# Spanish Economic and Financial Outlook

### **EU Assistance for the Banking Sector: A New Roadmap**



### Editorial

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#### **Electronic edition**

An electronic edition of this journal its available at http://www.funcas.es/publicaciones/index.aspx?ld=47

Printed in Spain

#### **Editorial and Production**

Fundación de las Cajas de Ahorros (FUNCAS) Caballero de Gracia, 28. 28013 Madrid

#### **Ownership and Copyright:**

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ISSN print edition 2254-3899 ISSN electronic edition 2254-3880 Déposito Legal: M-10678-2012 Prints: Advantia, S.A.

### Letter from the Editors

Over the past few years, the Spanish authorities, supported by efforts of the Spanish financial sector, have taken noteworthy steps towards restructuring and recapitalizing Spanish credit institutions. Government intervention mostly took the form of provision of funding for consolidation and recapitalization through the national public backstop facility, the FROB, in addition to guarantees and other liquidity support measures. The Spanish financial sector also played its part through substantial contributions to the Deposit Guarantee Fund, mergers and acquisitions, and strong provisioning regimes over recent years, reducing the amount of public sector funding ultimately channeled into the banking sector. Despite progress on the whole, Spain's financial sector policy has failed to deliver expected results. By the end of May 2012, Spain experienced higher market tensions and a widening of spreads over the German bund relative to preceding months, ultimately, leading the government to request EU assistance for the banking sector.

In our opinion, July 2012 marked a turning point in the resolution of the banking crisis in Spain. The Eurogroup agreement to provide up to 100 billion euros in contingent aid for the recapitalization of Spanish banks - and the strict conditionality imposed in the Memorandum of Understanding (MoU) – significantly commits the Spanish Government's and the Bank of Spain's discretionary powers and decision making processes with respect to the banking sector. The roadmap outlined in the MoU has the potential to bring the crisis to an end, restore confidence, and achieve a better capitalized Spanish banking sector relative to its European counterparts. Along these lines, in this issue of SEFO, we analyze the implications of recent developments for the banking crisis and its resolution. In particular, we examine Spanish bank recapitalization within the context of a future European banking union, as well as the results of the independent valuations, under extremely adverse scenarios, of Spanish banks' capital needs.

As for the critical role of foreign banks in financing the Spanish economy, we explore this issue from different angles, raising some key questions and providing answers on: i) which foreign countries' banking sectors are lending to Spain? ii) did foreign banks reduce their exposure to Spain over the past year? and, iii) how do foreign banks react to a country being bailed out? In looking at experiences of sovereign debt crises in other European countries, we can learn some key lessons. In particular, how the stigma of a bailout causes bank capital flight and how reduced exposure by European banks further eroded confidence.

Lack of a clear strategy for financial sector crisis resolution and high dependence on external financing is making it increasingly difficult for Spanish banks to tap wholesale funding markets - currently their main source of funding. In the actual context of greater risk aversion for peripheral Eurozone countries, only the Spanish Treasury is successfully able to raise money in the primary market. Temporary ECB liquidity support measures have provided some necessary breathing space for the Spanish financial system. But, Spanish credit institutions must recover the confidence of the markets and come back to traditional funding channels in order to reduce their heavy dependence on Eurosystem liquidity.

Finally, we examine how market uncertainty and lack of transparency have fuelled a boom in the market for short selling of Spanish bank shares. Although this activity serves an important function in the stock market, it can also have significant destabilizing consequences, which explains the reason behind its temporary prohibition. In the case of Spain, the effect of that ban has been a decrease in volatility and asymmetry in price formation, while at the same time reducing considerably market liquidity.

Under EU assistance and supervision, the Spanish authorities have the opportunity to complete a meaningful financial system reform, helping to minimize the negative consequences of the adverse feedback loop between the banks and the sovereign. Nevertheless, the EU as a whole must avoid further setbacks on the path towards European integration. Also, since the MoU leaves many important details undefined, correct implementation will be critical for a successful resolution of the crisis.

### **FEATURES**

### 05 **Resolution of the Spanish** banking crisis: Implications of recent developments

Santiago Carbó Valverde and Francisco Rodríguez Fernández

Setting up a clear backstop for losses is one of the most important ingredients necessary to resolve a banking crisis. The 100 billion financial euros contingent assistance approved by the Eurogroup for Spanish banks constitutes, in principle, a sound and credible guarantee. The Memorandum of Understanding (MoU), establishing the conditions to receive EU financial aid, provides a new roadmap. Apart from specific requirements for Spanish banks, the advances towards a European banking union will affect the way in which the final resolution of the Spanish banking crisis is achieved.

### 15 **The importance of foreign** banks in financing the Spanish economy

### Joaquín Maudos

The role of foreign banks in financing the Spanish economy is critical. To prevent further capital flight, the Spanish and European authorities should act fast, drawing on the main lessons learned from the crisis.

### 26 The wholesale funding market of the Spanish banking system

Miguel Arregui and Oscar Ibáñez, A.F.I.

Market jitters over high debt levels are making it increasingly difficult for Spanish credit institutions to meet their financing needs in the wholesale markets. ECB liquidity is providing short-term support but a longerterm, credible solution involving: i) clarity on the banking recapitalization process, ii) cleanup of bank balance sheets, iii) a definitive roadmap for the future of the Eurozone; and, iv) further transparency measures is needed to secure access to traditional funding sources.

### Short selling of Spanish bank shares

35

Ángel Berges and Daniel Suárez, A.F.I.

Short selling, especially of bank shares, serves an important function in the stock market. However, the activity can also have significant destabilizing consequences, which explains the reason behind its temporary prohibition.

42 Box: Measures to guarantee budgetary stability and competitiveness<sup>1</sup>

### 44 **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)

### 47 Spanish economic forecasts panel: June 2012

FUNCAS Economic Trends and Statistics Department

### 53 **KEY FACTS**

### Economic indicators Financial system indicators

<sup>&</sup>lt;sup>1</sup> Prepared by the Advisory Cabinet on Spanish Economic and Financial Outlook

### Resolution of the Spanish banking crisis: Implications of recent developments

### Santiago Carbó Valverde<sup>1</sup> and Francisco Rodríguez Fernández<sup>2</sup>

Setting up a clear backstop for losses is one of the most important ingredients necessary to resolve a banking crisis. The 100 billion euros contingent financial assistance approved by the Eurogroup for Spanish banks constitutes, in principle, a sound and credible guarantee. The Memorandum of Understanding (MoU), establishing the conditions to receive EU financial aid, provides a new roadmap. Apart from specific requirements for Spanish banks, the advances towards a European banking union will affect the way in which the final resolution of the Spanish banking crisis is achieved.

There has been some recent progress in the resolution of the banking crisis in Spain through four major developments. First, the Eurogroup agreed on setting up contingent aid for the recapitalization of Spanish banks for 100 billion euros. Second, two well-known consulting firms performed the first independent valuation of Spanish banks' capital needs. Third, the Eurozone members took some very relevant decisions during their June 28<sup>th</sup>-29<sup>th</sup> meeting that could potentially alleviate market pressures on Spanish banks by defining a more streamlined approach for channeling the recapitalization of banks in the Eurozone. Some of these changes point to a European banking union in the near future. And finally, the Memorandum of Understanding (MoU,) with the conditions set for European financial aid for Spanish banks, has also been released on July 20<sup>th</sup>.

### The Eurogroup's financial assistance: A backstop for Spanish banks

On June 9<sup>th</sup>, 2012, the Eurogroup published a statement in which they set up contingent financial aid for the recapitalization of Spanish banks for 100 billion euros. The aid was defined as a "loan amount" that "must cover estimated capital requirements with an additional margin of safety".

Importantly, following the formal request for aid by the Spanish authorities –effectively made last June 25<sup>th</sup> - an assessment needs to be provided by the European Commission, the European Central Bank, the European Banking Authority and the International Monetary Fund. The conditionality is embedded in a Memorandum of Understanding (MoU) that we analyze later in this document.

As specified in the Eurogroup statement, the financial assistance is expected to be provided by the European Financial Stability Facility (EFSF) or the European Stability Mechanism

<sup>&</sup>lt;sup>1</sup> Bangor Business School and Funcas

<sup>&</sup>lt;sup>2</sup> University of Granada and Funcas

(ESM). Importantly, the Spanish government was expected to retain the full responsibility of the financial assistance. Additionally, the Eurogroup considers that the policy conditionality of the financial assistance should be "focused on specific reforms targeting the financial sector, including restructuring plans in line with EU state-aid rules and horizontal structural reforms of the domestic financial sector."

Given the initial conditions expressed in the Eurogroup statement, the backstop was accompanied by some uncertainty regarding three issues:

i) To what extent the EU funding assistance would be considered as senior debt relative to the Spanish sovereign. The consideration of EU funding assistance as senior debt could potentially harm sovereigns such as Spain, as its banks would then rank behind official EU creditors in terms of debt subordination. At the time the statement was released, this issue was not clear. The rules of the ESM provide it with preferred creditor status, junior only to the International Monetary Fund. In this sense, it will also be very important to determine whether the funds will be channeled in the form of CoCos or whether they will be provided directly as equity capital.

ii) To what extent the intermediation of the FROB would imply that the financial assistance might eventually increase public debt and/or deficit.

iii) What type of conditionality will be imposed on the Spanish banking sector.

While these issues have not yet been totally clarified and important market tensions –with country risk significantly increasing- remained for Spain during June 2012, the Summit held by the Eurozone members on June 29<sup>th</sup> helped reduce part of the uncertainty. The three main agreements reached had relevant implications for Spain and its financial institutions.

First, there was a fundamental decision made by allowing the ESM to have the possibility to recapitalize banks directly. This would eventually eliminate the intermediation of States in the recapitalization of banks so that the funds provided to these banks would not be considered as public debt or deficit. This new role of the ESM is conditional on the establishment of a single "supervisory mechanism -involving the ECB- for banks in the euro area". Hence, there is also a commitment to set up a European banking union in a relatively short time period. Additionally, any direct recapitalization of banks by the ESM would also involve a number of conditionality terms to be determined on a case by case basis. Since Spain will probably be the first country to benefit from the direct recapitalization of banks, it seems that the Spanish case will be very relevant to lay the foundation for the Eurozone banking union.

Powers will be transferred to the ESM without gaining seniority status with respect to other types of debt. As a result, debt subordination will apparently not be an issue for the recapitalization of Spanish banks with EU funding.

Second, the statement of the Eurozone members "urge the rapid conclusion of the Memorandum of Understanding attached to the financial support to Spain for recapitalization of its banking sector." The financial assistance will be provided by the EFSF until the ESM becomes available. Subsequently, powers will be transferred to the ESM without gaining seniority status with respect to other types of debt. As a result, debt subordination will apparently not be an issue for the recapitalization of Spanish banks with EU funding.

Finally, the statement refers to the "strong commitment to do what is necessary to ensure the financial stability of the euro area". The aim would be using the EFSF/ESM to stabilize markets. The way has yet to be defined but this may help

Spain and its banks –as well as other European countries- reduce the upwards pressures on sovereign yields.

# The independent valuations of the capital needs of the Spanish banking sector: Stress test approach

As the main terms of the EU financial assistance for Spanish banks were being defined, the valuations of two private consulting companies, Roland Berger and Oliver Wyman - commissioned by the Spanish government to undertake an independent assessment of the capital needs of the Spanish banking sector - were published on June 21<sup>st</sup>.

The objective of this first independent assessment was to undertake a stress tests "to offer an estimate of the aggregate capital needs for the Spanish banking system as a whole under two different macroeconomic environments: one of them a baseline, considered the most likely scenario, and an alternative severely stressed scenario". This assessment is considered preliminary by the Spanish government, as there is another valuation that has been commissioned to produce banklevel estimations of these capital needs. However, these individual bank valuations are expected to be released in September.

Importantly, the two external consultants have worked independently from each other. The assessment has been made using data of the largest 14 banking groups in Spain. The governance of the exercise has been entrusted to a Steering Committee -controlled by the Spanish government and the Bank of Spain- with an advisory panel comprised by the following members: the ECB, the IMF, the EC and the EBA.

The two scenarios considered in the assessment are shown to be tougher than those of the IMF as recently used in its Financial Sector Assessment Program.

The two scenarios considered in the assessment (predefined by the Steering Committee) –which are summarized in Exhibit 1- are shown to be

#### Exhibit 1

### Macroeconomic scenarios for the assessment of the Spanish banking sector

Annual growth rates												
		IMF (F	SAP)		External consultants							
	2012		2013		2012		2013		2	014		
	Baseline	Adverse	Baseline	Adverse	Baseline	Adverse	Baseline	Adverse	Baseline	Adverse		
Real GDP	-1.7	-4.1	-0.3	-1.6	-1.7	-4.1	-0.3	-2.1	0.3	-0.3		
Unemployment Rate (1)	23.8	25.0	23.5	26.6	23.8	25.0	23.5	26.8	23.4	27.2		
Housing Prices	-5.6	-19.9	-2.8	-3.6	-5.6	-19.9	-2.8	-4.5	-1.5	-2.0		
Madrid Stock Exchange Index	-1.3	-51.3	-0.4	-0.4	-1.3	-51.3	-0.4	-5.0	0.0	0.0		
Credit to Other Resident Sectors												
- Households	-3.8	-6.8	-3.1	-10.5	-3.8	-6.8	-3.1	-6.8	-2.7	-4.0		
- Non-Financial Firms	-5.3	-6.4	-4.3	-3.0	-5.3	-6.4	-4.3	-5.3	-2.7	-4.0		

Source: Bank of Spain and own elaboration

tougher than those of the IMF as recently used in its Financial Sector Assessment Program. The macroeconomic projections are particularly harsh in the case of GDP growth, assuming, for example a 4.1% fall in 2012 under the adverse scenario. However, other assumptions, albeit tough, can be considered as more realistic in our opinion, including an accumulated fall in house prices of 24.4% during 2012-2013, or nominal reductions in lending to the private sector of around 5-6% yearly.

The 14 Spanish banking groups considered represent almost 90% of the Spanish financial system: Santander, BBVA + Unnim, Popular + Pastor, Sabadell + CAM, Bankinter, Caixabank + Cívica, Bankia-BFA, KutxaBank, Ibercaja + Caja3 + Liberbank, Unicaja + CEISS, Banco Mare Nostrum, CatalunyaBank, NCG Bank, Banco de Valencia.

Compared to other previous stress tests –for example, those implemented by the European Banking Authority in 2011–the stress tests of the two independent auditors incorporate, at least, an important new ingredient. In particular, the analysis is applied to all the loans to the resident private sector, including real estate assets, and not only to the real estate and construction loan portfolio. Hence, other loans such as SME loans or retail mortgages have also been considered as potentially problematic.

As for the results, they are summarized in Exhibit 2. Oliver Wyman has given an interval of potential capital needs for each one of the two scenarios, while Roland Berger has given a specific estimation for each one of the two scenarios. In the worst-case-scenario, the capital needs are estimated at 62 billion euros. This is well below the backstop of 100 billion euros provided by the EU.

It is difficult to determine to what extent these estimations will contribute to reduce the uncertainty on the magnitude of the actual and potential asset

### Exhibit 2

Estimated capital needs (billion euros)



impairment of Spain. Among the most positive features of the estimations, both auditors have considered a sound and reasonable framework to estimate some basic ingredients of bank losses and capital needs, such as the probability of default (PD), the loss-given default (LGD) and the exposure at default (EAD) for different loan portfolios. The reliability of the estimations also benefitted from the use of a larger base of riskweighted assets (RWA) by considering not only real estate-related loans but also other loans to the private sector. For example, Roland Berger estimates losses of 17 billion euros from the mortgage portfolio.

In any case, some sources of uncertainty will probably remain until the results of the asset-byasset valuation at the individual bank level are presented in September. One of the reasons is that the two auditors have used the same loan portfolio classification that the Bank of Spain has been using and it is difficult to assess, for example, the role that loan refinancing transactions may have on asset impairment.

A very relevant feature is the loss-absorption capacity of the Spanish banking sector that both consulting firms estimate. A summary of the different sources of loss-absorption capacity is shown in Exhibit 3.

The estimations of credit losses by Oliver Wyman are substantial in the adverse scenario (250-270 billion euros). However, as shown in Exhibit 3 they estimate a considerable loss-absorption capacity of 230-250 billion euros. In the case of Roland Berger, total losses are estimated around 150-170 billion euros. The differences between the auditors' results are mostly explained by the fact that Oliver Wyman considers all the provisions and losses made as of December 2011, while Roland Berger only considers the remaining provisions to be made and losses to be covered. Some commentators (i.e. Bloomberg in its July 2<sup>nd</sup> article "Spain Overestimating Bank Profit Risks Seeking Too Little") already suggest that the estimation of the loss-absorption capacity is a bit optimistic.

An alternate view suggests that the provisioning efforts that have already been made by Spanish financial institutions have already covered a great deal of the asset impairment. For example, the Roland Berger report mentions that "retained earnings, loan loss provisions and existing capital buffers cover 54% of overall forecast credit

### Exhibit 3 The estimated loss-absorption capacity of the Spanish banking sector (billion euros)



### Notes:

- a) Capital Buffer considered over capital requierements of 6 % core tier 1 ratio
- b) Estimated by RBSC
- c) Provided by BdE
- d) Not including provisions for NPL 2011 and earlier, capital buffers in excess of 6% core tier 1 ratio
- e) Earnings retained by banks in order to cover forecast credit losses

Source: Bank of Spain and own elaboration

losses. Capital injections year-to-date 2012 cover 10% (16.5 billion euros), the asset protection scheme covers 6% (10.5 billion euros) and the 51.8 billion euros recapitalization requirement covers 31%." Again, it seems that only the banklevel assessment of the asset impairment could clarify if the loss-absorption capacity has been underestimated or overestimated.

A drawback of an overall valuation of the banking sector is that it does not help make the necessary distinction between those institutions that do not need any or little capital and those in need of significant amounts of capital.

There are some other features that accompanied this first assessment of the banking sector which also deserve some attention. In the presentation of the stress tests, the government and Bank of Spain/FROB representatives specified that:

- The competitive bidding processes for the nationalized banks have been postponed until the conditions imposed on the banking sector attached to the EU financial assistance are defined, and the recapitalization needs of Spanish banks are estimated at the banklevel.
- The banks that require additional capital will have to deliver a recapitalization plan in September. Those that present a "credible" plan for their own recapitalization (without external aid) will have nine months to implement it.
- Some recent recommendations of the IMF and the EC might be considered to segregate the impaired real estate assets from banks' balance sheets and to provide mark-to-market valuations.

The provisions required by the two banking reforms of 2012 (Royal-Decree 2/2012 and Royal Decree 18/2012) are still applicable. Actually, the projections of the loss-absorption capacity made by the two consulting companies consider that those provisions will be one of the instruments used to meet the capital requirements.

### The MoU: Conditions for a new roadmap

On July 20<sup>th</sup>, 2012, the Spanish government signed a MoU on "financial-sector policy conditionality" establishing specific measures to reinforce financial stability in Spain associated with the financial support provided to Spanish banks. The main objective of the MoU is said to " increase the long-term resilience of the banking sector as a whole, thus, restoring its market access." The MoU text is complemented by two documents that specify some general conditions of the financial assistance to Spain, the "Master financial assistance facility agreement" and the "Terms of Reference for IMF Staff Monitoring"<sup>3</sup>.

In practical terms, the MoU seeks to overhaul the weak segments of the Spanish financial sector by identifying the capital needs following an asset-by-asset stress test, recapitalizing (or "restructuring or resolving") the weak banks, and segregating the assets of the banks receiving aid for recapitalization by transferring their impaired assets to an asset management company (AMC).

The MoU follows a roadmap describing a progressive implementation of measures from July 2012 to June 2013. In July 2012, a first tranche of funds for recapitalization is supposed to be provided, since the MoU assumes that the announcement itself of recapitalization aid may put some Spanish banks at risk until the

<sup>&</sup>lt;sup>3</sup> All the legal documents of the EU financial assistance to Spanish banks can be downloaded at: http://www.mineco. gob.es/portal/site/mineco/.

recapitalization is completed. This first tranche of aid is 30 billion euros. If these funds are employed, the Bank of Spain will have to make an official request that would be eventually approved by the European Commission (EC), the Euro Working Group (EWG) and the ECB.

