Recent key developments in the area of Spanish financial regulation

Prepared by the Regulation and Research Department of the Spanish Confederation of Savings Banks (CECA)

Vol. 5, N.º 2 (March 2016)

SEFO - Spanish Economic and Financial Outlook

Bank of Spain Circular on supervision and solvency, completing the adaptation of Spanish legislation to CRD IV and CRR (Circular 2/2016, published in the BOE on February 9th, 2016)

The basic objective of Bank of Spain Circular 2/2016, which was published in the BOE on February 9th 2016, is to complete the implementation in Spanish legislation of the provisions of Directive 2013/36/EU (CRD IV) that concern credit institutions and incorporate one of the options that Regulation (EU) no 575/2013 (CRR) confers on competent national authorities. It also implements certain provisions from the transposition of Directive 2011/89/EU on additional supervision of financial institutions that belong to a financial conglomerate.

The **main points** implemented by the Circular are:

I. Scope

The Circular is **applicable** in general to: (a) consolidated groups and subgroups of credit institutions, defined in CRR, whose parent is established in Spain; (b) individual credit institutions constituted in Spain, integrated in a consolidated group or otherwise; and (c) activities in Spain of credit institutions based in non-EU countries operating through a branch or under the freedom to provide services.

II. Exposures to public sector entities

For the purposes of calculating capital requirements to address credit risk, the Circular defines those agencies that will be given the same weighting as the central government. It also defines the agencies whose exposures will receive the same weighting as exposures to the government body they belong to.

III. Capital buffers

- It establishes the procedures the Bank of Spain will use to set the percentages for the **countercyclical capital buffer** applicable to exposures in Spain, other EU Member States and non-EU countries.

- It also establishes the procedures the Bank of Spain will use to set **systemic risk capital buffer.**

- It determines the **percentage of global systemically important institutions buffer** (G-SII buffer) that will be applied depending on the category they are placed in. Also, it determines the procedure for identifying **other systemically important institutions** and defining their capital buffers.

IV. Internal organisation

- It sets out the conditions under which the appointments and remuneration committees, on the one hand, and the risks and audit committees, on the other, may be **combined.**

- Entities must have a unit or body responsible for the **risk-management function.**

- It establishes the **procedure for assessing the suitability** of the **members of the board of directors, general managers or similar, and other key staff** of credit institutions, financial holding companies and mixed-activity financial holding companies.

- As regards **incompatibilities,** it is provided that if an institution's total **volume of assets at the individual level exceeds 10 billion euros** on the closing date of the two immediately preceding financial years, the members of the board of directors and managing directors and similar officers in the institution and its parent financial holding company or parent mixed financial holding company, may not hold more positions simultaneously than in any of the following combinations: (a) 1 executive position + 2 non-executive positions; or (b) 4 non-executive positions.

- It also stipulates that entities are to prepare an **annual report** on the internal assessment of the **remuneration** policy and identifies the entities to which this requirement is applicable.

V. Internal capital adequacy assessment and treatment of risks

- The Circular specifies the regulations for the **internal capital adequacy assessment** report and how it is to be prepared, along with the **supervisory review and evaluation** process, describing the points this review is to cover.

- It implements various provisions of Royal Decree 84/2015 concerning **risk handling.**

VI. Financial conglomerates

- Groups in which the group's largest financial sector is the banking and investment services sector, and those in which the group's earnings from its insurance sector are 5% or more of its total, or three billion euros, are required to comply with the Bank of Spain's reporting obligations regarding the identification of **financial conglomerates.**

- The coordinator will classify the financial groups in categories and require them to maintain a particular volume of own funds according to their category.

- Groups' obliged entities are to inform the coordinator of the financial conglomerate's supervision each semester of any exposures that, **aggregated to the level of the financial conglomerate, exceed 10% of its own funds, and, in any event, the twenty largest aggregated exposures.**

- Groups' obliged entities are to report each semester to the coordinator for supervision of the financial conglomerate on all intragroup transactions conducted by regulated entities in the banking and investment services sector or regulated entities in the insurance sector, with any other counterparties in other sectors **exceeding 5% of the own funds of the financial conglomerate concerned.** To this end, the Circular sets out the minimum information they are to send for each transaction.

VII. Disclosure requirements to the market and the Bank of Spain

- In the case of **market disclosure requirements,** the Circular defines the information entities' websites are to provide on corporate governance and remunerations, and their configuration.

