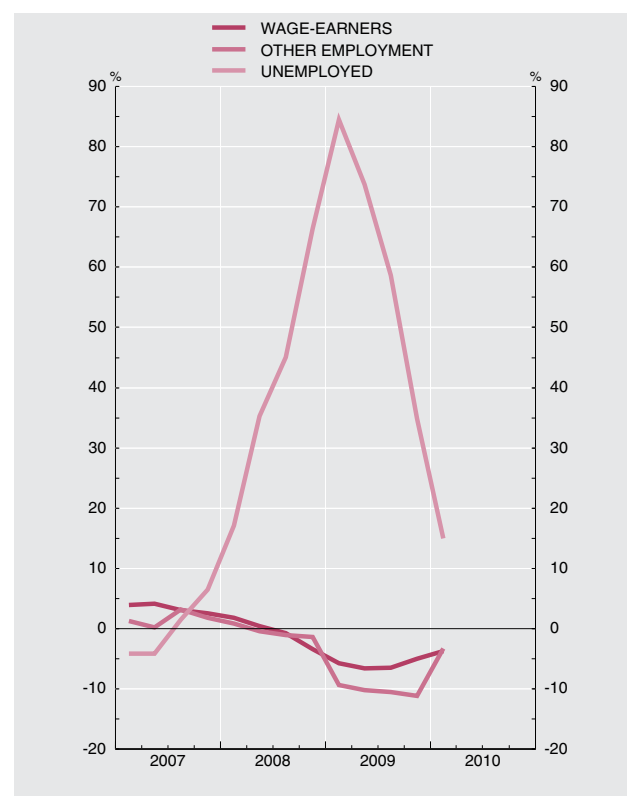
Thousands and annual percentage changes

		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	Annual change	4-quarter % change	Unemployment rate	Employment 4-quarter % change	Unemployment rate
		1	2	3	4	5	6	7	8	9	(a)	11	12	(a)	14	15
07	M	20 356	608	3.1	16 760	552	3.4	3 596	56	1.6	1 834	-3	-0.2	8.26	1.8	7.49
08	M	20 258	-98	-0.5	16 681	-79	-0.5	3 576	-20	-0.5	2 591	757	41.3	11.33	0.7	7.55
09	M	18 888	-1 370	-6.8	15 681	-1 001	-6.0	3 207	-369	-10.3	4 150	1 559	60.2	18.01	-1.9	9.41
09	Q1-Q1M	19 091	-1 312	-6.4	15 843	-974	-5.8	3 248	-337	-9.4	4 011	1 837	84.5	17.36	-1.3	8.80
10	Q1-Q1M	18 394	-697	-3.6	15 253	-590	-3.7	3 141	-107	-3.3	4 613	602	15.0	20.05	-1.2	9.94
07	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	7.40
	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	8.01
09	Q1	19 091	-1 312	-6.4	15 843	-974	-5.8	3 248	-337	-9.4	4 011	1 837	84.5	17.36	-1.3	8.80
	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	9.35
	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	9.68
	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	9.83
10	Q1	18 394	-697	-3.6	15 253	-590	-3.7	3 141	-107	-3.3	4 613	602	15.0	20.05	-1.2	9.94

EMPLOYMENT
Annual percentage changes



LABOUR FORCE: COMPONENTS
Annual percentage changes



Sources: INE (Labour Force Survey: 2005 methodology), and ECB.

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

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

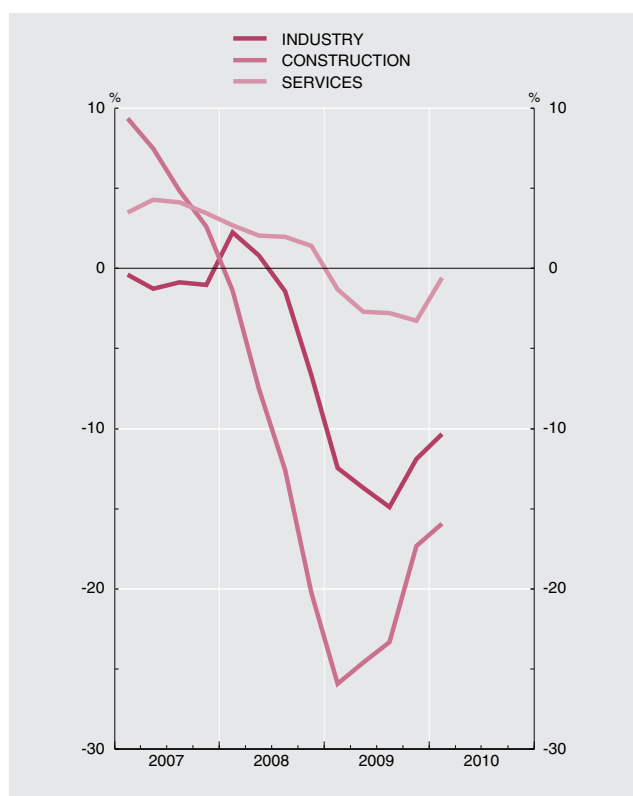
4.3. EMPLOYMENT BY BRANCH OF ACTIVITY. SPAIN (a)

■ Series depicted in chart.

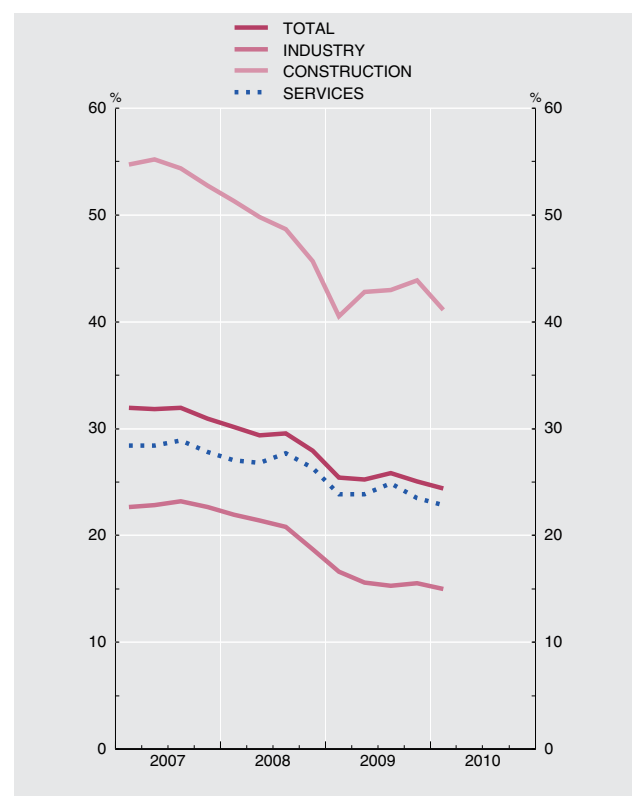
Annual percentage changes

		Total			Agriculture			Industry			Construction			Services			Memorandum item:
		Employment	Wage-earners	Proportion of temporary employment	Employment	Wage-earners	Proportion of temporary employment	Employment	Wage-earners	Proportion of temporary employment	Employment	Wage-earners	Proportion of temporary employment	Employment	Wage-earners	Proportion of temporary employment	Employment in branches other than agriculture
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
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
09	M	-6.8	-6.0	25.4	-4.0	-0.1	59.0	-13.3	-13.1	15.8	-23.0	-25.0	42.6	-2.5	-1.3	24.0	-6.9
09	Q1-Q1M	-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
10	Q1-Q1M	-3.6	-3.7	24.4	-0.3	2.4	62.7	-10.4	-10.9	15.0	-15.9	-17.2	41.1	-0.6	-0.5	22.8	-3.8
07	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
10	Q1	-3.6	-3.7	24.4	-0.3	2.4	62.7	-10.4	-10.9	15.0	-15.9	-17.2	41.1	-0.6	-0.5	22.8	-3.8

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.

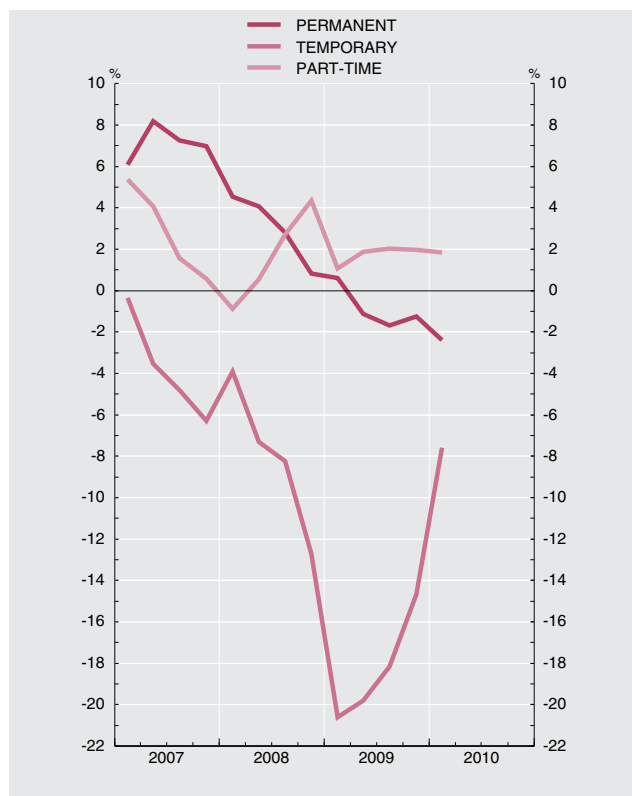
4.4. WAGE-EARNERS BY TYPE OF CONTRACT AND UNEMPLOYMENT BY DURATION. SPAIN. (a)

■ Series depicted in chart.

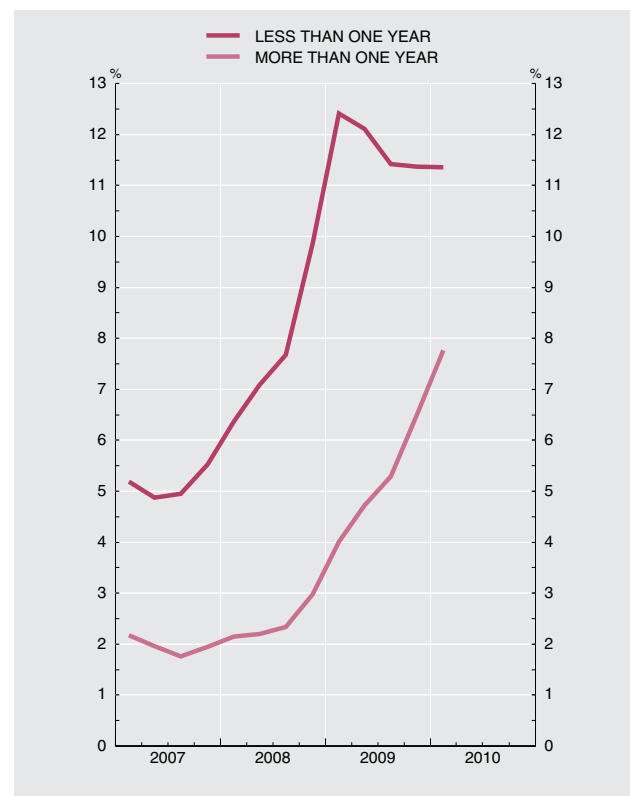
Thousands, annual percentage changes and %

		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	4-quar-ter % change	Annual change	4-quar-ter % change	Proportion of tempo-rary em-ployment	Annual change	4-quar-ter % change	Annual change	4-quar-ter % change	As % for wage earners	Unem-ployment rate	4-quar-ter % change	Unem-ployment rate	4-quar-ter % change
		Thousands		Thousands			Thousands		Thousands			(a)		(a)	
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
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
09	M	-102	-0.9	-898	-18.4	25.40	-1 036	-7.1	36	1.7	13.34	11.83	53.8	5.13	114.0
09	Q1-Q1M	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
10	Q1-Q1M	-285	-2.4	-305	-7.6	24.39	-628	-4.6	39	1.8	13.99	11.36	-8.9	7.77	93.0
07	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
10	Q1	-285	-2.4	-305	-7.6	24.39	-628	-4.6	39	1.8	13.99	11.36	-8.9	7.77	93.0

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.

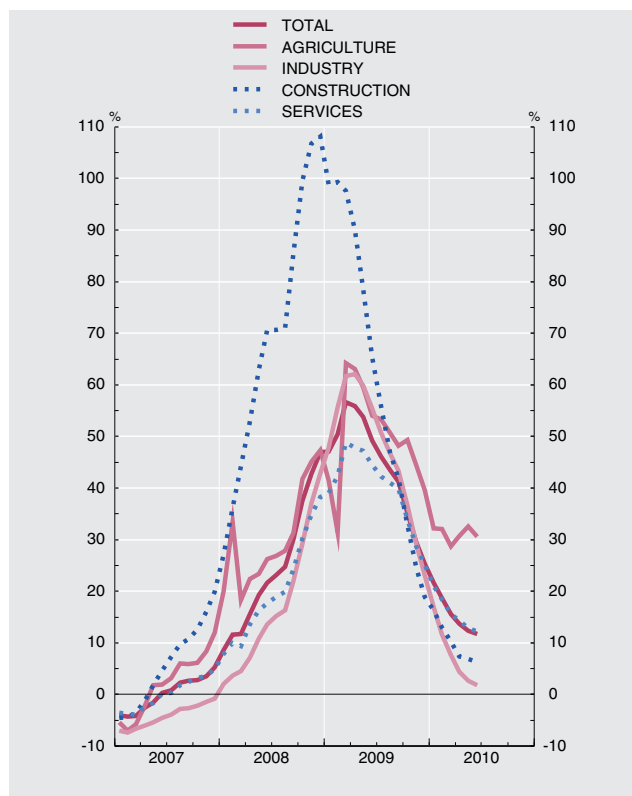
4.5. REGISTERED UNEMPLOYMENT BY BRANCH OF ACTIVITY. CONTRACTS AND PLACEMENTS. SPAIN

■ Series depicted in chart.

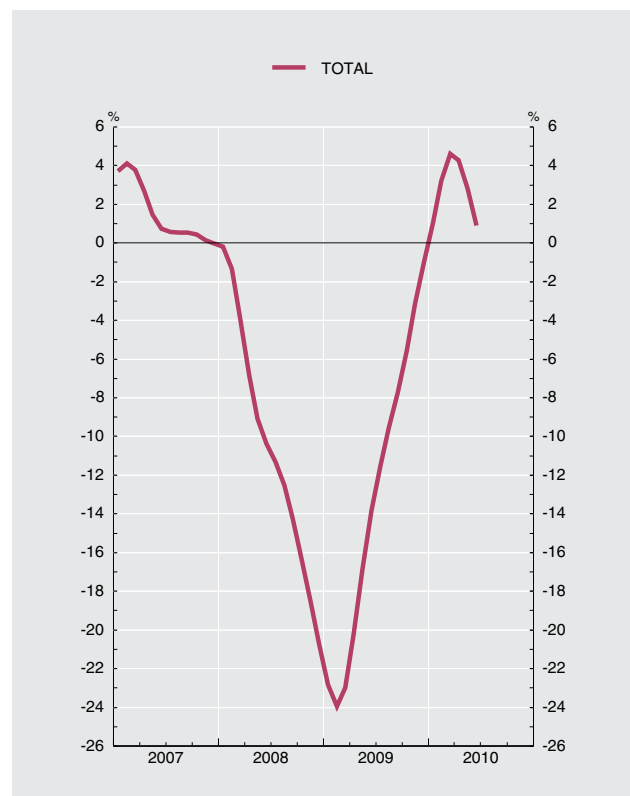
Thousands, annual percentage changes and %

		Registered unemployment										Contracts					Placements	
		Total			First time job-seekers(a)	Previously employed (a)					Total		Percentage of total			Total		
		Thousands	Annual change	12 month % change		12 month % change	12-month % change					Thousands	12 month % change	Perma-nent	Part time	Tempo-rary	Thousands	12 month % change
Thousands	Total		Agri-culture	Branches other than agriculture			Services											
		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-J	M	3 541	1 214	52.2	26.1	54.3	52.3	54.4	57.1	88.3	45.0	1 103	-22.7	10.41	26.13	89.59	1 093	-21.7
10 J-J	M	4 089	549	15.5	43.4	13.7	31.1	13.2	7.5	10.0	15.7	1 138	3.1	9.18	27.81	90.82	1 124	2.8
09 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
Apr		4 142	498	13.7	40.0	11.8	30.8	11.3	4.5	7.4	14.3	1 079	4.6	9.55	28.66	90.45	1 069	3.7
May		4 066	446	12.3	36.1	10.6	32.6	10.0	2.7	6.9	12.8	1 182	6.5	9.16	28.97	90.84	1 198	7.9
Jun		3 982	417	11.7	35.3	9.9	30.6	9.3	1.8	6.3	12.2	1 298	1.8	7.61	29.42	92.39	1 244	-1.2

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.

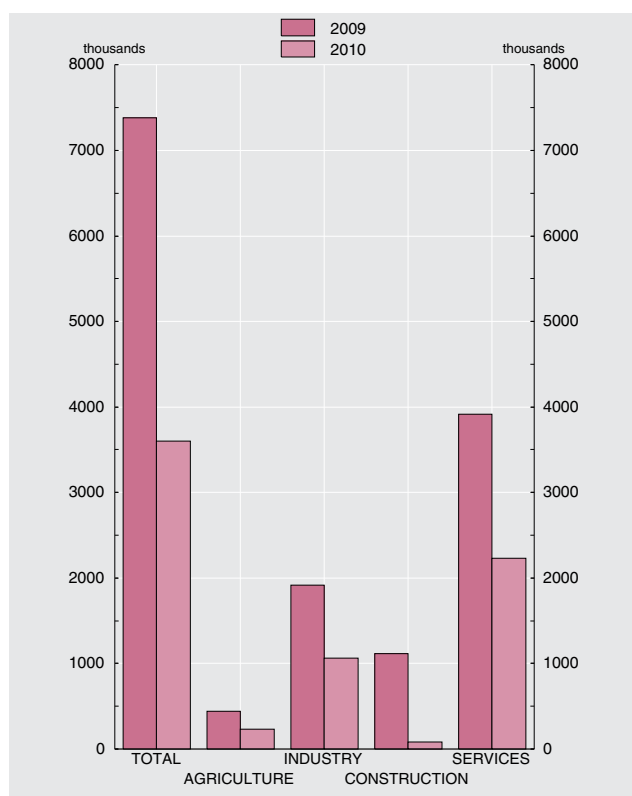
4.6. COLLECTIVE BARGAINING AGREEMENTS

■ Series depicted in chart.

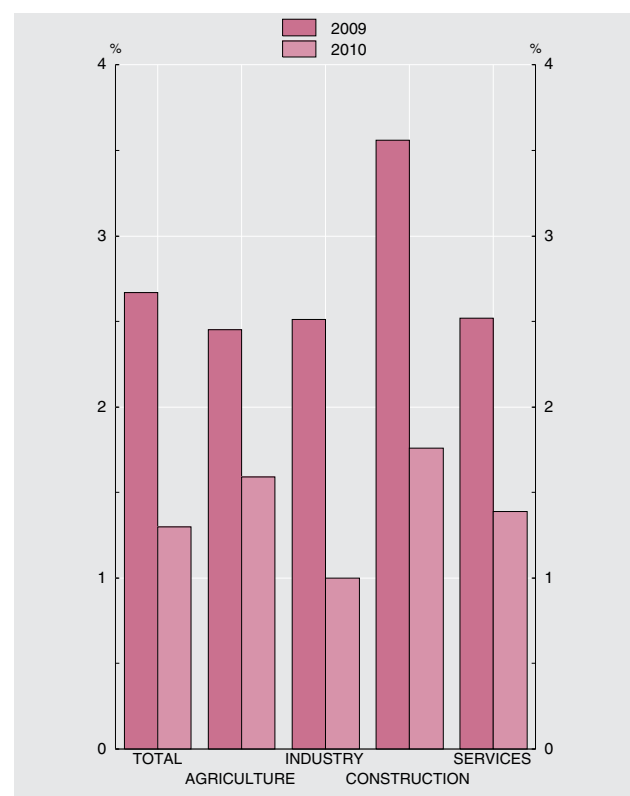
Thousands and %

	As per month economic effects come into force(a)		As per month recorded														
			Employees affected (a)								Average wage settlement (%)						
	Em- ployees affected	Average wage settle- ment (b)	Auto- matic adjust- ment	Newly- signed agree- ments	Total	Annual change	Agricul- ture	Indus- try	Construc- tion	Services	Auto- matic adjust- ment	Newly signed agree- ments	Total	Agricul- ture	Indus- try	Construc- tion	Services
	1	2	3	4	5	6	7 (c)	8 (c)	9 (c)	10 (c)	11	12	13	14 (c)	15 (c)	16 (c)	17 (c)
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	11 968	3.60	7 069	1 733	8 802	390	406	2 419	1 070	4 907	3.48	3.80	3.54	3.21	3.39	3.64	3.62
09	10 305	2.35	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
09 Jan	9 924	2.41	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
	9 947	2.41	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
	9 947	2.41	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
	10 135	2.38	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
	10 141	2.38	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
	10 168	2.38	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
	10 175	2.38	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
	10 176	2.38	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
	10 300	2.35	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
	10 305	2.35	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
	10 305	2.35	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
	10 305	2.35	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	3 522	1.29	1 154	-	1 154	-2 340	131	241	4	778	1.62	-	1.62	1.30	1.12	1.96	1.82
	3 525	1.29	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
	3 530	1.29	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
	3 583	1.30	2 625	156	2 781	-3 993	224	715	40	1 802	1.29	1.04	1.27	1.46	0.94	0.90	1.39
	3 583	1.30	2 890	194	3 083	-3 915	234	831	41	1 978	1.33	1.06	1.31	1.59	1.04	0.90	1.40
	3 603	1.30	3 396	208	3 604	-3 781	234	1 060	81	2 229	1.31	1.06	1.30	1.59	1.00	1.76	1.39

EMPLOYEES AFFECTED
January-Jun



AVERAGE WAGE SETTLEMENT
January-Jun



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.

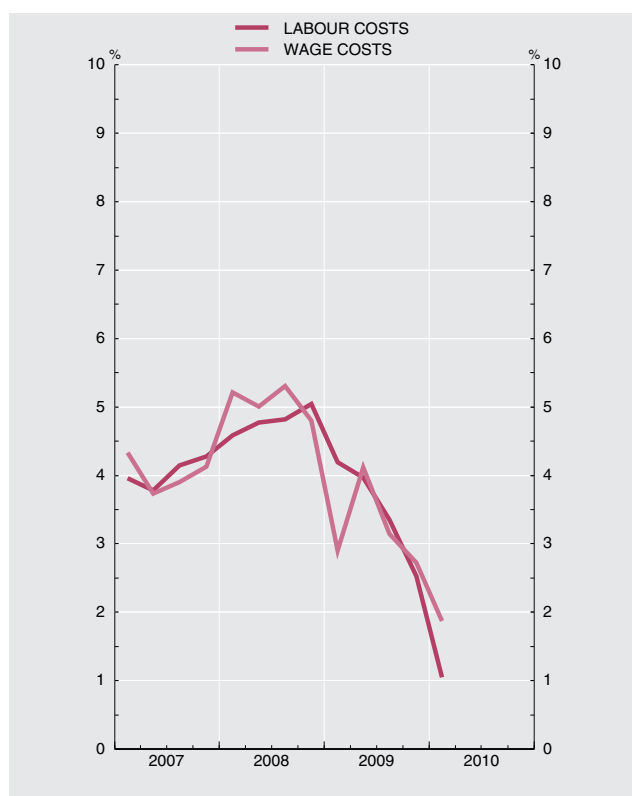
4.7. QUARTERLY LABOUR COSTS SURVEY

■ Series depicted in chart.