In September 2012, it is expected that the assetby-asset stress tests of Spanish banks will be ready and that a bank-level estimation of the capital shortfalls will be provided. Importantly, these stress tests will give rise to a classification of banks into four groups:

- Group 0: Banks showing no capital shortfall.
- Group 1: Nationalized banks, including BFA/ Bankia, Catalunya Caixa, NCG Banco and Banco de Valencia.
- Group 2: Banks with capital shortfalls and in need of help to address the necessary recapitalization.
- Group 3: Banks with capital shortfalls but with credible recapitalization plans allowing them to meet these capital shortfalls through private funding sources.

By early-October, banks in Groups 1, 2 and 3 will be required to present recapitalization plans, including the possibility of asking for EU aid. For the nationalized banks, the Spanish authorities and the European Commission will work with the institutions in preparing the recapitalization plans from July 2012 onwards. These plans should be approved by November 2012 and should include the transfer of impaired assets to an AMC by year end.

The recapitalization plans for Group 2 banks must be ready by October 2012 and they are expected to be approved by year end, along with decisions regarding whether to "recapitalize" or "resolve" the banks. These banks will also be also required to include the segregation of their impaired assets to an AMC. As for Group 3 banks, the possibilities are a bit wider. Those banks planning to significant increase equity, more than 2% of RWA, will, as a precautionary measure, be required to issue contingent convertible securities (COCOs) to meet their capital needs by year end. These COCOs will be subscribed for by the FROB (using EU aid funds) and may be redeemed until June 30th, 2013, if the banks raise the necessary capital from private sources. If these banks do not get the private funds to redeem the COCOs. the COCOs will be totally or partially converted into ordinary shares. Banks in Group 3 may also plan a more limited equity increase of less than 2% of RWA. These banks will have until June 30<sup>th</sup>, 2013, to raise this equity. If they do not get the necessary equity, they will be subject to new recapitalization and restructuring plans by Spanish and EU authorities. In general, those banks in Group 3 that still benefit from any kind of public support by June 30th, 2012, will be required to transfer their impaired assets to an AMC.

In parallel to these recapitalization terms, a very relevant issue in the MoU is the establishment of a burden sharing exercise. In particular, in order to minimize the cost to taxpayers of bank restructuring, not only equity holders will suffer the bank losses. A burden sharing from hybrid capital holders and subordinated debt holders will also be required for any bank receiving EU financial aid. This burden sharing can be either voluntary or mandatory through the so-called Subordinated Liability Exercises (SLEs).

To meet this intense program, the MoU has included more specific conditionality terms through 32 measures, which are specified in Appendix 2 of the memorandum. To summarize them, we have classified these conditions into three groups (the number corresponding to each of the conditions is shown in parentheses and they are not necessarily correlative):

*a. Preparation and evaluation issues*: (1) Provide data needed for monitoring the entire banking

sector and of banks of specific interest due to their systemic nature or condition; (2) Prepare restructuring and resolution plans with the EC for Group 1 banks, to be finalised in light of the Stress Tests results in time to allow their approval by the Commission in November; (3) Finalise the proposal for enhancement and harmonization of disclosure requirements for all credit institutions on key areas of the portfolios such as restructured and refinanced loans and sectoral concentration; (4) Provide information required for the Stress Test to the consultant, including the results of the asset quality review; (5) Introduce legislation to ensure the effectiveness of SLEs, including to allow for mandatory SLEs; (6) Upgrade of the bank resolution framework, i.e. strengthen the resolution powers of the FROB and Deposit Guarantee Fund (DGF); (7) Prepare a comprehensive blueprint and legislative framework for the establishment and functioning of the AMC; (8) Complete bankby-bank stress tests (Stress Tests); (9) Finalise a regulatory proposal on enhancing transparency of banks.

b. Burden sharing and recapitalization: (10) Banks with significant capital shortfalls will conduct SLEs before capital injections; (11) Banks to draw up recapitalization plans to indicate how capital shortfalls will be filled; (12) Present restructuring or resolution plans to the EC for Group 2 banks; (13) Identify possibilities to further enhance the areas in which the Bank of Spain can issue binding guidelines or interpretations without regulatory empowerment; (14) Conduct an internal review of supervisory and decision-making processes. Propose changes in procedures in order to guarantee timely adoption of remedial actions for addressing problems detected at an early stage by on-site inspection teams. Ensure that macro-prudential supervision will properly feed into the micro supervision process and adequate policy responses; (15) Adopt legislation for the establishment and functioning of the AMC in order to make it fully operational by November 2012; (23) Issues of CoCos under the recapitalization scheme for Group 3 banks planning a significant (more than 2% of RWA) equity increase; (26) Require all Spanish credit institutions to meet a Common Equity Tier 1 ratio of at least 9% until at least end-2014. Require all Spanish credit institutions to apply the definition of capital established in the Capital Requirements Regulation (CRR), observing the gradual phasein period foreseen in the future CRR, to calculate their minimum capital requirements established in the EU legislation; (31) Raise the required capital for banks planning a more limited (less than 2% of RWA) increase in equity; (32) Group 3 banks with CoCos to present restructuring plans.

c. Governance and transparency issues: (16) Submit for consultation with stakeholders envisaged enhancements of the credit register; (17) Prepare proposals for the strengthening of non-bank financial intermediation including capital market funding and venture capital; (18) Propose measures to strengthen fit and proper rules for the governing bodies of savings banks and introduce incompatibility requirements regarding governing bodies of former savings banks and commercial banks controlled by them; (19) Provide a roadmap (including justified exceptions) for the eventual listing of banks included in the stress test which have benefited from state aid as part of the restructuring process; (20) Prepare legislation clarifying the role of savings banks in their capacity as shareholders of credit institutions with a view to eventually reducing their stakes to non-controlling levels. Propose measures to strengthen fit and proper rules for the governing bodies of savings banks and introduce incompatibility requirements regarding the governing bodies of the former savings banks and the commercial banks controlled by them. Provide a roadmap for the eventual listing of banks included in the Stress Test, which have benefited from State aid as part of the restructuring process; (21) Banks to provide standardized quarterly balance sheet forecasts funding plans for credit institutions receiving state aid or for which capital shortfalls will be revealed in the bottom-up stress test; (22) Submit a policy document on the amendment of the provisioning framework if and once Royal Decree Laws 2/2012 and 18/2012 cease to apply. Mid - December

2012; (24) Transfer the sanctioning and licensing powers of the Ministry of Economy to the Bank of Spain; (25) Require credit institutions to review, and if necessary, prepare and implement strategies for dealing with asset impairments; (27) Review governance arrangements of the FROB and ensure that active bankers will not be members of the Governing Bodies of FROB; (28) Review the issues of credit concentration and related party transactions; (29) Propose specific legislation to limit the sale by banks of subordinate debt instruments to non-gualified retail clients and to substantially improve the process for the sale of any instruments not covered by the deposit guarantee fund to retail clients; (30) Amend legislation for the enhancement of the credit register.

As for the document entitled "Master financial assistance facility agreement", it sets some general conditions for the participation of the EFSF in the financial assistance of Spanish banks which is considered a "Bank Recapitalization Facility". Importantly, the average maturity of the Bank Recapitalization Facility "shall not exceed twelve point five (12.5) years and the maximum maturity of any individual disbursement of Financial Assistance is fifteen (15) years".

As for the cost of the funds, this is established as a variable interest rate to be determined for each of the so-called "interest periods" which are defined as "the first Interest Period and each consecutive twelve (12) months period thereafter, commencing on (and including) the date of the preceding payment date for the financial assistance."

### Exhibit 4

Spanish banks' recapitalization, the EU financial assistance and the advances towards the European banking union



### Source: Authors' own elaboration

As for the document showing the terms of the participation of the IMF in the financial assistance of Spanish banks, the "Terms of Reference" establishes that the purpose of IMF staff is technical monitoring, which consists of providing independent advice. These terms establish that the IMF is not responsible for the conditionality or implementation of the MoU terms.

### Challenges ahead: Spanish bank recapitalization within a European banking union

The advances described in the previous sections seem to be critical steps towards the establishment of appropriate resolution mechanisms for the banking crisis in Spain. However, there are various important challenges ahead for both Spanish and European authorities –as well as for the financial sector- over the next few months.

The bank-level valuation of the recapitalization needs of Spanish banks in September will provide a reference point to decide the necessary amount of funds for Spanish banks as well as the roadmap to finalize the cleaningup of Spanish banks' balance sheets.

As shown in Exhibit 4, the recapitalization process in Spain will be largely determined by the way the EU financial assistance, and the whole process of recapitalization and banking crisis resolution interact with the advances towards the establishment of a European banking union.

On June 6<sup>th</sup>, 2012, the European Commission adopted a proposal for "EU-wide rules for bank recovery and resolution". This includes a draft of an EU directive with interesting reflections, recommendations and potential rules towards a European Banking Union. Since some Spanish banks will likely be the first recipients of EU financial assistance within such a union, some of the issues under discussion in this proposal may be particularly relevant for Spain in the near future. The proposal considers a framework for resolution that will require banks to draw up recovery plans setting out measures that would kick-in in the event of a deterioration of their financial situation in order to restore their viability.

Banks are required to prepare resolution plans with options for dealing with banks in critical condition, which are no longer viable. The draft proposal also refers to a "bail-in" tool whereby the bank would be recapitalized through shareholders being wiped out or diluted, and through creditors having their claims reduced or converted into shares. This is a particularly sensitive issue in the case of Spanish banks, where preference shares' investors may be affected by such a "bail-in" policy.

At this stage, it is difficult to determine how a European banking union may evolve over the next months and to what extent it will influence the way Spanish banks complete their recapitalization process. The conditions established in the Memorandum of Understanding by EU authorities and the IMF in exchange for financial assistance will be a first illustrative guideline of the terms that any financial system in Europe may have to comply with to benefit from such a union. This will require that Spanish authorities make an additional effort to set a definitive timing and road map to complete the resolution of the banking crisis in Spain. The development of the European banking union in parallel may introduce some difficulties, but it may also be an opportunity to make this resolution effective as soon as possible.

# The importance of foreign banks in financing the Spanish economy

### Joaquín Maudos<sup>1</sup>

The role of foreign banks in financing the Spanish economy is critical. To prevent further capital flight, the Spanish and European authorities should act fast, drawing on the main lessons learned from the crisis.

Two major economic imbalances in Spain are the size of its negative financial position versus the rest of the world and its high level of external debt. A large part of Spain's financing comes from banks in third countries and the effects of the crisis have led to increased capital flight. Three main lessons can be drawn from this crisis. First, the stigma of a bailout causes increased capital flight by foreign banks. Second, increasing financial markets globalization and integration demand global responses. Third, European banks reduced more their capital exposure to other euro-area partners, undermining confidence and deviating from the path of financial integration. To prevent further deterioration of the current situation and capital flight, the Spanish authorities should push forward reforms to restore confidence and continue working with their European partners in constructing a more integrated European financial market.

One of the Spanish economy's most significant imbalances is the size of its net negative financial position vis-à-vis the rest of the world, in conjunction with its high level of external debt.

In the case of Spain's financial position, two indicators illustrate the country's high dependence on international financing. The first being net financial assets, which are negative and represent 91% of GDP - a level only exceeded in the Euro area by countries that have received a bailout. The second being external debt, standing at 165% of GDP.

A large share of this external financing comes from banks in third countries. As a result, it is worth

addressing the question of whether the crisis that is affecting the Spanish economy is also damaging the economy's borrowing from international banks. In Spain's current context of recession and the sovereign debt crisis, it is worth exploring two key issues to get a better understanding of the potential impact of the crisis on foreign banks' exposure to Spain.

- Has the composition of foreign banks' investments in Spain changed? And if yes, how has it varied?
- Have foreign banks reduced their exposure to the Spanish economy?

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### Joaquín Maudos

To explore these issues, we differentiate exposures to public debt and bank debt from exposures to non-bank private sector debt of the economy. The data we use in our analysis was published by the BIS. This data also allow us to perform an analysis of Spanish banks' exposure to countries that have seen the steepest increase in their risk premiums.

Finally, as the International Monetary Fund has recently warned in its latest report on the Spanish banking sector, some Spanish banks have significant exposures to the foreign banking and non-financial private sectors. In this article, we also take a closer look at the geographical distribution of Spanish banks' foreign exposures to identify areas of potential risks.

## Which foreign countries' banking sectors are lending to Spain?

To analyse this issue, we use the BIS's statistics to quantify different banking sectors' exposure to a given country's debt, broken down by issuer: i.e. public sector, banks and the non-bank private sector. The BIS also provides useful information on indirect exposures through credit commitments, guarantees extended and derivative contracts.

Spain's external debt held by foreign banks. At the end of 2011, the Spanish economy's external debt held by foreign banks stood at 720.4 billion euros<sup>2</sup>, of which 63% was direct exposure, acquired by purchasing debt securities, and the remainder, indirect, in the form of other potential exposures (Exhibit 1). In the case of the former, the largest component (60% of total foreign claims) corresponds to debt issued by the nonbank private sector, followed in importance by debt issued by Spanish banks (27% of total direct exposure) and the public sector (13%). International banks' exposure to the Spanish economy. US banks were the most exposed, accounting for 24% (175.9 billion euros) of the Spanish external debt held by foreign banks. In Europe, banks in Germany (143.8 billion euros, 20%), France (111.4 billion euros, 15%), and the United Kingdom (106.3 billion euros, 15%), were the most exposed to Spain, to the extent that these three countries held half of Spanish debt on foreign banks' balance sheets.

#### Exhibit 1

### Foreign banks' exposures to Spain. December 2011



### Source: BIS

Turning to *direct exposures resulting from the purchase of debt securities* (Exhibit 2), German (112.9 billion euros, 25%) and French banks (88.6 billion euros, 20%) were the most exposed to Spain, while US banks (35.4 billion euros) had drastically reduced their exposure, and their remaining exposure to Spain's risk was mainly in the form of guarantees extended. In particular, US banks are by far the most exposed to the Spanish economy when it comes to other potential exposures, as US banks hold more than half of the total (140.5 billion euros, 53%).

In the case of *non-financial sector private debt* (the bulk of Spanish external debt in the hands of foreign banks), the main holders of Spanish debt were the French (56.2 billion euros, 21%), German (52.7

<sup>&</sup>lt;sup>2</sup> Given that the BIS publishes its information in dollars, the dollareuro exchange rate for the last day of the year has been used.



### Exhibit 2 Geographic distribution of foreign banks' exposures to Spain. December 2011 (percentage)

Source: BIS

billion euros, 20%) and UK (50.9 billion euros, 19%) banking sectors. Conversely, in the case of public debt, the United Kingdom's banks had only a minor exposure to Spain, with German banks being the most exposed, accounting for 32% of all the Spanish public debt held by foreign banks (19.1 billion euros).

### Did foreign banks reduce their exposure to Spain in 2011?

The adverse macroeconomic context surrounding the Spanish economy has had a negative impact on net external financial investment. Over the course of 2011 there was a net outflow of capital, which became more intense in the first quarter of 2012. In 2011, capital outflows were 75 billion euros, whereas in the first quarter of 2012 capital outflows were 97 billion euros.

The BIS's information can be used to analyse the change in foreign banks' exposure to Spain in 2011. As Table 1 shows, between December 2010 and 2011 foreign banks reduced their exposure to Spain by 19.5 billion euros. Nevertheless, there is an important difference between direct and indirect exposures. In the case of direct exposures, the amount of Spanish debt held by foreign banks fell by 75.4 billion euros, while indirect exposure rose by 56.0 billion euros.

Joaquín Maudos

Between December 2010 and 2011 foreign banks reduced their exposure to Spain by 19.5 billion euros. Nevertheless, in the case of direct exposures, the amount of Spanish debt held by foreign banks fell by 75.4 billion euros, while indirect exposure rose by 56.0 billion euros.

By countries, all Europe's banking sectors for which the BIS publishes information have reduced their exposures to Spain, with Germany's banks cutting their exposure by the largest amount (23.9 billion euros), followed by the French banks (19.9 billion euros). On the other hand, US banks increased their exposure to Spain by 44.3 billion euros, a fact that is almost entirely explained by their indirect exposure. In particular, the guarantees extended by US banks to protect investors holding Spanish debt rose in value by 50 billion euros in 2011. In percentage terms, foreign banks cut their total exposure by 2.6%. However, this average masks important differences both between debt types and between countries. In the former case, whereas holdings of debt securities shrank by 14.3%, indirect exposure through derivative contracts, guarantees extended and credit commitments grew by 26.5% – mainly concentrated in the hands of US and (albeit to a lesser extent) UK banks. In terms of countries, whereas Belgian banks reduced their exposure by 34.8%, US banks increased theirs by 33.6%. German and French banks cut their exposure to Spain by around 15%, while the exposure of UK banks remained virtually unchanged.

The breakdown by debt type shows that Spanish bank debt is where other countries' banking sectors have most reduced their exposures to Spain, with a decrease of 27% (45.2 billion euros). The reduction in public debt holdings was also substantial, however, with foreign banks'

Table 1

### Change in foreign banks' exposure to Spain 2010-2011

	Total	Belgium	France	Germany	Italy	Japan	United Kingdom	United States	Other countries
			E	Billions of euro	s				
Total	-19.5	-5.8	-19.9	-23.9	-0.5	-0.7	-0.2	44.3	-12.7
Foreign claims	-75.4	-6.0	-16.6	-23.2	-0.8	-0.8	-15.9	1.9	-14.1
Banks	-45.2	-4.9	-11.0	-15.4	-2.0	-1.1	-5.8	2.2	-7.3
Public sector	-16.0	-0.4	-8.3	-2.3	0.8	-0.2	-3.7	0.0	-1.9
Non-bank public sector	-14.2	-0.7	2.7	-5.6	0.6	0.5	-6.4	-0.2	-5.1
Other potential exposures	56.0	0.1	-3.3	-0.6	0.3	0.1	15.7	42.4	14
				Variation (%)					
Total	-2.6	-34.8	-15.2	-14.2		-3.3	-0.2	33.6	-9.5
Foreign claims	-14.3	-37.0	-15.8	-17.1	-3.5	-4.5	-19.9	5.8	-12.0
Banks	-27.0	-61.7	-37.8	-27.2	-31.4	-29.8	-36.9	16.9	-20.6
Public sector	-20.9	-14.6	-36.5	-10.6	19.2	-3.2	-52.2	-0.2	-20.3
Non-bank public sector	-5.0	-12.9	5.0	-9.6	5.1	6.6	-11.1	-1.2	-7.0
Other potential exposures	26.5	16.5	-12.8	-2.0	2.8	4.1	59.8	43.2	8.4

Spanish public debt portfolios shrinking by 16.0 billion euros (20.9%). This latter result is in line with the decrease in the amount of Spanish public debt held by non-residents (banks, investment funds, pension funds, insurance companies, etc.) which fell by 16% (37.1 billion euros) between December 2010 and December 2011.

## Sovereign debt crisis and foreign banks' exposures

Against the backdrop of the sovereign debt crisis it is worth analysing banks' exposures to those countries whose risk premiums have risen the most.

Since we have already analysed the exposure to Spain previously in this article, the countries examined below are Greece, Ireland, Portugal and Italy. The IMF's September 2011 financial stability report devoted a section to the increase in credit risk (based on the change in risk premiums and CDSs) in banking sectors since late 2008, as a consequence of the debt exposure (public and private) of these countries plus Belgium.

### Greece

In the case of Greece (Exhibit 3), the information for December 2011 showed foreign banks' exposure to the country's external debt to total 132.7 billion euros, of which 56% was direct exposure. In the case of exposures arising from debt security purchases, the French banks are by far the most exposed to the Greek economy, in the order of 34.3 billion euros, equal to 46% of foreign banks' total direct exposures. German banks (10.3 billion euros) and British banks (8.1 billion euros) are much less exposed, although together these three countries account for as much as 71% of all the direct exposure to Greece. The Spanish banking sector's exposure is limited, at just 749 million euros. In the case of public debt, which is the greatest cause for concern due to the high level of Greek public sector debt (despite the agreed 53.5% write-off in nominal bond values), foreign banks' exposures stood at 17.6 billion euros, of which 10.5 billion euros were shared equally by France and Germany. Although its direct exposure was more limited (just 560 million euros of Greek debt), the United States accounted for a larger share of foreign banks' indirect exposure, with a total of 35.7 billion euros in the form of guarantees.