- Entities must be able to **inform the Bank of Spain** about the composition of the assets, liabilities and equity reflected in their financial statements and, where applicable, other balances used when calculating own funds and their requirements.

VIII. Transitional and repealing provisions

- Transitional arrangements have been established for other systemically important institutions' capital buffers.

- In the case of **securitisations** formalised between July 7th, 2014, and the entry into force of the Circular, originating entities seeking to apply the treatment established in CRR when calculating their capital requirements for these securitisations must provide the Bank of Spain with information on these securitisations using the standard format included in the Circular.

- Credit institutions will have **three months from the entry into force of the Circular to publish information about their corporate governance and remuneration policy on their website.**

- The Circular repeals the existing **Solvency circular** although it leaves some aspects of it in force.

- The Circular came into effect on February 10th.

Bank of Spain Circular amending the Circular on information regarding discount rates and interchange fees charged (Circular 1/2016, published in the BOE on February 6th, 2016)

Circular 1/2016 of January 29th, 2016, which was published in the BOE on February 6th, 2016, amends Circular 1/2015, which established the content of the information on discount rates and interchange fees to be provided to the Bank of Spain by payment service providers (PSPs) regarding card payment transactions, establishing the data to be published by the Bank of Spain and service providers on their websites, and the first statements to be filed.

The Circular's objective is to amend the interchange and discount statements envisaged in Circular 1/2015, of March 24th, 2015, introducing improvements in the information requested on interchange fees and discount rates charged by entities in order to facilitate their analysis and comparability.

The first statements to be submitted to the Bank of Spain in the new format are those for the **last calendar quarter of 2015.**

As regards the **publication of discount rates and interchange fees,** Circular 1/2015 provided that the Bank of Spain would publish on its website in **aggregate form** all the information received quarterly from institutions, except that on discount rates charged on three-party card payment systems. The new Circular specifies that the Bank of Spain will publish the information received but unpublished prior to the entry into force of the Circular in **individual and aggregate** form in the new statement format.

Draft Bank of Spain Circular on amending Accounting Circular (Circular 4/2004) and Central Credit Register Circular (Circular 1/2013)

On January 22nd, the Bank of Spain published a draft Circular updating Annex IX of the Accounting Circular and introducing changes in the Circular regarding the Bank of Spain's Central Credit Register.

The aim is to adapt the Accounting Circular to the **latest regulatory developments,**[1] while

[1] Commercial Code, Royal Decree 878/2015, FINREP, and accounting guidance of the Basel Committee on Banking Supervision.

ensuring it remains compatible with the IFRS accounting framework.

The **main changes** relate to the following:

- Summarise the changes in the Bank of Spain's organisation chart taking place in 2015.
- In the case of the sale of capital instruments, the change in ownership is now deemed to take place on the settlement date rather than the contract date.
- New accounting criteria for the amortisation of **intangible assets.** In the case of individual and consolidated annual accounts not subject to IFRS, these assets will be considered to have a defined lifetime (ten years if it cannot be estimated reliably).
- Adapt the confidential and public statements to the amendments in the Circular and add new statements.
- Modify the content of the Bank of Spain's **Central Credit Register** collateral data module.

The main features of the **new Annex IX** are:

- **General provisions** for standard exposures will be estimated collectively and **specific provisions** for doubtful risks may be estimated individually or collectively, depending on whether a series of conditions are met. The principles are also established for: (i) **estimates of allowances and provisions** (governance and integration with management, effectiveness and simplicity, documentation and traceability) and (ii) development of own proprietary methodologies for **individual estimation** of specific provisions and internal methodologies for **collective estimation** of specific and general provisions.
- **Classification of operations according to credit risk due to insolvency** into the following categories: standard, doubtful, and write-off. The **substandard category** has been eliminated and a **new subcategory of exposures subject to special monitoring** has been added within the standard exposures category. It also introduces a carry-over effect whereby transactions involving a party that has accumulated refinancing or restructuring transactions are reclassified in the standard exposures under special monitoring category.
- When calculating **allowances and provisions for credit risk due to insolvency,** estimates must be consistent with the downgrading of the risk category and must take into account the existence of effective guarantees. Moreover, the value of the collateral will be calculated applying a haircut to the collateral appraisal. The Bank of Spain has also included a series of **practical solutions** with which to estimate specific allowances or provisions for doubtful exposures and general allowances and provisions for standard exposures. These solutions will be kept up to date.
- Criteria are included for estimating the **adjusted appraisal value** of real estate assets foreclosed or received in payment of debt, allowing: (i) allowances and provisions on financial assets applied to be released; (ii) reversion of cumulative impairment since the initial recognition of the foreclosed asset under some circumstances.