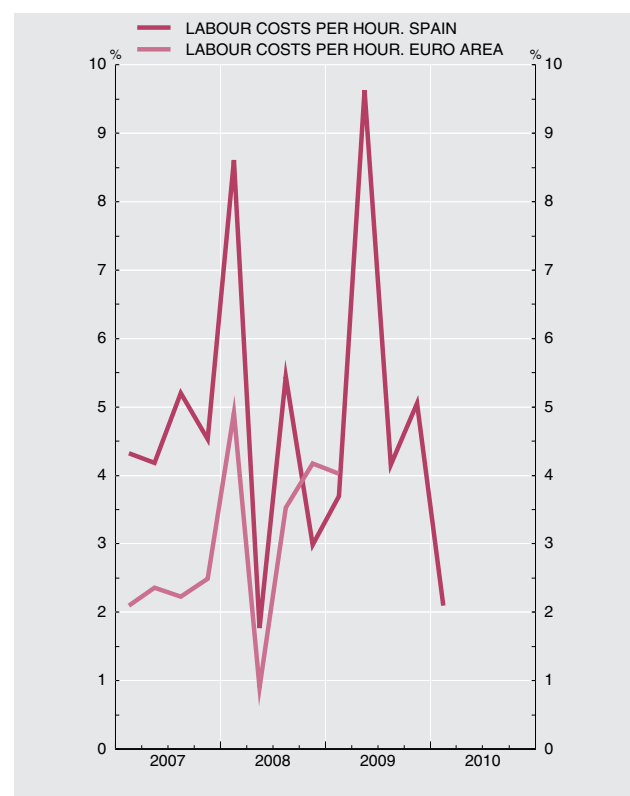
Annual percentage change

		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
07	MP	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	MP	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	MP	3.5	3.1	5.4	3.5	5.6	3.2	2.1	5.2	3.2	5.3	4.3	...
09	Q1-Q1MP	4.2	3.8	6.5	4.1	3.7	2.9	1.2	4.6	3.0	2.4	7.8	4.0
10	Q1-Q1MP	1.0	2.1	0.7	1.0	2.1	1.9	2.8	1.9	1.6	2.9	-1.1	...
07	Q3	P	4.1	3.7	5.0	4.2	5.2	3.9	2.9	4.1	4.2	4.9	2.2
	Q4	P	4.3	3.8	5.3	4.3	4.5	4.1	3.4	5.4	4.1	4.4	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
	Q2	P	4.8	5.5	6.0	4.6	1.8	5.0	4.9	7.1	4.7	2.0	4.1
	Q3	P	4.8	3.9	5.7	5.2	5.4	5.3	4.6	6.1	5.4	6.0	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
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
	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
10	Q1	P	1.0	2.1	0.7	1.0	2.1	1.9	2.8	1.9	1.6	2.9	-1.1

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

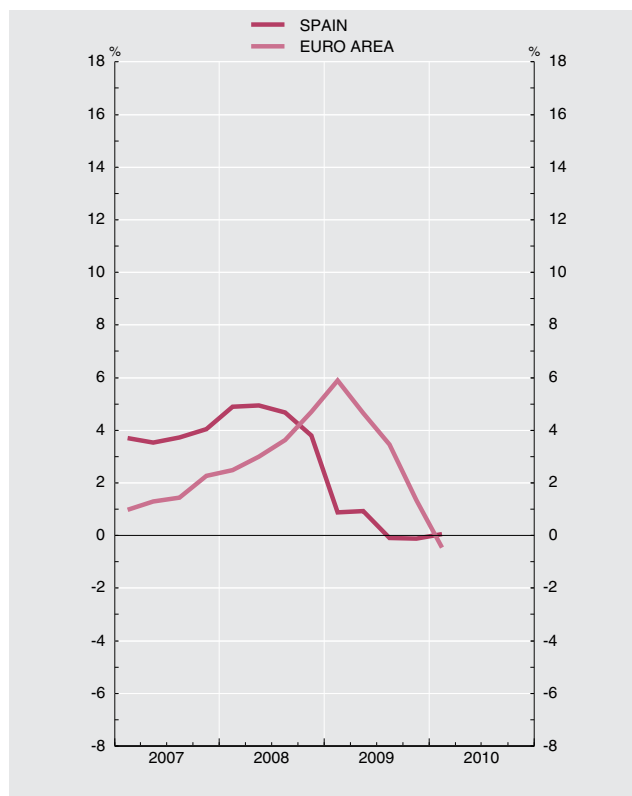
4.8. UNIT LABOUR COSTS. SPAIN AND EURO AREA (a)

■ Series depicted in chart.

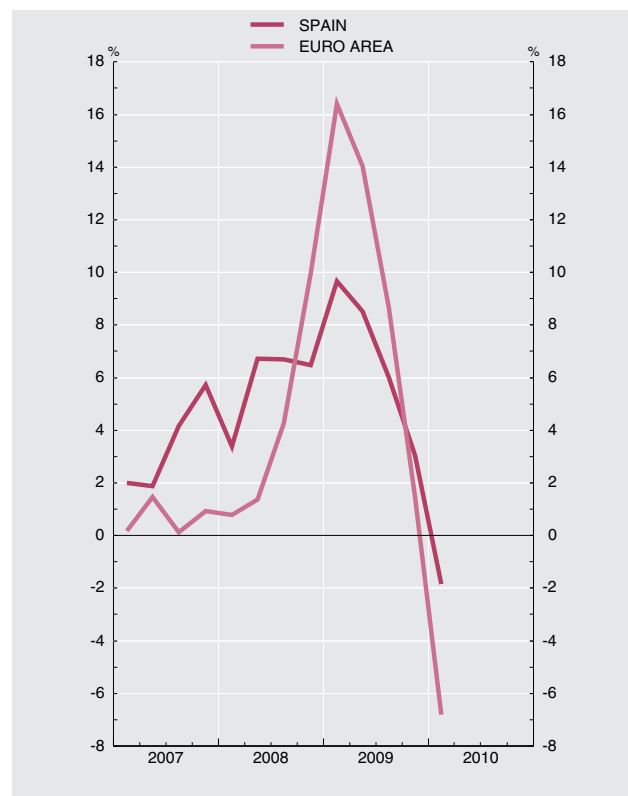
Annual percentage changes

		Whole-economy unit labour costs		Compensation per employee		Productivity						Memorandum item: unit labour costs in manufacturing	
		Spain	Euro area	Spain (b)	Euro area	Spain	Euro area	Output		Employment		Spain (c)	Euro area (d)
		1	2	3	4	5	6	Spain	Euro area	Spain (b)	Euro area	11	12
07	P	3.8	1.5	4.5	2.5	0.7	1.0	3.6	2.8	2.8	1.8	3.4	0.7
08	P	4.6	3.5	6.1	3.1	1.5	-0.3	0.9	0.4	-0.6	0.7	5.7	4.1
09	P	0.4	3.8	3.7	1.5	3.3	-2.2	-3.6	-4.1	-6.7	-1.9	6.8	10.1
07	Q2	3.5	1.3	4.2	2.3	0.7	1.0	3.8	2.7	3.1	1.7	1.9	1.5
08	Q3	3.7	1.4	4.5	2.3	0.7	0.8	3.5	2.7	2.8	1.9	4.2	0.1
09	Q4	4.0	2.3	4.9	2.8	0.9	0.5	3.1	2.2	2.2	1.7	5.7	0.9
08	Q1	4.9	2.5	6.0	3.2	1.0	0.7	2.5	2.2	1.5	1.5	3.4	0.8
08	Q2	5.0	3.0	6.4	3.2	1.4	0.2	1.7	1.4	0.3	1.1	6.7	1.4
08	Q3	4.7	3.6	6.2	3.4	1.4	-0.2	0.4	0.3	-1.0	0.4	6.7	4.3
08	Q4	3.8	4.7	6.0	2.8	2.1	-1.8	-1.2	-2.0	-3.2	-0.2	6.5	10.0
09	Q1	0.9	5.9	4.1	1.8	3.2	-3.9	-3.3	-5.2	-6.3	-1.3	9.7	16.4
09	Q2	0.9	4.7	4.2	1.4	3.2	-3.1	-4.2	-4.9	-7.2	-1.9	8.5	14.0
09	Q3	-0.1	3.5	3.3	1.5	3.4	-1.9	-4.0	-4.1	-7.2	-2.2	6.0	8.7
09	Q4	-0.1	1.3	3.1	1.3	3.2	-0.0	-3.1	-2.1	-6.1	-2.0	3.1	1.5
10	Q1	0.1	-0.5	2.5	1.5	2.4	1.9	-1.3	0.6	-3.6	-1.2	-1.8	-6.8

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.

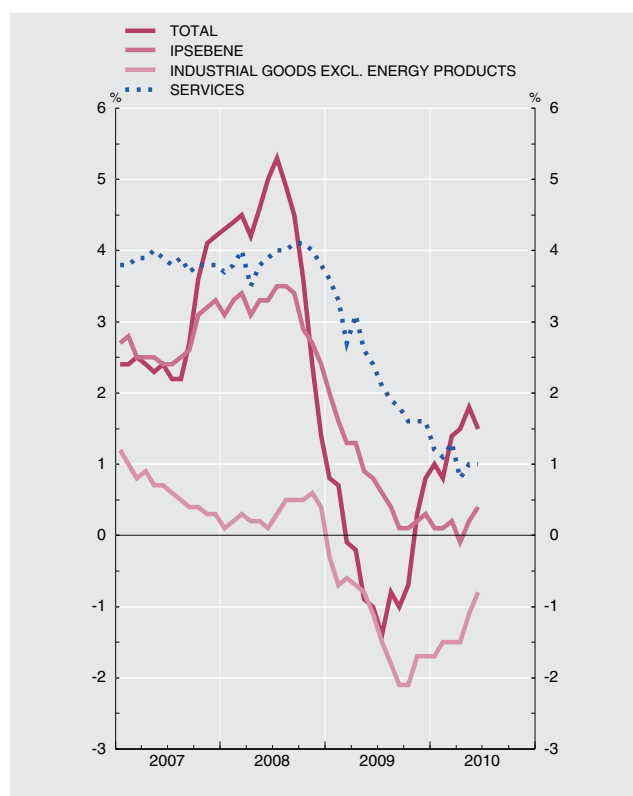
5.1. CONSUMER PRICE INDEX. SPAIN (2006=100)

■ Series depicted in chart.

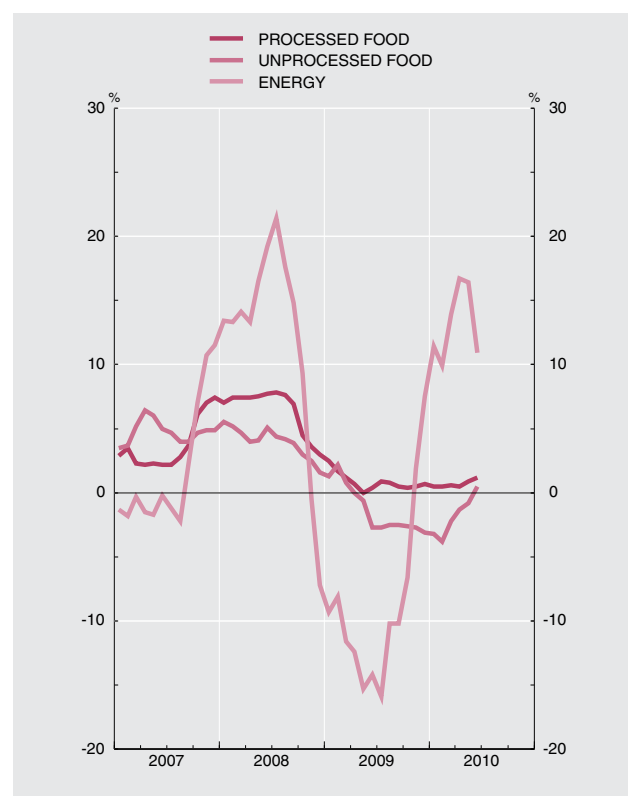
Indices and annual percentage changes

		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-J	M	106.3	0.1	-0.1	-0.6	0.1	1.1	-0.7	-11.9	2.9	1.3	102.1	-10.0
10	J-J	M	107.7	0.2	1.3	-0.0	-1.8	0.7	-1.3	13.2	1.1	0.2	...	...
09	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	95.4	-5.5
	Feb		106.5	-0.2	0.8	-1.2	-3.8	0.5	-1.5	9.9	1.1	0.1	103.9	1.0
	Mar		107.3	0.7	1.4	-0.5	-2.2	0.6	-1.5	13.9	1.3	0.2	111.4	5.6
	Apr		108.4	1.1	1.5	0.6	-1.3	0.5	-1.5	16.7	0.8	-0.1	...	...
	May		108.7	0.2	1.8	0.8	-0.8	0.9	-1.1	16.4	1.0	0.2	...	...
	Jun		108.9	0.2	1.5	1.0	0.5	1.2	-0.8	10.9	1.0	0.4	...	...

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.

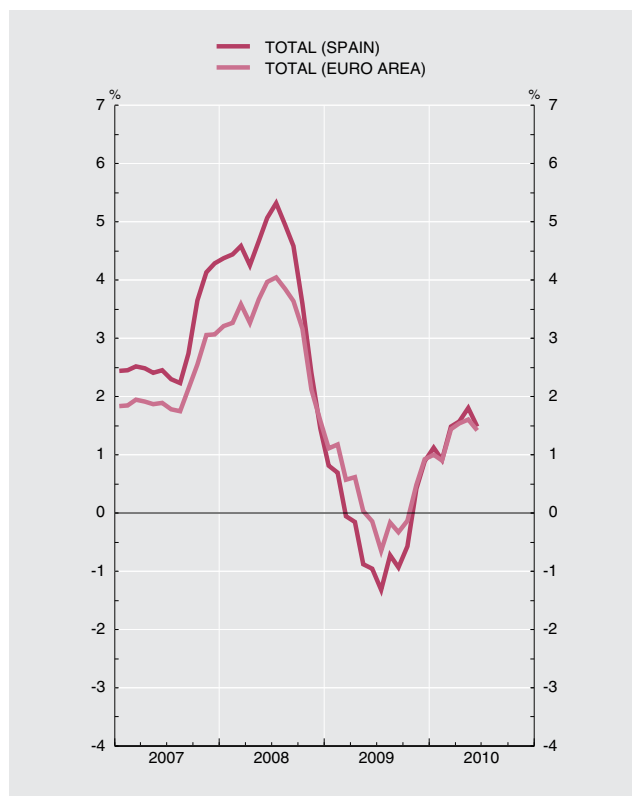
5.2. HARMONISED INDEX OF CONSUMER PRICES. SPAIN AND EURO AREA (2005=100) (a)

■ Series depicted in chart.

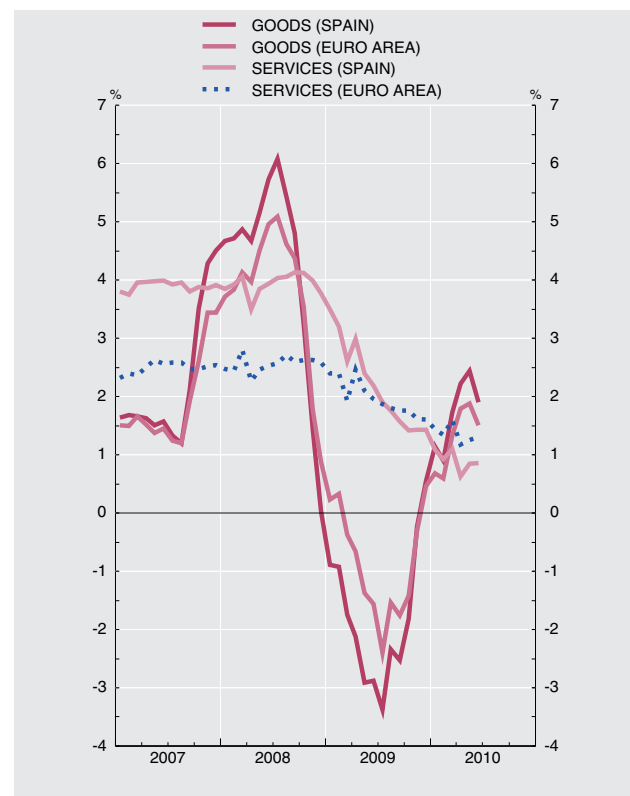
Annual percentage changes

		Total		Goods														Services			
		Spain	Euro area	Spain	Euro area	Food						Industrial								Spain	Euro area
						Total		Processed		Unprocessed		Spain	Euro area	Non-energy		Energy					
						Spain	Euro area	Spain	Euro area	Spain	Euro area			Spain	Euro area	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	-0.2	0.3	-1.8	-0.9	0.2	0.7	1.0	1.1	-0.7	0.2	-2.9	-1.7	-0.9	0.6	-9.0	-8.1	2.2	2.0		
09	J-J	M	-0.1	0.6	-1.9	-0.6	0.8	1.7	1.0	1.6	0.6	1.8	-3.5	-1.7	-0.5	0.7	-11.8	-8.5	2.8	2.2	
10	J-J	MP	1.4	1.3	1.7	1.3	-0.1	0.4	1.2	0.7	-1.5	-0.1	2.7	1.7	-1.0	0.2	13.1	6.5	0.9	1.4	
09	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	-	-4.3	-2.7	-0.8	0.6	-14.1	-11.7	2.2	2.0	
	Jul		-1.3	-0.6	-3.4	-2.4	-0.3	-	1.2	0.8	-1.8	-1.1	-5.1	-3.6	-1.1	0.5	-15.8	-14.4	1.9	1.9	
	Aug		-0.7	-0.2	-2.3	-1.5	-0.2	-0.1	1.1	0.6	-1.6	-1.2	-3.5	-2.3	-1.3	0.6	-10.2	-10.2	1.8	1.8	
	Sep		-0.9	-0.3	-2.5	-1.8	-0.5	-0.2	0.7	0.5	-1.8	-1.3	-3.7	-2.6	-1.5	0.5	-10.1	-11.0	1.6	1.8	
	Oct		-0.6	-0.1	-1.8	-1.4	-0.5	-0.4	0.8	0.3	-2.0	-1.6	-2.6	-1.9	-1.5	0.3	-6.5	-8.5	1.4	1.8	
	Nov		0.4	0.5	-0.2	-0.3	-0.5	-0.1	1.0	0.5	-2.1	-1.3	-0.2	-0.4	-1.2	0.3	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	1.1	0.8	-1.1	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	2.0	1.1	-1.2	0.1	11.3	4.0	1.1	1.4	
	Feb		0.9	0.9	0.9	0.6	-0.9	-0.1	1.1	0.6	-2.9	-1.2	1.8	0.9	-1.1	0.1	9.8	3.3	0.9	1.3	
	Mar		1.5	1.4	1.7	1.3	-0.3	0.3	1.2	0.5	-1.8	-0.1	2.8	1.8	-1.1	0.1	13.8	7.2	1.1	1.6	
	Apr		1.6	1.5	2.2	1.8	-0.1	0.7	0.9	0.6	-1.2	0.7	3.5	2.3	-1.1	0.2	16.6	9.1	0.6	1.2	
	May		1.8	1.6	2.4	1.9	0.4	0.7	1.4	0.9	-0.7	0.4	3.6	2.5	-0.8	0.3	16.3	9.2	0.8	1.3	
	Jun	P	1.5	1.4	1.9	1.5	1.0	0.9	1.8	0.9	0.2	0.9	2.4	1.8	-0.6	0.4	10.8	6.2	0.9	1.3	

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.

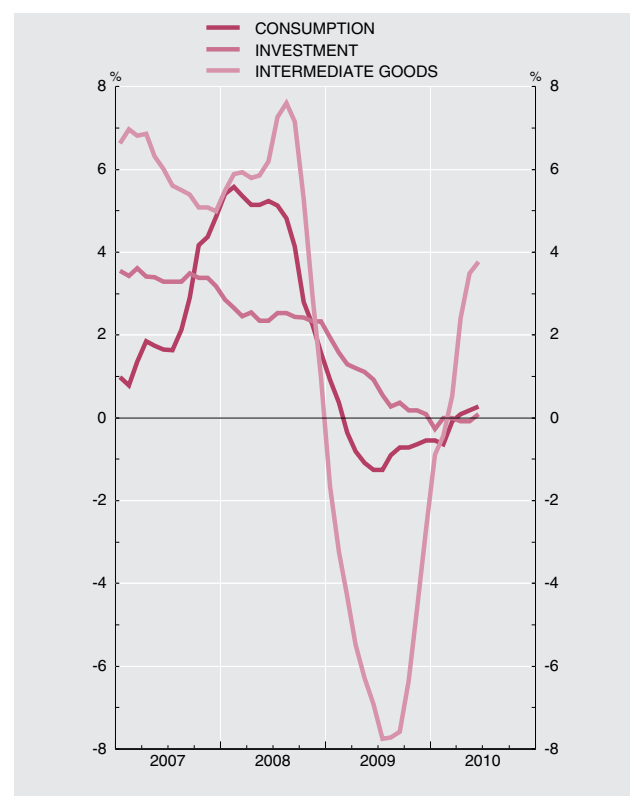
Annual percentage changes

		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	Consumer goods	Capital goods	Intermediate goods	Energy
		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-J	MP	112.2	—	-2.8	—	-0.4	—	1.3	—	-4.7	—	-6.1	-3.8	-1.5	1.2	-4.3	-8.8
10 J-J	MP	115.0	—	2.5	—	-0.1	—	-0.1	—	1.5	—	9.5	...	...	...	...	...
09 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	-2.0	-0.5	-3.5	-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	-1.0	-0.7	-0.6	-1.6	-1.6
Feb	P	113.8	0.2	1.1	-	-0.6	0.2	-	0.3	-0.4	0.4	6.8	-0.4	-0.5	-0.5	-0.4	-0.7
Mar	P	114.7	0.8	2.4	0.1	-0.1	-0.1	-	0.5	0.5	2.2	10.1	0.9	-0.4	-0.3	0.8	2.9
Apr	P	115.8	1.0	3.7	-	0.1	-	-0.1	1.2	2.4	2.4	13.1	2.8	-0.3	-0.0	2.8	7.7
May	P	116.0	0.2	3.8	-0.1	0.2	-	-0.1	0.8	3.5	0.2	12.0	3.2	-0.0	0.3	3.9	7.1
Jun	P	116.1	0.1	3.2	0.1	0.3	0.1	0.1	0.1	3.8	-0.1	8.5	...	...	...	...	...

PRODUCER PRICE INDEX. TOTAL
Annual percentage changes



PRODUCER PRICE INDEX. COMPONENTS
Annual percentage changes



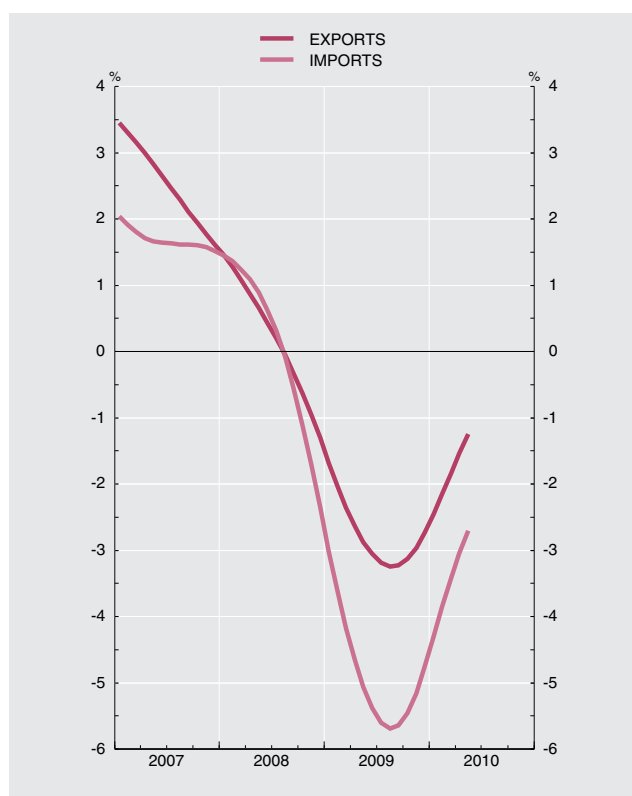
5.4. UNIT VALUE INDICES FOR SPANISH FOREIGN TRADE

■ Series depicted in chart.

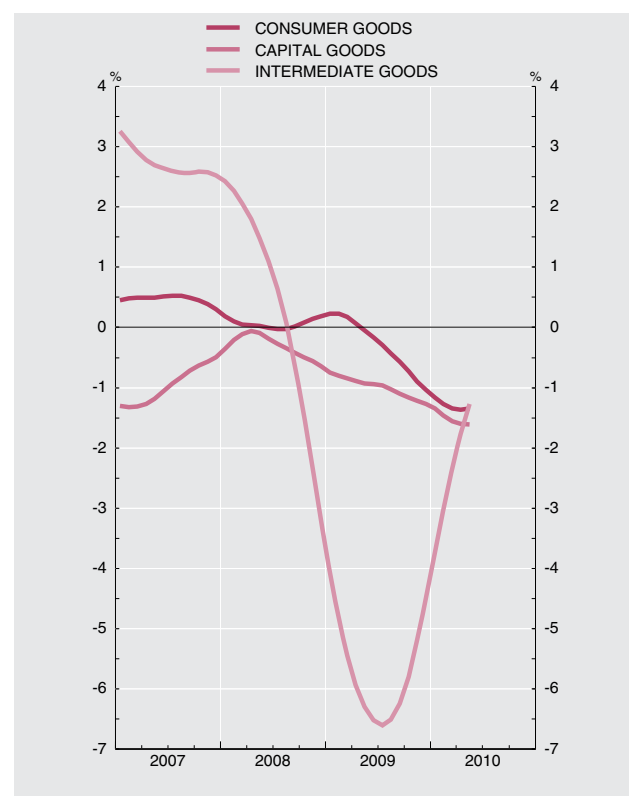
Annual percentage changes

	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-M	-5,3	-2,7	-5,6	-7,3	-20,8	-6,0	-8,2	3,2	-3,1	-13,7	-31,4	-7,3
10 J-M	-0,4	-0,2	-8,1	0,9	4,4	1,1	0,6	-7,1	-2,5	4,8	26,9	-0,4
08 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
Mar	-1,9	1,6	-13,5	-2,3	0,6	-2,3	-1,2	-8,6	-9,9	4,1	26,5	-1,1
Apr	0,3	-4,3	2,2	3,1	13,8	2,4	1,1	-5,3	-5,9	4,6	30,2	-2,0
May	4,1	3,0	-15,0	8,8	19,0	8,6	5,2	-7,3	4,8	10,7	38,4	4,5

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).