### Ireland

Foreign banks' exposure to Ireland totalled 475.7 billion euros, of which 313.7 billion euros was direct exposure in the form of debt securities. The United Kingdom's banks were the most heavily exposed, with an exposure of 148.5 billion euros, representing 31% of the worldwide bank total. German banks (98.3 billion euros) and US banks (74.1 billion euros) were also highly exposed to the Irish economy. In the case of the Spanish banking sector, the exposure to Ireland was 9.1 billion euros, of which slightly more than half was Irish non-financial private sector debt.

### Portugal

Foreign banks' exposures to Portugal came to 211.0 billion euros, of which 133.5 billion euros are in the form of debt securities, particularly those issued by the non-financial private sector. Spanish banks are by far the most exposed to the Portuguese economy, holding 34% of foreign banks' total exposure. Spain's biggest exposure is in the non-financial private sector, while its exposure to Portuguese public debt is similar to that of Germany (around 5.5 billion euros).

### Italy

Given the larger size of the Italian economy, the risks assumed by foreign banks are much greater

### Joaquín Maudos

in comparison to those with the other countries analysed. Specifically, in late 2011, foreign banks' exposure to Italy stood at 969.3 billion euros, with France (32% of total exposure) and the US (26%) being the most exposed countries. Almost a quarter of the total direct exposure of 552.9 billion euros was in the form of debt issued by the public sector, to which the French and German banking sectors had the biggest exposures. In particular, these two countries alone owned almost two thirds of the Italian public debt held by foreign banks. Spanish banks' exposure to Italy came to 36.7 billion euros, with exposures to the non-financial private sector accounting for the lion's share.

### Exhibit 3 Foreign banks' exposures to Greece, Ireland, Portugal and Italy. December 2011 (billions of euros)









Source: BIS

### How do foreign banks react to a country being bailed out?

The sovereign debt crisis, which stemmed from high government deficits and levels of debt in certain European countries, ultimately made bailouts necessary for Greece, Ireland and Portugal. The crisis first broke out in the spring of 2010 with the bail-out of Greece. Later in that same year, Ireland also needed outside help to tackle its banking crisis and the consequent need to recapitalise its banks, which had caused its public debt and deficit to skyrocket. And in May 2011, Portugal was rescued.

One of the concerns with a bailout is the possible reaction by the country's bondholders. In the specific case of bank creditors, this reaction can be quantified using BIS statistics by analysing changes in foreign banks' exposures to these countries. To this end, Table 2 quantifies the changes in the exposures of banking sectors for which the BIS reports information on the debt of the three bailed out countries, together with Spain and Italy, which are also suffering the consequences of the sovereign debt crisis, with sharp rises in their risk premiums. In 2011, the risk premium against the German ten-year bond rose to 433 basis points in Spain and 519 in Italy in November (monthly average).

Of the three bailed out countries, Greece saw the biggest reduction in foreign banks' exposure in 2011, with a drop of 11.7% (17.5 billion euros). Belgian banks reduced their exposure to Greece most (a reduction of 59.5%), followed by those of Germany (44.7%) and Japan (41%), although in absolute terms Japan's reduction was small (525 million euros). US and British banks increased their exposures sharply (by 25.6% and 8.2%, respectively), although through other potential exposures rather than directly. Spanish banks increased their exposure, but by a smaller percentage (2.7%).

Focusing on direct exposures, the drop in exposure to Greece was very sharp (27.8%),

particularly in the case of bank debt (61.3%) and public debt (49.3%). The size of the percentage increase in Spanish banks' exposure to Greek debt stands out, although the amount is small (just 20 million euros).

Foreign banks also reduced their exposures to Ireland and Portugal, although to a lesser extent than in the case of Greece. In particular, whereas the reduction in the exposure to Greece was 11.7%, in that of Ireland and Portugal the drop was 6.3% and 5%, respectively. There was also a difference between the two countries in that in the case of Ireland, foreign banks reduced their exposure to public sector debt more than to bank debt, whereas in the case of Portugal the reverse was true. The reduction in Spanish banks' exposure to these countries was biggest in relation to Portugal, with a drop in debt holdings of 3.7 billion euros.

If we compare the changes in foreign banks' exposures to the three bailed-out countries with the changes in their exposures to Italy and Spain, the drop in exposures to the former was clearly greater, with the decrease in exposures to Italy and Spain being 2.6% and 2.4%, respectively. There was also a difference in how exposures to Italy and Spain changed, in that the largest reduction in foreign banks' holdings affected government debt in the case of Italy, and bank debt in the case of Spain.

### Spanish banks' foreign exposures

Analysis of Spanish banks' investments abroad (Exhibit 4) reveals that a large percentage of this exposure is concentrated in the United Kingdom and the United States, and to a lesser extent, Brazil. Total foreign exposure comes to 1.5 trillion euros, 71% of which is in the form of directly purchased foreign debt and the remainder, other potential exposures. In the former case, the countries mentioned account for 56% of Spanish banks' foreign investments, with investments in the United Kingdom standing out (28% of the total).

### Table 2

### Change in foreign banks' exposures to Greece, Ireland, Portugal, Italy and Spain 2010-2011

a) Absolute values (billions of euros)

	Total	Belgium	France	Germany	Italy	Japan	Spain	United Kingdom	United States	Other countries
GREECE										
Total	-17.5	-0.9	-9.1	-10.7	-1.3	-0.5	0.0	1.3	8.0	-4.4
Foreign claims	-28.7	-0.9	-8.2	-9.2	-1.4	-0.5	0.0	-2.4	-2.0	-4.2
Banks	-5.0	-0.1	-1.4	-1.1	0.0	-0.2	0.0	-1.2	-0.6	-0.5
Public sector	-17.1	-0.8	-6.2	-5.8	-1.2	-0.3	-0.2	-1.2	-0.6	-0.9
Non-bank public sector	-6.6	0.0	-0.6	-2.3	-0.2	0.0	0.2	0.0	-0.9	-2.8
Other potential exposures	11.2	0.0	-0.9	-1.5	0.1	0.0	0.0	3.7	10.0	-0.2
IRELAND										
Total	-32.2	-1.8	1.1	-20.4	0.6	-1.1	-1.0	2.3	-5.4	-6.6
Foreign claims	-29.4	-2.1	-0.9	-14.7	1.8	-1.1	-1.4	-2.8	-3.2	-5.0
Banks	-12.2	-0.3	0.1	-7.5	1.4	-0.2	-0.3	-4.5	1.5	-2.3
Public sector	-3.8	-0.3	-1.3	-0.3	-0.2	-0.3	0.0	-0.5	-0.9	-0.1
Non-bank public sector	-13.3	-1.6	0.3	-6.9	0.8	-0.6	-1.1	2.2	-3.8	-2.7
Other potential exposures	-2.8	0.3	2.0	-5.6	-1.2	0.0	0.4	5.1	-2.2	-1.6
PORTUGAL										
Total	-11.2	-0.5	-3.5	-9.2	-1.0	-0.7	-5.6	2.2	10.6	-3.5
Foreign claims	-19.0	-0.5	-3.3	-3.9	-0.6	-0.7	-3.7	-2.0	-0.4	-3.8
Banks	-10.1	-0.1	-1.1	-3.6	-0.4	-0.1	-1.3	-1.6	-0.5	-1.5
Public sector	-6.4	-0.4	-2.9	-0.3	-0.1	-0.5	-0.9	-0.1	-0.5	-0.6
Non-bank public sector	-2.5	0.0	0.6	0.0	-0.1	0.0	-1.6	-0.4	0.6	-1.7
Other potential exposures	7.7	0.0	-0.1	-5.3	-0.5	0.0	-1.9	4.2	11.0	0.4
ITALY										
Total	-24.0	-9.1	-44.5	-17.5	-	-7.3	1.3	15.7	55.3	-17.9
Foreign claims	-95.2	-9.7	-36.9	-17.9	-	-6.7	0.6	-3.8	2.0	-22.7
Banks	-25.5	-2.1	-7.1	-13.0	-	-1.8	0.1	-1.2	3.4	-3.8
Public sector	-61.6	-7.3	-21.9	-5.9	-	-6.3	-0.5	-2.1	-1.6	-16.0
Non-bank public sector	-8.1	-0.3	-8.0	1.0	-	1.4	1.0	-0.6	0.2	-2.8
Other potential exposures	71.2	0.7	-7.5	0.4	-	-0.6	0.7	19.5	53.3	4.7
SPAIN										
Total	-19.5	-5.8	-19.9	-23.9	-0.5	-0.7	-	-0.2	44.3	-12.7
Foreign claims	-75.4	-6.0	-16.6	-23.2	-0.8	-0.8	-	-15.9	1.9	-14.1
Banks	-45.2	-4.9	-11.0	-15.4	-2.0	-1.1	-	-5.8	2.2	-7.3
Public sector	-16.0	-0.4	-8.3	-2.3	0.8	-0.2	-	-3.7	0.0	-1.9
Non-bank public sector	-14.2	-0.7	2.7	-5.6	0.6	0.5	-	-6.4	-0.2	-5.1
Other potential exposures	56.0	0.1	-3.3	-0.6	0.3	0.1	-	15.7	42.4	1.4
Source: BIS										

Table 2 (continued)

# Change in foreign banks' exposures to Greece, Ireland, Portugal, Italy and Spain 2010-2011 b) Percentage

, 0	Total	Belgium	France	Germany	Italy	Japan	Spain	United Kingdom	United States	Other countries
GREECE										
Total	-11.7	-59.5	-18.6	-44.7	-28.9	-41.0	2.7	8.2	25.6	-19.7
Foreign claims	-27.8	-60.9	-19.3	-47.1	-44.7	-40.8	2.7	-22.6	-37.1	-22.5
Banks	-61.3	-86.5	-89.3	-65.0	-21.9	-55.2	571.2	-59.9	-53.7	-36.5
Public sector	-49.3	-59.7	-55.1	-52.7	-66.0	-79.8	-42.2	-46.7	-50.3	-19.2
Non-bank public sector	-11.0	-41.4	-1.9	-33.5	-15.5	-8.9	51.3	-0.5	-26.8	-22.5
Other potential exposures	23.7	-32.9	-14.2	-34.4	9.2	-45.8	2.5	67.8	39.0	-5.3
IRELAND										
Total	-6.3	-8.8	2.6	-17.2	3.2	-6.4	-10.0	1.6	-6.7	-11.8
Foreign claims	-8.6	-11.2	-4.3	-16.7	18.1	-7.0	-19.2	-2.7	-8.5	-11.9
Banks	-19.6	-30.8	1.6	-35.3	77.1	-15.1	-40.4	-33.2	17.9	-29.5
Public sector	-26.1	-46.6	-44.6	-12.8	-31.0	-35.7	49.3	-13.3	-57.2	-2.9
Non-bank public sector	-5.0	-9.0	2.2	-10.7	10.7	-4.2	-17.3	2.7	-13.8	-8.6
Other potential exposures	-1.7	20.4	10.2	-18.6	-15.4	2.0	16.2	11.4	-5.2	-11.3
PORTUGAL										
Total	-5.0	-19.4	-14.4	-24.6	-	-34.4	-7.1	9.2	30.2	-25.1
Foreign claims	-12.6	-19.4	-16.5	-14.3	-18.9	-42.3	-5.9	-11.2	-10.3	-33.9
Banks	-32.2	-16.8	-23.9	-30.7	-25.4	-73.7	-28.2	-45.4	-25.0	-49.6
Public sector	-24.5	-21.5	-47.1	-5.8	-25.5	-64.2	-13.6	-4.9	-62.7	-30.1
Non-bank public sector	-2.6	-12.2	6.8	0.4	-7.5	0.1	-3.0	-2.8	44.9	-27.3
Other potential exposures	10.8	-19.3	-3.2	-51.7	-18.1	-4.2	-12.1	78.0	35.2	14.2
ITALY										
Total	-2.4	-41.7	-12.6	-10.8	-	-21.3	3.6	19,6	27.5	-16.9
Foreign claims	-14.7	-50.4	-12.6	-14.8	-	-22.2	2.4	-7,7	7.7	-27.0
Banks	-23.2	-43.0	-22.5	-34.7	-	-50.5	3.6	-18,1	43.1	-23.5
Public sector	-31.4	-56.9	-30.0	-15.5	-	-29.5	-6.8	-24,1	-19.8	-59.3
Non-bank public sector	-2.4	-22.0	-4.2	2.3	-	25.3	6.8	-1,6	2.5	-6.9
Other potential exposures	20.6	27.3	-12.6	1.0	-	-13.9	5.9	64,8	30.5	21.6
SPAIN										
Total	-2.6	-34.8	-15.2	-14.2	-	-3.3	-	-0,2	33.6	-9.5
Foreign claims	-14.3	-37.0	-15.8	-17.1	-3.5	-4.5	-	-19,9	5.8	-12.0
Banks	-27.0	-61.7	-37.8	-27.2	-31.4	-29.8	-	-36,9	16.9	-20.6
Public sector	-20.9	-14.6	-36.5	-10.6	19.2	-3.2	-	-52,2	-0.2	-20.3
Non-bank public sector	-5.0	-12.9	5.0	-9.6	5.1	6.6	-	-11,1	-1.2	-7.0
Other potential exposures	26.5	16.5	-12.8	-2.0	2.8	4.1	-	59,8	43.2	8.4
Source: BIS										

### Joaquín Maudos

The geographical diversification of the exposure has contributed to alleviating the effects of the crisis on the larger banking institutions, which have the strongest presence abroad. since 2011 has had an impact in terms of capital flight, although in the specific case of foreign banks, the reduction in their exposure has been limited. Focusing on direct exposure - i.e. that resulting from purchases of debt securities- the

#### Exhibit 4



(percentages)



### Lessons from the crisis

## Lesson #1: The stigma of a bailout causes foreign bank capital flight

One of the lessons of the sovereign debt crisis is the way in which foreign banks have reacted to their exposures to bailed-out countries. Events in 2011 clearly reveal that the stigma of a bail out causes capital flight by foreign banks, with a general reduction in their debt holdings, which have fallen by as much as 27.8% in the case of Greece.

In Spain's case, the complicated macroeconomic context in which the economy has found itself

reduction in exposure has been greater, although similar to that affecting Italy.

Loss of confidence has been greatest in the case of bank debt, as the closure of the wholesale finance markets has prevented Spanish banks from issuing debt. This has been reflected in the sharp drop in debt held by foreign banks.

The Spanish treasury has also suffered the consequences of the crisis with a reduction in public debt holdings in the hands of banks abroad, but the drop was less significant than that suffered by the Italian treasury.

Against this background, the priority now is to push forward the structural reforms that have been embarked upon to restore foreign investors' confidence. In the specific case of the banking sector, the requirement for bank provisions as high as those set in the last two Royal Decrees concerning exposures to the real estate sector, and the recapitalisation of vulnerable banks with external aid from European Funds, are a necessary step to restore confidence and access to international finance.

### Lesson #2: Increasing financial markets globalisation and integration demand global responses

Another lesson to be drawn is that the process of globalisation and increasing integration of the financial markets in the period leading up to the outbreak of the crisis also created the need for global responses. The high level of exposure of certain countries' banking sectors to the debt issued by those economies being buffeted by the European sovereign debt crisis have turned these problems into global ones. In the case of Italy and Spain their size is such that the global banking system is heavily exposed (in the order of 1.8 trillion euros), particularly banks in Germany, France and the United States. These three countries alone hold more than three guarters of the total exposure to the Spanish and Italian economies (1.1 trillion euros), giving them a crucial role in any solution to the European Union's problems.

### Lesson #3: European banks reduced more their exposure to other euro-area partners, undermining confidence and deviating from the path of financial integration

Finally, it is the European banks that have reduced their exposure to the debt of the euroarea partners most, which represents a clear step backward on the road to financial integration. With the crisis, the markets have fragmented, and the importance of the home bias has increased. This demands coordinated measures to recover lost ground and resume progress towards the construction of a single financial market.

# The wholesale funding market of the Spanish banking system

## Miguel Arregui and Oscar Ibáñez A.F.I.<sup>1</sup>

Market jitters over high debt levels are making it increasingly difficult for Spanish credit institutions to meet their financing needs in the wholesale markets. ECB liquidity is providing short-term support but a longer-term, credible solution involving: i) clarity on the banking recapitalization process, ii) clean-up of bank balance sheets, iii) a definitive roadmap for the future of the Eurozone; and, iv) further transparency measures in order to enhance risk identification and crisis management mechanisms is needed to secure access to traditional funding sources.

Spain's high levels of private debt, in particular bank debt, together with increased public debt levels, is making it extremely difficult for Spanish banks to tap wholesale funding marketscurrently their main source of funding. Such difficulties have essentially led banks, and to an even greater degree cajas, to rely on shorter-dated, secured debt instruments. However, in the actual context of greater risk aversion for peripheral Eurozone countries, only the Spanish Treasury is successfully able to raise money in the primary market. Temporary ECB liquidity support measures have provided some necessary breathing space for the Spanish financial system. But, Spanish credit institutions must recover the confidence of the markets and come back to traditional funding channels in order to reduce their heavy dependence on Eurosystem liquidity.

## Wholesale funding in the Spanish banking system

The Spanish ratio of private debt to GDP is one of the highest among the countries of the Euro Zone, as shown in Exhibit 1. In fact, Spain's ratio or private debt to GDP is higher than 225%, only lower than Ireland and Portugal. Most of this debt was originated by the Spanish banking sector in the form of fixed income securities, which account for more than 520 billion euros. The high level of Spanish bank debt, alongside the increase in the amount of Public Debt, are among the main reasons why traditional investors in Spanish sovereign and bank debt are reluctant to continue investing in these asset classes.

The spanish financial System has modernized significantly during the past decade, which has been especially true in the case of savings banks or "cajas". This has resulted in a diversification of funding sources and also in greater reliance on

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### Exhibit 1 Breakdown by country of private debt to GDP

Source: AFI from Eurostat



Breakdown by outstanding amount of financing instruments of the Spanish banking sector





### Exhibit 3 Breakdown by country of percentage of retail deposits to total assets

the wholesale funding market. Whereas during 2000, retail funding accounted for 74.6% of total liabilities, by 2011, this figure had decreased to only 48.6%, approaching the funding structure observed within other European countries. Consequently, the closure of wholesale funding markets has affected the liquidity position of many Spanish financial institutions. ECB aid has only partially compensated for the damage.

Despite increasing reliance on wholesale funding, the Spanish banking sector is still significantly well-supported by retail deposits. Nevertheless, Spanish institutions are exposed to the needs and volatility of the funding markets.

Despite increasing reliance on wholesale funding, the Spanish banking sector is still significantly well-supported by retail deposits – the deposit base for Spanish credit institutions is, on average, higher than the European banking system average–. Nevertheless, since convergence is clear, Spanish institutions are, and will continue to be, exposed to the needs and volatility of the funding markets.

## Debt stock breakdown by collateral and maturity

As stated previously, Spain's private debt to GDP levels are high in comparison with other European countries. Most of the private debt of the Spanish system has been issued by the banking sector (not only by banks, but also by cajas). As recent figures shows, Spanish bank debt in the form of fixed income instruments (loans and other kinds of banking liabilities excluded) is larger than 520 billion euros; most of this debt has been issued in wholesale markets. In comparison, this amount is slightly below the amount of Spanish Treasury debt, which is roughly 600 billion euros.

There are no accurate and reliable figures for Spanish bank debt composition because a part of the issuance (basically the private issuance) is not subject to registration requirements in a regulated market (neither in Spain nor in other countries). Apart from these exceptions, Afi estimates that almost 90% of the total debt of the banking system has been issued in the wholesale market and the remaining 10% channelled through the retail market.

The most widely used types of instruments in the wholesale market are secured instruments (Spanish covered bonds – cédulas hipotecarias– and government guaranteed bonds), almost 55% of the bank debt market.