The Circular **will come into force on June 30th, 2016,** except for certain provisions concerning statements, which will come into effect later. Notwithstanding the above, institutions are to **apply the new accounting criteria retroactively** as a change in accounting criteria and report on their impact on their individual and consolidated annual accounts for 2016. If this is not practical, there will be the option to apply it as a change of estimation prospectively (reporting on this in the notes to the individual and consolidated financial statements for 2016).

Spanish economic forecasts panel: March 2016[1]

Funcas Economic Trends and Statistics Department

The forecast for 2016 remains unchanged at 2.7%

The limited information available so far about the first quarter of 2016 generally points towards a slowdown in growth. The consensus forecast for this period estimates a quarter-on-quarter growth rate of 0.6% (Table 2), which is expected to remain stable for the rest of the year. The forecast for the year as a whole is for growth of 2.7%, which is unchanged from the last Panel forecast, and in line with international organisations' projections.

The composition of this growth has been altered slightly. A contribution to domestic demand of 2.8 percentage points is now expected –as against 2.9 pp in the previous Panel– along with a contribution from the external sector of -0.1, one tenth of a percentage point less negative than in the previous consensus forecast. Expected export and import growth have both been reviewed downwards significantly.

The forecast for 2017 is 2.3%

This Panel offers forecasts for 2017 for the first time. GDP growth is expected to be 2.3%, deriving from a contribution of 2.4 pp from domestic demand and -0.1 pp from the external sector. The quarterly growth rate is expected to remain stable at around 0.6% throughout the period.

Strong growth in the manufacturing industry

January's industrial production index was somewhat weak, prolonging the decelerating trend this indicator has been showing for some months. The growth rate remains high, however. The year-on-year rate for the general index was 3.2%, while the manufacturing index showed much higher growth, at 6%, as the energy subsector has fallen sharply since the middle of last year. Based on social security affiliation numbers, job creation in the sector was also strong in both January and February.

The consensus forecast for IPI growth in 2016 has been revised downwards one tenth of a percentage point to 3%, and IPI growth in 2017 is forecast at 2.7%. Both these figures are well above the average for the pre-crisis growth period.

Falling oil prices mean inflation is lower than expected

February's inflation rate was again lower than expected, at -0.8%, held down by falling prices of

[1] The Spanish Economic Forecasts Panel is a survey run by Funcas which consults the 16 analysis departments listed in Table 1. The survey, which has taken place since 1999, is published bi-monthly in the first half of January, March, May, July, September and November. The responses to the survey are used to produce a "consensus" forecast, which is calculated as the arithmetic mean of the 16 individual contributions. The forecasts of the Spanish Government, the Bank of Spain, and the main international organisations are also included for comparison, but do not form part of the consensus forecast.

energy products and foodstuffs. The consensus forecast for the annual average rate in 2016 has been revised downwards significantly to 0%, seven tenths of a percent lower than in the previous Panel. An annual rate of 1.3% is forecast for 2017. The December 2016 and 2017 year-on-year rates were 0.6% and 1.3%, respectively (Table 3).

Positive trend in employment

According to social security affiliation numbers, employment grew in January at a similar rate to previous months, but slowed in February. Nevertheless, this slowdown was due to the drop in agricultural sector employment caused by the olive harvest ending early and the freeze on public sector recruitment. Excluding the agricultural sector and public-sector employment to obtain a clearer view of the underlying trend in employment, the result is in line with previous months, despite the signs of an economic slowdown that may be observed in other activity and demand indicators.

Employment is expected to grow by 2.4% in 2016 –unchanged from the previous Panel– while the forecast for 2017 is 2.1%. Using consensus estimates for GDP, employment and wage growth to deduce the implicit productivity and unit labour cost growth estimates, productivity per worker is expected to grow by 0.3% in 2016 and 0.2% in 2017, while ULCs are expected to change by 0.7% in 2016 and 0.9% next year.