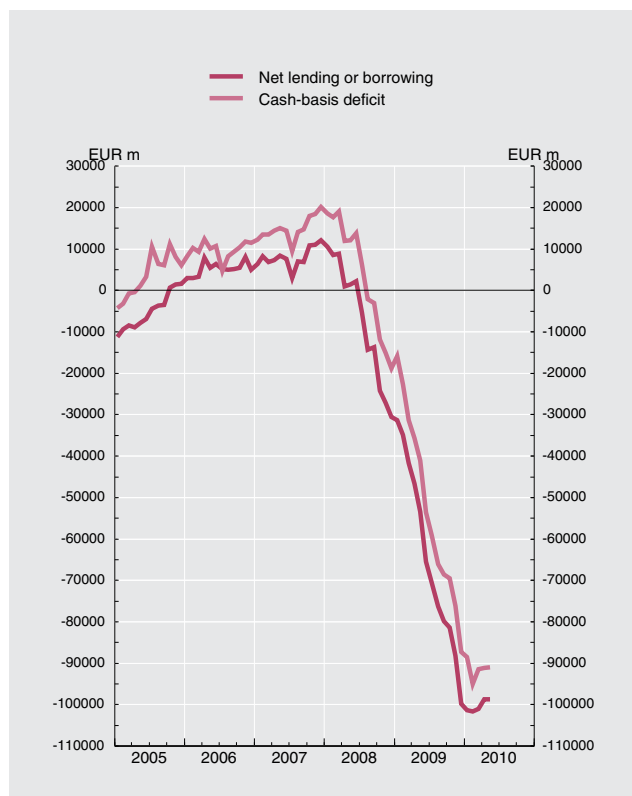
6.1. STATE RESOURCES AND USES ACCORDING TO THE NATIONAL ACCOUNTS. SPAIN

■ Series depicted in chart.

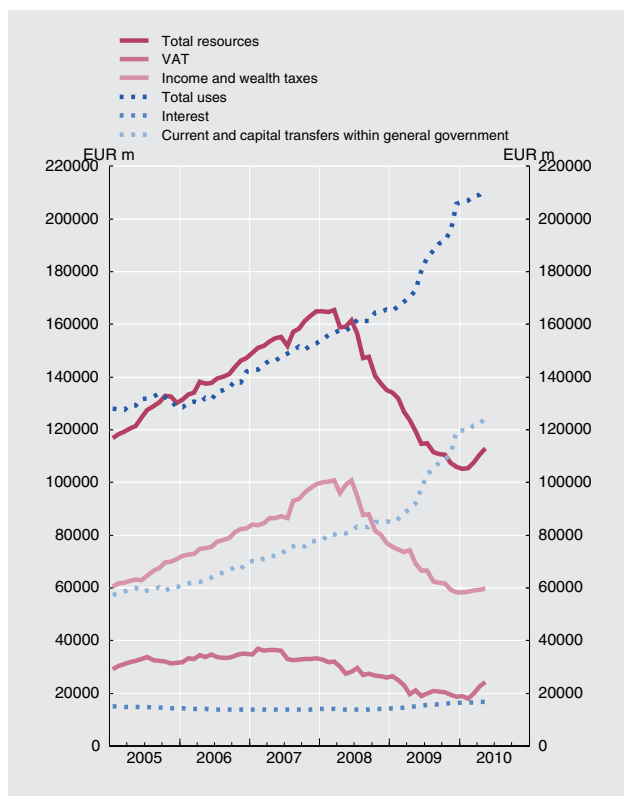
EUR millions

		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	4	5	6	7	8=9	10	11	12	13	14=15-16	15	16	
05		1 590	130 171	31 542	11 068	4 401	70 986	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	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	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	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	205 774	20 195	16 318	119 623	6 120	43 518	-87 281	102 038	189 319
09	J-M	P -19 958	44 720	12 686	4 564	2 631	23 453	1 386	64 678	7 322	6 583	37 381	681	12 711	-19 102	45 680
10	J-M	A -18 884	51 688	18 327	4 661	2 473	25 065	1 162	70 572	7 471	7 029	42 288	729	13 055	-22 878	51 306
09	May	P -13 043	81	-1 181	927	278	-830	887	13 124	1 500	1 389	7 525	302	2 408	-10 635	-202
	Jun	P -19 606	1 707	-1 377	833	442	-52	1 861	21 313	2 731	1 377	12 363	348	4 494	-17 716	673
	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
	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
	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
	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
	Nov	P -12 224	5 132	-191	1 020	198	2 447	1 486	17 356	1 476	1 371	9 796	602	4 111	-10 907	5 575
	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
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
	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
	Mar	A -12 197	4 253	562	697	1 220	2 690	-916	16 450	1 494	1 430	10 651	243	2 632	-7 787	5 229
	Apr	A 3 233	17 387	5 097	1 099	439	10 181	571	14 154	1 587	1 408	8 517	180	2 462	3 153	16 801
	May	A -13 172	2 529	710	914	264	-229	870	15 701	1 521	1 479	9 877	88	2 736	-10 485	1 746

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



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



Source: Ministerio de Economía y Hacienda (IGAE).

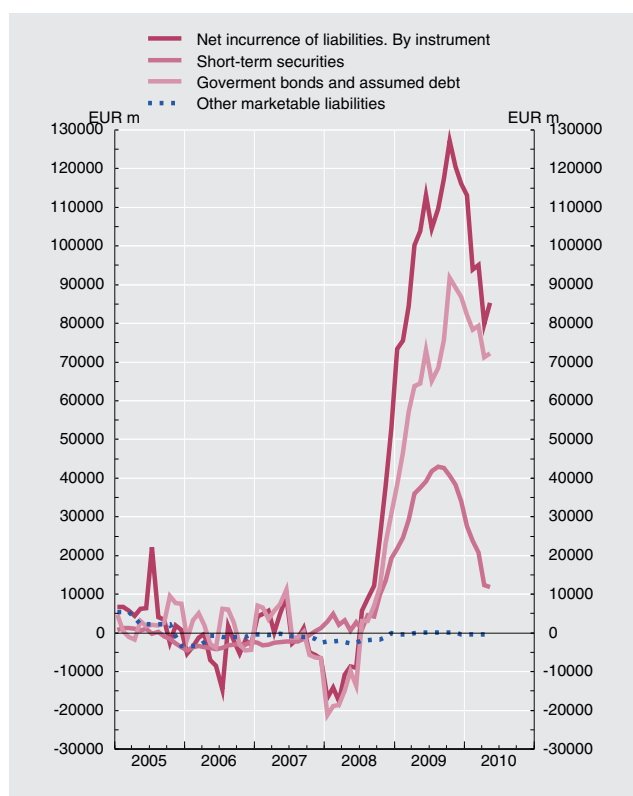
6.2. STATE FINANCIAL TRANSACTIONS. SPAIN

■ Series depicted in chart.

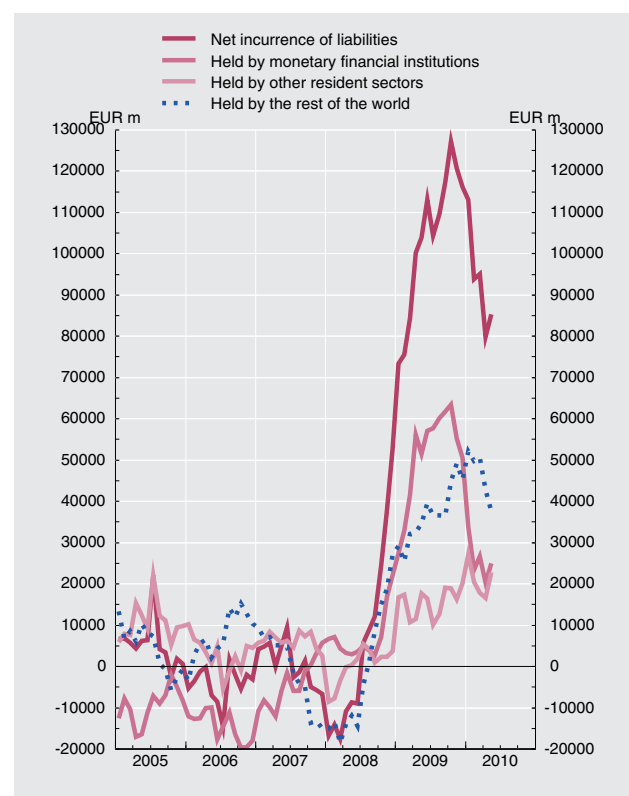
EUR millions

	Net lending (+) or net borrowing(-)	Net acquisition of financial assets		Net incurrence of liabilities											Net incurrence of liabilities (excluding other accounts payable)
				Of which		By instrument						By counterpart sector			
		Total	In currencies other than the peseta/euro			Short-term securities	Government bonds and assumed debt	Banco de España loans	Other marketable liabilities (a)	Other accounts payable	Held by resident sectors			Rest of the world	
				Total	Monetary financial institutions						Other resident sectors				
		1	2	3	4	5	6	7	8	9	10	11	12	13		14	15
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	16 296	-4 197	116 141	1 503	34 043	86 813	-535	-468	-3 713	70 839	50 605	20 234	45 302	119 854
09 J-M	P -19 958	31 303	8 498	51 261	773	17 866	36 160	-535	-84	-2 146	39 563	26 863	12 700	11 698	53 407
10 J-M	A -18 884	1 474	-106	20 358	-70	-4 246	21 656	-544	-6	3 498	16 398	1 190	15 207	3 960	16 860
09 May	P -13 043	-4 549	-6 980	8 494	2	940	6 748	-	13	793	5 353	912	4 441	3 141	7 701
Jun	P -19 606	-5 795	-8 999	13 811	3	1 141	11 477	-	31	1 162	9 855	8 619	1 237	3 956	12 649
Jul	P -10 286	15 203	-3 906	-4 917	2	2 862	-6 468	-	27	-1 338	-4 696	-2 453	-2 243	-221	-3 579
Aug	P -10 511	-5 083	6	5 428	2	3 089	4 367	-	16	-2 044	2 944	1 093	1 850	2 484	7 472
Sep	P -2 448	15 477	3 900	17 925	1 714	2 076	15 354	-	-30	525	8 724	5 383	3 340	9 202	17 400
Oct	P 3 461	12 369	5 996	8 908	-997	2 409	8 047	-	-27	-1 521	1 764	3 238	-1 474	7 144	10 428
Nov	P -12 224	-851	-2 563	11 373	2	4 190	10 655	-	-1	-3 471	2 329	4 977	-2 649	9 044	14 844
Dec	P -28 273	-15 921	-7 129	12 352	2	411	7 221	-	-399	5 119	10 356	2 883	7 473	1 996	7 233
10 Jan	A -719	6 902	1 176	7 621	3	-591	-11 818	-	16	20 014	-1 236	-11 267	10 030	8 857	-12 393
Feb	A 3 971	-10 984	-1 280	-14 955	2	-2 128	9 925	-	-17	-22 734	-10 983	-3 947	-7 036	-3 972	7 780
Mar	A -12 197	479	-2	12 676	-62	947	12 489	-	22	-782	7 551	9 085	-1 534	5 125	13 458
Apr	A 3 233	4 322	-100	1 089	-15	-3 070	3 173	-544	-32	1 561	4 958	1 784	3 174	-3 869	-472
May	A -13 172	755	100	13 927	2	597	7 886	-	4	5 440	16 108	5 536	10 572	-2 181	8 487

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



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



Source: BE.

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

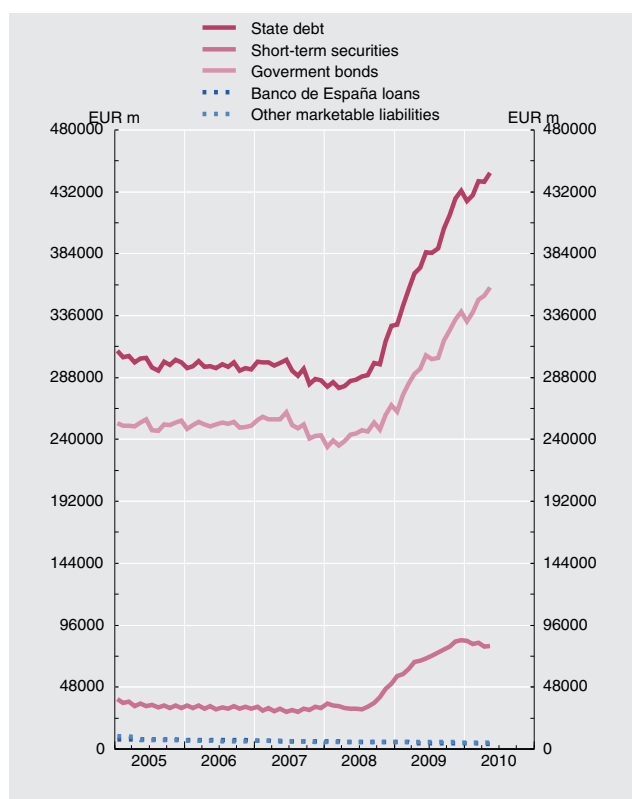
6.3. STATE: LIABILITIES OUTSTANDING. SPAIN

■ Series depicted in chart.

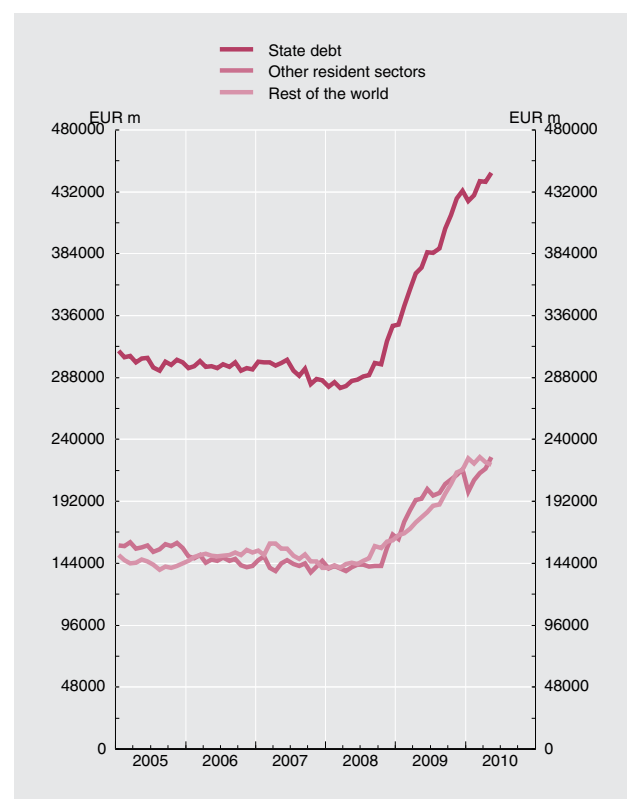
EUR millions

		Liabilities outstanding (excluding other accounts payable)									Memorandum item:		
		State debt according to the methodology of the excessive deficit procedure	of which In currencies other than the peseta/euro	By instrument				By counterpart sector			Deposits at the Banco de España	Guarantees given (contingent liabilities). Outstanding level	
				Short-term securities	Government bonds and assumed debt	Banco de España loans	Other marketable liabilities (a)	Held by resident sectors					Rest of the world
								Total	General government	Other resident sectors			
		1	2	3	4	5	6	7	8	9	10	11	12
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	May	P 373 459	69	68 519	294 853	4 665	5 421	235 942	42 111	193 831	179 628	13 000	39 874
	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 429 354	67	81 304	338 347	4 665	5 037	256 658	48 420	208 238	221 116	201	61 278
	Mar	A 440 223	0	82 275	348 223	4 665	5 059	263 590	49 568	214 022	226 200	200	61 326
	Apr	A 439 918	0	79 231	351 578	4 082	5 027	269 270	51 683	217 587	222 331	99	62 765
	May	A 446 702	0	79 921	357 651	4 082	5 049	278 686	52 179	226 506	220 196	199	64 284

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).

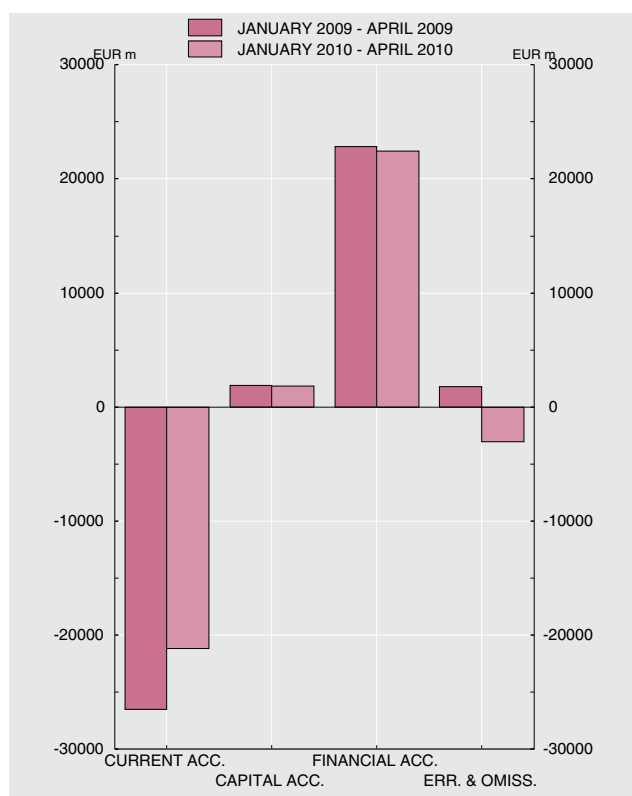
7.1. SPANISH BALANCE OF PAYMENTS VIS-À-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD. CURRENT ACCOUNT

■ Series depicted in chart.

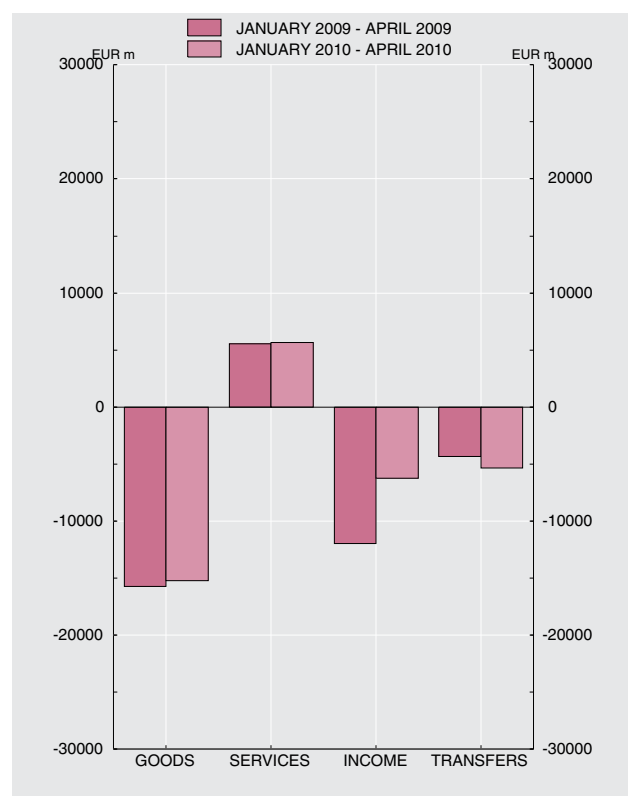
EUR millions

	Current account (a)													Capital account (balance)	Current account plus capital account	Financial account (balance) (b)	Errors and omission (17=-(15+16))
	Total (balance)	Goods			Services				Income			Current transfers (balance)					
		Balance	Receipts	Payments	Balance	Receipts		Payments		Balance	Receipts		Payments				
						Of which		Of which									
						Total	Travel	Total	Travel								
1=2+5+10+13	2=3-4	3	4	5=6-8	6	7	8	9	10=11-12	11	12	13	14	15=1+14	16	17=-(15+16)	
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-58 299	-45 111	160 546	205 657	25 328	88 057	38 125	62 729	12 086	-30 536	40 679	71 215	-7 980	4 057	-54 241	57 580	-3 339
09 J-A	P -26 534	-15 767	51 170	66 937	5 516	26 069	9 579	20 553	3 470	-11 969	12 547	24 516	-4 314	1 912	-24 622	22 819	1 803
10 J-A	P -21 212	-15 222	58 155	73 378	5 634	25 741	9 473	20 107	3 546	-6 275	11 466	17 741	-5 349	1 808	-19 405	22 459	-3 055
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 -4 923	-3 499	15 211	18 710	2 302	7 928	3 595	5 626	1 131	-2 006	2 650	4 657	-1 720	-4	-4 927	6 415	-1 489
Nov	P -5 166	-4 437	14 316	18 753	1 218	6 132	2 365	4 914	1 020	-2 637	2 438	5 076	690	396	-4 770	5 531	-761
Dec	P -4 063	-3 710	13 847	17 557	1 379	6 777	2 041	5 397	951	-2 117	5 698	7 815	384	789	-3 274	2 355	919
10 Jan	P -5 262	-4 091	12 249	16 340	1 284	6 337	2 433	5 053	877	-1 112	3 075	4 187	-1 344	1 293	-3 969	3 887	82
Feb	P -6 264	-2 995	14 206	17 201	1 177	6 072	2 087	4 896	910	-2 118	2 152	4 270	-2 328	170	-6 094	7 353	-1 259
Mar	P -4 480	-3 707	16 881	20 587	1 597	6 856	2 552	5 259	899	-1 761	2 545	4 306	-609	212	-4 268	6 528	-2 260
Apr	P -5 207	-4 430	14 819	19 249	1 576	6 475	2 400	4 899	860	-1 285	3 693	4 978	-1 068	133	-5 074	4 692	383

SUMMARY



CURRENT ACCOUNT



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

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

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

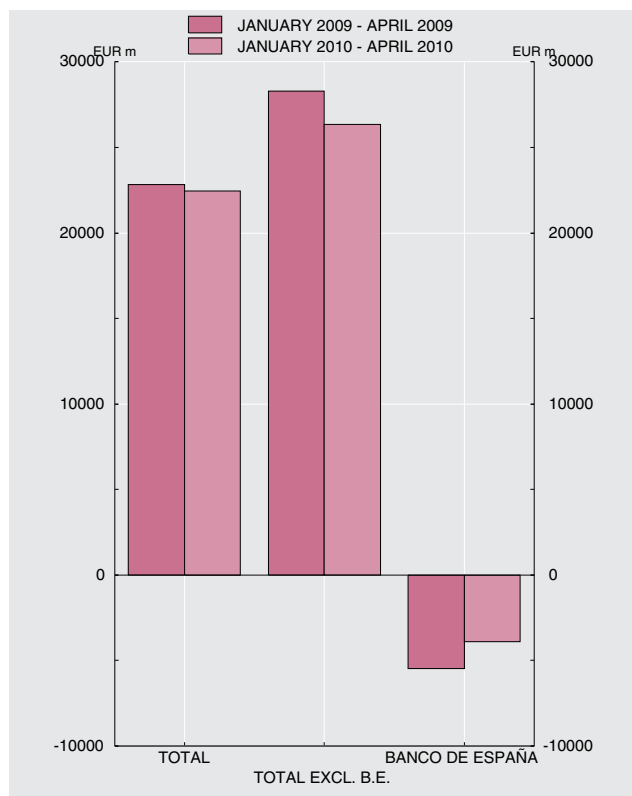
7.2. SPANISH BALANCE OF PAYMENTS VIS-À-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD. FINANCIAL ACCOUNT (a)

■ Series depicted in chart.