The Spanish banks' debt market is very heterogeneous with respect to the type of collateral issued to back the instruments. The most widely used types of instruments in

#### Exhibit 4

Breakdown by market of the overall outstanding amount of debt of the Spanish banking sector

> Retail 11% Wholesale 89%

the wholesale market are secured instruments (Spanish covered bonds –cédulas hipotecarias– and government guaranteed bonds), almost 55% of the bank debt market. The rest of their debt is split between unsecured senior debt (35% of the total outstanding amount) and subordinated debt (preferred, junior subordinated and subordinated debt), which, according to Afi's estimates, could reach up to 10% of the total amount. Securitizations and other asset-backed funding products have a residual weight in the composition of the liabilities structure of Spanish banks.

Apart from the different percentages of issuance per type of collateral, there are also some differences with respect to in which markets the debt has been placed. The secured debt has almost entirely been distributed in the wholesale markets (98% according to Afi's estimates). The senior unsecured debt has mainly been placed in the wholesale market too (95% according to the same source). On the contrary, subordinated debt has been mainly channelled through the retail market (65% approx.)

### Exhibit 5

### Breakdown by market and collateral of the overall outstanding amount of debt of the Spanish banking sector



The differences in the wholesale funding profile rely not only on collateral analysis, but also on the issuer's debt composition (banks or cajas). Basically, these differences could be summarized in two aspects: (i) the kind of debt issued, and (ii) maturity profile of the debt.

The profile of Spanish bank debt maturities is biased to the short term. This bias is very common in both, private entities and the public sector. In the case of the Spanish banks, the maturities until December 2013 reach 125 billion euros, which is approximately 25% of the total debt issued in the wholesale market. In the next three and a half years (until December 2015), the amount of debt maturing will rise to close to 340 billion euros.

We should not forget the combined analysis of maturities by type of collateral and type of issuer tapping the market. The main form of instrument issued in the wholesale market by both banks and cajas has been secured instruments (cédulas hipotecarias and/or government guaranteed bonds), which is in line with the high importance of secured debt as a percentage of the total outstanding amount of debt of the Spanish banking system.

However, the short and medium term debt maturity distribution is very different between banks and cajas. In general, contrary to the case of banks, cajas have a more medium term debt maturity bias. Additionally, the amount of cajas' debt maturating through 2015 is heavily concentrated in secured debt (Exhibit 8), while in the case of banks, this percentage is much lower, but also non-negligible, around 60% (Exhibit 7).

This difference in maturity profile among banks and cajas is due to both their different business plans and assets size, much lower in the case of the savings banks. The smaller size of the cajas prompted them to use covered bonds as their main funding instrument.

This difference in maturity profile among banks and cajas is due to both their different business

### Exhibit 6

Breakdown by maturity and collateral of the overall outstanding amount of debt of the Spanish banking sector



Source: AFI from various sources

plans and assets size, much lower in the case of the savings banks. The smaller size of the cajas prompted them to use covered bonds as their main funding instrument. There are two important reasons for this. First, because cajas have maintained close linkages with the real estate market, so they disposed of a large amount of collateral to issue cédulas hipotecarias. Second, because, due to their discreet presence in the wholesale arena, the main way to place bonds in the market has been through secured instrument, as cédulas (multicédulas normally) or as government guaranteed bonds (whose maturities are concentrated between the years 2012 and 2016). Therefore, according to Afi's estimates, almost 70% of the outstanding amount of the debt issued by cajas is secured.

There is a difference in composition of the maturity profile of the senior unsecured debt markets. The weight of this kind of debt for banks that matures within the next 5 years is around 31%, while in savings banks, it hardly reaches 9%. Obviously, the greater capacity of the banks to finance themselves in wholesale markets has been a crucial element to place more unsecured bonds compared to cajas.

### Exhibit 7

# Breakdown by maturity and collateral of the overall outstanding amount of debt of the Spanish banks



Source: AFI from various sources

Finally, subordinated debt represents a residual amount of the maturities of the cajas until 2016 (2%) and 9% in the case of the banks.

### Current situation in the wholesale funding markets for Spanish banks

The rise in risk-aversion for Eurozone peripheral countries has resulted in an increase of their spreads relative to their core peers. This has affected not only sovereign, but also corporate issuers.

The rally in sovereign interest rates has prevented most peripheral issuers –with few exceptions such as Intesa Sanpaolo that recently placed 1 billion euros in the unsecured primary market– from tapping wholesale funding markets. Basically, only some national Treasuries have been able to issue in the primary market, assuming a surge in funding costs.

For private issuers (including banks in the periphery) and since the beginning of the crisis, distinct periods have been observed regarding wholesale funding. During periods of lower risk

### Exhibit 8

### Breakdown by maturity and collateral of the overall outstanding amount of debt of the Spanish cajas



aversion, spreads narrowing and less pressure on periphery financial assets, banks have managed to tap primary markets. However, these low-risk aversion windows have sometimes occurred during periods of greater stress in the financial markets, resulting in a null probability for banks to place debt in wholesale markets. In the case of Spain, the only agent that has been capable of maintaining its issuance program (not without some problems) has been the Treasury –and the Spanish Official Institute of Credit (ICO in its Spanish initials) to some extent. Other public or private issuers have been unable to raise funds in the primary market.

These periods share some common elements. The trigger for the first period to start is a significant reduction in spreads. Additionally, when Spanish banks regain primary markets access, only topline issuers (namely BBVA and Santander) are able to tap the market.

Moreover, during that initial phase of market openness, the most common issued instruments

are secured debt. This is the case not only because it is the main financial instrument used by banking institutions, but also because at this point the market only accepts high-quality debt instruments. As the market opens further, bonds are issued with longer maturities and lower spreads. Only after a transitional period of time, other credit institutions are able to place debt in the primary market.

### New alternatives for bank funding

Currently, however, we find ourselves in a different stage, where the market is completely closed and only the Spanish Treasury has the capacity to issue debt in the primary market.

Currently, however, we find ourselves in a different stage, where the market is completely closed and only the Spanish Treasury has the capacity to issue debt in the primary market. The private

### Exhibit 9 Issuance windows in the wholesale primary market for Spanish banks and cajas. Breakdown by term and collateral (€ bn)



Source: AFI from various sources

entities, banks and cajas, have not been able to issue debt in wholesale market since March 2012. Until March, secured instruments have been broadly used to tap markets, as shown in Exhibit 9.

The ECB has been crucial to avoid a liquidity crunch and to limit the cost of the commercial banks' indebtedness. Thus, the Spanish banking system is not in a hurry to turn back to the wholesale market to raise funds at any price, which, if this occurred, could rapidly turn into a credit crunch.

In this context, since credit institutions have not gained access to the funding markets and also they find it difficult to operate in the repo market (Clearing Houses such as LCH), reliance on the liquidity provided by the Eurosystem has become essential for Spanish credit institutions. In this sense, the ECB has been crucial to avoid a liquidity crunch and to limit the cost of the commercial banks' indebtedness. Thus, the Spanish banking system is not in a hurry to turn back to the wholesale market to raise funds at any price, which, if this occurred, could rapidly turn into a credit crunch.

Due to restricted access to the primary wholesale market, it should not be a surprise that Eurosystem net loans to the Spanish banking sector reached 288 billion euros in May (last published data), which represents 83% of the overall amount of liquidity provided by the Eurosystem (347 billion euros).

Also, the extension of the ECB's full allotment liquidity injections until, at least, December of 2012, will ensure the funding of the Spanish banking system in the short term. Nevertheless, the ECB measures are extraordinary by nature and are aimed to finish at some point in the near future. Thus, it is completely necessary for Spanish credit institutions to recover the confidence of the markets and come back to traditional funding channels through provision of

#### Exhibit 10

### Spanish entities liquidity reliance on the Eurosystem



credible solutions, at the European and national level, in order to reduce their heavy dependence on Eurosystem liquidity. These solutions should be in line with the measures included in the new draft of the Memorandum of Understanding on Financial Sector Policy Conditionality, published by the European Commission, such as: i) clarity on the recapitalization process, distinguishing correctly between banks with capital problems and those without, ii) credible restructuring or resolutions plans for the banks and cajas; and, iii) transparency measures in order to enhance risk identification and crisis management mechanisms, such as the creation of an external Asset Management Company to segregate legacy assets. In addition, it will also be necessary to design a roadmap for the Eurozone, which includes steps towards achieving a complete union: fiscal, financial, and political.

Vol. 1, N.º 2 (July 2012)
### Short selling of Spanish bank shares

### Angel Berges and Daniel Suárez **A.F.I.**<sup>1</sup>

Short selling, especially of bank shares, serves an important function in the stock market. However, the activity can also have significant destabilizing consequences, which explains the reason behind its temporary prohibition.

Bank share prices have been particularly hit in recent months, especially in those countries, like Spain, where the fate of banks and that of public finances is more closely related, such that speculating against bank shares is seen as a proxy for speculation against sovereign debt. These types of transactions are especially amplified by "short sales", which have a great potential to destabilize normal price setting in stock markets, especially in those sectors, such as the financial sector, facing strict capital requirements. This explains why several countries, among them Spain, imposed temporary bans on short selling of bank shares. In the case of Spain, the effect of that ban has been a decrease in volatility and asymmetry in price formation. while at the same time reducing considerably market liquidity.

### Short sales of bank shares: Theoretical arguments and decisions by regulatory authorities

Short selling of bank shares has been a continuous worry for policy makers all over the world since the crisis began. In response, numerous countries have taken measures to restrict, or even prohibit, such activity.

An intense debate has developed around short selling, especially on whether it should be banned, at least on a temporary basis, or subject to some type of operational restrictions.

At one extreme of the debate are advocates -both academics and practitioners-of the efficient market

hypothesis. They argue that short positions form an important part of the market, and should be allowed to operate without any restrictions at all. According to these proponents (Niemer 2011), short sales perform three important functions in markets that should be preserved:

- First, short sales help increase the depth and liquidity of the market, as long as they incorporate a new flow of orders that otherwise would not be present.
- Second, short sales -help to promote a more efficient price formation, as downward expectations have the same opportunities to express themselves as upward expectations.
- Third, short sales- reduce the risk premium, from the perspective of less informed

<sup>&</sup>lt;sup>1</sup> A.F.I – Analistas Financieros Internacionales, S.A.

investors, a result of improved market quality and symmetry of price formation.

Against this extreme position, it is not difficult to express some counterarguments with respect to market quality, or even market excesses, which run counter to the efficient market hypothesis.

It is true that short positions provide liquidity, but a type of liquidity that is not "good" for the market, as it is not structural. It is only valid for very short time intervals, and unable to fulfill the basic economic function of liquidity in a market: absorb large volumes of orders, from both sides of the market, without causing excessive movement in prices.

Also, short sales are of little help for the "quality" of price formation, and thus the perceived risk and volatility, if the information is asymmetric and comes from investors with better information than the market as a whole (Marsh- Payne, 2010). From here it follows that temporary restrictions on short sales should not be harmful for market quality.

The arguments for such restrictions are much more intense in the case of shares of financial institutions.

The destabilizing potential of short positions on financial institutions is enhanced by the existing capital requirements on banks. Very aggressive short selling may drive down the market value of a financial institution, making it more difficult to meet capital requirements.

Brunnermeier et al (2008) offers the clearest position in favor of limiting the short positions on financial institutions in times of stress. The destabilizing potential of these short positions on financial institutions is enhanced by the existing capital requirements on banks. Given such requirements, very aggressive short selling (*"predatory short sales"*) may drive down the market value of a financial institution, making it more difficult to meet capital requirements. While it is true that the solvency requirements relate to regulatory capital, and not to the market value of equity, a sharp fall in share prices may affect the future ability to increase regulatory capital.

From here, Brunnermeier defends the imposition of temporary restrictions on *"naked short sales"* as a preferred alternative to allow operations with full disclosure of positions. In fact, the dissemination of information on short positions could exacerbate the "predatory" character of short sales.

A complementary argument is provided by (Liu 2011), based on asymmetric information models. According to this author, the problem of short positions is that they can amplify market illiquidity, resulting in increased uncertainty and information asymmetries on the fundamental value of the bank whose shares are the subject of such a sales. But because bank creditors are concerned only with the so-called *"downside risk"*, this uncertainty may reduce the market value of debt, and possibly even cause bank runs. Again, these arguments favour the imposition of temporary restrictions on *"naked short sales"* on bank stocks.

### Examples of temporary prohibitions

Recently, there have been many cases of temporary prohibition:

Probably the most well-known is the one imposed by the US markets regulator, the Securities and Exchange Commission (SEC), in 2008. On two occasions, July and September, and in both cases for three weeks duration, the SEC imposed a prohibition of *short sales* on all types of financial institutions. It is interesting to remember the arguments that the SEC presented when it made those decisions: "*Short selling in the securities of a wide range of Financial Institutions may cause sudden and excessive fluctuations of the prices* 

of securities in a manner so as to threaten fair and orderly markets. (http://www.sec.gov/rules/ other/2008/34-58592.pdf).

Soon after the SEC bans on short sales, the UK financial markets regulator, the FSA, also put in place a temporary prohibition of *"short sales"* on financial institutions for a period of 4 months between 2008 and 2009.

Eurozone countries did not react to these measures in late 2008 and early 2009, as the effects of crisis were felt more heavily in US and UK markets. But developments in euro area markets, especially related to the sovereign debt crisis, since the spring of 2001, forced euro area countries to take restrictive decisions on short sales. Germany was the first one, and in May 2011 announced the prohibition of short selling on bank stocks and euro area countries' sovereign debt.

Finally, a group of countries, among them Spain, took the decision on August 11<sup>th</sup>, 2011, to prohibit short selling of bank stocks; the prohibition was lifted six months later.

It should be noted that the European Securities and Markets Authority (ESMA) recognized at the time the absence of a common European legal framework on *"short sales"*, leaving the responsibility in the hands of each national supervisor. In any case, it endorsed the decision taken by several countries, and it is worth mentioning ESMA's statement on the day of prohibition: *"While short selling can be a valid trading strategy, when used in combination with spreading false rumor this is clearly abusive* (www.esma.europe.eu August 12<sup>th</sup>, 2011).

### Short sales on Spanish bank shares: Effects of the temporary ban

The ban imposed on short positions from August 2011 to February 2012, and the subsequent lifting of the ban, represent and excellent example for

analyzing the effects of short sales on several aspects of bank shares. Accordingly, three observation windows are compared to perform the analysis. A first window covers the period between January and August 2011, when short sales were allowed, without restriction. A second window covers the period of a temporary ban, that is from August 11<sup>th</sup>, 2011, to February 11<sup>th</sup>, 2012; and a final one from that date to the end of May.

For those three windows, we compare bank share behavior relative to overall market behavior, considering that the ban affected only bank shares and not the rest of the sectors. We are particularly interested in two aspects of market "quality" that are usually assumed to be affected by short sales.

### Effects on market liquidity

Opponents of short selling bans argue that such operations provide an important source of liquidity to markets, and therefore its banning could have adverse implications on market liquidity.

The simplest measure of liquidity is average daily trading volume. During the period of the ban, volume fell by 46% for bank stocks, compared to the average volume prior to the ban. In fact, lifting the ban translated into a new volume increase of 39% in bank share trading. Bans on short selling of non-bank shares had a much more limited impact on trading volume. It fell by 11% during the period of the ban, and fell an additional 20% after the ban was lifted. From this information, we arrive at a conclusion regarding the adverse effects of a short sale ban on market volume, a result that is consistent with findings for other markets.

Another way of looking at liquidity is through the analysis of the bid-ask spread. Exhibit 1 shows the average of such a measure, for bank shares, and comparing the three time windows. The average spread increased significantly (in fact it more than doubled) during the period of the ban, compared to windows before or after such a period.



#### Exhibit 1 Bid-Ask spread in Spanish bank shares

38

Bid-ask spreads in the rest of the market were virtually unchanged during the three observation windows, from which it can be concluded that short sale banning had a clear adverse effect on market liquidity for those assets (bank shares) subject to the ban.

Both results, in terms of trading volume as well as bid-ask spread, are quite universal in all markets that have imposed bans, and support the general view that those bans, when imposed, should be of a temporary nature, in order not to interfere with a regular source of liquidity for markets.

### Effects on prices and volatility

While it is clear that short sales add liquidity to markets, evidence in other countries also demonstrates that they significantly increase volatility, and therefore reduce the capacity of quoted prices to reflect the fundamental value of shares. Deviations from fundamental values are an undesirable outcome, from the viewpoint of potential investors, as they may fear that prices are moved by better informed investors. While it is clear that short sales add liquidity to markets, evidence in other countries also demonstrates that they significantly increase volatility, and therefore reduce the capacity of quoted prices to reflect the fundamental value of shares.

Exhibit 2 shows the relative stock price behavior in banks versus the rest of the market, again comparing the three observation windows. A breakpoint in the observed trend is clearly visible from the graph: bank shares lost, on average, 13% during the first window of fully operational short sales. During the period of the ban, they registered a 15% increase. Following the lifting of the ban, bank shares experienced a renewed loss in price, well over 20%.

It could be too simple, however, to attribute those price reversals to the simple presence or ban of short sales. Additionally, the rest of the market displays a similar pattern, although more moderate



#### Exhibit 2 Relative share prices: Banks versus rest of market

Source: AFI

in magnitude. Given that only bank shares were subject to the ban, a similar behavior in bank and non-bank shares supports the conclusion that short sale bans are not the main factor behind a price reversal. In fact, nobody, and to an even lesser degree market regulators, would pretend

#### Exhibit 3

#### Volatility: Banks versus rest of market





### Exhibit 4 Relative volatility: Banks – rest of market (basis points)

Source: AFI

to set up artificial barriers to prevent prices from moving in the direction marked by the free interplay between supply and demand.

Much more important than the price trend is, however, the way prices move around trend, or volatility. Here the evidence is clearly conclusive, as can be inferred from Exhibit 3. The exhibit shows the evolution of volatility, as standard deviations from trend, measured by a 10 day moving average in three windows. Volatility went up sharply during the months prior to the ban in 2011, virtually doubling, from levels around 20% to 40%. It came down, during the ban period, to a new 20% average. Finally, lifting of the ban translated again into a new volatility increase.

Moreover, Exhibit 4 shows that volatility swings before and after short sale bans have been much more intense in bank shares than in the rest of the market; from here it can be concluded that short sale bans have been effective in reducing volatility in the shares where they were applied, that is bank shares. Additionally, the reduction in volatility was also associated with a clear reduction in asymmetry, measured by the ratio between average downward and upward movements. That ratio was virtually 1 (almost perfect symmetry), during the period of the ban, but it was well over 1.5 when short sales were fully operational. Again, the issue is not to oppose any downward trend in prices, but rather try to smooth, as much as possible, price fluctuations.

### **Summary and implications**

The Spanish market regulator, in a coordinated action with other European regulators, temporarily banned short sales on bank shares during a six month period between August 2011 and February 2012. Empirical analysis comparing bank price behavior before and after the ban, and controlling for the rest of the market not affected by the ban, has allowed us to reach a conclusion on the effect of the ban on several aspects of market quality.

Short sale bans adversely affected market liquidity, both in terms of trading volume and of average spread between the best quoted prices for demand and supply orders. This is a result

quite similar to the ones obtained in other markets where bans have been imposed; and certainly is a valid argument for any type of temporary prohibition or restriction.

Regarding price behavior, however, short sales ban have proven to be an effective measure for reducing volatility and asymmetries without going against the price trend based on underlying fundamental valuation. It is this result, also quite universally observed in other markets where bans have been imposed, that allows us to conclude that short sale bans may be an appropriate course of actions in moments of exceptional volatility and/ or information asymmetries around fundamental value of shares.

We believe that current conditions surrounding the Spanish banking sector are well supportive of a temporary ban on short sales for a period of around three months - the time period during which the system will be submitted to extremely ambitious stress testing to determine capital needs. In such a context, short sale positions may increase the potential for destabilizing the transparency process, or even generate selffulfilling prophecies. That potential is magnified by the negative feedback loop that has developed between banks and the Treasury, regarding mutual risk contamination.

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#### Box: Measures to guarantee budgetary stability and competitiveness<sup>1</sup>

On July 13th, 2012, the Spanish government approved Royal Decree/Law 20/2012 on measures to guarantee budgetary stability and stimulate competitiveness. The decree includes a broad range of measures to reduce public spending, boost public revenues and foster the competitiveness of the economy. These measures may be summarised as follows:

Measures to reorganise and rationalise the public administration: Staff costs have been reduced throughout the public sector by eliminating the December bonus in 2012 and by reducing the number of paid days leave to which staff are entitled for personal matters from 6 to 3 indefinitely. Seniority-based additional days leave for holidays and personal matters have also been eliminated. In order to reduce absenteeism, limits have been placed on the right of public employees to receive full pay while on sick leave. Finally, the paid time union representatives are entitled to spend on union matters has been reduced.