The current account surplus will shrink in 2016

There was a surplus of 1.5% of GDP on the current account of the balance of payments in 2015, compared with 1% the previous year. This improvement is partly the result of a declining energy balance deficit, due to falling oil prices, and also the smaller negative balance on the income and transfers account, owing to smaller interest payments abroad.

The consensus forecast for the current account balance is for a surplus of 1.4% of GDP in 2016, three tenths higher than forecast in the previous Panel, and 1.2% in 2017.

The government deficit will overshoot the target by a few tenths of a percent

In the period to November 2015, the combined deficit of the central government, the social security funds, and the autonomous regions came to 41.8 billion euros, 5.4 billion euros less than in the year-earlier period, a figure equivalent to 3.87% of annual GDP. This result is still under the 4.2% target, but given December's highly negative seasonality, particularly in the case of the social security accounts, the deficit will overshoot the target.

In line with the consensus forecasts for 2016 and 2017, the result will also exceed the targets established for both years (2.8% and 1.4%, respectively). A deficit of 3.5% of GDP is forecast for this year and 2.7% for 2017.

The perception of the global economy remains negative

In recent weeks, there has been an easing of the strains financial markets suffered in January, while expectations of further interest rate rises in the United States have receded, and the European Central Bank has stepped up its QE policy. In any event, the situation in China and other emerging economies continues to cause concern, while job growth in the United States remains strong, despite the signs of weakness in other indicators.

The majority view of the current situation in the EU among panellists is that its impact on the Spanish economy is neutral, as in previous panels, and this is not expected to change in the coming months. As in the previous Panel, the situation outside the EU is mainly considered unfavourable, and is expected to remain so over the coming months.

Long-term interest rates are too low

Short-term interest rates (three-month EURIBOR) remain in negative territory, and even the one-year rate has dropped below 0%. As in previous Forecast Panels, interest rates are still felt to be too low for the state of the Spanish economy, but they are expected to remain stable over the coming months.

Since the start of the year, the long-term rate (Spanish ten-year bonds) has been in the 1.6% to 1.8% range, with a widening of the spread relative to German bonds. Most panellists continue to think this level is very low, but expect it to remain stable over the coming months.

The euro continues to depreciate

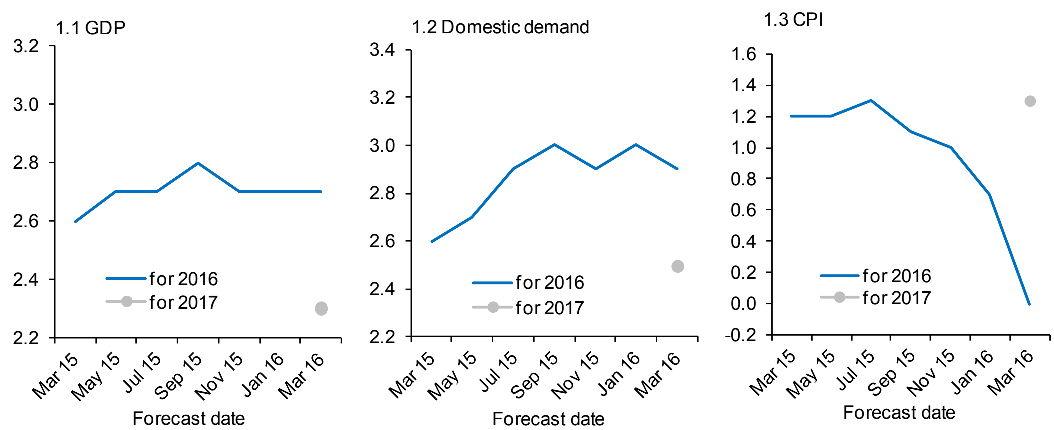
The euro remains over 1.09 dollars, where, for the time being, it seems to have bottomed out. Most panellists consider the level to be appropriate, but expect a downward trend over the next few months.

Fiscal policy is neutral

There has been a shift in the Panel's opinion on the current fiscal policy stance. This was previously considered expansionary, but is now felt to be neutral, which the majority of panellists considers appropriate. As regards monetary policy, there is still unanimity that it is expansionary, and that this is the appropriate stance.

Exhibit 1

Change in forecasts (Consensus values)
(Percentage annual change)



Source: Funcas Panel of forecasts.