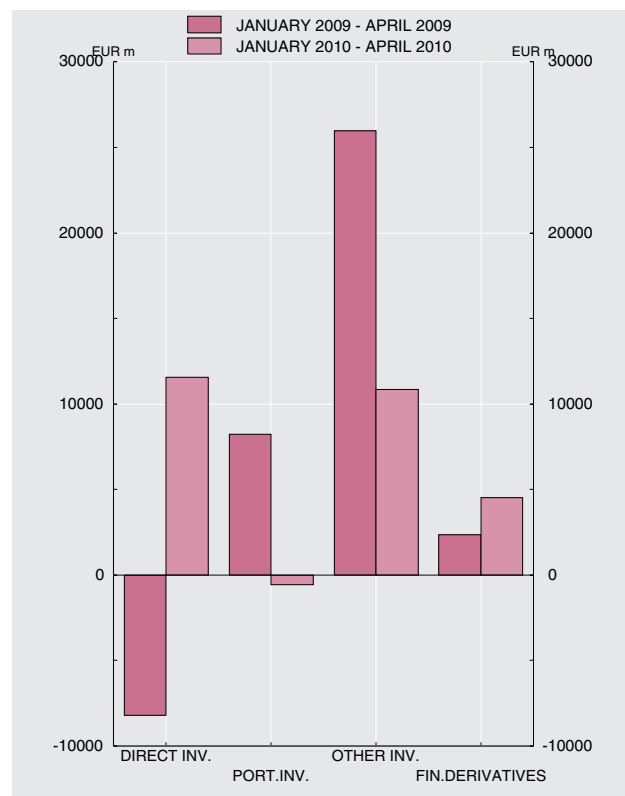
EUR millions

		Financial account (NCL-NCA) 1= 2+13	Total, excluding Banco de España											Banco de España			
			Total (NCL-NCA) 2=3+6+ 9+12	Direct investment			Portfolio investment			Other investment (d)			Net financial derivatives (NCL-NCA) 12	Balance (NCL-NCA) 13=14+ 15+16	Re-serves (e) 14	Net claims with the Euro-system (e) 15	Other net assets (NCL-NCA) 16
				Balance (NCL-NCA) 3=5-4	Spanish investment abroad (NCA) 4	Foreign investment in Spain (NCL) (b) 5	Balance (NCL-NCA) 6=8-7	Spanish investment abroad (NCA) 7	Foreign investment in Spain (NCL) (c) 8	Balance (NCL-NCA) 9=11-10	Spanish investment abroad (NCA) 10	Foreign investment in Spain (NCL) 11					
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	57 580	47 116	-1 103	6 227	5 124	44 921	4 580	49 501	8 964	797	9 761	-5 666	10 464	-1 563	6 146	5 882
09 J-A	P	22 819	28 298	-8 191	9 174	983	8 228	-6 999	1 229	25 988	-14 756	11 232	2 274	-5 480	-284	-9 227	4 031
10 J-A	P	22 459	26 346	11 548	-8 037	3 511	-578	-8 480	-9 058	10 847	-8 348	2 498	4 529	-3 886	-119	-5 396	1 629
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	6 415	12 607	403	-416	-13	11 916	-321	11 595	448	-383	65	-160	-6 191	-38	-6 159	6
Nov	P	5 531	16 834	-2 395	2 628	233	15 453	848	16 301	4 747	-6 885	-2 139	-971	-11 302	71	-11 663	289
Dec	P	2 355	-8 357	-1 489	-4 677	-6 165	-289	-1 063	-1 352	-6 139	14 051	7 911	-441	10 712	-444	11 581	-425
10 Jan	P	3 887	7 205	1 188	-308	880	12 465	-3 260	9 205	-6 802	7 530	728	354	-3 319	-2	-3 730	413
Feb	P	7 353	2 664	8 174	-7 339	836	-19 722	-736	-20 458	13 461	-12 577	885	750	4 689	-113	4 298	504
Mar	P	6 528	4 752	370	445	815	481	3 812	4 293	1 252	-2 310	-1 058	2 649	1 776	1	1 603	172
Apr	P	4 692	11 724	1 816	-835	980	6 197	-8 295	-2 098	2 936	-992	1 944	775	-7 032	-6	-7 566	540

FINANCIAL ACCOUNT
(NCL-NCA)



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



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

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

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

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

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

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

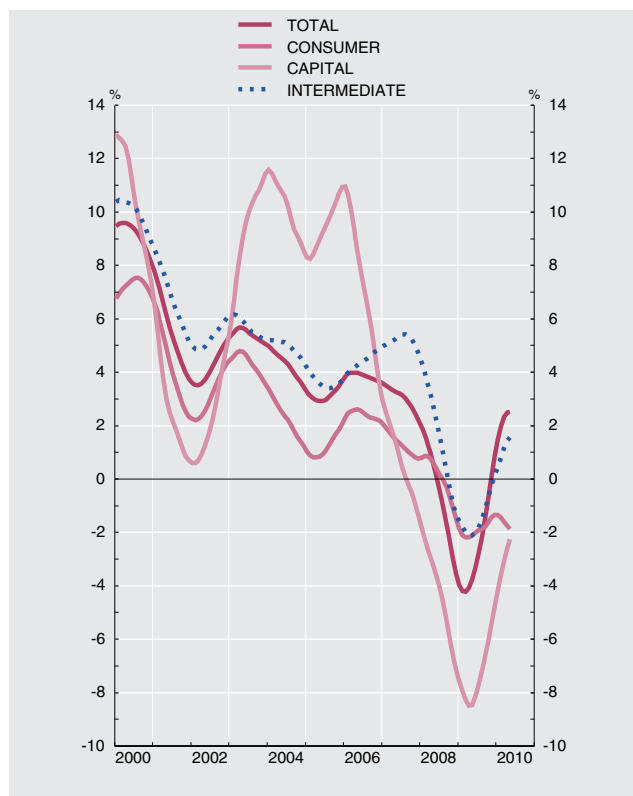
■ Series depicted in chart.

Eur millions and annual percentage changes

		Total			By product (deflated data) (a)						By geographical area (nominal data)							
		EUR millions	Nom- inal	De- flat- ed (a)	Con- sumer	Capital	Intermediate			EU 27		OECD		OPEC	Other Amer- ican coun- tries	China	Newly indus- trial- ised coun- tries	
							Total	Energy	Non- energy	Total	Euro Area	Total	United States					
		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	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	-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	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	1.8	19.6	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	27.6	11.8	13.0	11.7	-3.7	-20.0	30.1	41.2	168.8	
	Mar	P	16 652	21.4	23.8	0.0	42.2	42.3	28.9	42.9	19.3	21.8	19.9	11.4	15.5	22.2	46.8	12.4
	Apr	P	14 623	10.8	10.5	-8.9	24.9	24.3	29.9	24.0	7.1	4.6	9.0	10.0	9.5	13.5	18.9	17.0
	May	P	16 213	25.7	20.7	-4.1	88.7	30.7	10.2	31.8	22.9	23.4	23.2	3.3	-13.5	25.1	24.4	35.5

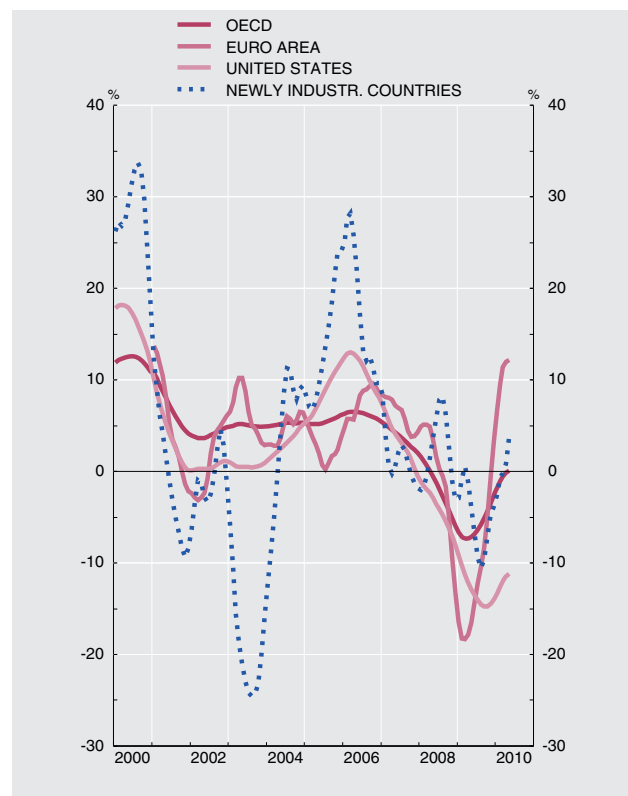
BY PRODUCT

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



BY GEOGRAPHICAL AREA

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



Sources: ME y BE.

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

The monthly series are provisional data, while the annual series are the final foreign trade data.

a. Series deflated by unit value indices.

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

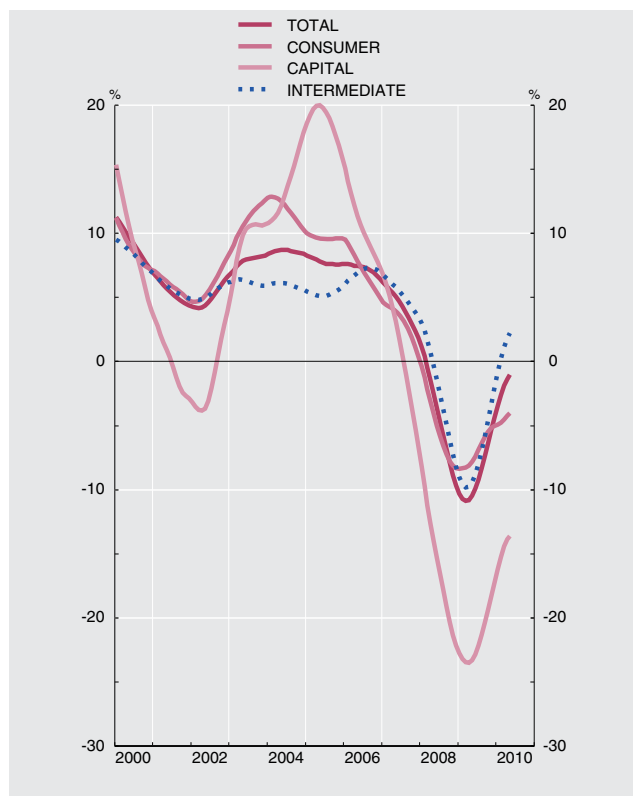
■ Series depicted in chart.

Eur millions and annual percentage changes

		Total			By product (deflated data) (a)						By geographical area (nominal data)							
		EUR millions	Nom- inal	De- flated (a)	Con- sumer	Capital	Intermediate			EU 27		OECD		OPEC	Other American countries	China	Newly indus- trialised coun- tries	
							Total	Energy	Non- energy	Total	Euro Area	Total	United States					
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16			
02		175 268	1.2	4.3	5.0	-5.4	5.9	5.6	5.9	1.7	2.0	0.9	-8.5	-9.0	5.7	13.6	2.4	
03		185 114	5.6	7.1	9.6	12.9	4.8	1.0	5.7	5.8	5.3	5.8	-4.8	-0.5	12.9	16.7	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	P	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	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	
	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	
	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	
	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	
	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	-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	
	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	
	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	
	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	
10	Jan	P	16 601	6.5	8.1	-9.1	-10.3	19.4	8.0	22.7	7.9	3.2	6.0	-12.0	28.7	-3.6	0.0	
	Feb	P	17 548	-3.9	-3.2	-24.5	-2.6	8.2	-18.5	17.4	-8.6	-15.0	-9.1	-31.6	4.5	4.0	8.5	
	Mar	P	20 945	20.6	22.0	2.9	8.3	33.8	11.2	40.2	17.0	12.6	15.6	6.1	40.0	36.4	47.0	
	Apr	P	19 628	16.6	15.4	-0.2	11.1	23.6	6.7	28.4	8.6	5.9	9.9	-1.8	57.7	25.2	22.9	
	May	P	20 378	26.1	19.9	11.8	9.2	25.4	1.0	32.4	19.3	10.1	19.9	17.2	19.3	64.3	52.6	

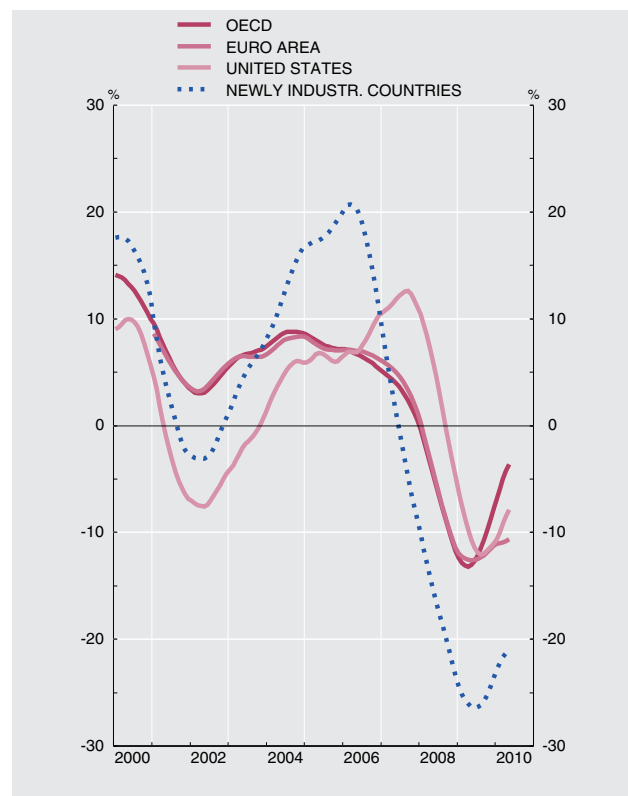
BY PRODUCTS

Annual percentage changes (trend obtained with TRAMO SEATS method)



BY GEOGRAPHICAL AREA

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



Sources: ME y BE.

Note: The underlying series for this indicator are in Tables 18.2 and 18.3 of the Boletín estadístico.

The monthly series are provisional data, while the annual series are the final foreign trade data.

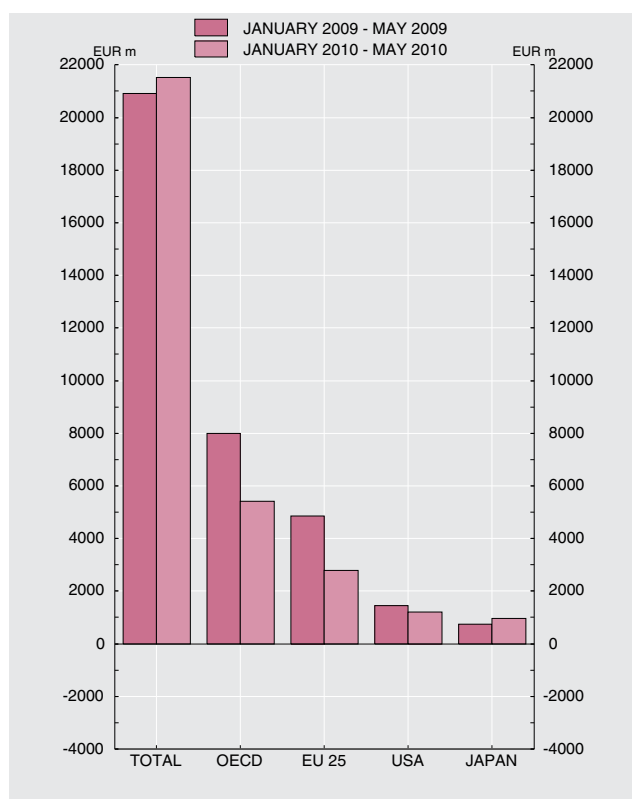
a. Series deflated by unit value indices.

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

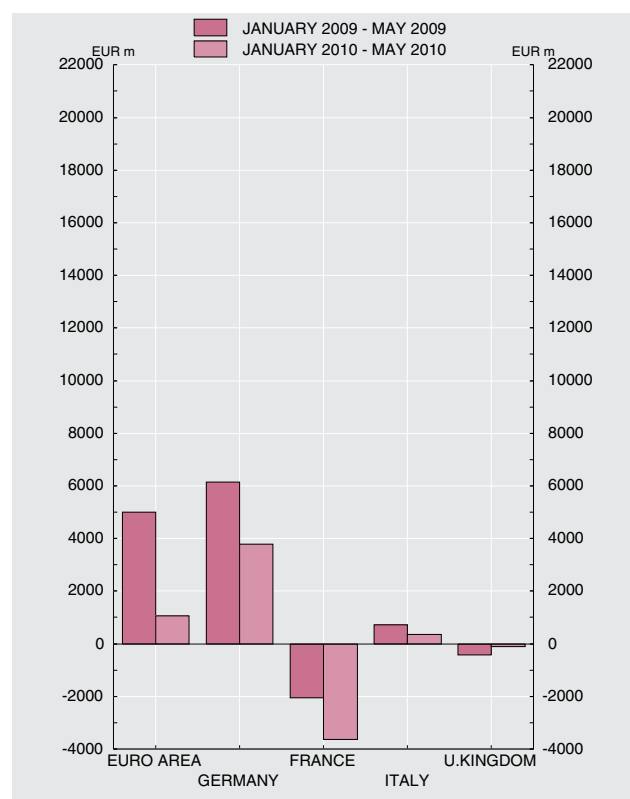
EUR millions

		World total	European Union (EU 27)						OECD				OPEC	Other American countries	China	Newly industrialised countries	
			Total	Euro area				Other EU 27	Of which:								
				Of which:					Total	United States	Japan						
				Total	Germany	France	Italy					Total					United Kingdom
1		2=3+7	3	4	5	6	7	8	9	10	11	12	13	14	15		
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	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
	Mar	P	-4 292	-242	75	-874	808	-77	-317	57	-813	-263	-225	-1 434	-534	-1 279	-239
	Apr	P	-5 004	-1 040	-868	-891	665	-201	-172	69	-1 665	-234	-181	-1 570	-368	-1 094	-169
	May	P	-4 165	-620	42	-652	757	78	-662	-119	-1 030	-229	-221	-1 252	-430	-1 257	-114

CUMULATIVE TRADE DEFICIT



CUMULATIVE TRADE DEFICIT



Source: ME.

Note: The underlying series for this indicator are in Tables 18.3 and 18.5 of the Boletín Estadístico.

The monthly series are provisional data, while the annual series are the final foreign trade data.

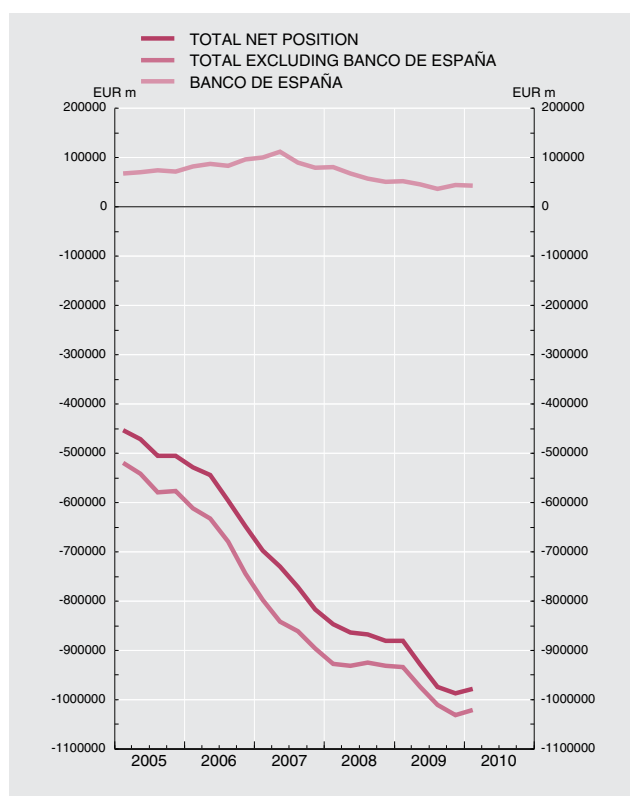
7.6. SPANISH INTERNATIONAL INVESTMENT POSITION VIS-À-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD SUMMARY

■ Series depicted in chart.

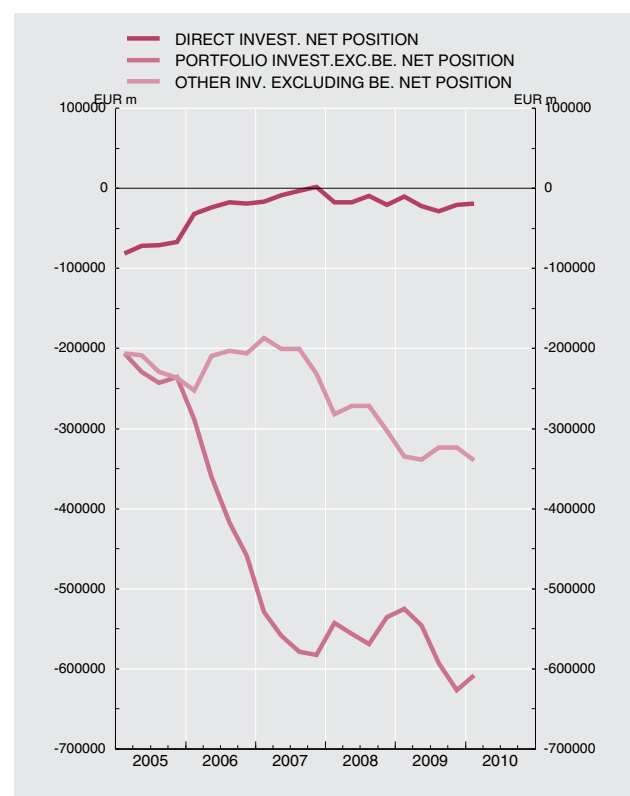
End-of-period stocks in EUR billions

	Net international investment position (assets-liabil.)	Total excluding Banco de España											Banco de España				
		Net position excluding Banco de España (assets - liabil.)	Direct investment			Portfolio investment			Other investment			Financial derivatives Net position (assets-liabil.)	Banco de España Net position (assets-liabil.)	Reserves	Net assets vis-à-vis the Euro-system	Other net assets (assets-liabil.)	
			Net position (assets-liabil.)	Spanish investment abroad (assets)	Foreign investment in Spain (liabil.)	Net position (assets-liabil.)	Spanish investment abroad (assets)	Foreign investment in Spain (liabil.)	Net position (assets-liabil.)	Spanish investment abroad (assets)	Foreign investment in Spain (liabil.)						
	1=2+13	2=3+6+9+12	3=4-5	4	5	6=7-8	7	8	9=10-11	10	11	12	13=14 to 16	14	15	16	
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		-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		-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
Q1		-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
Q2		-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
Q3		-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		-846.7	-927.3	-17.4	397.1	414.5	-607.5	414.4	1 021.9	-281.8	381.2	662.9	-20.7	80.6	13.0	2.8	64.8
Q1		-863.6	-930.8	-17.2	413.5	430.7	-618.2	395.9	1 014.1	-271.9	417.0	688.9	-23.4	67.2	12.7	-7.5	62.0
Q2		-867.4	-924.5	-9.6	428.8	438.4	-631.7	382.4	1 014.1	-271.5	422.9	694.4	-11.7	57.0	13.8	-19.6	62.8
Q3		-880.5	-931.5	-20.8	427.4	448.2	-601.8	356.8	958.6	-302.5	386.6	689.1	-6.4	50.9	14.5	-30.6	67.0
09		-880.9	-933.2	-10.2	438.7	448.9	-588.4	346.1	934.5	-334.6	374.6	709.2	0.0	52.3	15.7	-27.4	64.0
Q1		-928.6	-974.0	-22.4	441.9	464.3	-605.8	367.1	972.9	-338.5	370.7	709.2	-7.3	45.4	15.1	-30.5	60.7
Q2		-973.6	-1 010.5	-28.4	438.0	466.5	-653.3	381.1	1 034.4	-323.9	364.8	688.6	-4.9	36.9	18.3	-42.6	61.2
Q3		-987.6	-1 031.8	-20.5	440.4	460.9	-686.9	382.9	1 069.8	-323.4	370.4	693.8	-1.0	44.1	19.6	-36.4	60.9
10		-978.0	-1 020.4	-18.7	445.5	464.2	-667.9	389.8	1 057.7	-339.5	363.7	703.2	5.7	42.4	20.9	-38.5	60.0
Q1																	

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.

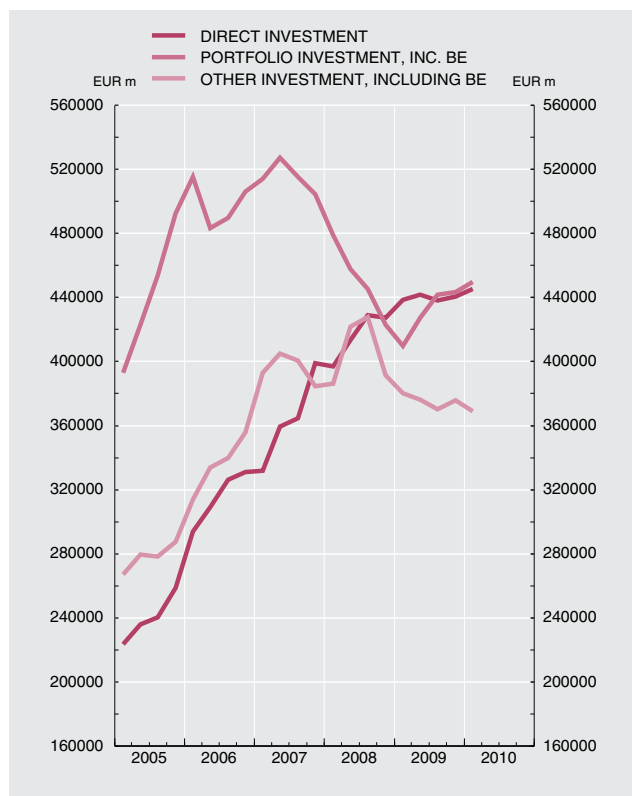
7.7. SPANISH INTERNATIONAL INVESTMENT POSITION VIS-À-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD BREAKDOWN BY INVESTMENT

■ Series depicted in chart.