The government estimates that in 2012, these measures will bring savings of 1.03 billion euros for central government; 3.44 billion euros for regional governments in the autonomous communities and 0.96 billion euros for local bodies. The total additional saving for all levels of government is estimated at 1.92 billion euros in 2013 and 1.87 billion euros in 2014.

Measures affecting the social security system and employment: In relation to social security, a number of factors on which contribution calculations are based have been revised upwards. In the case of employment, firstly, the percentage basis on which benefits are calculated has been reduced from 60% to 50% as of the seventh month. This measure will only affect new beneficiaries receiving more than the minimum amount. Secondly, the unemployed will have to pay their own contributions to the social security system. Thirdly, benefits for persons over 45 and over 52 years of age have been cut in order to create incentives for "active ageing." Fourthly, the eligibility requirements for the "active insertion income" (minimum guaranteed income) have been made stricter. Finally, rebates for hiring new workers have been sharply reduced, in view of their limited effectiveness.

The government estimates that these measures will save 1.97 billion euros in 2013; 4.65 billion euros in 2013 and 2.16 billion euros in 2014.

- Measures to rationalise the dependency system: Some of the benefits under Law 39/2006 on the promotion of personal autonomy and care for dependent adults have been cut. The categories of dependent persons have also been simplified and the time allowed to decide on cases without having to pay benefits retroactively has been extended from 6 months to 2 years. The government estimates savings of 0.16 billion euros in 2012; 1.39 billion euros in 2013 (0.86 billion euros for central government and 0.53 billion euros for the autonomous communities); and 1.47 billion euros in 2014 (0.87 billion euros for central government and 0.60 billion euros for the autonomous communities).
- Fiscal measures: As of September 1st, the general VAT rate will rise from 18% to 21% and the reduced rate from 8% to 10%. The super-reduced rate will remain at 4%. Some

<sup>1</sup> Prepared by the Advisory Cabinet on Spanish Economic and Financial Outlook

goods and services will be reclassified and so moved from the reduced rate to the new general rate. According to the government, this measure will raise 2.3 billion euros in 2012, €0.13 billion euros in 2013 and 9.67 billion euros in 2014.

Large companies' instalment payments for the corporation tax will be increased and the deduction for interest payments will be further limited. These measures are expected to increase revenues by 2.59 billion euros in 2012, 2.45 billion euros in 2013, and 2.45 billion euros in 2014.

In the case of personal income tax, in addition to the measures adopted by the new government on December 30th, 2011, the tax deduction for home purchases will be eliminated as of January 1st, 2013 and tax withholdings for professional activities will rise from 15% to 21% until December 31st, 2013. The expected increased revenues are 0.15 billion euros in 2012, 1.93 billion euros in 2012, and 2.04 billion euros in 2014. Finally, the tax on tobacco products has been increased, but the impact on revenues is expected to be limited.

- Measures to liberalise commerce and stimulate business internationalisation: In line with recommendations by international organisations, retailers will be given more flexibility to set their opening hours and to open on Sundays and public holidays. Common minimum opening hours will be established for the country as a whole. Promotions will also be liberalised, with a lifting of the timing restrictions on sales. Additionally, export support instruments will be boosted and more financial support given for businesses to expand overseas through the creation of new financial instruments (cédulas de internacionalización in Spanish).
- Measures related to the real estate market: Financial support subsidies on loans that were still in existence under the State Housing and Rehabilitation Plan 2009-2012 have been eliminated. Additionally, aid to facilitate payment of costs related to housing rentals by young people (Renta básica de emancipación in Spanish) has been reduced by 30%. Moreover, this form of aid has been declared incompatible with other types of aids or subsidies established under the regional government legal framework.

In short, the set of measures adopted, most of which will come into effect immediately, should help meet the new goal of reducing the excessive deficit set at the ECOFIN meeting last July 10th, 2012, whereby a deficit of 6.3% of GDP is envisaged for 2012, 4.55% for 2013, and 2.8% for 2014.

# 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)

Royal Decree on the legal framework applicable to electronic money institutions (Royal Decree 778/2012), published in the Official State Gazette on May 5<sup>th</sup>, 2012)

Following the issuance of an opinion by the European Commission calling on six EU countries (including Spain) to update their national legislation to comply with Directive 2009/110/ EC on electronic money, this Royal Decree was published on May 5<sup>th</sup>, completing the transposition of the aforementioned Directive and implementing the Law on electronic money.

The Royal Decree defines the legal framework applicable to electronic money institutions and sets out some of the provisions of the general legislation governing the issuance of electronic money.

Broadly, the main points of the Royal Decree are:

- a) Details of the requirements to be met when creating electronic money institutions (EMIs): authorisation and registration, requirements in order to conduct business, requirements of an application to set up an EMI, etc.
- b) The regulations governing Spanish EMIs' crossborder activities and the branches of foreign EMIs in Spain.

- c) The establishment of guarantee and equity requirements applicable to EMIs.
- d) The constitution of a system of prudential supervision and sanctions applicable to EMIs.

The Royal Decree ends by confirming the repeal of the previous EMI regulation.

Bank of Spain Circular on requirements for Spanish residents to report economic transactions and foreign financial asset and liability balances (Circular 472012, published in the Official State Gazette on May 4<sup>th</sup>, 2012)

This Circular aims to adapt the Bank of Spain's regulations to the latest amendments made to the reporting rules on foreign economic transactions.

The points covered by the Circular are:

- Obligation to report. This applies to legal and natural persons (public and private) resident in Spain (other than payment service providers on the Bank of Spain's official registers) who conduct transactions with nonresidents or hold assets and liabilities abroad.
- Frequency and content. Spanish tax residents are required to send information to the

Bank of Spain on a monthly, quarterly or annual basis, depending on the amount, regarding transactions for values of over a million euros conducted on their own behalf with non-residents, whatever the nature of the transaction or form of settlement, and the balances and variations in foreign assets and liabilities. The Bank of Spain may require more frequent reports.

 Submission. The information is to be sent to the Bank of Spain's Statistics Department electronically.

The new reporting system established by the Circular will come into force on 1<sup>st</sup> January 2013, although it will coexist with the existing system until December 2013.

### Special tax return

Royal Decree-Law 12/2012, March 30<sup>th</sup>, 2012, introducing various fiscal and administrative measures to reduce the public deficit (published in the Official State Gazette on March 31<sup>st</sup>, 2012), opened the way for tax payers liable for income tax, corporation tax and non-residents' income tax to voluntarily regularise their tax situation by submitting a special tax return including any assets and rights undeclared on December 31<sup>st</sup>, 2010.

Royal Decree-Law 19/2012, May 25<sup>th</sup>, 2012, on urgent measures to deregulate commerce and certain services (published in the Official State Gazette on May 26<sup>th</sup>, 2012), amended Royal Decree-Law 12/2012 in order to:

- i. Allow the declaration of assets and rights acquired with a combination of declared and undeclared income.
- ii. Regulate the effects of a possible future change in ownership of the assets and rights declared.

iii. Include cases in which the beneficial owner of the assets or rights concerned is not the holder of the legal title to them.

Finally, Order HAP/1182/2012, May  $31^{st}$ , 2012 (published in the Official State Gazette on June  $4^{th}$ , 2012), approved Form 750, which is to be used to make this special tax return, and clarified a number of points on which doubts remained.

The main features of the special tax return, as governed by the successive Royal Decree-Laws and the recently published Order, are:

- Nature. The special tax return takes the form of a self-assessment, which means it can be checked and verified by the tax authorities.
- Party filing the return. Tax payers liable for personal income tax, corporation tax, and non-residents' income tax who are the holders of assets or rights undeclared on December 31<sup>st</sup>, 2010, may submit a special tax return.
- Object of regularisation. A special tax return may be submitted with respect to any asset or right, ownership of which has yielded income not declared for personal income tax, corporation tax, and non-residents' income tax.
- Amount to declare. The assets or rights included in the return are to be declared at acquisition value, except in the case of money deposited in credit institutions, which is to be declared at the total value of the balance on December 31<sup>st</sup>, 2010, or at the end of the tax period (always before March 31<sup>st</sup>, 2012).
- **Tax due.** 10% of the declared value.
- Effect of regularisation. Filing a special tax return regularises the tax status of the income declared for the purposes of these taxes, but does not regularise the position regarding any other taxes.

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

 Form for return. Form 780, which must be submitted online. The return can be filed in person or through a representative. The deadline is November 30<sup>th</sup>, 2012.

# Special tax on the repatriation of foreign dividends and income

Royal-Decree Law 12/2012, March 30<sup>th</sup>, 2012, established a special tax on income from abroad to allow dividends and income from the sale of shares to be returned to Spain. This applies to dividends and income accruing prior to November 30<sup>th</sup>, 2012, relating to entities that, while conducting business abroad, are located in no-tax territories or tax havens, preventing them from applying the regime of exemptions established in the Corporate Tax Law.

For this purpose, a new provision was added to the Corporate Tax Law, by virtue of which the aforementioned dividends and income from the sale of shares could be omitted from the tax liability for the corporate tax by application instead of a special tax of 8%, accruing as of the date of the resolution of the shareholders' meeting to distribute profits or the date of change of ownership of the shareholding.

As a result, Order HAP/1181/2012 was published in the Official State Gazette on June 4<sup>th</sup>, 2012, approving Form 250, which can be submitted by institutions deciding to avail themselves of the 15th additional provision of the Corporate Tax Law.

The main features of this form are:

Parties filing the return. Entities subject to corporate tax receiving dividends or income from the sale of shareholdings in entities located in no-tax territories or tax havens which do not wish to include this income in their tax base for corporate tax but prefer to apply this special rate instead.

- Amount to declare. The total amount of the dividends or share in profits accrued. Any value impairment to the shareholding that may derive from the distribution of profits covered by this special tax shall not be tax deductible.
- **Tax rate**. 8%.
- Form for return. Form 250, which will be available solely in electronic format for online filing.

The filing and payment of the self-assessment must be within 25 calendar days of the accrual date. Nevertheless, for accruals prior to the publication of the aforementioned Order (June 4<sup>th</sup>, 2012), the filing and payment of this selfassessment shall be within 25 calendar days of the date of this Order's coming into force, i.e. by June 29<sup>th</sup>,2012.

### Spanish economic forecasts panel: June 2012<sup>1</sup>

### **FUNCAS Economic Trends and Statistics Department**

# No change in the growth forecast for 2012

GDP contracted by 0.3% in the first quarter of 2012. Although negative, this result was better than expected. The drop in domestic demand was significantly less than that registered in the fourth quarter of 2011, largely as a result of the stabilisation of household consumption, which performed better than expected; the consensus view from the previous panel had pointed to a drop in this variable of 0.6%, in line with the negative results shown by consumption indicators in the first quarter of the year. The contribution of the external sector continued to be positive, although it fell short of its performance in the previous quarter.

Despite the better than expected results in the first quarter, the consensus forecast for 2012 as a whole remains at -1.7%. This is due to the quarterly profile envisaged for the second half of the year, where a steeper drop in activity is now expected than was the case at the time of the previous panel (Table 2).

### The forecast for 2013 has been cut to -0.6%

#### The forecast for 2013 has been cut by four tenths

of a percent, to -0.6%. This revision is due to a bigger drop in domestic demand components, whose contribution to GDP growth has been cut by four tenths, to -2.4 percentage points. The expected contribution of the external sector has remained at 1.8 pp.

# The slowdown in industrial activity has worsened

According to the results of the industrial production index, the slowdown in industrial activity worsened in March and April. This was corroborated by other indicators, such as manufacturing PMI. The consensus view for 2012 is now -4.7%, and that for 2013, -1.9%.

# Only minor changes in the inflation forecast

The inflation rate broke its year-long downward trend in April as a result of rising tobacco and electricity prices, although it dropped again in May. It stood at around 2% in the first five months of the year, while the core inflation rate, well below the general rate (1.1% in April), continued to fall, highlighting how weak demand has eased inflationary tensions.

The consensus forecast for the 2012 average rate has risen a tenth of a point to 1.9%, and that for 2013 has been cut by the same amount, to 1.5%. The year-on-year rate for December this year is 1.9% and that for next year is 1.5% (Table 3).

<sup>&</sup>lt;sup>1</sup> The Panel of Spanish Economic Forecasts is a survey conducted by FUNCAS consulting the 18 analysis departments listed in Table 1. The survey has been run since 1999 and is published bimonthly in the first half of February, April, June, October and December and the second half of July. Survey responses are used to produce a "consensus" forecast, which is calculated as the arithmetic mean of the 18 individual responses.

### The outlook for jobs has worsened

Employment, in terms of full time equivalent jobs, contracted again in the first quarter, although at a somewhat slower rate (1.3%) than in the previous quarter. However, job losses in the last quarter of 2011 and first quarter of 2012 were the most severe since the recession in the first half of 2009. The consensus forecast for the change in employment this year and next has become more negative, at -3.6% and -1.7%. In parallel, the forecast unemployment rate has risen to 24.3% and 25%, respectively.

The estimates for GDP growth, employment and wages yield an implicit consensus forecast for productivity growth and unit labour costs (ULC): Productivity is estimated to rise by 1.9% this year, which is up from the previous estimate, and 1.2% next year; ULC will fall by 1.9% this year and 0.8% next, which is a sharper drop than predicted by the previous forecasts.

### The external deficit adjustment will intensify

The external deficit has continued its trend towards a correction in the first quarter of 2012. The trade deficit was 58% lower than in the same period of 2011 as a result of both the strong reduction in the goods deficit and the increase in the services surplus. Indeed, according to customs data, the non-energy goods balance is positive, with the deficit due entirely to the energy bill. This improvement in the trade balance has been partly offset by the growing deficit in the income and current transfers accounts, such that the correction of the current account deficit has been more modest, at 12%.

The bigger adjustment expected for internal demand translates into a faster correction of the current account external deficit, which is now anticipated to drop to 1.7% of GDP in 2012 and 0.5% in 2013.

# The public deficit is expected to be 3.8% in 2013

The consensus forecast for the general government deficit in 2012 has worsened by a tenth of a percent compared to the previous survey, and now stands at 5.9% of GDP. The forecast for 2013 has also been revised upwards to 3.8% of GDP.

### The European context is clearly unfavourable

GDP in the euro area stabilised in the first quarter of the year, although the latest indicators suggest a relapse in the second quarter. The perspectives for the year as a whole remain negative, and there is near unanimity across panellists that the EU's economic context is unfavourable. The majority view remains that this situation will remain unchanged over the next six months, although the number of panellists expecting an improvement has increased.

As regards the situation outside the EU, the recovery in the United States appears to be solid, although growth is expected to slow this year, as is the case for the emerging economies. The assessment remains virtually unchanged: the situation outside the EU is considered neutral and likely to remain so over the months ahead.

# No further increase in interest rates on public debt are expected

Short-term interest rates have intensified their downward trend in recent weeks. Current interest rates are considered appropriate for Spain's economy, and the panellists' opinions are divided between those who think they will remain stable and those who expect them to continue to fall.

The tensions affecting Spain's public debt have continued in recent weeks, with the risk premium rising to over 500 basis points at times.

There are no changes in the assessment of long-term interest rates: the overwhelming majority of panellists think that they are too high for the Spanish economy's situation, and opinions are divided as to whether they will remain stable or drop. There is therefore generally no expectation that they will continue rising.

### The euro is overvalued

After a period of stability in euro exchange rates, during which the euro remained over 1.30 dollars, since early May it has been on a downward path, dropping to 1.24 dollars in recent days. Nevertheless, the panellists' majority opinion is that it is clearly overvalued, and panellists who expect a drop continue to outnumber those who do not.

# Monetary policy needs to remain expansionary

There has been no change in opinions on fiscal policy, which continues to be unanimously viewed as restrictive, and this is considered the right approach. There is also still a majority who consider current monetary policy to be expansionary for Spain's conditions – although the number of panellists considering it to be neutral has grown, probably more as a result of Spain's situation than of monetary policy becoming stricter. The unanimous view is also that it should remain expansionary.

#### Exhibit 1

Change in forecasts (Consensus values) Annual change (percent)



#### Table 1

### Economic Forecasts for Spain – June 2012

Annual change (percentage) unless indicated otherwise

	GI	DP	Hous consu	ehold mption	Pub consun	lic nption	Gros ca form	s fixed pital nation	GF machine equip	CF ery and ment	GF Consti	CF ruction	Dom dem	estic and
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Analistas Financieros Internacionales (AFI)	-2.0	-1.7	-2.0	-1.5	-10.6	-9.6	-9.1	-3.1	-7.5	-1.8	-10.4	-3.7	-5.3	-3.4
Banco Bilbao Vizcaya Argentaria (BBVA)	-1.3	0.6	-2.0	-0.9	-8.0	-5.6	-7.4	-1.0	-4.6	-2.8	-9.2	-3.2	-4.5	-1.8
Bankia	-1.6	0.0	-2.2	-0.6	-5.5	-4.2	-8.0	-1.4	-6.1	-0.5	-9.7	-2.2	-4.1	-1.5
CatalunyaCaixa	-1.9	-0.6	-1.5	-0.2	-8.0	-8.0	-9.1	-1.9	-8.4	1.4	-10.4	-3.8	-4.0	-2.2
Cemex	-2.1	-2.3	-1.9	-2.6	-4.6	-4.0	-12.0	-8.4	-10.0	-6.0	-14.0	-11.0	-4.7	-4.1
Centro de Estudios Economía de Madrid (CEEM-URJC)	-1.9	0.6	-1.7	0.4	-7.8	-2.8	-8.2	-2.0	-7.5	1.1	-8.6	-3.6	-4.4	-0.7
Centro de Predicción Económica (CEPREDE-UAM)	-1.1	-0.5	-1.5	0.1	-8.6	-8.0	-10.2	-4.1	-7.2	-2.9	-12.1	-5.1	-5.0	-2.5
CEOE	-1.6	-0.6	-1.1	-0.8	-7.8	-6.7	-8.3	-3.3	-5.0	0.4	-10.7	-5.3	-3.8	-2.3
ESADE	-1.5		-1.0		-6.9		-1.3						-2.2	
Fundación Cajas de Ahorros (FUNCAS)	-1.7	-1.5	-1.8	-2.6	-6.4	-7.2	-9.4	-6.4	-6.7	-3.1	-11.7	-8.5	-4.3	-4.4
Instituto Complutense de Análisis Económico (ICAE-UCM)	-1.6	-0.4	-2.1	-2.1	-5.9	-1.1	-10.0	-5.5	-3.0	-5.0	-11.5	-6.0	-4.5	-1.8
Instituto de Estudios Económicos (IEE)	-1.8	-0.4	-1.8	-1.0	-6.0	-1.5	-6.8	-3.0	-5.3	-1.0	-8.5	-4.1	-3.9	-1.5
Instituto Flores de Lemus (IFL-UC3M)	-1.5	-0.9	-1.4	-0.8	-7.5	-6.6	-8.9	-5.2	-6.3	-3.9	-11.4	-6.8		
Intermoney	-2.1		-2.5		-4.6		-12.4		-10.8		-13.9		-5.1	
La Caixa	-1.5	-0.5	-1.3	-0.7	-6.3	-6.1	-9.2	-3.1	-7.6	-2.6	-10.9	-3.4	-4.0	-2.2
Repsol	-1.8	-0.6	-1.1	-0.5	-6.7	-5.7	-9.7	-4.8	-8.4	-1.4	-11.6	-6.5	-4.1	-2.7
Santander	-1.6	-0.2	-1.5	-0.8	-6.5	-6.0	-8.1	-5.0	-6.0	-1.8	-9.1	-6.6	-4.0	-2.7
Solchaga Recio & asociados	-1.8	0.0	-1.8	-0.7	-6.1	-3.5	-9.2	-2.4	-7.5	-0.4	-9.6	-3.3	-4.4	-2.1
CONSENSUS (AVERAGE)	-1.7	-0.6	-1.7	-1.0	-6.9	-5.4	-8.7	-3.8	-6.9	-1.9	-10.8	-5.2	-4.3	-2.4
Maximum	-1.1	0.6	-1.0	0.4	-4.6	-1.1	-1.3	-1.0	-3.0	1.4	-8.5	-2.2	-2.2	-0.7
Minimum	-2.1	-2.3	-2.5	-2.6	-10.6	-9.6	-12.4	-8.4	-10.8	-6.0	-14.0	-11.0	-5.3	-4.4
Change on 2 months earlier <sup>1</sup>	0.0	-0.4	0.1	-0.3	0.2	-0.3	-0.3	-0.6	-0.9	-1.5	-0.4	-0.5	-0.1	-0.4
- Rise <sup>2</sup>	2	0	5	1	4	2	2	3	2	0	3	3	4	0
- Drop <sup>2</sup>	2	7	0	6	4	8	7	6	7	10	6	6	3	8
Change on 6 months earlier <sup>1</sup>	-0.4	-0.8	-0.3	-0.6	-1.8	-2.1	-1.3	-1.6	-2.7	-3.1	-1.7	-1.1	-0.7	-1.1
Memorandum items:														
Government (May 2012)	-1.7	0.2	-1.4	-1.1	-8.0	-4.6	-9.0	-0.5	-7.3 <sup>3</sup>	-0.2 <sup>3</sup>	-9.9	-0.7	-4.4	-1.6
Bank of Spain (January 2012)	-1.5	0.2	-1.2	-0.5	-6.3	-3.3	-9.2	-2.2	-7.0 <sup>3</sup>	-0.9 <sup>3</sup>	-10.6	-3.1		
EC (May 2012)	-1.8	-0.3	-2.2	-1.3	-6.9	-3.5	-7.9	-3.2	-6.1	-3.0	-9.1	-3.5	-4.4	-2.1
IMF (April 2012)	-1.8	0.1	-0.9	0.6	-7.6	-2.4	-7.5	-1.0						
OECD (May 2012)	-1.6	-0.8	-2.9	-1.8	-7.7	-4.5	-9.3	-2.4					-5.3	-2.5

<sup>1</sup> Difference in percentage points between the current month's average and that of two (or six) months earlier.

