

## Letter from the Editors

We are honored to present the first issue of FUNCAS' Spanish Economic and Financial Outlook. FUNCAS, the Savings Banks Foundation, is a private, non-partisan, research institution funded through contributions from the Spanish Savings Banking Confederation (CECA). Since its establishment in 1980, FUNCAS has consolidated its reputation as one of the leading, objective, economic think tanks in Spain, and serves as a reference point for information on the Spanish economy and financial sector.

In line with Spain's growing internationalization, our new, English-language, bi-monthly publication, Spanish Economic and Financial Outlook, seeks to broaden FUNCAS traditional Spanish-speaking audience and facilitate access to our knowledge base to the wider, international financial community and key decision makers.

In this first inaugural issue, we will focus on providing you with insights on one of the most important questions in Spain today – Will the new Spanish financial system be strong enough to overcome existing challenges? After a period of declining profitability, financing challenges, the exacerbation of the European sovereign debt crisis, and asset deterioration – all of which were a result of the crisis - the Spanish banking system has undergone a period of tremendous reform and transformation, ranging from sector restructuring, corporate governance improvement of the savings banks to increase their professionalization and facilitate their access to capital markets funding, and strengthened provisioning requirements. To address our key question, as a starting point, we will examine four main themes:

- What are the implications for savings banks and remaining challenges
- Will recent legislation be enough to complete the clean-up of Spanish Bank's balance sheets
- Funding problems of Spanish Financial Institutions related to Spanish sovereign debt exposure
- Measuring the resilience of the Spanish banking sector in the wake of the crisis

Also in this issue, we will present you with the latest economic outlook for the Spanish Economy, an up to date snapshot of fiscal performance, as well as an update on the most relevant legislative novelties, such as a preliminary assessment of the recently approved labour reform.

These themes, in addition to other related important topics, will be revisited by our regularly contributing authors in subsequent editions of this publication.

We hope this issue provides you with some food for thought, as well as key facts, on major issues facing Spain's economy and financial sector and, along with future issues, serves as a guide to stimulate your thinking on these and related topics of interest.