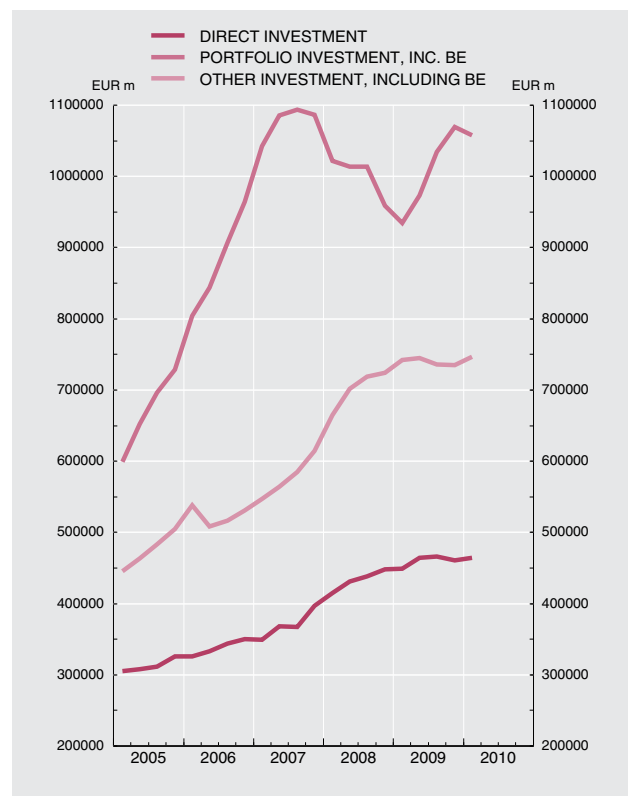
End-of-period stocks in EUR millions

		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				
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		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	26 710	327 169	87 369	103 971	374 981	235 984	785 876	386 105	664 773	53 297	74 001
	Q2	385 831	27 663	339 614	91 110	97 860	360 046	216 631	797 428	421 827	701 270	58 579	82 016
	Q3	398 102	30 734	339 835	98 600	84 037	361 102	200 218	813 893	427 679	718 661	70 066	81 757
	Q4	396 358	31 063	342 565	105 638	65 141	357 842	170 787	787 812	391 372	724 318	108 278	114 027
09	Q1	406 091	32 626	342 071	106 832	58 200	351 435	142 867	791 674	380 077	741 722	111 670	111 538
	Q2	410 034	31 857	341 282	123 029	65 792	361 619	178 368	794 571	376 114	744 777	92 879	100 032
	Q3	408 877	29 173	346 228	120 262	77 334	364 469	219 729	814 718	370 243	736 185	85 194	90 098
	Q4	411 126	29 278	346 968	113 961	84 248	359 271	223 881	845 930	375 861	735 208	77 449	78 498
10	Q1	416 761	28 739	350 241	113 937	95 279	354 335	199 906	857 809	369 151	746 913	93 867	88 286

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.

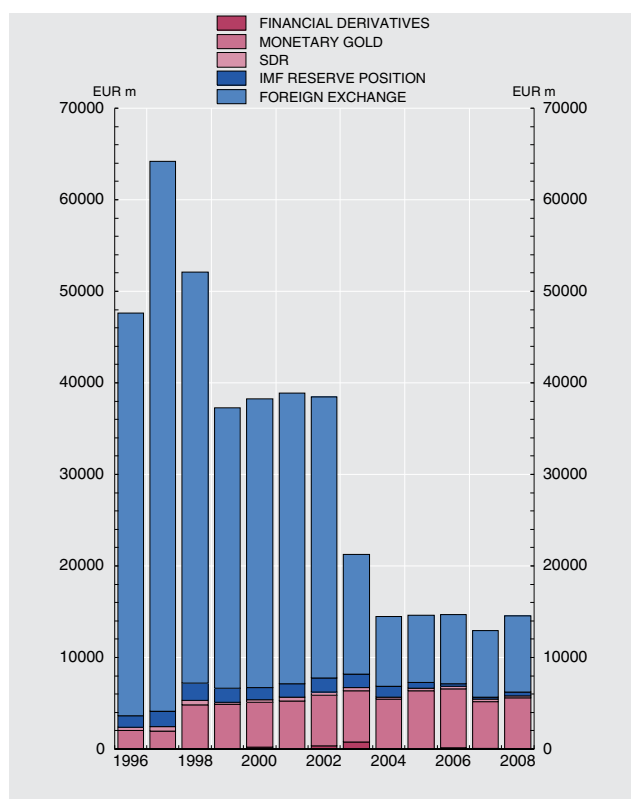
7.8. SPANISH RESERVE ASSETS

■ Series depicted in chart.

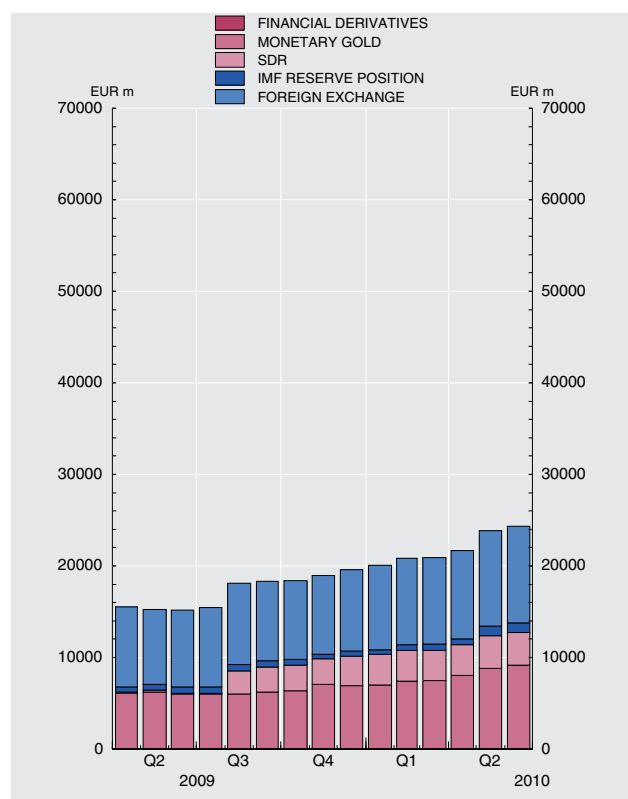
End-of-period stocks in EUR millions

	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
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
Apr	21 657	9 627	644	3 352	8 034	-	9.1
May	23 870	10 444	1 078	3 509	8 839	-	9.1
Jun	24 353	10 555	1 091	3 537	9 169	-	9.1

RESERVE ASSETS
END-OF-YEAR POSITIONS



RESERVE ASSETS
END-OF-MONTH POSITIONS



Source: BE.

Note: From January 1999 the assets denominated in euro and other currencies vis-à-vis residents of other euro area countries are not considered reserve assets. To December 1998, data in pesetas have been converted to euro using the irrevocable euro conversion rate. Since January 1999, all reserve assets are valued at market prices. As of January 2000 reserve assets data have been compiled in accordance with the IMF's new methodological guidelines published in the document 'International Reserves and Foreign Currency Liquidity Guidelines for a Data Template', October 2001 (<http://dsbb.imf.org/Applications/web/sddsguide>). Using this new definition, total reserve assets as at 31.12.99 would have been EUR 37835 million instead of the amount of EUR 37288 million published in this table.

7.9. SPANISH EXTERNAL DEBT VIS-À-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD. SUMMARY

End-of-period positions

EUR millions

	Total	General government						Other monetary financial institutions					
		Total	Short-term		Long-term			Total	Short-term		Long-term		
			Money market instruments	Loans	Bonds and notes	Loans	Trade credits		Money market instruments	Deposits	Bonds and notes	Deposits	
1	2	3	4	5	6	7	8	9	10	11	12		
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	1 595 222	200 162	6 329	558	173 668	19 607	-	768 529	20 424	380 522	256 302	111 281	
Q2	1 649 772	202 265	5 594	161	177 009	19 501	-	794 086	22 729	399 932	258 374	113 051	
Q3	1 688 149	217 753	9 722	493	187 624	19 914	-	792 491	21 269	400 051	258 393	112 778	
Q4	1 672 208	233 762	12 480	2 097	198 366	20 818	-	766 311	12 224	400 691	249 210	104 187	
09 Q1	1 695 074	242 476	15 801	479	204 659	21 537	-	783 746	15 198	411 446	248 405	108 696	
Q2	1 722 015	255 955	21 125	977	211 201	22 652	-	784 190	14 200	409 692	250 957	109 341	
Q3	1 734 586	275 059	31 005	707	219 327	24 021	-	768 456	14 217	391 123	256 689	106 426	
Q4	1 766 887	298 943	44 479	530	229 481	24 453	-	781 478	14 873	384 509	260 047	122 049	
10 Q1	1 787 640	317 491	51 813	115	240 254	25 308	-	788 184	16 642	392 162	257 003	122 377	

7.9. (CONT.) SPANISH EXTERNAL DEBT VIS-À-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD. SUMMARY

End-of-period positions

EUR millions

	Monetary authority			Other residents sectors								Direct investment		
	Total (a)	Short-term	Total	Short-term			Long-term				Total	Vis-à-vis		
		Deposits		Money market instruments	Loans	Other liabilities	Bonds and notes	Loans	Trade credits	Other liabilities		Direct investors	Subsidiaries	
	13	14	15	16	17	18	19	20	21	22	23	24	25	
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	480 104	927	19 320	473	328 226	128 707	320	2 132	144 573	56 022	88 550	
Q2	12 326	12 326	490 021	6 217	20 258	1 465	327 505	132 211	317	2 047	151 074	61 172	89 902	
Q3	24 276	24 276	498 033	18 093	22 468	1 342	318 792	135 151	323	1 865	155 595	62 246	93 349	
Q4	35 233	35 233	476 824	13 329	20 593	2 668	302 204	135 887	322	1 821	160 078	67 252	92 825	
09 Q1	32 491	32 491	474 683	20 066	17 108	3 275	287 545	144 007	356	2 327	161 678	72 214	89 465	
Q2	35 596	35 596	463 607	18 962	15 522	2 416	278 126	145 631	349	2 601	182 667	92 951	89 715	
Q3	47 538	47 538	459 850	13 242	14 278	2 322	280 237	146 657	383	2 731	183 683	91 673	92 010	
Q4	41 400	41 400	459 316	17 974	11 944	2 052	279 076	145 029	381	2 860	185 750	94 398	91 352	
10 Q1	43 673	43 673	455 375	14 597	12 589	2 891	277 500	144 552	387	2 860	182 918	90 109	92 808	

Source: BE.

a. See note b to table 17.21 of the Boletín Estadístico.

8.1.a CONSOLIDATED BALANCE SHEET OF THE EUROSISTEM. NET LENDING TO CREDIT INSTITUTIONS AND ITS COUNTERPARTS

Average of daily data, EUR millions

	Net lending in euro						Counterparts							
Total	Open market operations				Standing facilities		Autonomous factors					Actual reserves of credit institutions		
	Main refinancing operations	Longer-term refinancing operations	Fine-tuning reverse operations (net)	Structural reverse operations (net)	Marginal lending facility	Deposit facility	Total	Bank-notes	Deposits to general government	Gold and net assets in foreign currency	Other assets (net)			
1=2+3+4 +5+6-7	2	3	4	5	6	7	8=9+10 -11-12	9	10	11	12	13		
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	
Apr	518 251	72 798	663 740	-13 286	-	183	205 184	306 870	795 902	117 289	457 309	149 012	211 381	
May	518 635	97 546	692 289	-24 199	-	1 178	248 178	293 449	803 187	117 440	461 565	165 612	225 187	
Jun	496 616	129 940	713 202	-58 607	-	304	288 223	275 553	808 910	133 527	463 359	203 525	221 063	

8.1.b BALANCE SHEET OF THE BANCO DE ESPAÑA. NET LENDING TO CREDIT INSTITUTIONS AND ITS COUNTERPARTS

Average of daily data, EUR millions

	Net lending in euro							Counterparts								
Total	Open market operations					Standing facilities		Intra-ESCB		Autonomous factors					Actual reserves of credit institutions	
	Main refinancing operations	Longer-term refinancing operations	Fine-tuning reserve operations (net)	Structural reserve operations (net)	Marginal lending facility	Deposit facility	Target	Rest	Total	Bank-notes	Deposits to general government	Gold and net assets in foreign currency	Other assets (net)			
	14=15+16+17+18+19-20	15	16	17	18	19	20	21	22	23=24+25-26-27	24	25	26	27		28
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	
Apr	74 603	1 351	89 436	-861	-	-	15 323	41 475	-5 447	12 505	76 714	30 938	17 390	77 757	26 070	
May	85 618	7 984	97 566	-1 785	-	2	18 150	53 407	-5 447	10 853	76 313	30 862	17 638	78 683	26 805	
Jun	126 300	30 119	106 371	-607	-	55	9 638	92 411	-5 447	13 914	76 968	31 662	17 802	76 914	25 422	

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

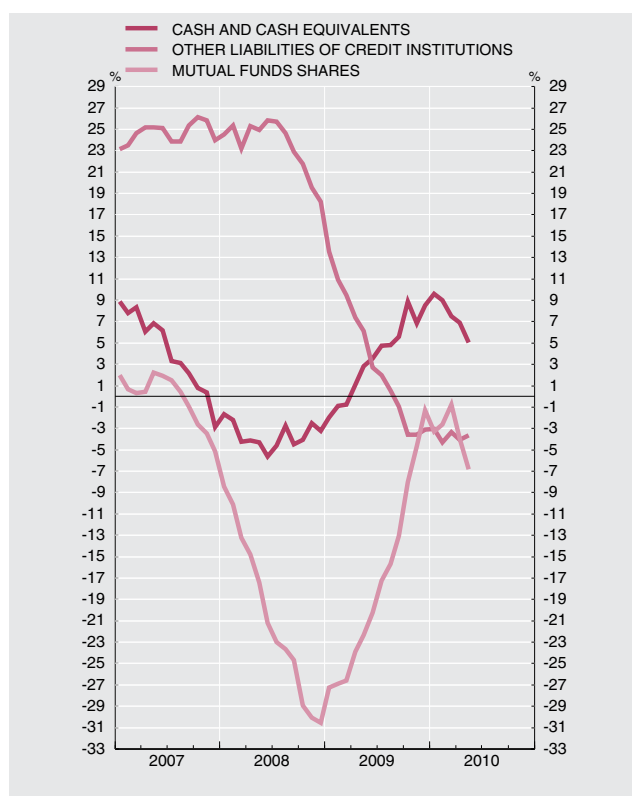
8.2 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES OF NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

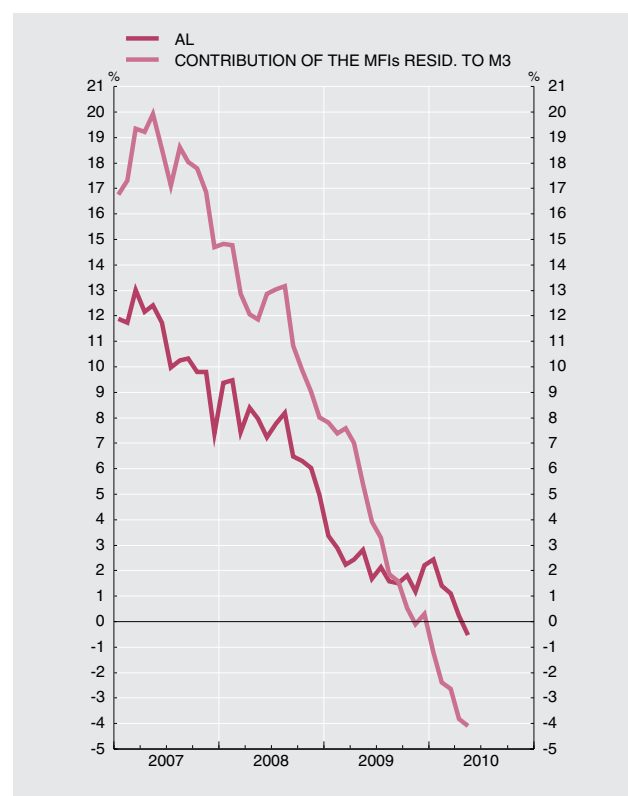
EUR millions and %

	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	461 537	24.0	29.8	-0.0	-10.7	213 263	-5.2	-2.3	-7.3	7.4	14.7
08	481 724	-3.2	0.6	-4.2	545 638	18.2	24.3	-19.7	-8.9	148 107	-30.6	-16.7	-41.3	5.0	8.0
09	522 693	8.5	0.5	10.6	528 611	-3.1	-1.3	-14.6	-39.8	146 214	-1.3	0.5	-3.2	2.2	0.3
09 Feb	476 157	-0.9	1.3	-1.4	538 216	10.9	16.8	-27.1	-22.3	147 722	-26.9	-18.5	-34.8	2.9	7.4
Mar	476 878	-0.8	1.8	-1.4	538 390	9.5	15.5	-30.2	-21.3	144 589	-26.6	-19.5	-33.7	2.2	7.0
Apr	476 047	1.1	2.9	0.6	540 283	7.4	11.8	-21.8	-26.4	147 470	-23.9	-16.5	-31.2	2.4	7.6
May	490 533	2.8	3.2	2.7	540 669	6.1	9.7	-16.7	-25.5	146 944	-22.3	-15.1	-29.4	2.8	5.4
Jun	505 261	3.6	3.2	3.7	537 109	2.7	7.2	-20.4	-48.7	143 622	-20.2	-14.5	-26.0	1.7	3.9
Jul	502 567	4.8	3.8	5.0	538 184	2.0	5.8	-19.9	-41.4	144 507	-17.2	-11.0	-23.6	2.1	3.3
Aug	501 010	4.8	3.9	5.0	537 789	0.5	4.2	-20.7	-42.0	145 748	-15.7	-9.7	-21.9	1.6	1.9
Sep	505 291	5.6	3.8	6.0	532 329	-0.9	2.6	-24.0	-35.2	145 654	-13.0	-5.9	-20.5	1.5	1.6
Oct	506 846	8.9	-0.5	11.4	523 020	-3.6	-0.3	-27.0	-31.2	144 387	-8.0	-2.5	-13.9	1.8	0.5
Nov	508 253	6.8	-0.0	8.6	522 661	-3.6	-1.4	-20.7	-28.2	144 514	-4.7	-0.1	-9.7	1.2	-0.1
Dec	522 693	8.5	0.5	10.6	528 611	-3.1	-1.3	-14.6	-39.8	146 214	-1.3	0.5	-3.2	2.2	0.3
10 Jan	P 518 415	9.6	1.0	11.9	521 468	-3.0	-1.2	-19.7	-29.8	144 932	-3.3	-3.2	-3.4	2.4	-1.2
Feb	P 519 032	9.0	0.8	11.1	515 131	-4.3	-2.2	-23.1	-38.5	143 869	-2.6	-5.4	0.7	1.4	-2.4
Mar	P 512 629	7.5	1.0	9.2	520 495	-3.3	-1.4	-19.8	-40.3	143 517	-0.7	-7.5	7.3	1.1	-2.6
Apr	P 509 031	6.9	-0.4	8.9	518 406	-4.0	-1.8	-25.5	-30.2	141 693	-3.9	-10.9	4.4	0.2	-3.8
May	P 515 372	5.1	-0.1	6.4	520 842	-3.7	-0.1	-35.2	-40.7	136 923	-6.8	-13.7	1.3	-0.5	-4.1

NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHS
Annual percentage change



NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHS
Annual percentage change



Source: BE.

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

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

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

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

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

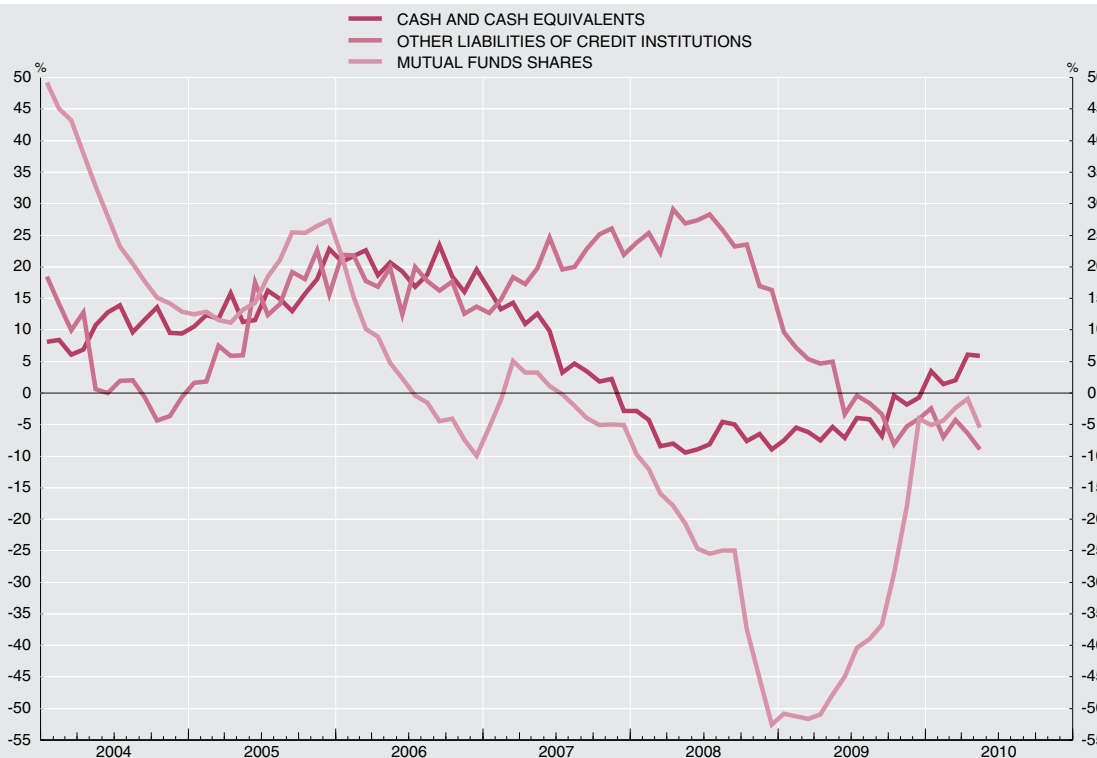
8.3 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES OF NON-FINANCIAL CORPORATIONS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

EUR millions and %

		Cash and cash equivalents (b)		Other liabilities of credit institutions				Mutual funds shares		
		Stocks	Annual growth rate	Stocks	Annual growth rate	Annual growth rate		Stocks	Annual growth rate	Annual growth rate
						Other deposits (c)	Repos + credit instit. securit.+ dep. in branches abroad			Fixed income in EUR (d)
		1	2	3	4	5	6	7	8	9
										10
07		133 469	-2.8	101 522	22.0	37.4	0.4	25 188	-5.0	-2.2
08		121 593	-8.9	118 098	16.3	25.1	-0.4	11 959	-52.5	-42.7
09		120 775	-0.7	113 343	-4.0	9.2	-35.7	11 475	-4.0	-6.4
09	Feb	117 432	-5.4	111 817	7.2	16.8	-13.1	11 893	-51.2	-44.1
	Mar	115 491	-6.2	112 190	5.4	16.7	-18.5	11 642	-51.7	-45.2
	Apr	109 632	-7.5	114 936	4.7	11.7	-11.6	11 354	-50.9	-47.2
	May	114 444	-5.3	117 216	5.0	11.8	-10.9	11 500	-47.8	-44.0
	Jun	116 041	-7.1	114 366	-3.3	8.2	-27.6	11 252	-44.9	-42.7
	Jul	113 274	-3.9	115 479	-0.4	12.6	-27.7	11 760	-40.4	-36.5
	Aug	115 459	-4.1	116 753	-1.6	12.3	-30.7	11 860	-38.9	-34.7
	Sep	117 229	-6.9	115 648	-3.3	13.2	-35.5	11 847	-36.8	-31.1
	Oct	115 433	-0.4	111 485	-8.1	7.9	-40.6	11 265	-28.6	-27.0
	Nov	118 459	-1.9	110 806	-5.3	9.3	-37.6	11 304	-18.0	-17.2
	Dec	120 775	-0.7	113 343	-4.0	9.2	-35.7	11 475	-4.0	-6.4
10	Jan	119 672	3.4	108 716	-2.5	9.6	-34.8	11 443	-5.1	-8.8
	Feb	119 076	1.4	104 036	-7.0	4.9	-40.4	11 376	-4.4	-10.8
	Mar	117 841	2.0	107 366	-4.3	6.3	-36.4	11 368	-2.4	-12.5
	Apr	116 287	6.1	107 587	-6.4	4.0	-36.9	11 246	-0.9	-7.9
	May	121 141	5.9	106 742	-8.9	3.4	-44.9	10 874	-5.4	-13.4

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.