Table 1

Economic Forecasts for Spain – March 2016

(Average year-on-year change, as a percentage, unless otherwise stated)

	GDP		Household consumption		Public consumption		Gross fixed capital formation		GFCF machinery and capital goods		GFCF Construction		Domestic demand	
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Analistas Financieros Internacionales (AFI)	2.7	2.3	2.9	2.1	1.6	1.3	5.0	4.9	7.0	6.1	4.6	4.9	2.9	2.5
Banco Bilbao Vizcaya Argentaria (BBVA)	2.7	--	2.9	--	0.4	--	5.5	--	6.3	--	5.0	--	2.9	--
Bankia	2.8	2.3	3.0	2.2	2.0	1.3	4.8	4.3	8.2	6.8	3.2	3.0	3.2	2.5
CaixaBank	2.8	2.1	2.9	2.1	0.4	-0.7	4.6	3.7	6.5	3.6	3.7	3.8	2.7	1.9
Cemex	2.8	2.5	3.1	2.6	1.4	2.0	5.1	4.6	6.0	4.8	4.9	5.2	3.1	2.8
Centro de Estudios Economía de Madrid (CEEM-URJC)	2.6	2.4	2.9	2.6	1.5	1.2	4.4	3.7	4.6	4.1	4.8	3.8	2.8	2.5
Centro de Predicción Económica (CEPREDE-UAM)	2.3	2.2	2.5	2.2	1.7	1.2	4.3	4.7	6.3	5.2	3.1	4.8	2.7	2.7
CEOE	2.7	2.5	2.9	2.3	1.2	1.5	5.1	4.1	7.2	5.1	4.3	3.8	2.8	2.4
Funcas	2.7	2.3	3.3	2.6	2.0	1.3	4.3	3.9	6.2	4.8	3.6	3.8	3.2	2.5
Instituto Complutense de Análisis Económico (ICAE-UCM)	2.8	2.4	2.9	2.5	1.0	1.2	4.9	4.0	6.7	5.0	3.0	2.7	3.0	2.5
Instituto de Estudios Económicos (IEE)	2.8	2.4	2.9	2.2	1.8	1.6	4.2	3.0	6.6	3.8	3.1	2.6	2.7	2.3
Instituto Flores de Lemus (IFL-UC3M)	2.8	2.1	3.1	3.1	1.0	-1.0	4.6	4.9	7.4	8.6	3.2	3.1	2.9	2.5
Intermoney	2.6	2.1	2.9	2.1	1.1	1.4	4.3	2.9	5.1	3.9	3.5	2.0	2.8	2.2
Repsol	2.8	2.5	2.9	2.5	1.1	2.4	4.8	4.9	7.1	5.6	3.5	4.6	3.0	2.9
Santander	2.9	2.3	3.0	2.1	1.7	1.2	5.7	4.5	6.2	3.0	5.7	5.7	3.2	2.4
Solchaga Recio & asociados	2.6	2.3	3.0	2.4	0.8	0.5	4.9	4.6	7.6	6.9	3.7	3.7	3.0	2.5
CONSENSUS (AVERAGE)	2.7	2.3	2.9	2.4	1.3	1.1	4.8	4.2	6.6	5.2	3.9	3.8	2.9	2.5
Maximum	2.9	2.5	3.3	3.1	2.0	2.4	5.7	4.9	8.2	8.6	5.7	5.7	3.2	2.9
Minimum	2.3	2.1	2.5	2.1	0.4	-1.0	4.2	2.9	4.6	3.0	3.0	2.0	2.7	1.9
Change on 2 months earlier[1]	0.0	--	-0.1	--	0.3	--	-0.2	--	-0.1	--	-0.8	--	-0.1	--
- Rise[2]	4	--	5	--	9	--	3	--	4	--	2	--	4	--
- Drop[2]	5	--	8	--	4	--	10	--	10	--	12	--	7	--
Change on 6 months earlier[1]	-0.1	--	0.0	--	0.5	--	-0.6	--	-0.5	--	-1.0	--	-0.1	--
<u>Memorandum ítems:</u>														
Government (September 2015)	3.0	--	3.0	--	0.3	--	5.4	--	--	--	5.5	--	3.0	--
Bank of Spain (June 2015)	2.7	--	2.3	--	0.1	--	6.1	--	8.9	--	4.5	--	--	--
EC (February 2016)	2.8	2.5	3.4	2.3	0.6	0.6	4.6	4.8	8.0 [3]	5.9 [3]	--	--	3.1	2.5
IMF (January 2016)	2.7	2.3	--	--	--	--	--	--	--	--	--	--	--	--
OECD (November 2015)	2.7	2.5	3.0	2.4	0.3	1.1	5.1	4.1	--	--	--	--	2.9	2.5

[1] Difference in percentage points between the current month's average and that of two months earlier (or six months earlier).
[2] Number of panellists revising their forecast upwards (or downwards) since two months earlier.
[3] Investment in capital goods.