<sup>2</sup> Number of panelists revising their forecast upwards (or downwards) since two months earlier.

<sup>3</sup> Investment in capital goods.

Table 1

#### **Economic Forecasts for Spain – June 2012**

Annual change (percentage) unless indicated otherwise (Continued)

	Expo goo serv	rts of ds & vices	Impo goo serv	rts of ds & ices	Indu prod (I	strial uction PI)	C (anı aver	PI nual age)	Lab	our sts <sup>3</sup>	Jobs⁴	Unem (% lab force)	ployment our	c/a b payn (% of GDP	al. nents f ) (5)	Gen. bal. (' GDP)	gov. % of
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012 2013	2012	2013	2012	2013	2012	2013
Analistas Financieros Internacionales (AFI)	1.9	5.8	-8.9	0.5			1.8	1.1			-4.3 -2.5	25.0	26.6	-1.3	0.2	-5.6	-3.5
Banco Bilbao Vizcaya Argentaria (BBVA)	4.0	8.9	-6.2	1.6			1.9	0.7			-4.3 -2.0	24.6	24.8	-1.9	-0.4	-5.3	-3.0
Bankia	1.6	3.6	-6.6	0.9	-2.5	1.0	2.1	1.8	0.0	0.3	-3.5 -1.5	24.5	25.6	-2.5	-1.4		
CatalunyaCaixa	0.8	3.3	-7.1	0.8			1.8	1.5			-4.2 -1.2	24.6	25.7				
Cemex	1.8	5.6	-5.5	1.0			1.7	1.5			-4.0 -3.0	24.5	25.5	-1.9	-0.7	-5.8	-5.3
Centro de Estudios Economía de Madrid (CEEM-URJC)	3.9	4.5	-4.7	0.4			1.7	1.5			-3.3 -0.5	24.1	24.3	-1.5	-0.1	-6.0	-3.9
Centro de Predicción Económica (CEPREDE-UAM)	2.8	4.8	-9.7	-0.6	-3.1	-1.3	2.3	2.6	1.5	2.0	-2.7 -1.2	23.3	23.9	-0.4	1.4	-5.5	-3.1
CEOE	3.1	5.8	-5.0	-0.2	-5.1	-3.5	1.9	1.1	-1.2	-0.5	-3.5 -1.7	24.2	25.4	-1.8	-0.5	-6.5	-4.2
Esade	4.0		1.0				1.7				-3.0	24.0		-2.0			
Fundación Cajas de Ahorros (FUNCAS)	2.2	6.0	-6.6	-3.2	-7.1	-2.9	2.0	1.4	0.2	-0.5	-4.0 -2.7	24.5	26.1	-1.9	1.0	-6.2	-3.0
Instituto Complutense de Análisis Económico (ICAE-UCM)	1.3	4.1	-9.0	-1.7	-4.5	-2.0	2.0	2.0	0.0	1.5	-2.8 -1.5	23.8	22.6	-1.0	-2.0	-5.3	-3.0
Instituto de Estudios Económicos (IEE)	3.0	3.5	-4.0	-0.7			2.0	2.0	-2.6	-1.4	-2.5 -1.0	24.1	24.5	-2.5	0.2	-5.8	-3.3
Instituto Flores de Lemus (IFL-UC3M)	2.5	5.2	-6.3	-0.5	-4.9	-4.7	1.8	1.4				24.3	25.5	-2.2	-0.7		
Intermoney	-1.5		-11.0		-7.6		0.9		-0.3		-3.8	24.0		-0.5		-6.2	
la Caixa	0.5	4.3	-7.4	-1.2	-4.7	-1.0	2.0	1.4	0.4	1.0	-4.3 -2.4	24.7	25.8	-2.0	-1.4	-6.4	-4.0
Repsol	1.0	6.8	-7.1	-0.3	-2.8	-0.5	1.9	1.5	0.6	0.6	-3.5 -1.5	24.6	24.8	-2.5	-1.9	-6.0	-4.0
Santander	4.3	6.8	-3.8	-0.9			1.8	1.4	0.4	0.4	-3.1 -1.6	23.8	24.6	-2.1	-1.0		
Solchaga Recio & asociados	3.1	5.9	-5.3	-0.2			2.1	1.5			-3.9 -1.0	24.5	24.8	-1.2	-0.7	-6.5	-5.0
CONSENSUS (AVERAGE)	2.2	5.3	-6.3	-0.3	-4.7	-1.9	1.9	1.5	-0.1	0.4	-3.6 -1.7	24.3	25.0	-1.7	-0.5	-5.9	-3.8
Maximum	4.3	8.9	1.0	1.6	-2.5	1.0	2.3	2.6	1.5	2.0	-2.5 -0.5	25.0	26.6	-0.4	1.4	-5.3	-3.0
Minimum	-1.5	3.3	-11.0	-3.2	-7.6	-4.7	0.9	0.7	-2.6	-1.4	-4.3 -3.0	23.3	22.6	-2.5	-2.0	-6.5	-5.3
Change on 2 months earlier <sup>1</sup>	-0.9	-0.4	-0.6	-0.3	-0.9	-1.4	0.1	-0.1	-0.5	-0.4	-0.3 -0.3	0.3	0.4	0.1	0.1	-0.1	-0.4
- Rise <sup>2</sup>	1	1	2	3	0	0	4	0	0	0	0 0	10	10	4	2	0	0
- Drop <sup>2</sup>	8	6	8	5	6	5	3	4	5	3	7 6	0	0	1	1	5	6
Change on 6 months earlier <sup>1</sup>	-0.9	-1.1	-2.1	-1.8	-1.5	-2.2	0.3	0.0	-0.6	0.0	-0.9 -0.6	0.6	0.8	0.6	0.7	-0.6	-0.3
Memorandum items:																	
Government (May 2012)	3.5	6.9	-5.1	1.3			1.66	2.2 <sup>6</sup>	0.2	-0.4	-3.7 -0.4	24.3	24.2	-0.97	0.87	-5.3	-3.0
Bank of Spain (January 2012)	3.5	5.9	-4.8	1.2			1.5 <sup>6</sup>	1.2 <sup>6</sup>	-0.8	0.1	-3.0 -0.7	23.4	23.3	-1.47	0.07	-4.4	-3.0
EC (May 2012)	3.2	4.7	-5.6	-0.9			1.9	1.1	0.1	0.1	-3.7 -1.5	24.4	25.1	-2.0	-1.0	-6.4	-6.3
IMF (April 2012)	2.1	4.1	-4.1	2.9			1.9	1.6			-3.2 0.1	24.2	23.9	-2.1	-1.7	-6.0	-5.7
OECD (May 2012)	3.1	5.7	-9.2	0.8			1.6	2.1				24.5	25.3	-0.9	0.1	-5.4	-3.3

<sup>1</sup> Difference in percentage points between the current month's

since two months earlier.

<sup>4</sup> In National Accounts terms: full time equivalent jobs.

<sup>5</sup> Current account balance, according to Bank of Spain estimates.

average and that of two months earlier (or six months earlier). <sup>2</sup> Number of panelists revising their forecast upwards (or downwards)

<sup>6</sup> Private consumption deflator.

<sup>3</sup> Average earnings per full-time equivalent job: includes all labour cost items for businesses.

7 Net borrowing vis-à-vis rest of world.

### Table 2 Quarterly Forecasts - June 2012 <sup>1</sup>

Quarter-on-quarter change (percent)													
<u>12-Q1 12-Q2 12-Q3 12-Q4 13-Q1 13-Q2 13-Q3 13</u>													
GDP <sup>2</sup>	-0.3	-0.7	-0.9	-0.6	0.0	0.2	0.2	0.4					
Household consumption <sup>2</sup>	0.0	-0.8	-0.7	-0.4	-0.1	-0.1	0.1	0.1					

<sup>1</sup> Average forecasts by private institutions listed in Table no. 1.

<sup>2</sup> According to series corrected for seasonality and labour calendar.

#### Table 3 CPI Forecasts – June 2012<sup>1</sup>

	Monthly c	hange (%)		Year-on-year	r change (%)
apr-12	may-12	jun-12	jul-12	dec-12	dec-13
1.4	-0.2	0.0	-0.7	1.8	1.5

<sup>1</sup> Average forecasts by private institutions listed in Table no. 1.

#### Table 4 **Opinions – June 2012**

Number of replies

		Currently	1	Tren	d for next 6 r	nonths
	Favourable	Neutral	Unfavourable	Improving	Unchanged	Worsening
International context: EU	0	1	17	6	10	2
International context: Non-EU	1	16	1	4	13	1
	Low <sup>1</sup>	Normal <sup>1</sup>	High <sup>1</sup>	Increasing	Stable	Decreasing
Short-term interest rate <sup>2</sup>	4	9	5	1	9	8
Long-term interest rate <sup>3</sup>	1	2	15	2	8	8
	Overvalued <sup>4</sup>	Normal <sup>4</sup>	Undervalued <sup>4</sup>	Appreciation	Stable	Depreciation
Euro/dollar exchange rate	10	7	1	0	5	13
		Is being			Should be	
	Restrictive	Neutral	Expansionary	Restrictive	Neutral	Expansionary
Fiscal policy assessment <sup>1</sup>	18	0	0	13	5	0
Monetary policy assessment <sup>1</sup>	2	4	12	0	0	18

<sup>1</sup> In relation to the current state of the Spanish economy.

<sup>3</sup> Yield on Spanish 10-year public debt.

<sup>2</sup> Three-month Euribor.

<sup>4</sup> Relative to theoretical equilibrium rate.

### **KEY FACTS:** ECONOMIC INDICATORS

Table 1

### National accounts: GDP and main expenditure components SWDA\*

Forecasts in blue

				Gross fixed capital formation								
	CDP	Private	Public			Constru	ction		Exporte	Importe	Domestic	Net exports
	GDP	consumption	consumption	Total	Total	Housing	Other constructions	Equipment & others products	Exports	imports	Demand (a)	(a)
				Chain-li	nked vo	olumes, a	nnual percen	tage changes				
2001	3.7	3.5	4.0	4.8	7.1	6.7	7.6	0.7	4.2	4.5	3.9	-0.2
2002	2.7	2.8	4.6	3.4	6.2	6.1	6.2	-1.9	2.0	3.7	3.3	-0.6
2003	3.1	2.9	4.8	5.9	6.5	7.6	5.3	4.5	3.7	6.2	3.9	-0.8
2004	3.3	4.2	6.2	5.1	5.4	5.2	5.5	4.4	4.2	9.6	4.9	-1.7
2005	3.6	4.1	5.5	7.1	6.7	6.4	7.1	8.0	2.5	7.7	5.2	-1.7
2006	4.1	4.0	4.6	7.1	6.7	6.6	6.8	8.3	6.7	10.2	5.5	-1.4
2007	3.5	3.5	5.6	4.5	2.4	1.4	3.6	10.0	6.7	8.0	4.3	-0.8
2008	0.9	-0.6	5.9	-4.7	-5.8	-9.1	-1.6	-2.1	-1.0	-5.2	-0.6	1.5
2009	-3.7	-4.3	3.7	-16.6	-15.4	-22.1	-7.6	-19.4	-10.4	-17.2	-6.6	2.8
2010	-0.1	0.8	0.2	-6.3	-10.1	-9.9	-10.4	3.2	13.5	8.9	-1.0	0.9
2011	0.7	-0.1	-2.2	-5.1	-8.1	-4.9	-11.2	1.2	9.0	-0.1	-1.8	2.5
2012	-1.7	-1.8	-6.4	-9.4	-11.6	-5.9	-17.2	-5.2	2.2	-6.6	-4.4	2.7
2010	-1.3	0.0	0.6	-9.8	-12.2	-13.9	-10.4	-3.8	11.9	6.3	-2.4	1.1
I	0.0	1.5	1.0	-4.3	-9.4	-10.0	-8.8	9.3	15.3	14.5	0.1	-0.1
11	0.4	0.8	0.2	-5.5	-9.5	-8.7	-10.4	4.4	11.8	7.0	-0.7	1.1
١v	0.7	0.8	-0.9	-5.4	-9.3	-6.5	-11.8	3.4	14.9	8.0	-0.9	1.6
2011	0.9	0.4	0.6	-4.9	-9.2	-5.8	-12.4	4.8	13.1	6.0	-0.8	1.7
I	0.8	-0.3	-2.1	-5.4	-8.1	-5.2	-10.8	0.3	8.8	-1.3	-1.9	2.7
11	0.8	0.5	-3.6	-4.0	-7.0	-4.1	-9.7	2.1	9.2	0.9	-1.4	2.2
١v	0.3	-1.1	-3.6	-6.2	-8.2	-4.3	-11.9	-2.3	5.2	-5.9	-2.9	3.2
2012	-0.4	-0.6	-5.2	-8.2	-10.2	-5.8	-14.3	-4.5	2.2	-7.2	-3.2	2.8
I	-1.4	-2.1	-5.9	-7.9	-10.3	-5.8	-14.6	-3.5	4.1	-5.2	-4.3	2.8
II	-2.3	-2.8	-6.6	-9.6	-11.3	-6.1	-16.4	-6.5	1.4	-7.8	-5.2	2.9
١v	-2.7	-2.4	-8.6	-7.8	-10.0	-4.8	-15.1	-3.9	4.4	-2.4	-4.9	2.3
		C	Chain-linked v	olumes	, quart	er-on-qua	rter percenta	ge changes, a	it annual	rate		
2010	0.6	-0.2	-0.5	-3.7	-4.7	-3.5	-5.9	-1.7	15.7	8.6	-1.0	1.6
I	1.0	3.7	3.1	-2.4	-7.8	-7.0	-8.4	10.6	19.6	23.6	2.3	-1.2
	0.3	-2.8	-1.7	-7.6	-11.5	-7.8	-14.9	1.6	15.9	0.2	-3.7	3.9
IV	0.9	2.7	-4.2	-7.9	-12.9	-7.7	-17.7	3.5	8.7	1.2	-1.1	2.0
2011	1.5	-2.0	5.5	-1.7	-4.5	-0.4	-8.3	3.6	8.4	0.5	-0.6	2.0
	0.7	0.8	-7.4	-4.5	-3.2	-4.8	-1.5	-7.1	2.7	-6.8	-2.2	2.9
11	0.2	0.5	-7.8	-1.7	-7.0	-3.2	-10.6	9.3	17.3	9.6	-1.9	2.0
IV	-1.2	-3.9	-4.3	-16.0	-17.4	-8.8	-25.4	-13.4	-6.1	-23.4	-6.9	5.7
2012	-1.3	0.2	-1.3	-9.9	-12.5	-6.4	-18.0	-5.4	-3.7	-5.1	-2.0	0.7
I	-3.1	-2.9	-9.4	-8.1	-10.3	-5.2	-15.2	-4.3	5.2	-2.4	-5.5	2.3
II	-3.3	-2.5	-10.2	-8.7	-11.3	-4.4	-18.1	-3.9	5.4	-2.2	-5.7	2.4
١v	-2.7	-2.2	-12.4	-8.9	-12.1	-3.9	-20.4	-3.3	5.6	-3.8	-5.6	2.9

#### Table 1 (continued)

### National accounts: GDP and main expenditure components SWDA\*

Forecasts in blue

					G	Bross fixed	capital formatior	ı				
	GDP	Private	Public			Constru	ction		Exports	Imports	Domestic Demand	Net exports
		consumption	consumption	Total	Total	Housing	Other constructions	Equipment & others products			(a)	(a)
	Current prices (EUR billions)								Percer	ntage of (	GDP at current	prices
2001	680.4	59.1	17.0	26.0	17.3	9.4	7.9	8.8	28.5	31.1	102.5	-2.5
2002	729.3	58.3	17.1	26.3	18.1	9.9	8.2	8.2	27.3	29.4	102.1	-2.1
2003	783.1	57.6	17.3	27.2	19.1	10.7	8.4	8.1	26.3	28.7	102.4	-2.4
2004	841.3	57.9	17.8	28.1	20.0	11.3	8.8	8.0	25.9	29.9	104.0	-4.0
2005	909.3	57.8	18.0	29.4	21.2	11.9	9.2	8.3	25.7	30.9	105.3	-5.3
2006	985.5	57.4	18.0	30.6	22.2	12.5	9.7	8.4	26.3	32.7	106.4	-6.4
2007	1053.2	57.4	18.3	30.7	21.9	12.2	9.7	8.8	26.9	33.6	106.7	-6.7
2008	1087.7	57.2	19.5	28.7	20.2	10.8	9.4	8.4	26.5	32.3	105.8	-5.8
2009	1047.8	56.1	21.3	24.0	17.1	8.3	8.8	6.9	23.9	25.7	101.9	-1.9
2010	1051.3	57.7	21.1	22.9	15.5	7.5	8.0	7.4	27.0	29.1	102.1	-2.1
2011	1073.4	58.3	20.3	21.7	14.0	6.9	7.1	7.7	30.1	30.7	100.6	-0.6
2012	1065.3	58.9	19.1	19.8	12.3	6.2	6.1	7.5	31.8	30.0	98.2	1.8

(a) Contribution to GDP growth

\*Seasonally and Working Day Adjusted

Sources: INE (Quarterly National Accounts) and Funcas (Forecasts)