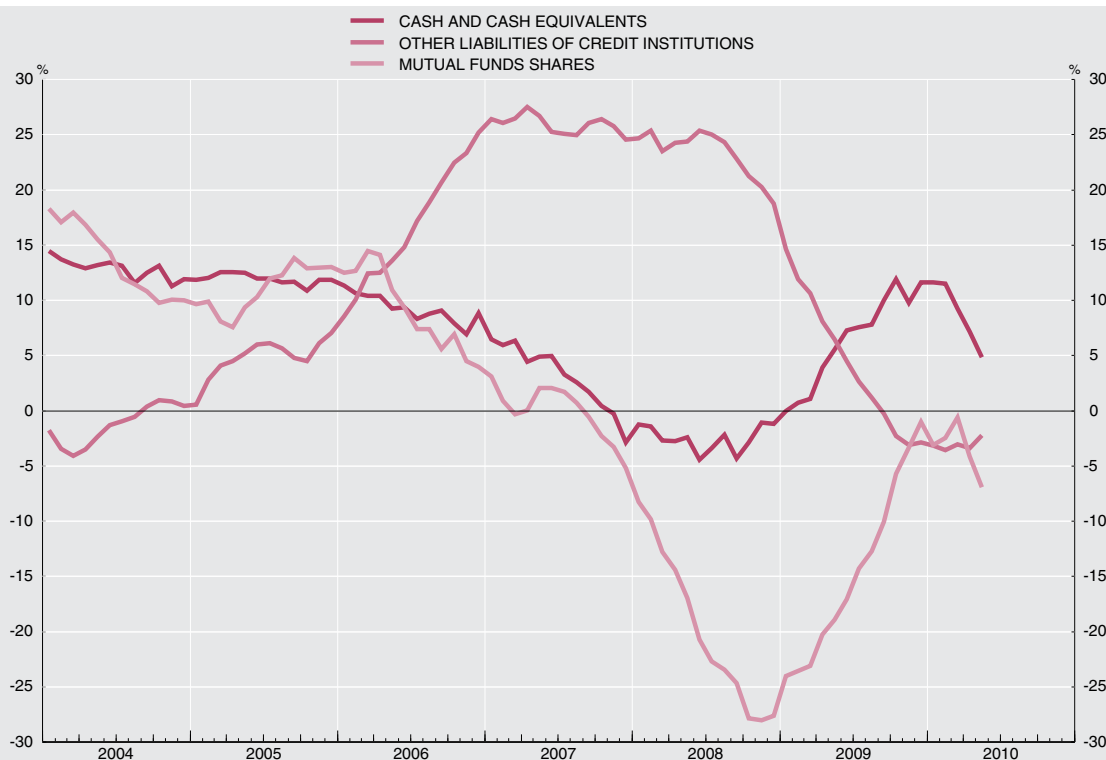
8.4 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES OF HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN (a)

■ 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	360 016	24.6	28.4	-4.4	188 075	-5.2	-2.3	-7.3
08		360 131	-1.2	3.6	-2.7	427 540	18.8	24.2	-37.0	136 148	-27.6	-13.3	-38.7
09		401 919	11.6	0.8	15.3	415 268	-2.9	-3.5	9.1	134 738	-1.0	1.1	-3.4
09	Feb	358 725	0.7	3.9	-0.3	426 399	11.9	16.7	-40.2	135 829	-23.6	-15.0	-31.6
	Mar	361 387	1.1	4.1	0.1	426 200	10.6	15.2	-39.7	132 947	-23.1	-16.0	-30.3
	Apr	366 415	3.9	5.0	3.6	425 347	8.1	11.8	-33.8	136 116	-20.2	-12.4	-28.0
	May	376 090	5.6	5.1	5.7	423 453	6.5	9.3	-25.6	135 444	-19.0	-11.3	-26.5
	Jun	389 220	7.3	4.8	8.0	422 743	4.5	7.0	-23.1	132 370	-17.0	-10.8	-23.4
	Jul	389 294	7.6	5.1	8.4	422 705	2.7	4.4	-18.7	132 747	-14.3	-7.8	-20.9
	Aug	385 552	7.8	5.1	8.7	421 036	1.2	2.5	-16.7	133 888	-12.7	-6.5	-19.1
	Sep	388 062	10.0	4.7	11.7	416 681	-0.3	0.5	-11.4	133 807	-10.1	-2.8	-17.7
	Oct	391 413	11.9	0.3	16.0	411 535	-2.3	-2.0	-6.7	133 122	-5.7	0.2	-12.1
	Nov	389 794	9.8	0.5	13.0	411 855	-3.1	-3.5	4.5	133 210	-3.3	1.6	-8.8
	Dec	401 919	11.6	0.8	15.3	415 268	-2.9	-3.5	9.1	134 738	-1.0	1.1	-3.4
10	Jan	P 398 743	11.6	1.2	15.1	412 753	-3.2	-3.3	-0.3	133 489	-3.1	-2.7	-3.6
	Feb	P 399 957	11.5	1.1	15.0	411 095	-3.6	-3.6	-3.6	132 493	-2.5	-4.9	0.4
	Mar	P 394 788	9.2	1.3	11.9	413 128	-3.1	-3.0	-5.0	132 148	-0.6	-7.0	7.1
	Apr	P 392 745	7.2	-0.1	9.6	410 819	-3.4	-3.0	-11.8	130 446	-4.2	-11.1	4.2
	May	P 394 231	4.8	0.2	6.3	414 101	-2.2	-0.9	-24.8	126 049	-6.9	-13.7	1.1

HOUSEHOLDS AND NPISH
Annual percentage change



Source: BE.

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

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

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

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

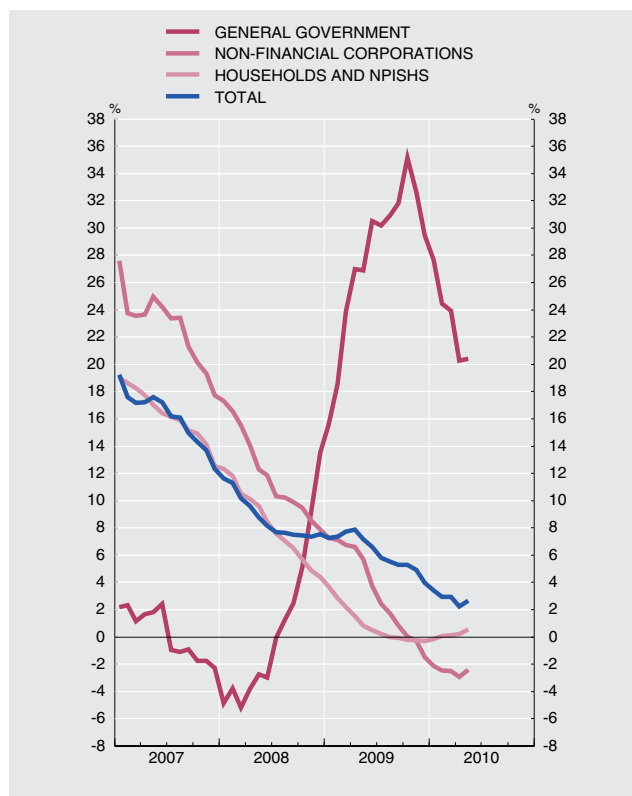
8.5. FINANCING OF NON-FINANCIAL SECTORS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

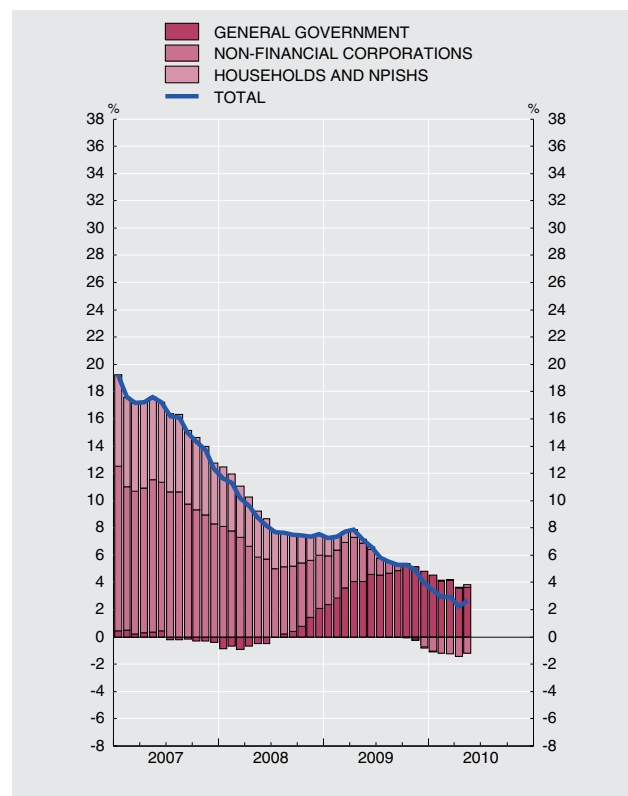
EUR millions and %

	Total			Annual growth rate							Contribution to col. 3						
	Stocks	Effective flow	Annual growth rate	General government (b)	Non-financial corp. and households and NPISHs						General government (b)	Non-financial corp. and households and NPISHs					
					By sectors		By instruments			By sectors		By instruments					
					Non-financial corporations	Households and NPISHs	Credit institutions' loans & securit. funds	Securities other than shares	External loans	Non-financial corporations		Households and NPISHs	Credit institutions' loans & securit. funds	Securities other than shares	External loans		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
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	2 649 363	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	2 773 098	105 298	4.0	29.5	-1.0	-1.5	-0.3	-2.0	37.0	-0.2	4.8	-0.8	-0.7	-0.1	-1.4	0.6	-0.0
09 Feb	2 668 540	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	2 684 101	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	2 707 487	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	2 709 447	1 831	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	2 735 016	14 154	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	2 733 937	-2 364	5.8	30.2	1.5	2.4	0.2	-0.0	26.2	7.7	4.5	1.3	1.2	0.1	-0.0	0.4	0.9
Aug	2 726 349	-8 097	5.5	31.0	1.0	1.7	-0.0	-0.6	25.4	7.4	4.7	0.9	0.9	-0.0	-0.4	0.4	0.9
Sep	2 741 327	16 819	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	2 752 149	11 076	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	2 771 510	20 211	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	2 773 098	-6 050	4.0	29.5	-1.0	-1.5	-0.3	-2.0	37.0	-0.2	4.8	-0.8	-0.7	-0.1	-1.4	0.6	-0.0
10 Jan	P 2 756 070	-14 177	3.4	27.7	-1.3	-2.1	-0.1	-2.3	33.2	-0.5	4.5	-1.1	-1.1	-0.0	-1.6	0.5	-0.1
Feb	P 2 760 541	4 772	2.9	24.5	-1.4	-2.5	0.1	-2.2	29.5	-1.4	4.1	-1.2	-1.2	0.0	-1.5	0.5	-0.2
Mar	P 2 778 488	18 095	3.0	23.9	-1.4	-2.5	0.1	-2.1	32.3	-2.6	4.2	-1.2	-1.2	0.0	-1.4	0.5	-0.3
Apr	P 2 781 799	4 063	2.2	20.3	-1.7	-2.9	0.2	-2.3	39.5	-3.6	3.6	-1.4	-1.4	0.1	-1.6	0.7	-0.4
May	P 2 794 788	13 544	2.7	20.4	-1.2	-2.4	0.5	-2.0	47.8	-3.6	3.7	-1.0	-1.2	0.2	-1.4	0.8	-0.4

FINANCING OF NON-FINANCIAL SECTORS
Annual percentage change



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



Source: BE.

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

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

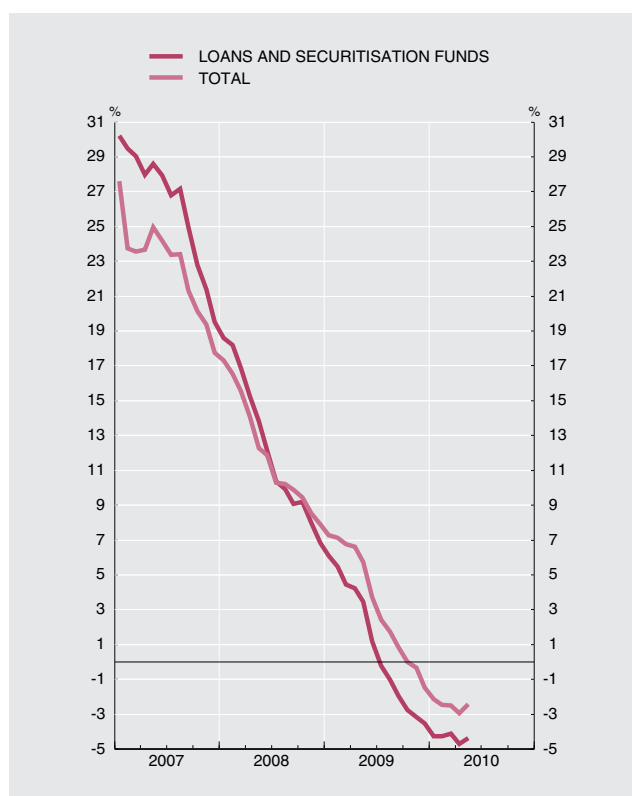
8.6. FINANCING OF NON-FINANCIAL CORPORATIONS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

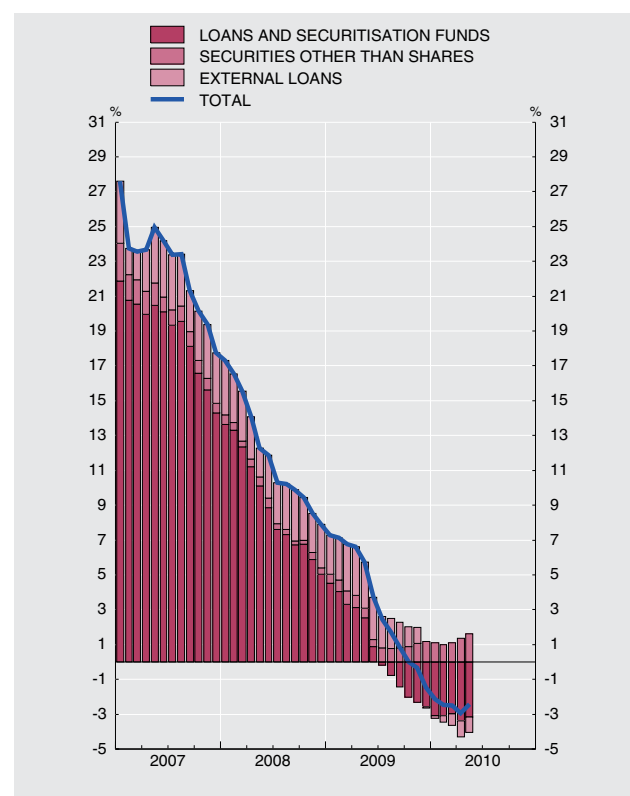
EUR millions and %

	Total			Resident credit institutions' loans and off-balance-sheet securitised loans			Securities other than shares (b)				External loans			Memorandum items: off-balance-sheet securitised loans
	Stocks	Effective flow	Annual growth rate	Stocks	Annual growth rate	Contribution to col.3	of which		Annual growth rate	Contribution to col.3	Stocks	Annual growth rate	Contribution to col.3	
							Stocks	Issues by resident financ. subsid.						
	1	2	3	4	5	6	7	8	9	10	11	12	13		14
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	1 306 593	95 981	7.9	954 134	6.8	5.0	41 063	25 648	12.1	0.4	311 396	10.8	2.5	2 060
09	1 310 437	-19 390	-1.5	916 357	-3.5	-2.6	56 254	40 095	37.0	1.2	337 826	-0.3	-0.1	1 252
09 Feb	1 313 408	2 611	7.1	953 408	5.5	4.0	44 680	30 002	22.0	0.7	315 320	10.5	2.4	1 900
Mar	1 315 889	3 554	6.8	952 533	4.4	3.3	45 424	30 788	26.5	0.8	317 931	11.7	2.7	1 788
Apr	1 323 923	7 751	6.6	955 121	4.2	3.1	45 774	31 893	24.4	0.7	323 028	12.0	2.8	2 787
May	1 320 699	-3 600	5.7	953 207	3.5	2.5	45 101	31 520	18.0	0.5	322 392	11.3	2.6	2 476
Jun	1 323 611	-9 103	3.7	940 241	1.2	0.9	44 475	31 731	12.9	0.4	338 895	10.5	2.5	1 560
Jul	1 324 267	-996	2.4	936 122	-0.2	-0.2	49 884	35 958	26.2	0.8	338 261	7.7	1.8	1 485
Aug	1 315 503	-9 532	1.7	926 637	-1.0	-0.8	49 505	35 444	25.4	0.8	339 361	7.3	1.7	1 461
Sep	1 313 499	-820	0.8	924 947	-2.0	-1.4	49 383	35 363	26.9	0.8	339 168	6.1	1.5	1 444
Oct	1 311 577	-1 998	0.0	922 853	-2.8	-2.0	50 844	35 330	29.5	0.9	337 880	4.8	1.1	1 402
Nov	1 309 783	-1 267	-0.3	918 855	-3.1	-2.3	55 168	39 262	34.0	1.1	335 759	3.8	0.9	1 414
Dec	1 310 437	-7 939	-1.5	916 357	-3.5	-2.6	56 254	40 095	37.0	1.2	337 826	-0.3	-0.1	1 252
10 Jan	P 1 301 306	-6 551	-2.1	909 621	-4.3	-3.1	57 618	41 388	33.2	1.1	334 068	-0.5	-0.1	1 217
Feb	P 1 299 503	-1 780	-2.5	908 076	-4.3	-3.1	57 857	41 445	29.5	1.0	333 570	-1.5	-0.4	1 183
Mar	P 1 302 585	2 707	-2.5	907 959	-4.1	-3.0	60 113	43 128	32.3	1.1	334 513	-2.7	-0.6	1 136
Apr	P 1 304 220	2 036	-2.9	904 750	-4.7	-3.4	63 868	45 871	39.5	1.4	335 602	-3.7	-0.9	1 109
May	P 1 307 055	3 149	-2.4	905 817	-4.4	-3.2	66 641	46 656	47.8	1.6	334 596	-3.7	-0.9	1 085

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.

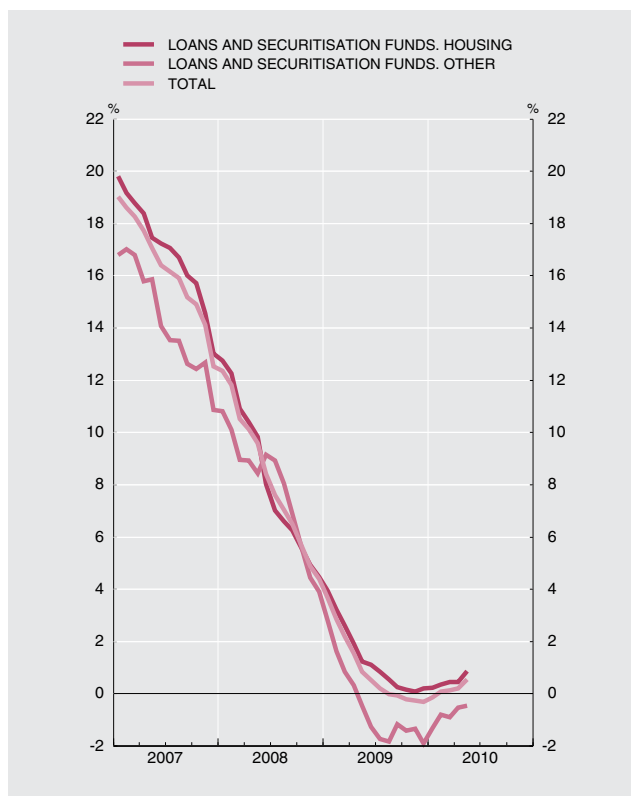
8.7. FINANCING OF HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

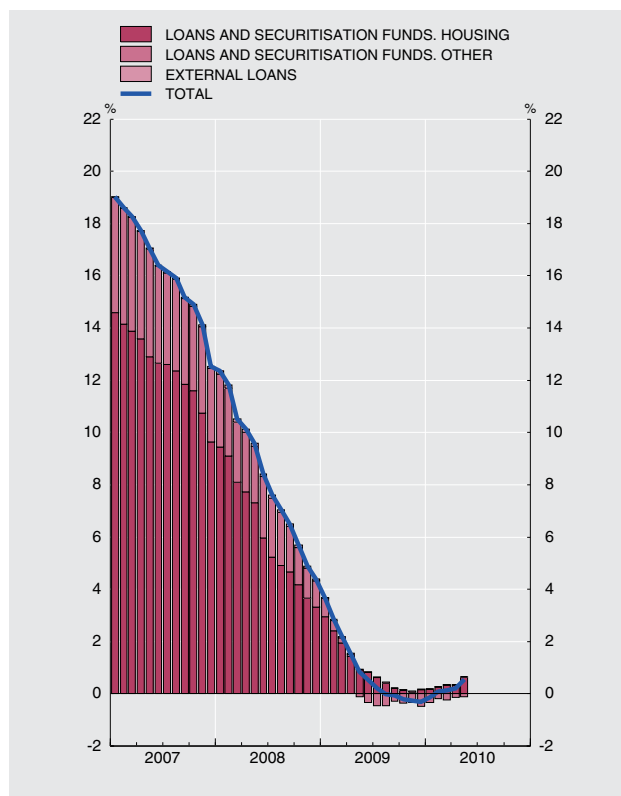
EUR millions and %

	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	903 013	-2 726	-0.3	678 552	0.2	0.1	221 824	-1.9	-0.5	2 637	11.0	0.0	23 986	2 986
09 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	902 737	-1 404	2.2	677 119	2.6	1.9	223 059	0.8	0.2	2 559	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	905 593	-2 505	0.2	677 543	0.8	0.6	225 447	-1.7	-0.4	2 603	12.7	0.0	24 756	3 537
Aug	903 012	-2 323	-0.0	676 883	0.5	0.4	223 520	-1.8	-0.5	2 610	13.0	0.0	24 599	3 424
Sep	902 898	543	-0.1	676 739	0.3	0.2	223 538	-1.2	-0.3	2 621	13.0	0.0	24 305	3 310
Oct	903 451	884	-0.2	677 498	0.2	0.1	223 319	-1.4	-0.4	2 634	12.2	0.0	24 155	3 210
Nov	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	903 013	-4 790	-0.3	678 552	0.2	0.1	221 824	-1.9	-0.5	2 637	11.0	0.0	23 986	2 986
10 Jan	P 901 658	-1 085	-0.1	678 682	0.2	0.2	220 331	-1.3	-0.3	2 645	5.8	0.0	23 798	2 894
Feb	P 900 584	-795	0.1	678 908	0.4	0.3	219 020	-0.8	-0.2	2 656	5.3	0.0	23 564	2 784
Mar	P 899 003	-1 058	0.1	679 016	0.4	0.3	217 310	-0.9	-0.2	2 678	4.6	0.0	23 445	2 705
Apr	P 900 461	1 807	0.2	679 117	0.4	0.3	218 656	-0.5	-0.1	2 687	4.6	0.0	23 338	2 619
May	P 902 135	1 915	0.5	680 690	0.9	0.6	218 747	-0.5	-0.1	2 697	4.5	0.0	22 942	2 509

FINANCING OF HOUSEHOLDS AND NPISHs
Annual percentage change



FINANCING OF HOUSEHOLDS AND NPISHs
Contributions to the annual percentage change



Source: BE.

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

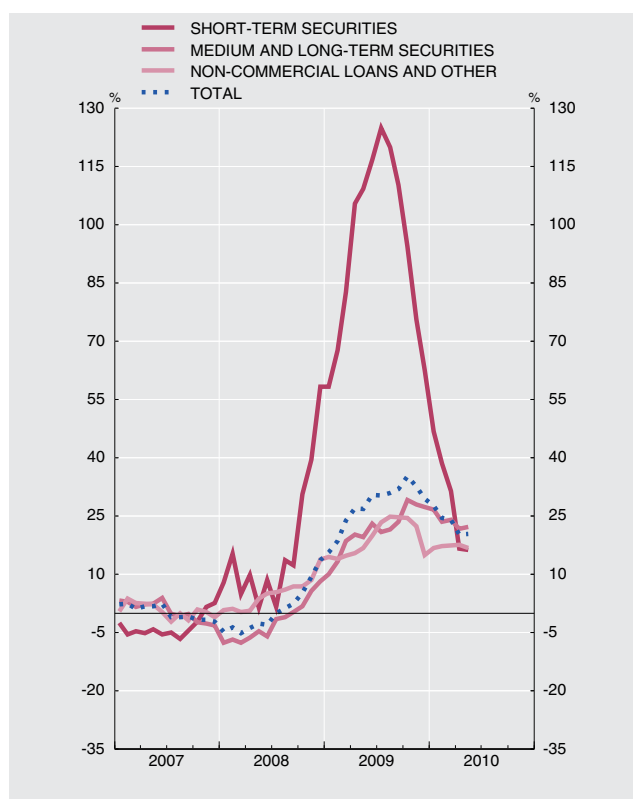
8.8. GROSS FINANCING OF SPAIN'S GENERAL GOVERNMENT

■ Series depicted in chart.