Table 1 (Continued)

Economic Forecasts for Spain – March 2016

(Average year-on-year change, as a percentage, unless otherwise stated)

	Exports of goods & services		Imports of goods & services		Industrial output		CPI (annual av.)		Labour costs[3]		Jobs[4]		Unempl. (% labour force)		C/A bal. of payments (% of GDP)[5]		Gen. gov. bal. (% of GDP)[7]	
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Analistas Financieros Internacionales (AFI)	5.5	4.7	6.8	6.1	--	--	-0.2	1.1	--	--	2.5	2.0	20.1	18.9	--	--	-3.7	-2.7
Banco Bilbao Vizcaya Argentaria (BBVA)	5.2	--	6.0	--	--	--	1.2	--	1.7	--	2.5	--	20.5	--	1.9	--	-3.0	--
Bankia	5.0	4.6	6.4	5.5	2.6	--	-0.1	1.4	0.8	1.1	2.4	2.0	20.0	18.5	--	--	--	--
CaixaBank	5.6	4.9	5.4	4.4	3.9	2.4	0.1	2.2	0.8	1.1	2.5	2.0	19.9	18.5	1.7	1.5	-3.9	-2.1
Cemex	5.4	5.0	6.8	6.4	--	--	-0.2	2.0	--	--	2.7	2.5	20.0	19.0	2.0	1.5	--	--
Centro de Estudios Economía de Madrid (CEEM-URJC)	4.9	5.2	6.0	5.9	--	--	0.1	1.2	--	--	2.1	1.9	20.3	18.7	0.9	0.7	-3.6	-2.7
Centro de Predicción Económica (CEPREDE-UAM)	5.0	4.7	6.4	6.7	2.9	2.5	0.4	1.1	1.2	1.4	1.4	1.2	20.7	19.8	0.4	-0.2	-4.1	-3.4
CEOE	5.3	5.4	5.9	5.6	--	--	-0.4	1.5	1.0	1.0	2.5	2.2	20.0	18.1	2.2	1.8	-3.3	-2.8
Funcas	3.8	4.8	5.7	6.0	2.3	2.4	-0.3	1.5	0.8	1.3	2.4	2.0	19.9	18.2	2.0	1.6	-4.0	-2.9
Instituto Complutense de Análisis Económico (ICAE-UCM)	5.6	5.5	6.0	6.0	2.9	--	0.5	1.3	--	--	2.5	2.1	20.4	19.0	1.7	1.5	-2.7	-1.9
Instituto de Estudios Económicos (IEE)	5.3	5.3	5.4	5.6	2.5	2.1	0.0	1.1	0.6	--	2.1	1.8	20.5	19.5	1.1	--	-3.4	--
Instituto Flores de Lemus (IFL-UC3M)	4.6	3.7	5.2	5.5	3.3	3.8	-0.8	1.1	--	--	2.8	2.9	20.0	18.8	--	--	--	--
Intermoney	4.9	3.7	5.9	4.4	2.8	3.0	-0.4	1.3	--	--	2.3	1.9	20.6	18.9	0.8	--	-3.6	--
Repsol	4.0	5.1	5.2	6.7	3.5	3.1	-0.3	1.2	0.8	1.0	2.8	2.5	20.6	18.5	0.9	1.0	-3.2	-3.0
Santander	4.8	3.9	6.0	4.6	--	--	-0.3	1.1	1.0	1.0	2.5	1.8	19.8	18.0	1.0	0.8	-3.2	-2.0
Solchaga Recio & asociados	4.5	5.0	6.0	5.9	--	--	0.0	1.0	--	--	2.5	2.2	20.1	18.3	1.4	1.4	-3.8	-3.0
CONSENSUS (AVERAGE)	5.0	4.8	5.9	5.7	3.0	2.7	0.0	1.3	1.0	1.1	2.4	2.1	20.2	18.7	1.4	1.2	-3.5	-2.7
Maximum	5.6	5.5	6.8	6.7	3.9	3.8	1.2	2.2	1.7	1.4	2.8	2.9	20.7	19.8	2.2	1.8	-2.7	-1.9
Minimum	3.8	3.7	5.2	4.4	2.3	2.1	-0.8	1.0	0.6	1.0	1.4	1.2	19.8	18.0	0.4	-0.2	-4.1	-3.4
Change on 2 months earlier[1]	-0.5	--	-0.9	--	-0.1	--	-0.7	--	0.0	--	0.0	--	-0.2	--	0.3	--	-0.2	--
- Rise[2]	1	--	2	--	3	--	0	--	2	--	2	--	3	--	8	--	1	--
- Drop[2]	12	--	13	--	4	--	15	--	2	--	5	--	9	--	1	--	6	--
Change on 6 months earlier[1]	-0.3	--	-0.5	--	-0.3	--	-1.1	--	0.0	--	-0.3	--	-0.3	--	0.5	--	-0.3	--
<u>Memorandum items:</u>																		
Government (September 2015)	6.0	--	6.4	--	--	--	--	--	1.4	--	3.0	--	19.7	--	1.2	--	-2.8	-1.4
Bank of Spain (June 2015)	5.7	--	5.9	--	--	--	1.3	--	--	--	2.6	--	--	--	1.1[6]	--	--	--
EC (February 2016)	6.1	5.8	7.4	6.2	--	--	0.1	1.5	0.5	1.0	2.6	2.0	20.4	18.9	1.4	1.3	-3.6	-2.6
IMF (Januay 2016)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
OECD (November 2015)	5.1	5.4	5.8	5.8	--	--	0.3	0.9	0.6	1.2	2.7	2.4	19.8	18.2	1.3	1.2	-2.9	-1.8