### Table 2 National accounts: Gross value added by economic activity (SWDA)\*

Forecasts in blue

	Gross value added at basic prices													
								Serv	vices					
	Total	Agriculture, foresty and fishing	Manufac- turing, energy and utilities	Construc- tion	Total	Trade, transport, accommo- dation and food services	Information and communi- cation	Finance and insurance	Real estate	Professional, business and support services	Public adminis- tration, education, health and social work	Arts, enter- tainment and other services	Taxes less subsidies on products	
				CI	hain-lin	ked volume	s, annual p	ercentage	change	s				
2001	3.7	-2.0	3.3	7.8	3.6	2.7	7.7	7.2	2.6	3.8	2.9	4.2	3.0	
2002	2.6	0.4	0.2	6.2	2.9	2.1	5.5	7.2	3.6	0.9	2.7	3.1	3.6	
2003	2.7	-0.7	1.5	4.6	3.0	1.8	3.8	4.7	3.1	2.4	4.1	3.2	6.6	
2004	3.1	-2.6	0.8	4.2	3.8	3.9	3.6	10.4	2.1	1.4	3.5	4.0	5.1	
2005	3.3	-8.4	1.0	5.5	4.1	2.2	5.2	13.0	2.4	6.9	3.6	4.6	6.2	
2006	4.2	5.5	1.7	5.0	4.6	3.1	2.7	13.4	2.2	10.3	3.8	3.0	3.4	
2007	3.8	7.0	0.5	1.8	5.0	4.3	3.4	11.9	2.8	8.0	4.5	2.2	1.0	
2008	1.0	-2.7	-1.7	-0.2	2.2	0.4	1.5	2.8	1.9	1.6	5.1	1.8	-0.3	
2009	-3.6	-1.4	-10.9	-8.0	-0.9	-2.4	-1.2	-3.8	-1.0	-3.1	2.9	-0.3	-5.4	
2010	0.0	-1.1	0.6	-7.8	1.4	0.9	1.2	6.6	1.5	0.4	1.6	-3.2	-1.2	
2011	0.6	0.6	1.9	-3.8	1.1	1.5	0.7	-1.0	1.1	2.5	1.0	-1.8	1.7	
2012	-1.6	1.1	-3.5	-8.1	-0.2	1.8	0.7	1.2	-2.4	-1.8	-1.8	-0.5	-2.5	
2010 I	-1.3	-1.1	-1.6	-8.9	0.3	-0.5	-0.9	1.8	0.0	-0.2	1.4	-1.9	-1.1	
II	0.0	-1.3	2.3	-8.7	1.2	1.1	2.7	6.4	0.6	0.0	0.6	-2.6	-0.6	
111	0.4	-1.5	0.6	-7.6	2.0	1.5	2.2	10.0	0.9	0.7	2.0	-3.4	-0.9	
IV	0.9	-0.3	1.3	-5.9	2.2	1.4	0.7	8.9	4.4	1.3	2.6	-4.8	-2.2	
2011 I	0.9	1.1	3.0	-4.9	1.4	2.7	1.2	-4.7	2.6	3.1	1.2	-3.1	1.2	
11	0.7	0.5	2.3	-3.2	1.0	2.0	-0.4	-2.3	1.0	1.7	1.4	-3.8	2.5	
111	0.8	0.4	2.8	-3.2	1.0	0.9	0.9	-0.1	1.3	2.8	1.0	-1.1	1.3	
IV	0.1	0.3	-0.4	-3.7	0.9	0.3	1.1	3.5	-0.3	2.6	0.3	0.7	2.0	
2012 I	-0.6	0.8	-3.0	-5.3	0.8	1.2	1.5	3.8	0.1	0.0	0.0	0.5	-2.6	
Ш	-1.2	1.1	-3.9	-7.4	0.4	1.9	0.4	2.1	-1.3	0.0	-1.2	1.4	-3.3	
111	-2.2	1.8	-3.9	-9.0	-0.8	2.4	1.1	-0.9	-3.6	-3.6	-3.0	-1.9	-1.2	
IV	-2.6	0.9	-3.2	-10.7	-1.2	1.7	-0.2	-0.1	-4.8	-3.2	-3.2	-2.0	-2.7	
			Chain	linked vo	lumes,	quarter-on-	quarter pe	rcentage cl	hanges	, at annual ra	te			
2010 I	0.5	0.2	2.4	-9.9	2.1	-4.2	-1.1	80.4	-4.5	-3.5	-0.5	-8.3	2.6	
II	1.5	-3.4	2.0	-7.6	3.3	4.0	11.1	-5.7	8.4	4.3	3.0	-2.4	-5.2	
111	0.8	-1.8	-5.8	-3.8	3.3	2.2	-9.2	0.3	4.6	8.4	7.0	0.4	-6.5	
IV	0.9	4.1	7.3	-2.1	0.0	3.6	2.8	-17.6	9.6	-3.6	0.9	-8.4	0.8	
2011 I	0.2	5.7	9.4	-5.8	-1.1	0.9	1.3	5.9	-10.7	3.6	-5.5	-1.9	17.4	
II	0.8	-5.8	-1.1	-1.0	1.8	1.5	4.3	4.1	1.5	-1.3	3.7	-4.9	-0.3	
III	1.3	-2.1	-3.7	-3.9	3.5	-2.2	-4.4	9.7	5.9	13.2	5.2	12.0	-10.8	
IV	-1.6	3.8	-5.4	-4.2	-0.5	1.1	3.3	-5.1	3.1	-4.3	-2.0	-1.5	3.8	
2012 I	-2.6	7.7	-1.8	-11.9	-1.6	4.5	3.0	7.0	-9.5	-6.5	-6.5	-2.8	-2.7	
II	-1.7	-4.6	-4.5	-9.4	0.4	4.2	-0.2	-2.5	-4.0	-1.4	-1.1	-1.2	-3.1	
III	-2.9	0.5	-3.7	-10.4	-1.6	-0.1	-1.6	-2.7	-3.6	-2.2	-2.2	-2.1	-2.8	
IV	-3.1	0.4	-2.9	-11.0	-2.1	-1.6	-2.0	-2.0	-2.0	-2.6	-2.8	-1.8	-2.3	

### Table 2 National accounts: Gross value added by economic activity (SWDA)\*

Forecasts in blue (continued)

					(	Gross value ad	ded at basic	prices					
								Serv	vices				
	Total	Agriculture, foresty and fishing	Manufac- turing, energy and utilities	Construc- tion	Total	Trade, transport, accommo- dation and food services	Information and communi- cation	Finance and insurance	Real estate	Professional, business and support services	Public adminis- tration, education, health and social work	Arts, enter- tainment and other services	Taxes less subsidies on products
	Current prices (EUR billions)					Percenta	ge of value	e added at l	pasic pi	rices			
2001	617.5	4.1	20.2	10.9	64.8	23.7	4.5	4.9	6.3	6.3	15.7	3.6	10.2
2002	661.7	3.9	19.5	11.5	65.1	23.8	4.7	4.9	6.3	6.3	15.7	3.6	10.2
2003	707.1	3.8	19.0	12.1	65.1	23.6	4.6	4.8	6.4	6.4	15.9	3.6	10.7
2004	756.4	3.5	18.5	12.7	65.3	23.7	4.5	4.7	6.4	6.4	16.0	3.6	11.2
2005	812.5	3.1	18.2	13.6	65.1	23.2	4.4	4.6	6.5	6.5	16.0	3.6	11.9
2006	876.6	2.7	17.8	14.2	65.4	23.1	4.3	4.7	6.9	6.9	16.0	3.5	-100.0
2007	946.0	2.7	17.3	13.9	66.1	23.0	4.2	5.3	7.2	7.2	16.1	3.4	-100.0
2008	997.0	2.5	17.0	13.6	66.9	23.1	4.1	5.4	7.3	7.3	16.7	3.4	-100.0
2009	973.1	2.5	15.7	13.0	68.8	23.4	4.1	5.9	7.3	7.3	18.2	3.6	-100.0
2010	961.6	2.6	16.1	11.9	69.3	24.1	3.9	4.5	7.4	7.4	18.4	3.5	-100.0
 2011	986.2	2.6	16.9	11.5	69.0	24.6	3.8	4.1	7.5	7.5	17.9	3.4	-100.0
2012	977.1	2.7	16.8	10.6	69.9	25.7	3.8	4.0	7.5	7.5	17.8	3.5	-100.0

\*Seasonally and Working Day Adjusted Sources: INE (Quarterly National Accounts) and Funcas (Forecasts).

Vol. 1, N.º 2 (July 2012)

### Table 3a National accounts: Productivity and labour costs (I)

Forecasts in blue

				Total ec	onomy					Manufactu	iring industry		
		Gross value added, constant prices	Employ- ment (jobs, full time equiva- lent)	Employ- ment productivity	Compen- sation per job	Nominal unit labour cost	Real unit labour cost (a)	Gross va- lue added, constant prices	Employ- ment (jobs, full time equiva- lent)	Employ- ment pro- ductivity	Compen- sation per job	Nominal unit labour cost	Real unit labour cost (a)
		1	2	3=1/2	4	5=4/3	6	7	8	9=7/8	10	11=10/9	12
						Indexes, 20	00 = 100	, SWDA					
2005		116.4	115.5	100.8	117.9	116.9	94.3	100.8	95.7	105.3	122.3	116.2	96.2
2006		121.3	119.5	101.5	122.4	120.7	93.5	102.6	93.4	109.8	130.5	118.8	95.1
2007		125.8	123.1	102.3	128.2	125.3	94.3	103.0	91.1	113.0	139.9	123.8	95.7
2008		127.1	122.8	103.6	135.9	131.3	96.6	100.0	89.4	111.9	147.4	131.8	97.4
2009		122.6	114.9	106.7	141.8	132.9	97.9	87.8	77.4	113.4	150.3	132.5	98.0
2010		122.6	111.8	109.6	141.8	129.3	95.0	88.2	72.8	121.2	152.7	126.0	91.6
2011		123.3	109.5	112.6	143.0	127.0	91.9	90.4	70.6	127.9	155.4	121.5	84.8
2012		121.3	105.2	115.4	143.2	124.2	88.7	86.4	66.7	129.5			
2010	1	122.1	112.3	108.7	141.7	130.4	96.0	88.5	73.4	120.6	150.8	125.0	91.9
Ш		122.5	111.9	109.5	142.3	130.0	95.7	88.8	73.1	121.4	152.4	125.5	96.5
Ш		122.8	111.7	109.9	141.5	128.8	94.6	87.1	72.2	120.7	152.8	126.6	89.4
IV		123.1	111.4	110.5	141.6	128.2	93.8	88.6	72.6	122.0	154.7	126.8	88.9
2011	I.	123.1	110.5	111.4	142.5	127.9	92.9	91.5	71.2	128.5	153.1	119.2	85.1
II		123.3	110.4	111.7	143.0	128.0	92.6	91.4	71.4	128.1	154.8	120.8	86.5
Ш		123.7	109.5	113.0	143.3	126.8	91.8	90.1	70.6	127.6	156.2	122.4	84.5
IV		123.2	107.8	114.3	143.2	125.2	90.4	88.5	69.3	127.6	157.7	123.6	83.0
2012	1	122.4	106.3	115.1	143.9	125.0	90.1	88.0	67.9	129.6	155.7	120.2	83.0
						Annual perc	entage c	hanges					
2006		4.2	3.5	0.7	3.9	3.2	-0.8	1.8	-2.4	4.4	6.8	2.3	-1.1
2007		3.8	3.0	0.8	4.7	3.9	0.9	0.3	-2.5	2.9	7.2	4.2	0.6
2008		1.0	-0.2	1.3	6.1	4.7	2.5	-2.9	-1.9	-1.0	5.4	6.5	1.8
2009		-3.6	-6.5	3.1	4.3	1.2	1.3	-12.2	-13.5	1.4	2.0	0.6	0.6
2010		0.0	-2.6	2.7	0.0	-2.6	-3.0	0.5	-5.9	6.8	1.6	-4.9	-6.5
2011		0.6	-2.0	2.7	0.8	-1.8	-3.2	2.4	-3.0	5.6	1.8	-3.6	-7.4
2012		-1.6	-4.0	2.4	0.2	-2.2	-3.5	-4.4	-5.5	1.2			
2010	1	-1.3	-4.2	2.9	0.8	-2.1	-1.9	-2.0	-9.9	8.8	1.3	-7.5	-8.7
II		0.0	-2.9	3.0	0.5	-2.4	-2.5	2.5	-6.2	9.3	1.7	-7.6	-2.7
Ш		0.4	-2.0	2.6	-0.6	-3.1	-3.6	0.5	-4.4	5.2	1.7	-3.5	-6.4
IV		0.9	-1.4	2.4	-0.7	-3.1	-3.8	1.3	-2.5	3.9	1.5	-2.4	-8.0
2011	I	0.9	-1.6	2.5	0.6	-1.9	-3.2	3.4	-2.9	6.5	1.5	-4.7	-7.4
Ш		0.7	-1.3	2.0	0.5	-1.5	-3.2	3.0	-2.4	5.5	1.6	-3.7	-10.4
Ш		0.8	-2.0	2.8	1.2	-1.5	-2.9	3.4	-2.2	5.7	2.2	-3.3	-5.4
IV		0.1	-3.3	3.5	1.1	-2.3	-3.6	-0.1	-4.5	4.6	1.9	-2.5	-6.6
2012	1	-0.6	-3.8	3.3	0.9	-2.3	-3.0	-3.9	-4.7	0.9	1.7	0.8	-2.4

(a) Nominal ULC deflated by GVA deflator

Sources: INE (Quarterly National Accounts) and Funcas (Forecasts)



(1) Nominal ULC deflated by GVA deflator.



(1) Nominal ULC deflated by GVA deflator.

### Table 3b National accounts: Productivity and labour costs (II)

Forecasts in blue

			Construc	tion					Se	ervices		
	Gross value added, constant prices	Employ-ment (jobs, full time equivalent)	Employment productivity	Compen- sation per job	Nominal unit labour cost	Real unit labour cost (a)	Gross va- lue added, constant prices	Employment (jobs, full time equivalent)	Employ- ment productivity	Compen- sation per job	Nominal unit labour cost	Real unit la- bour cost (a)
	1	2	3=1/2	4	5=4/3	6	7	8	9=7/8	10	11=10/9	12
					Indexe	s, 2000 =	= 100, SW	DA				
2005	131.6	130.2	101.1	126.0	124.7	87.2	118.7	120.6	98.4	115.5	117.4	97.1
2006	138.2	138.2	100.0	132.1	132.1	86.2	124.2	126.6	98.1	118.9	121.2	96.8
2007	140.6	145.5	96.6	135.2	139.9	88.1	130.4	131.7	99.0	124.4	125.7	96.6
2008	140.3	128.5	109.1	151.7	139.0	84.3	133.2	135.3	98.4	130.5	132.6	97.6
2009	129.1	99.5	129.7	180.2	138.9	83.1	131.9	131.9	100.0	134.3	134.2	97.4
2010	119.1	87.1	136.6	182.0	133.2	81.0	133.8	130.7	102.4	134.1	131.0	96.9
2011	114.6	74.4	153.9	186.3	121.0	71.9	135.2	130.1	103.9	134.8	129.8	95.0
2012	105.3	60.5	174.0				134.9	127.2	106.1			
2010 I	121.6	88.5	137.3	182.4	132.8	79.7	132.4	131.0	101.1	134.3	132.8	97.6
	119.2	88.7	134.4	182.9	136.1	85.1	133.5	130.5	102.3	134.6	131.5	98.5
111	118.0	87.1	135.5	182.9	135.0	82.2	134.6	130.7	103.0	133.7	129.8	96.2
IV	117.4	84.2	139.5	179.8	128.9	77.3	134.6	130.5	103.1	133.8	129.8	95.4
2011 I	115.7	79.6	145.2	186.6	128.5	75.5	134.2	130.6	102.7	134.5	130.9	95.7
II	115.4	76.5	150.8	188.2	124.8	74.5	134.8	130.9	102.9	134.7	130.8	96.1
111	114.2	72.9	156.7	186.6	119.1	71.6	136.0	130.4	104.2	135.0	129.5	95.0
IV	113.0	68.6	164.7	183.6	111.5	66.1	135.8	128.6	105.6	135.1	128.0	93.1
2012 I	109.5	62.8	174.3	189.8	108.9	64.6	135.2	128.1	105.5	135.7	128.6	93.1
					Annual	percent	age chan	ges				
2006	5.0	6.1	-1.0	4.8	5.9	-1.1	4.6	5.0	-0.4	2.9	3.3	-0.3
2007	1.8	5.3	-3.4	2.4	6.0	2.2	5.0	4.0	0.9	4.6	3.7	-0.2
2008	-0.2	-11.7	12.9	12.2	-0.7	-4.3	2.2	2.7	-0.5	5.0	5.5	1.0
2009	-8.0	-22.6	18.9	18.8	-0.1	-1.4	-0.9	-2.5	1.6	2.8	1.2	-0.2
2010	-7.8	-12.5	5.3	1.0	-4.1	-2.5	1.4	-0.9	2.4	-0.1	-2.4	-0.5
2011	-3.8	-14.6	12.7	2.3	-9.2	-11.2	1.1	-0.4	1.5	0.5	-0.9	-2.0
2012	-8.1	-18.7	13.0				-0.2	-2.3	2.1			
2010 I	-8.9	-15.9	8.3	2.2	-5.6	-5.5	0.3	-1.7	1.9	0.9	-1.1	0.0
II	-8.7	-12.0	3.7	1.4	-2.2	2.3	1.2	-1.2	2.4	0.4	-2.0	0.7
111	-7.6	-10.1	2.8	0.2	-2.5	-0.4	2.0	-0.7	2.7	-0.7	-3.3	-0.7
IV	-5.9	-11.7	6.5	0.2	-6.0	-6.1	2.2	-0.2	2.4	-1.0	-3.3	-2.1
2011 I	-4.9	-10.0	5.8	2.3	-3.3	-5.3	1.4	-0.3	1.6	0.2	-1.4	-1.9
II	-3.2	-13.7	12.2	2.9	-8.3	-12.5	1.0	0.4	0.6	0.1	-0.5	-2.4
	-3.2	-16.3	15.6	2.0	-11.7	-12.9	1.0	-0.2	1.2	1.0	-0.3	-1.2
IV	-3.7	-18.5	18.1	2.2	-13.5	-14.5	0.9	-1.5	2.4	1.0	-1.4	-2.4
2012	-5.3	-21.1	20.0	1.7	-15.2	-14.4	0.8	-1.9	2.7	0.9	-1.8	-2.7

(a) Nominal ULC deflated by GVA deflator

Sources: INE (Quarterly National Accounts) and Funcas (Forecasts)