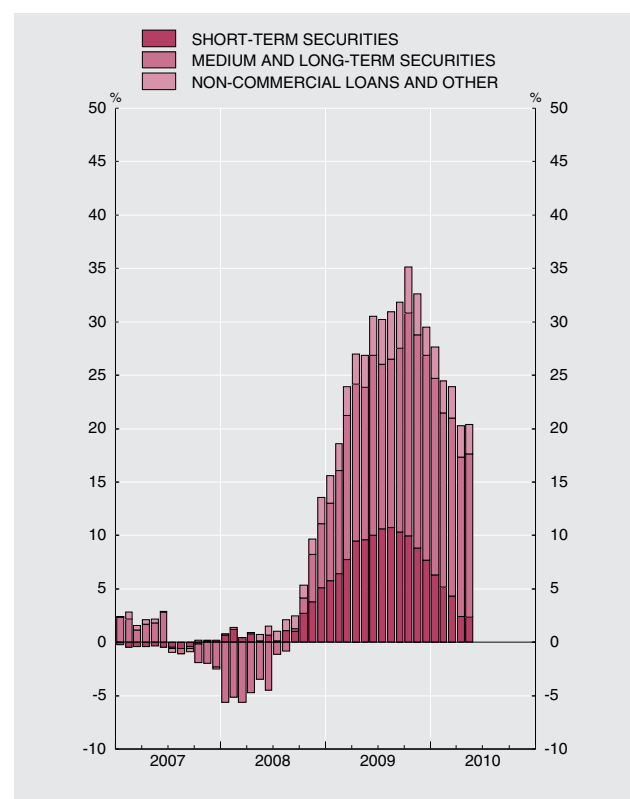
EUR millions and %

	Gross financing			Short-term securities				Medium and long term securities				Non Commercial Loans and Others (b)			
	EDP Debt (a)	Monthly change	12 month % change	Total	Monthly change	12 month % change	Contribution to 12-month % change	Total	Monthly change	12 month % change	Contribution to 12-month % change	Total	Monthly change	12 month % change	Contribution to 12-month % change
	1=4+8+12	2=5+9+13	3	4	5	6	7	8	9	10	11	12	13	14	15
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	P 559 647	127 414	29.5	86 001	33 125	62.6	7.7	385 528	82 872	27.4	19.2	88 118	11 417	14.9	2.6
08 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 502 940	16 633	30.5	71 807	1 446	116.6	10.0	346 566	11 699	23.0	16.8	84 567	3 488	19.9	3.6
Jul	P 504 077	1 137	30.2	74 012	2 206	124.9	10.6	344 464	-2 102	20.9	15.4	85 601	1 034	23.4	4.2
Aug	P 507 834	3 757	31.0	76 512	2 499	119.9	10.8	345 105	641	21.5	15.8	86 218	617	24.9	4.4
Sep	P 524 930	17 096	31.8	78 475	1 963	110.3	10.3	359 130	14 025	23.5	17.2	87 326	1 108	24.7	4.3
Oct	P 537 121	12 191	35.2	81 327	2 852	94.3	9.9	367 858	8 729	29.1	20.9	87 936	610	24.4	4.3
Nov	P 552 968	15 847	32.6	85 522	4 195	75.6	8.8	379 901	12 043	28.0	20.0	87 545	-391	22.4	3.8
Dec	P 559 647	6 680	29.5	86 001	480	62.6	7.7	385 528	5 627	27.4	19.2	88 118	573	14.9	2.6
10 Jan	A 553 106	-6 541	27.7	85 770	-231	46.8	6.3	377 628	-7 900	26.7	18.4	89 708	1 590	16.7	3.0
Feb	A 560 453	7 347	24.5	83 532	-2 238	38.6	5.2	385 480	7 852	23.5	16.3	91 441	1 733	17.3	3.0
Mar	A 576 899	16 447	23.9	84 642	1 111	31.4	4.3	399 755	14 274	24.0	16.6	92 502	1 061	17.4	3.0
Apr	A 577 119	219	20.3	81 352	-3 290	16.7	2.4	402 690	2 936	21.7	14.9	93 076	574	17.6	2.9
May	A 585 598	8 479	20.4	81 749	397	16.2	2.3	409 119	6 428	22.2	15.3	94 731	1 655	16.8	2.8

GROSS FINANCING OF GENERAL GOVERNMENT
Annual percentage changes



GROSS FINANCING OF GENERAL GOVERNMENT
Contributions to the annual percentage change



FUENTE: BE.

a. Debt according to Excessive Deficit Procedure (EDP). Consolidated nominal gross debt.

b. Including coined money and Caja General de Depósitos

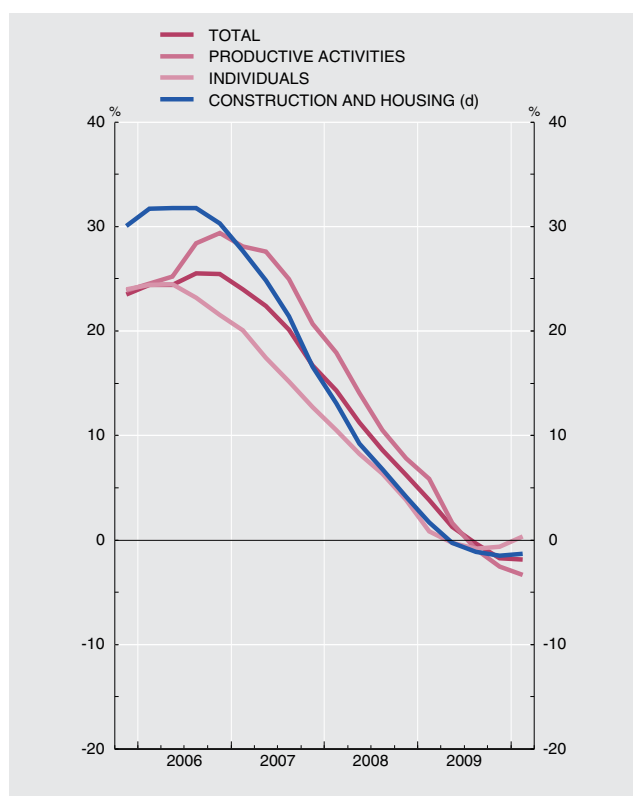
8.9 LENDING BY CREDIT INSTITUTIONS TO OTHER RESIDENT SECTORS. BREAKDOWN BY END-USE.

■ Series depicted in chart.

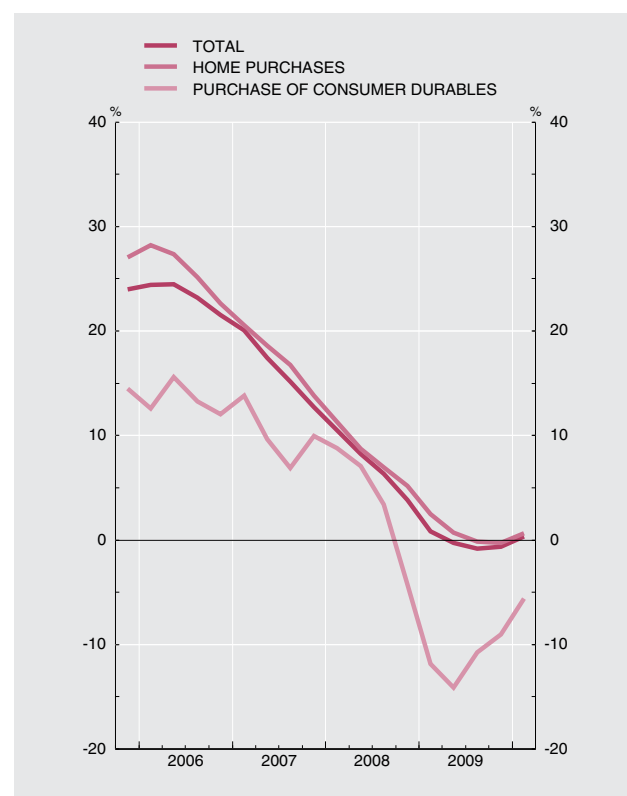
EUR millions and percentages

	Total (a)	Financing of productive activities						Financing of individuals					Financing of private non-profit institutions	Unclassified	Memo-randum item: construction and housing (d)
		Total	Agriculture and fisheries	Industry excluding construction	Construction	Services		Total	Home purchases and improvements	Purchases of consumer durables		Other (b)			
						Of which	Real estate activities			Of which	Purchases				
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
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
09	1 837 027	991 362	23 123	152 199	130 438	685 601	322 984	813 939	654 566	624 755	49 273	110 101	5 523	26 203	1 107 988
05 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	1 837 027	991 362	23 123	152 199	130 438	685 601	322 984	813 939	654 566	624 755	49 273	110 101	5 523	26 203	1 107 988
10 Q1	1 826 989	985 097	22 791	149 302	126 374	686 630	322 874	811 242	655 570	625 953	47 716	107 956	5 372	25 278	1 104 818

CREDIT BY END-USE
Annual percentage changes (c)



CREDIT TO INDIVIDUALS BY END-USE
Annual percentage changes (c)



SOURCE: BE.

a. Series obtained from information in the accounting statement established for the supervision of resident institutions. See the changes introduced in the October 2001 edition of the Boletín estadístico and Tables 4.13, 4.18 and 4.23 of the Boletín estadístico, which are published at www.bde.es.

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.

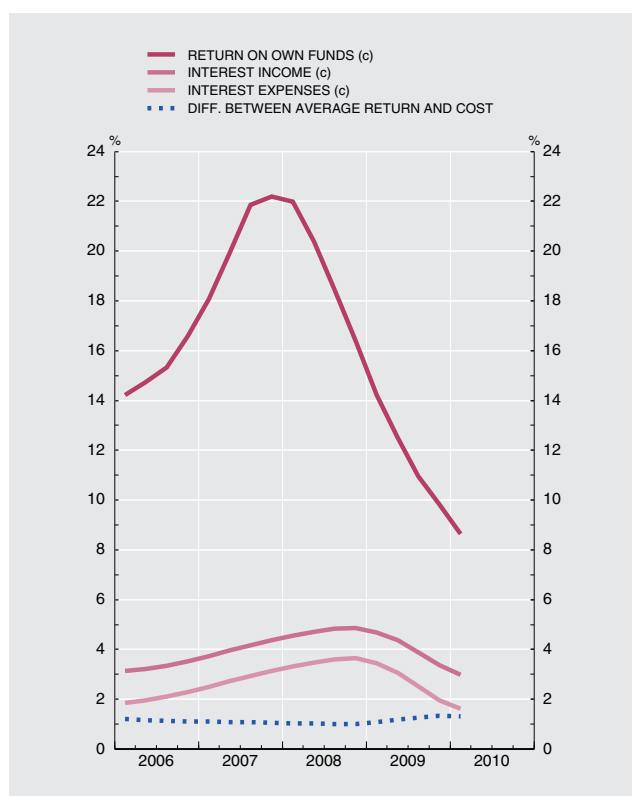
d. Including: construction, real estate activities and home purchases and improvements

8.10. PROFIT AND LOSS ACCOUNT OF BANKS, SAVINGS BANKS AND CREDIT CO-OPERATIVES RESIDENT IN SPAIN

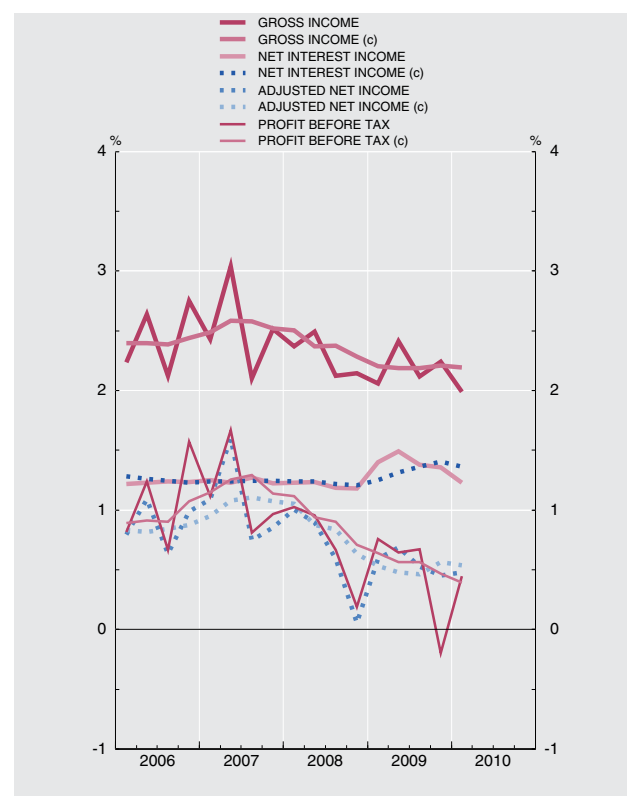
■ Series depicted in chart.

	As a percentage of the adjusted average balance sheet											Percentages			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	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)
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
09	2.8	1.4	1.4	0.9	2.2	1.0	0.6	0.8	0.5	0.8	-0.2	8.0	3.6	2.3	1.3
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
10 Q1	2.5	1.3	1.2	0.8	2.0	0.9	0.6	0.6	0.5	0.1	0.4	6.6	3.2	1.9	1.3

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



PROFIT AND LOSS ACCOUNT
Percentages of the adjusted average balance sheet



Source: BE.

Note: The underlying series for this indicator are in Table 4.36 of the BE Boletín estadístico.

a. Profit before tax divided by own funds.

b. Only those financial assets and liabilities which respectively give rise to financial income and costs have been considered to calculate the average return and cost.

c. Average of the last four quarters.

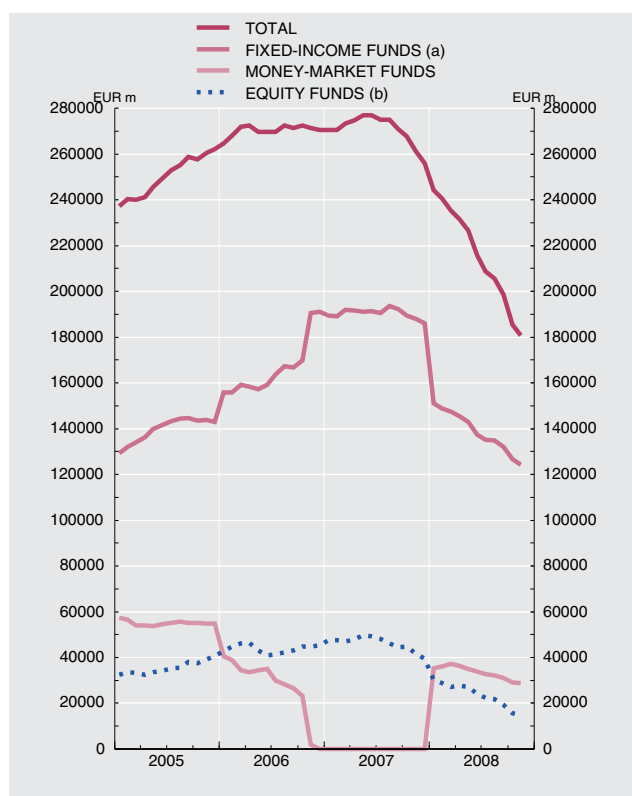
8.11. MUTUAL FUNDS RESIDENT IN SPAIN

■ Series depicted in chart.

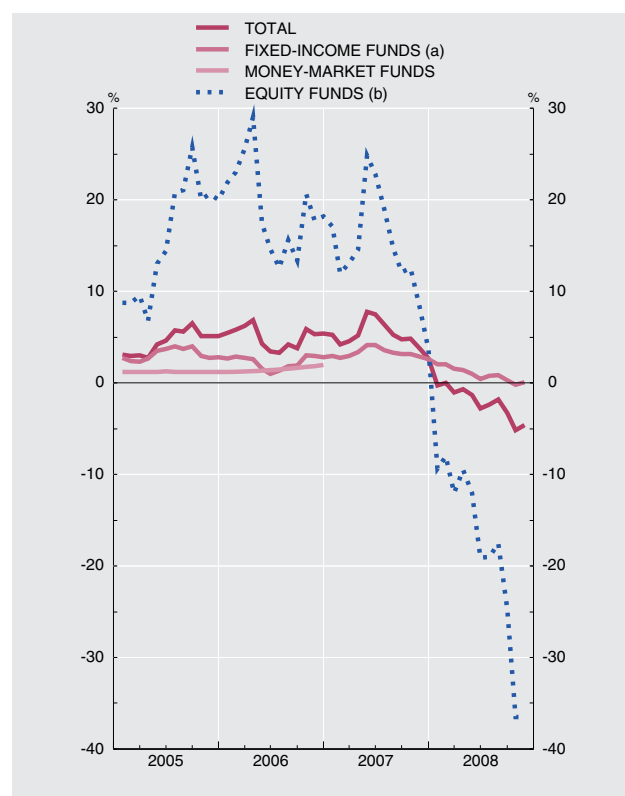
EUR millions

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

NET ASSET VALUE



RETURN OVER LAST 12 MONTHS



SOURCES: CNMV and Inverco.

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

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

c. Global funds.

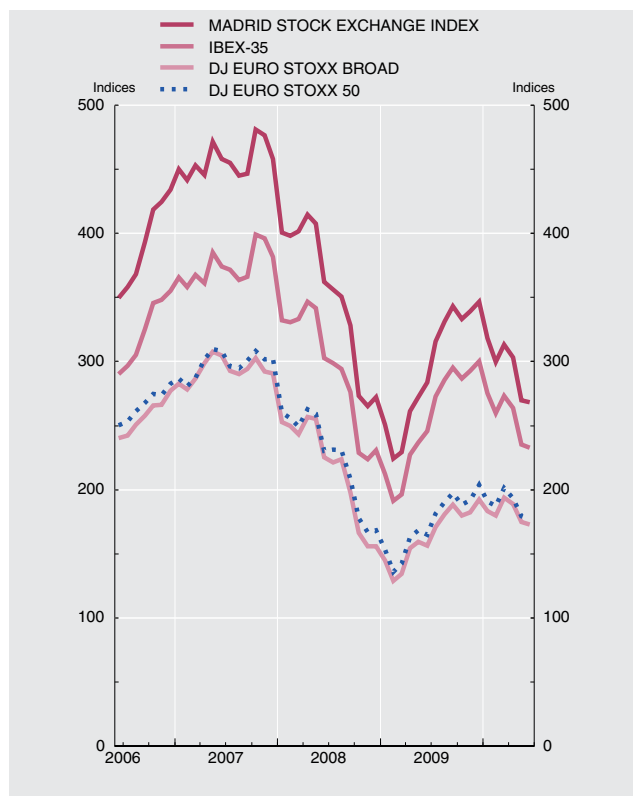
8.12. SHARE PRICE INDICES AND TURNOVER ON SECURITIES MARKETS. SPAIN AND EURO AREA

■ Series depicted in chart.

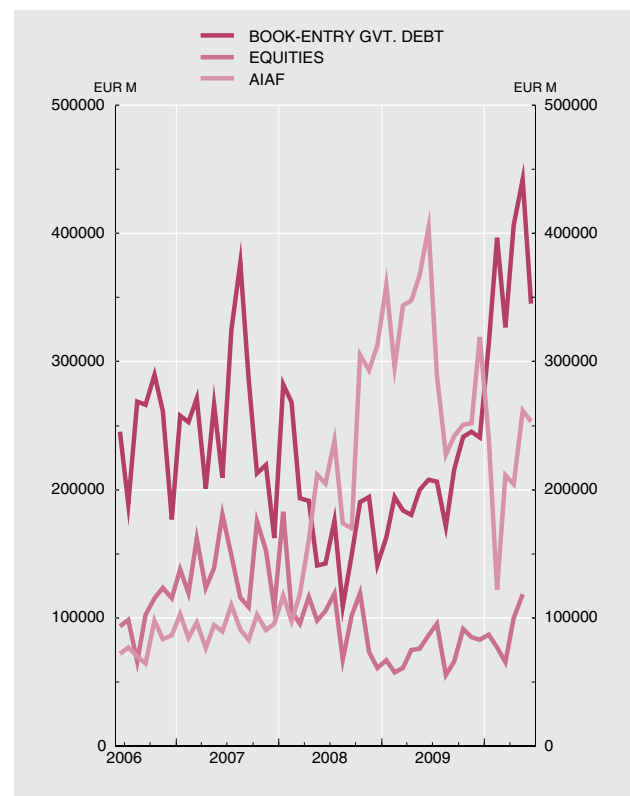
Indices, EUR millions and thousands of contracts

	Share price indices				Turnover on securities markets							
	General Madrid Stock Exchange	IBEX 35	Dow Jones EURO STOXX indices		Stock market		Book-entry government debt	AIAF fixed-income market	Financial options (thousands of contracts)		Financial futures (thousands of contracts)	
			Broad	50	Equities	Bonds			Fixed-income	Shares and other equities	Fixed-income	Shares and other equities
	1	2	3	4	5	6	7	8	9	10	11	12
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 1 058.79	10 212.92	260.29	2 740.16	447 799	28 327	2 230 775	1 292 298	-	18 893	-	3 737
09 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	1 123.08	10 871.30	277.00	2 931.16	65 520	4 485	326 695	211 340	...	3 283	...	528
Apr	1 086.68	10 492.20	269.34	2 816.86	100 108	5 352	406 736	204 246	...	2 088	...	667
May	966.64	9 359.40	249.82	2 610.26	118 350	4 176	442 094	261 511	...	3 036	...	872
Jun	P 960.79	9 263.40	246.38	2 573.32	...	...	344 915	253 096	...	3 866	...	642

SHARE PRICE INDICES
JAN 1994 = 100



TURNOVER ON SECURITIES MARKETS



Sources: Madrid, Barcelona, Bilbao and Valencia Stock Exchanges (columns 1, 2, 5 and 6); Reuters (columns 3 and 4); AIAF (column 8) and Spanish Financial Futures Market (MEFFSA) (columns 9 to 12)

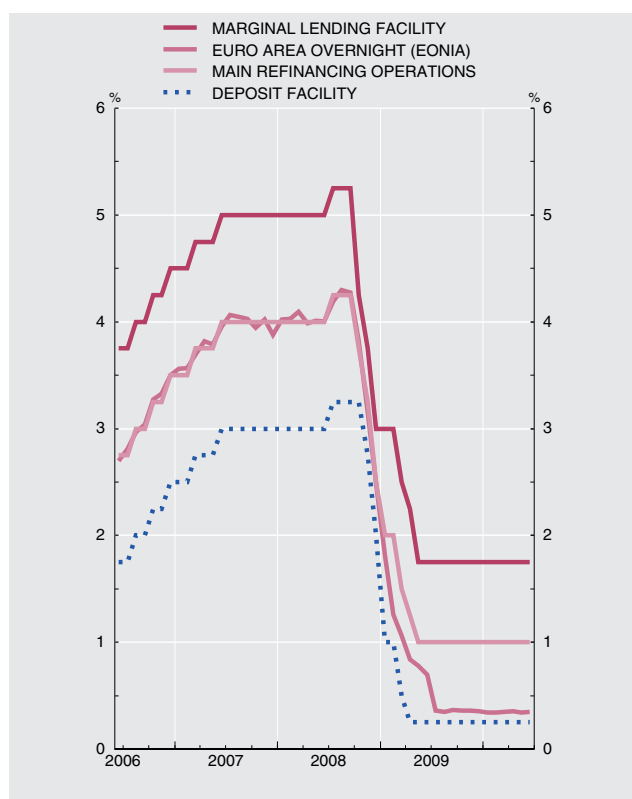
9.1. INTEREST RATES. EUROSISTEM AND MONEY MARKET. EURO AREA AND SPAIN

■ Series depicted in chart.