[1] Difference in percentage points between the current month's average and that of two months earlier (or six months earlier).
[2] Number of panellists revising their forecast upwards (or downwards) since two months earlier.
[3] Average earnings per full-time equivalent job.
[4] In National Accounts terms: full-time equivalent jobs.
[5] Current account balance, according to Bank of Spain estimates.
[6] Net lending position vis-à-vis rest of world.
[7] Excluding financial entities bail-out expenditures.

Table 2

Quarterly Forecasts - March 2016[1]

	Quarter-on-quarter change (percentage)							
	16-1Q	16-2Q	16-3Q	16-4Q	17-1Q	17-2Q	17-3Q	17-4Q
GDP[2]	0.6	0.6	0.5	0.6	0.6	0.6	0.6	0.6
Household consumption[2]	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6

[1] Average of forecasts by private institutions listed in Table 1.

[2] According to series corrected for seasonality and labour calendar.

Table 3

CPI Forecasts – March 2016[1]

Monthly change (%)				Year-on-year change (%)	
Feb-16	Mar-16	Apr-16	May-16	Dec-16	Dec-17
-0.3	0.4	1.1	0.4	0.6	1.3

[1] Average of forecasts by private institutions listed in Table 1.

Table 4

Opinions – March 2016
(Number of responses)

	Currently			Trend for next six months		
	Favourable	Neutral	Unfavourable	Improving	Unchanged	Worsening
International context: EU	4	12	0	1	14	1
International context: Non-EU	0	5	11	0	16	0
	Low[1]	Normal[1]	High[1]	Increasing	Stable	Decreasing
Short-term interest rate[2]	13	3	0	0	11	5
Long-term interest rate[3]	11	5	0	3	10	3
	Overvalued[4]	Normal[4]	Undervalued[4]	Appreciation	Stable	Depreciation
Euro/dollar exchange rate	2	8	6	1	7	8
	Is being			**Should be**		
	Restrictive	Neutral	Expansionary	Restrictive	Neutral	Expansionary
Fiscal policy assessment[1]	0	10	6	3	7	6
Monetary policy assessment[1]	0	0	16	0	0	16

[1] In relation to the current state of the Spanish economy.

[2] Three-month Euribor.

[3] Yield on Spanish 10-year public debt.

[4] Relative to theoretical equilibrium rate.