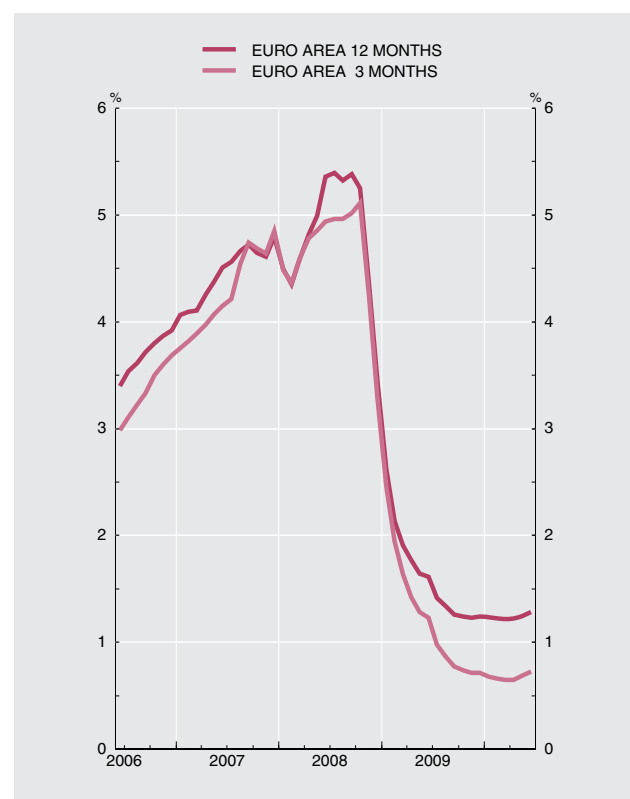
Averages of daily data. Percentages per annum

	Eurosistem monetary policy operations				Money market													
	Main refinancing operations: weekly tenders	Longer term refinancing operations: monthly tenders	Standing facilities		Euro area: deposits (Euribor) (a)					Spain								
			Marginal lending	Deposit	Over-night (EONIA)	1-month	3-month	6-month	1-year	Non-transferable deposits					Government-securities repos			
										Over-night	1-month	3-month	6-month	1-year	Over-night	1-month	3-month	1-year
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
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	1.00	1.00	1.75	0.25	0.346	0.42	0.67	0.97	1.24	0.36	0.49	0.72	0.93	1.24	0.29	0.38	0.47	0.80
09 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	-
Apr	1.00	1.00	1.75	0.25	0.353	0.40	0.64	0.96	1.23	0.32	0.42	0.64	0.84	1.21	0.26	0.27	0.33	0.79
May	1.00	1.00	1.75	0.25	0.344	0.42	0.69	0.98	1.25	0.38	0.46	0.69	0.97	-	0.30	0.38	0.50	-
Jun	1.00	1.00	1.75	0.25	0.345	0.45	0.73	1.01	1.28	0.53	0.80	1.07	1.00	1.27	0.42	0.72	0.97	-

EUROSISTEM: MONETARY POLICY OPERATIONS AND EURO AREA OVERNIGHT DEPOSITS



INTERBANK MARKET: EURO AREA 3-MONTH AND 1-YEAR RATES



Source: ECB (columns 1 to 8).

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

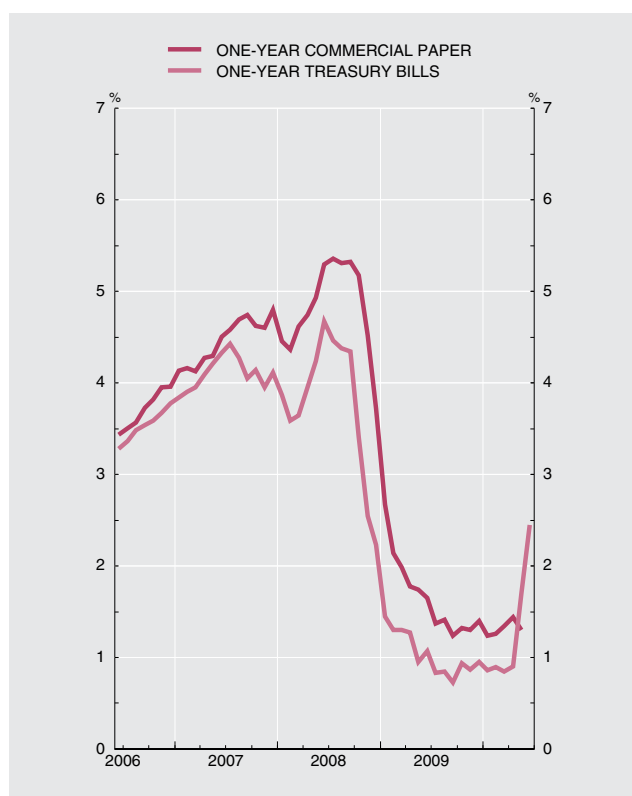
9.2. INTEREST RATES: SPANISH SHORT-TERM AND LONG-TERM SECURITIES MARKETS

■ Series depicted in chart.

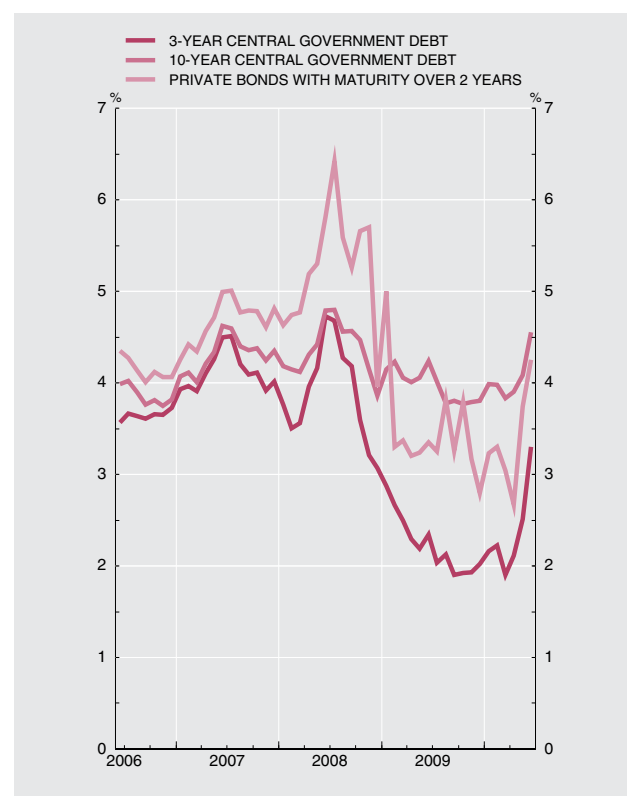
Percentages per annum

	Short-term securities				Long-term securities								
	One-year Treasury bills		One-year commercial paper		Central Government debt							Private bonds with a maturity of over two years traded on the AIAF	
	Marginal rate at issue	Secondary market: outright spot purchases between market members	Rate at issue	Secondary market: outright spot purchases	Marginal rate at issue					Secondary market. Book-entry debt. Outright spot purchases between market members			
					3-year bonds	5-year bonds	10-year bonds	15-year bonds	30-year bonds	At 3-years	At 10-years		
	1	2	3	4	5	6	7	8	9	10	11	12	
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	1.28	1.22	1.32	1.21	2.70	3.14	4.23	4.45	5.09	2.37	4.06	3.37
09 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
Apr		0.90	1.08	1.44	1.18	2.03	-	-	4.45	-	2.11	3.90	2.67
May		1.70	1.58	1.30	1.24	-	-	4.08	-	-	2.51	4.08	3.74
Jun		2.45	2.27	...	1.32	3.39	-	4.91	-	5.94	3.30	4.56	4.25

PRIMARY MARKET



SECONDARY MARKET



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

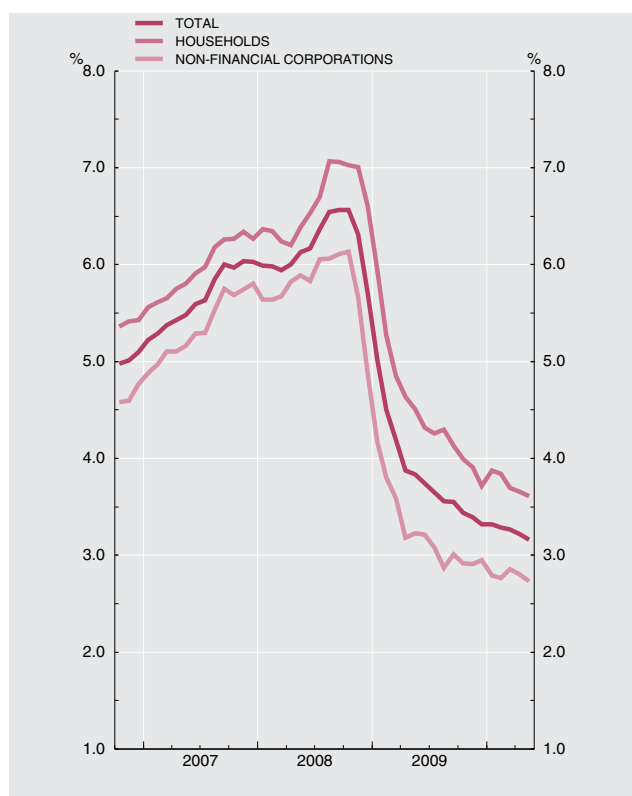
9.3. INTEREST RATES ON NEW BUSINESS. CREDIT INSTITUTIONS. (CBE 4/2002) SDDS (a)

■ Series depicted in chart.

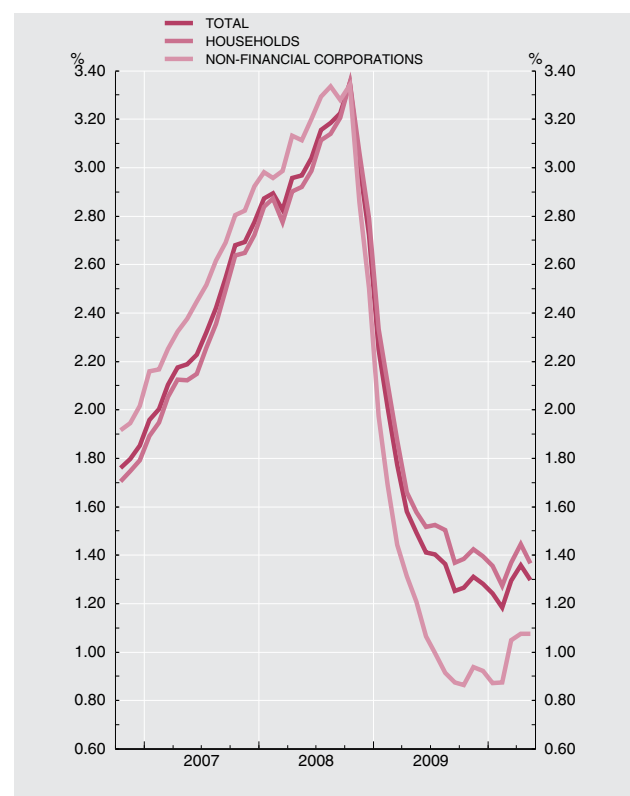
Percentages

	Loans (APRC) (b)							Deposits (NDR) (b)									
	Syn- thetic rate (d)	Households and NPISH			Non-financial corporations			Syn- thetic rate (d)	Households and NPISH				Non-financial corporations				
		Syn- thetic rate	House pur- chase	Con- sump- tion and other	Syn- thetic rate	Up to EUR 1 million	Over EUR 1 million (c)		Syn- thetic rate	Over- night and re- deema- ble at notice	Time	Repos	Syn- thetic rate	Over- night	Time	Repos	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
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	3.71	2.62	6.96	2.95	4.24	2.47	1.28	1.39	0.36	2.21	0.33	0.92	0.55	1.44	0.41
10	A	3.16	3.61	2.50	6.98	2.73	4.33	2.07	1.30	1.37	0.27	2.21	0.39	1.08	0.57	1.74	0.40
08 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	3.71	2.62	6.96	2.95	4.24	2.47	1.28	1.39	0.36	2.21	0.33	0.92	0.55	1.44	0.41
10 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		3.29	3.84	2.67	7.37	2.76	4.29	2.06	1.18	1.27	0.31	2.04	0.30	0.88	0.54	1.33	0.31
Mar		3.27	3.70	2.60	7.04	2.86	4.21	2.27	1.30	1.37	0.31	2.19	0.33	1.05	0.57	1.68	0.25
Apr		3.22	3.66	2.55	7.00	2.80	4.22	2.11	1.36	1.45	0.29	2.34	0.32	1.08	0.59	1.70	0.34
May	P	3.16	3.61	2.50	6.98	2.73	4.33	2.07	1.30	1.37	0.27	2.21	0.39	1.08	0.57	1.74	0.40

**LOANS
SYNTHETIC RATES**



**DEPOSITS
SYNTHETIC RATES**



Source: BE.

a. This table is included among the IMF's requirements to meet the Special Data Dissemination Standards (SDDS)

b. APRC: annual percentage rate of charge. NEDR: narrowly defined effective rate, which is the same as the APRC without including commissions.

c. Calculated by adding to the NEDR rate, which does not include commissions and other expenses, a moving average of such expenses.

d. The synthetic rates of loans and deposits are obtained as the average of the interest rates on new business weighted by the euro-denominated stocks included in the balance sheet for all the instruments of each sector.

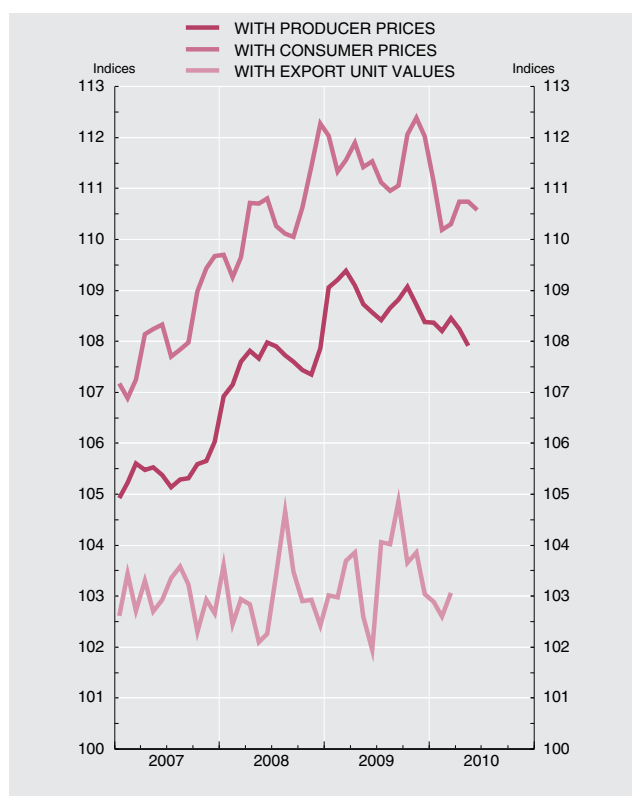
9.4 INDICES OF SPANISH COMPETITIVENESS VIS-À-VIS THE EU-27 AND THE EURO AREA

■ Series depicted in chart.

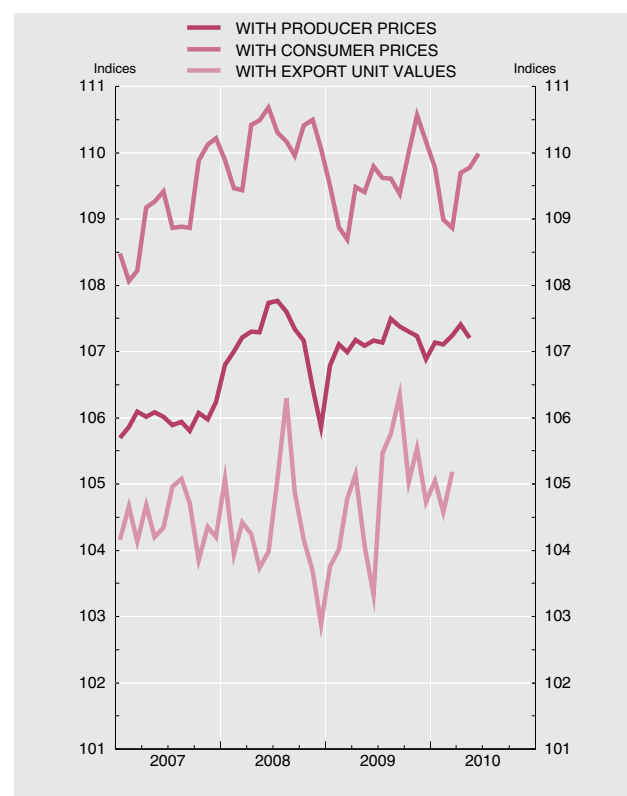
Base 1999 Q1 = 100

	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	110.4	103.0	100.0	105.5	108.2	110.4	103.1	106.0	109.1	112.5	121.3	104.4
08	107.6	110.5	113.0	103.0	101.3	106.2	109.0	111.5	101.8	107.1	110.2	113.8	123.2	104.4
09	108.8	111.6	110.8	103.5	103.2	105.4	108.1	107.3	100.3	107.1	109.6	109.4	117.9	104.8
08 Q2	107.8	110.7	113.6	102.4	101.1	106.6	109.5	112.3	101.3	107.4	110.5	114.6	125.2	104.0
Q3	107.7	110.1	112.7	103.9	101.0	106.6	109.0	111.5	102.9	107.6	110.1	113.8	124.9	105.4
Q4	107.6	111.4	112.2	102.7	102.2	105.3	109.1	109.8	100.7	106.5	110.3	111.9	120.5	103.6
09 Q1	109.2	111.7	110.7	103.2	103.7	105.3	107.7	106.8	99.7	107.0	109.0	108.6	114.6	104.2
Q2	108.8	111.6	110.8	102.8	103.2	105.4	108.1	107.4	99.7	107.1	109.6	109.5	117.7	104.2
Q3	108.6	111.0	110.2	104.3	102.8	105.6	108.0	107.1	101.5	107.3	109.5	109.3	120.6	105.8
Q4	108.7	112.2	111.6	103.5	103.2	105.3	108.7	108.1	100.4	107.1	110.2	110.2	118.4	105.1
10 Q1	108.3	110.6	110.0	102.9	102.8	105.4	107.5	107.0	100.1	107.2	109.2	109.1	112.7	105.0
09 Sep	108.8	111.1	...	104.9	103.0	105.6	107.8	...	101.9	107.4	109.4	...	...	106.3
Oct	109.1	112.1	...	103.7	103.3	105.5	108.4	...	100.4	107.3	110.0	...	...	105.0
Nov	108.7	112.4	...	103.9	103.1	105.4	109.0	...	100.8	107.2	110.6	...	...	105.5
Dec	108.4	112.0	...	103.0	103.2	105.0	108.6	...	99.9	106.9	110.2	...	...	104.7
10 Jan	108.4	111.1	...	102.9	102.9	105.3	108.0	...	100.1	107.1	109.8	...	...	105.1
Feb	108.2	110.2	...	102.6	102.7	105.3	107.3	...	100.0	107.1	109.0	...	...	104.6
Mar	108.5	110.3	...	103.1	102.9	105.4	107.2	...	100.3	107.2	108.9	...	...	105.2
Apr	108.2	110.7	...	...	102.5	105.6	108.0	...	...	107.4	109.7	...	...	...
May	107.9	110.7	...	...	102.5	105.3	108.1	...	...	107.2	109.8	...	...	...
Jun	...	110.6	...	...	102.2	...	108.3	...	...	...	110.0	...	...	...

INDICES OF SPANISH COMPETITIVENESS VIS À VIS THE EU-27



INDICES OF SPANISH COMPETITIVENESS VIS À VIS THE EURO AREA



Source: BE.

a. Outcome of multiplying nominal and cost/price components. A decline in the index denotes an improvement in the competitiveness of Spanish products.

b. Geometric mean calculated using a double weighting system based on (1995-1997), (1998-2000), (2001-2003), and (2004-2006) manufacturing foreign trade figures.

c. Relationship between the price indices of Spain and of the group.

d. The index obtained drawing on Manufacturing Labour Costs has been compiled using base year 2000 National Accounts data.

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

■ Series depicted in chart.

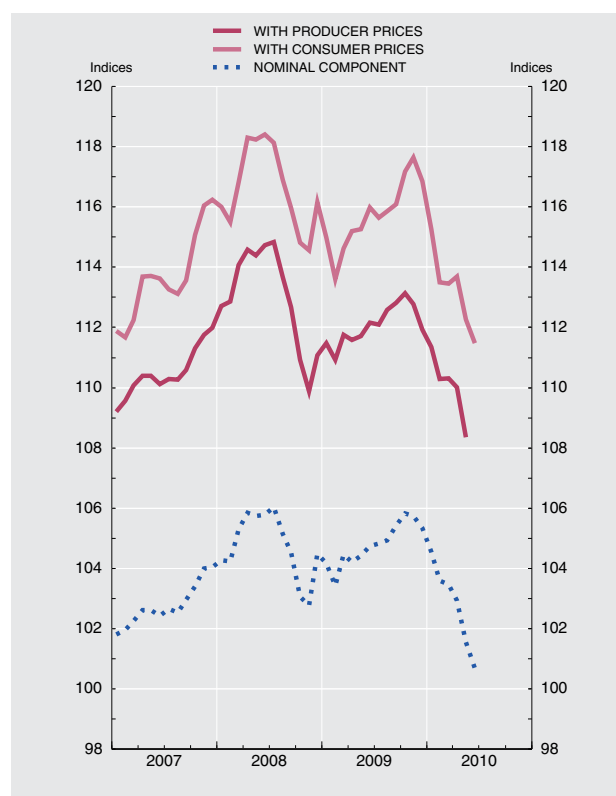
Base 1999 Q1 = 100

	Vis-à-vis developed countries									Vis-à-vis industrialised countries				
	Total (a)				Nominal component (b)	Prices component (c)				Total (a)		Nominal component (b)	Prices component (c)	
	Based on producer prices	Based on consumer prices	Based on manufacturing unit labour costs (d)	Based on export unit values		Based on producer prices	Based on consumer prices	Based on manufacturing unit labour costs (d)	Based on export unit values	Based on producer prices	Based on consumer prices		Based on producer prices	Based on consumer prices
	1	2	3	4		6	7	8	9	10	11		13	14
07	109.7	112.4	124.9	105.5	101.8	107.8	110.4	122.7	103.7	110.5	113.7	102.8	107.5	110.6
08	112.2	115.3	129.3	105.7	103.4	108.5	111.5	125.0	102.3	113.0	116.7	104.8	107.9	111.3
09	111.7	114.9	125.3	105.2	103.7	107.8	110.8	120.8	101.5	112.1	115.8	104.8	107.0	110.5
08 Q2	113.3	116.4	131.6	105.6	104.0	109.0	111.9	126.6	101.6	114.6	118.3	105.8	108.3	111.8
Q3	113.0	115.6	131.7	106.8	103.8	108.8	111.4	127.0	103.0	113.7	117.0	105.2	108.1	111.2
Q4	110.5	114.7	126.4	104.3	102.7	107.6	111.7	123.1	101.7	110.6	115.2	103.4	107.0	111.4
09 Q1	111.3	114.0	121.2	104.3	103.3	107.8	110.4	117.4	101.0	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	121.0	100.9	111.8	115.5	104.5	107.1	110.6
Q3	111.9	114.8	128.0	106.4	103.7	107.9	110.7	123.4	102.6	112.5	115.9	105.1	107.1	110.3
Q4	112.0	116.0	126.4	105.7	104.1	107.6	111.4	121.4	101.6	112.6	117.2	105.6	106.6	111.0
10 Q1	111.0	113.7	119.1	104.4	103.1	107.6	110.3	115.5	101.3	110.7	114.1	103.9	106.5	109.8
09 Sep	112.2	114.9	...	107.0	103.9	107.9	110.5	...	103.0	112.8	116.1	105.4	107.0	110.1
Oct	112.5	115.9	...	105.9	104.3	107.8	111.2	...	101.6	113.1	117.2	105.8	106.9	110.7
Nov	112.1	116.4	...	106.0	104.2	107.6	111.7	...	101.9	112.8	117.6	105.7	106.7	111.3
Dec	111.5	115.8	...	105.2	104.0	107.3	111.4	...	101.2	111.9	116.9	105.3	106.3	110.9
10 Jan	111.3	114.6	...	104.7	103.5	107.6	110.8	...	101.2	111.4	115.3	104.6	106.5	110.2
Feb	110.7	113.2	...	104.0	102.9	107.6	110.1	...	101.2	110.3	113.5	103.6	106.5	109.6
Mar	110.9	113.3	...	104.4	103.0	107.7	110.1	...	101.5	110.3	113.5	103.5	106.6	109.6
Apr	110.7	113.8	...	...	102.6	107.9	110.9	...	...	110.0	113.7	102.9	106.9	110.5
May	109.5	112.8	...	...	101.7	107.7	111.0	...	...	108.4	112.3	101.6	106.7	110.5
Jun	...	112.2	...	...	100.9	...	111.2	...	...	...	111.5	100.7	...	110.7

INDICES OF SPANISH COMPETITIVENESS VIS-À-VIS THE DEVELOPED COUNTRIES



INDICES OF SPANISH COMPETITIVENESS VIS-À-VIS THE INDUSTRIALISED COUNTRIES



Source: BE.

a. Outcome of multiplying nominal and cost/price components. A decline in the index denotes an improvement in the competitiveness of Spanish products.

b. Geometric mean calculated using a double weighting system based on (1995-1997), (1998-2000), (2001-2003), and (2004-2006) manufacturing foreign trade figures.

c. Relationship between the price indices of Spain and of the group.

d. The index obtained drawing on Manufacturing Labour Costs has been compiled using base year 2000 National Accounts data.

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