### Table 4National accounts: Net transactions with the rest of the world

Forecasts in blue

		Goods an	d services						Net lending/	Savi	ng-Investme	nt-Deficit
	Total	Goods	Tourist services	Non-tourist services	Income	Current transfers	Current account	Capital transfers	borrowing with rest of the world	Gross national saving	Gross capital formation	Current acount deficit
	1=2+3+4	2	3	4	5	6	7=1+5+6	8	9=7+8	10	11	12=7=10-11
				EUR n	nillions, 4	-quarter cu	mulated tr	ansactions	5			
2005	-47.9	-67.9	28.7	-8.6	-15.7	-4.1	-67.8	8.3	-59.5	200.8	268.6	-67.8
2006	-62.7	-82.5	29.9	-10.1	-18.8	-7.4	-88.9	6.3	-82.6	216.1	304.9	-88.9
2007	-70.8	-90.8	30.4	-10.4	-27.4	-7.0	-105.2	4.3	-100.9	221.0	326.2	-105.2
2008	-63.3	-85.2	30.6	-8.7	-31.8	-9.3	-104.3	4.4	-100.0	212.3	316.7	-104.3
2009	-19.6	-41.5	28.3	-6.4	-26.9	-7.3	-53.8	4.3	-49.5	201.9	255.7	-53.8
2010	-22.3	-47.1	29.3	-4.5	-19.3	-5.8	-47.3	5.5	-41.8	197.7	245.0	-47.3
2011	-6.4	-40.2	32.9	0.9	-27.6	-7.7	-41.8	5.5	-36.2	195.0	236.7	-41.8
2012	20.9	-20.8	34.3	7.5	-34.6	-7.0	-20.7	5.0	-15.7	196.6	217.3	-20.7
2010 I	-20.5	-42.0	28.3	-6.8	-21.3	-7.7	-49.5	4.5	-45.0	200.5	250.0	-49.5
П	-24.9	-46.4	28.2	-6.7	-20.4	-6.6	-51.9	4.7	-47.2	196.8	248.7	-51.9
111	-23.5	-47.1	29.0	-5.5	-20.9	-7.4	-51.9	5.8	-46.1	194.4	246.3	-51.9
IV	-22.3	-47.1	29.3	-4.5	-19.3	-5.8	-47.3	5.5	-41.8	197.7	245.0	-47.3
2011 I	-22.1	-47.6	29.8	-4.2	-21.3	-6.1	-49.4	6.0	-43.4	194.2	243.6	-49.4
II	-16.7	-45.1	31.0	-2.6	-21.8	-6.0	-44.5	6.1	-38.4	197.7	242.2	-44.5
111	-12.2	-43.2	32.4	-1.4	-25.0	-5.7	-42.9	5.9	-37.0	198.0	240.9	-42.9
IV	-6.4	-40.2	32.9	0.9	-27.6	-7.7	-41.8	5.5	-36.2	195.0	236.7	-41.8
2012 I	-2.3	-37.8	33.1	2.4	-28.4	-8.2	-38.8	4.7	-34.1	193.1	231.9	-38.8
				Percenta	ige of GDI	P, 4-quarter	r cumulated	I transaction	ons			
2005	-5.3	-7.5	3.2	-1.0	-1.7	-0.5	-7.5	0.9	-6.5	22.1	29.5	-7.5
2006	-6.4	-8.4	3.0	-1.0	-1.9	-0.8	-9.0	0.6	-8.4	21.9	30.9	-9.0
2007	-6.7	-8.6	2.9	-1.0	-2.6	-0.7	-10.0	0.4	-9.6	21.0	31.0	-10.0
2008	-5.8	-7.8	2.8	-0.8	-2.9	-0.9	-9.6	0.4	-9.2	19.5	29.1	-9.6
2009	-1.9	-4.0	2.7	-0.6	-2.6	-0.7	-5.1	0.4	-4.7	19.3	24.4	-5.1
2010	-2.1	-4.5	2.8	-0.4	-1.8	-0.5	-4.5	0.5	-4.0	18.8	23.3	-4.5
2011	-0.0	-3.7	3.1	0.1	-2.0	-0.7	-3.9	0.5	-3.4	10.2	22.1	-3.9
2012	2.0	-2.0	3.2	0.7	-3.3	-0.7	-1.9	0.5	-1.5	10.4	20.4	-1.9
2010 1	-2.0	-4.0	2.7	-0.7	-2.0	-0.7	-4.7	0.4	-4.3	19.2	23.9	-4.7
	-2.4	-4.4	2.7	-0.0	-1.9	-0.0	-5.0	0.5	-4.5	10.0	23.0	-5.0
11	-2.2	-4.5	2.0	-0.5	-2.0	-0.7	-5.0	0.0	-4.4	18.8	23.3	-5.0
2011	-2.1	-4.5	2.0	-0.4	-1.0	-0.5	-4.5	0.5	-4.0	18.4	23.3	-4.7
2011 1	-1.6	-4.2	2.0	-0.4	-2.0	-0.0	-4.2	0.0	-3.6	18.6	23.1	-4.2
	-1.0	-4.0	3.0	-0.2	-2.0	-0.5	-4.0	0.0	-3.5	18.5	22.0	-4.0
IV	-0.6	-3.7	3.1	0.1	-2.6	-0.7	-3.9	0.5	-3.4	18.2	22.5	-3.9
2012	-0.2	-3.5	3.1	0.2	-2.6	-0.8	-3.6	0.4	-3.2	18.0	21.6	-3.6

Sources: INE (Quarterly National Accounts) and Funcas (Forecasts)



Chart 1.- Net lending or borrowing Percentage of GDP, 4-quarter moving averages





### Table 5National accounts: Household income and its disposition

Forecasts in blue

	Gross disposable income (GDI)								O au in a				Notlanding
	Total	Compen- sation of employees (received)	Mixed income and net property income	Social benefits and other current transfers (received)	Social contribu- tions and other current trans- fers (paid)	Per- sonal income taxes	Final con- sumption expen- diture	Gross saving (a)	rate (gross saving as a percentage of GDI)	Net capital transfers	Gross capital formation	Net lending (+) or borro- wing (-)	or borrowing as a per- centage of GDP
	1=2+3+4-5-6	2	3	4	5	6	7	8=1-7	9=8/1	10	11	12=8+10-11	13
				EUR	Billions, 4-qu	arter o	cumulated	operatio	ons				
2005	588.7	431.9	224.0	172.2	175.5	63.9	525.3	63.7	10.8	6.9	86.5	-15.9	-1.7
2006	629.8	465.8	245.1	182.6	189.6	74.2	566.2	64.5	10.2	6.9	97.4	-25.9	-2.6
2007	671.2	503.9	262.7	197.3	206.3	86.5	604.7	70.0	10.4	3.5	101.5	-28.0	-2.7
2008	715.0	533.6	266.4	216.2	216.5	84.7	622.4	97.1	13.6	4.8	91.1	10.8	1.0
2009	721.6	519.8	254.1	232.8	209.1	76.1	588.2	133.7	18.5	5.5	67.3	71.9	6.9
2010	704.6	506.7	247.3	238.8	208.6	79.6	606.9	98.0	13.9	6.4	64.0	40.4	3.8
2011	707.1	501.4	254.1	242.4	209.6	81.2	625.4	81.9	11.6	4.8	61.7	24.9	2.3
2012	700.0	482.3	263.7	248.1	206.1	88.1	625.1	74.9	10.7	3.8	57.4	21.3	2.0
2010 I	717.3	515.3	252.0	233.9	207.4	76.4	592.3	125.3	17.5	5.3	65.9	64.7	6.2
II	710.1	512.6	247.5	234.9	207.3	77.7	598.2	112.4	15.8	5.0	65.4	51.9	5.0
111	704.2	509.8	244.1	236.2	207.0	78.9	600.8	103.9	14.7	5.3	64.6	44.5	4.3
IV	704.6	506.7	247.3	238.8	208.6	79.6	606.9	98.0	13.9	6.4	64.0	40.4	3.8
2011 I	705.8	505.8	249.0	239.7	209.2	79.6	612.8	93.0	13.2	6.4	63.3	36.2	3.4
II	708.0	505.1	252.6	241.2	210.3	80.6	617.9	89.7	12.7	7.0	62.9	33.8	3.2
111	709.9	504.3	254.3	242.1	209.7	81.1	623.1	86.2	12.1	7.1	63.1	30.2	2.8
IV	707.1	501.4	254.1	242.4	209.6	81.2	625.4	81.9	11.6	4.8	61.7	24.9	2.3
2012 I	704.9	497.6	254.6	243.4	208.4	82.4	628.7	76.4	10.8	4.9	60.3	21.0	2.0
									Differen-				

	Anr	nual percent	age chang	es, 4-quarter	cumulate	d operati	ons		ce from one year ago	Annual   4-quar	ter cumula rations	changes ted ope-	, Difference from one year ago
2005	7.7	7.5	9.5	6.9	7.2	11.3	7.8	6.0	-0.2	-9.9	13.4		-0.7
2006	7.0	7.9	9.4	6.0	8.0	16.1	7.8	1.3	-0.6	0.2	12.5		-0.9
2007	6.6	8.2	7.2	8.1	8.8	16.6	6.8	8.4	0.2	-49.8	4.2		0.0
2008	6.5	5.9	1.4	9.6	5.0	-2.1	2.9	38.7	3.2	39.1	-10.2		3.7
2009	0.9	-2.6	-4.6	7.7	-3.4	-10.2	-5.5	37.7	4.9	14.0	-26.1		5.9
2010	-2.4	-2.5	-2.6	2.5	-0.2	4.7	3.2	-26.7	-4.6	16.8	-4.8		-3.0
2011	0.4	-1.0	2.7	1.5	0.5	2.0	3.0	-16.4	-2.3	-25.6	-3.5		-1.5
2012	-1.0	-3.8	3.8	2.4	-1.7	8.5	0.0	-8.5	-0.9	-20.0	-7.0		-0.3
2010 I	-0.1	-2.9	-4.4	5.4	-3.5	-8.0	-3.2	14.1	2.2	-4.0	-22.6		3.4
Ш	-1.5	-2.8	-4.1	3.6	-2.7	-0.2	-0.2	-9.6	-1.4	-10.0	-16.4		0.1
111	-2.2	-2.5	-4.5	2.6	-2.0	1.7	1.5	-20.0	-3.3	-6.2	-10.7		-1.7
IV	-2.4	-2.5	-2.6	2.5	-0.2	4.7	3.2	-26.7	-4.6	16.8	-4.8		-3.0
2011 I	-1.6	-1.8	-1.2	2.5	0.8	4.1	3.5	-25.7	-4.3	20.2	-4.0		-2.8
Ш	-0.3	-1.5	2.1	2.7	1.5	3.8	3.3	-20.2	-3.2	41.1	-3.9		-1.8
III	0.8	-1.1	4.2	2.5	1.3	2.9	3.7	-17.0	-2.6	32.5	-2.4		-1.4
IV	0.4	-1.0	2.7	1.5	0.5	2.0	3.0	-16.4	-2.3	-25.6	-3.5		-1.5
2012 I	-0.1	-1.6	2.3	1.5	-0.4	3.5	26	-17.9	-2.3	-23 7	-4 7		-1.5

(a) Including change in net equity of households in pension funds reserves Sources: INE (Quarterly National Accounts) and Funcas (Forecasts)



Chart 1.- Households: Income, consumption and saving

Chart 2.- Households: Saving, investment and deficit Percentage of GDP, 4-quarter moving averages



(b) Including net capital transfers.

### Table 6National accounts: Non-financial corporations income and its disposition

Forecasts in blue

	Gross value added	Compen- sation of emplo- yees and net taxes on pro- duction (paid)	Gross ope- rating surplus	Net property income	Net current trans- fers	Income taxes	Gross saving	Net capital trans- fers	Gross capital formation	Net len- ding (+) or borro-wing (-)	Net lending or bo- rrowing as a per- centage of GDP	Profit share (per- cen- tage)	Investment rate (percen- tage)
	1	2	3=1-2	4	5	6	7=3+4+5-6	8	9	10=7+8-9	11	12=3/1	13=9/1
					EUR milli	ions, 4-qu	arter cumula	ated oper	rations				
2005	428.5	274.5	154.0	-40.7	-7.9	30.1	75.4	7.9	146.2	-62.9	-6.9	35.9	34.1
2006	460.1	296.1	164.0	-51.6	-8.9	33.9	69.6	9.4	166.2	-87.3	-8.9	35.6	36.1
2007	490.3	318.2	172.0	-62.9	-9.9	41.8	57.5	10.6	181.1	-113.1	-10.7	35.1	36.9
2008	519.3	334.6	184.7	-71.2	-10.4	26.1	77.0	13.4	171.8	-81.4	-7.5	35.6	33.1
2009	502.4	317.8	184.6	-56.2	-9.8	20.0	98.5	13.9	130.5	-18.1	-1.7	36.7	26.0
2010	510.5	308.5	202.0	-51.6	-9.9	15.7	124.8	13.2	132.1	5.9	0.6	39.6	25.9
2011	531.0	307.6	223.4	-57.1	-9.5	16.9	139.9	13.2	136.3	16.8	1.6	42.1	25.7
2012	525.5	294.9	230.6	-67.3	-9.4	19.9	134.0	9.8	130.7	13.1	1.2	43.9	24.9
2010 I	503.9	313.3	190.6	-48.9	-10.0	19.8	111.9	14.3	128.8	-2.7	-0.3	37.8	25.6
II	504.0	311.9	192.1	-48.6	-10.0	19.6	113.9	13.7	130.3	-2.7	-0.3	38.1	25.9
III	506.4	310.3	196.1	-50.4	-10.1	17.3	118.3	14.2	129.9	2.5	0.2	38.7	25.7
IV	510.5	308.5	202.0	-51.6	-9.9	15.7	124.8	13.2	132.1	5.9	0.6	39.6	25.9
2011 I	514.9	308.5	206.4	-53.1	-9.9	15.6	127.8	12.9	133.4	7.3	0.7	40.1	25.9
II	523.2	308.8	214.4	-53.9	-9.9	14.9	135.7	13.3	133.8	15.2	1.4	41.0	25.6
III	527.1	309.3	217.7	-54.0	-9.8	14.6	139.3	13.6	135.8	17.1	1.6	41.3	25.8
IV	531.0	307.6	223.4	-57.1	-9.5	16.9	139.9	13.2	136.3	16.8	1.6	42.1	25.7
2012 I	532.3	304.7	227.6	-58.4	-9.5	16.7	143.0	12.8	135.6	20.2	1.9	42.8	25.5
		Ann	ual perce	ntage cha	nges, 4-q	uarter cu	mulated ope	rations			Difference	e from o	ne year ago
2005	6.5	7.6	4.6	12.4	14.5	23.6	-5.6	-34.8	13.7		-2.6	-0.6	2.2
2006	7.4	7.9	6.5	26.9	12.7	12.8	-7.7	18.8	13.7		-1.9	-0.3	2.0
2007	6.6	7.5	4.9	22.0	11.7	23.1	-17.5	13.3	9.0		-1.9	-0.6	0.8
2008	5.9	5.2	7.4	13.1	5.0	-37.5	34.1	26.2	-5.2		3.3	0.5	-3.9
2009	-3.3	-5.0	-0.1	-21.0	-5.5	-23.3	27.9	3.7	-24.1		5.8	1.2	-7.1
2010	1.6	-2.9	9.4	-8.3	1.0	-21.5	26.7	-4.7	1.2		2.3	2.8	-0.1
2011	4.0	-0.3	10.6	10.8	-3.9	7.2	12.1	-0.5	3.2		1.0	2.5	-0.2
2012	-1.0	-4.1	3.2	17.9	-1.0	17.8	-4.2	-25.5	-4.1		-0.3	1.8	-0.8
2010 I	-2.5	-5.4	2.5	-33.7	-1.6	-23.7	47.2	2.6	-19.8		6.3	1.9	-5.5
Ш	-1.3	-4.3	4.1	-29.7	0.5	-21.8	41.6	-0.6	-10.7		4.6	2.0	-2.7
III	0.1	-3.5	6.3	-15.8	2.2	-13.7	24.9	5.7	-4.7		2.9	2.3	-1.3
IV	1.6	-2.9	9.4	-8.3	1.0	-21.5	26.7	-4.7	1.2		2.3	2.8	-0.1
2011 I	2.2	-1.6	8.3	8.7	-1.0	-21.3	14.2	-9.9	3.5		0.9	2.3	0.3
Ш	3.8	-1.0	11.7	11.0	-0.6	-23.8	19.1	-3.1	2.7		1.7	2.9	-0.3
III	4.1	-0.3	11.0	7.2	-3.1	-15.5	17.7	-4.0	4.5		1.4	2.6	0.1
IV	4.0	-0.3	10.6	10.8	-3.9	7.2	12.1	-0.5	3.2		1.0	2.5	-0.2
2012 I	3.4	-1.2	10.3	9.9	-3.6	7.3	11.9	-0.6	1.7		1.2	2.7	-0.4



Chart 1.- Non-financial corporations: Saving, investment and deficit Percentage of GDP. 4-quarter moving averages

Chart 2.- Non-financial corporations: Profit share and investment rate



### Table 7 National accounts: Public revenue, expenditure and deficit (1)

Forecasts in blue

	Revenue								Expenditure						
	Current revenue								Current expenditure						
	Total revenue	Total current revenue	Indirect taxes	Direct taxes	Social contribu- tions	Other current revenues	Capital revenue	Total expendi- ture	Total current expenditure	Public consum- ption	Interest and other property income	Social payments	Subsidies and others transfers	Capital expen- diture	borro- wing (-) (public deficit)
	1=2+7	2 = 3 + 4 + 5 + 6	3	4	5	6	7	8 = 9+14	9 = 10 + 11 + 12 + 13	10	11	12	13	14	15=1-8
					EUR n	nillions, 4	l-quarte	r cumula	ted operation	ons					
2005	361.0	353.8	112.7	100.1	117.4	23.6	7.2	349.5	304.7	163.4	16.3	105.5	19.6	44.8	11.5
2006	401.3	394.1	123.1	116.3	127.1	27.6	7.2	378.0	328.1	177.1	16.2	112.8	22.0	49.9	23.3
2007	433.2	427.6	122.0	137.0	136.8	31.8	5.7	413.0	355.8	193.1	17.0	122.7	23.1	57.2	20.2
2008	402.1	399.0	106.6	116.5	143.1	32.8	3.0	450.9	391.4	212.0	17.4	136.3	25.6	59.6	-48.9
2009	367.7	367.5	92.4	101.1	140.1	33.9	0.1	484.8	422.8	223.6	18.5	153.7	26.9	62.0	-117.1
2010	381.4	381.3	108.7	99.7	140.2	32.7	0.1	479.6	426.9	221.7	20.1	161.0	24.1	52.6	-98.2
2011	377.1	378.4	105.0	101.6	139.9	31.9	-1.3	468.4	429.1	217.7	25.9	163.5	22.1	39.3	-91.3
2012	380.9	383.4	104.0	112.1	135.5	31.8	-2.5	446.6	422.6	203.1	33.6	168.1	17.8	24.0	-65.7
2010 I	368.2	368.1	93.2	101.1	140.2	33.7	0.1	487.1	426.0	223.7	18.7	156.2	27.4	61.1	-118.9
II	378.1	377.3	101.7	102.0	140.3	33.3	0.8	486.3	426.9	224.4	18.9	157.8	25.8	59.3	-108.2
	382.0	381.6	107.4	100.6	139.9	33.7	0.4	485.7	429.0	224.3	19.6	158.9	26.1	56.8	-103.7
IV	381.4	381.3	108.7	99.7	140.2	32.7	0.1	479.6	426.9	221.7	20.1	161.0	24.1	52.6	-98.2
2011 I	383.1	382.1	109.6	99.4	140.2	32.8	1.1	479.3	429.6	222.5	21.6	161.4	24.1	49.7	-96.1
II	379.5	379.2	106.4	100.0	140.0	32.8	0.3	475.1	428.2	221.0	22.9	161.2	23.1	46.8	-95.6
	379.0	379.3	107.8	99.9	139.6	32.0	-0.3	470.7	427.5	218.9	24.3	162.0	22.3	43.2	-91.7
IV	377.1	378.4	105.0	101.6	139.9	31.9	-1.3	468.4	429.1	217.7	25.9	163.5	22.1	39.3	-91.3
2012 I	374.2	376.4	103.2	102.2	139.0	31.9	-2.2	465.7	429.7	215.3	27.1	165.0	22.4	36.0	-91.5
					Percenta	ge of GD	P, 4-qua	rter cum	ulated oper	ations					
2005	39.7	38.9	12.4	11.0	12.9	2.6	0.8	38.4	33.5	18.0	1.8	11.6	2.2	4.9	1.3
2006	40.7	40.0	12.5	11.8	12.9	2.8	0.7	38.4	33.3	18.0	1.6	11.4	2.2	5.1	2.4
2007	41.1	40.6	11.6	13.0	13.0	3.0	0.5	39.2	33.8	18.3	1.6	11.6	2.2	5.4	1.9
2008	37.0	36.7	9.8	10.7	13.2	3.0	0.3	41.5	36.0	19.5	1.6	12.5	2.4	5.5	-4.5
2009	35.1	35.1	8.8	9.6	13.4	3.2	0.0	46.3	40.3	21.3	1.8	14.7	2.6	5.9	-11.2
2010	36.3	36.3	10.3	9.5	13.3	3.1	0.0	45.6	40.6	21.1	1.9	15.3	2.3	5.0	-9.3
2011	35.1	35.3	9.8	9.5	13.0	3.0	-0.1	43.6	40.0	20.3	2.4	15.2	2.1	3.7	-8.5
2012	36.4	36.6	9.9	10.7	12.9	3.0	-0.2	42.6	40.3	19.4	3.2	16.0	1.7	2.3	-6.3
2010 I	35.2	35.2	8.9	9.7	13.4	3.2	0.0	46.6	40.7	21.4	1.8	14.9	2.6	5.8	-11.4
II	36.1	36.1	9.7	9.7	13.4	3.2	0.1	46.5	40.8	21.4	1.8	15.1	2.5	5.7	-10.3
	36.5	36.4	10.2	9.6	13.4	3.2	0.0	46.4	40.9	21.4	1.9	15.2	2.5	5.4	-9.9
IV	36.3	36.3	10.3	9.5	13.3	3.1	0.0	45.6	40.6	21.1	1.9	15.3	2.3	5.0	-9.3
2011 I	36.3	36.2	10.4	9.4	13.3	3.1	0.1	45.3	40.6	21.1	2.0	15.3	2.3	4.7	-9.1
II	35.7	35.6	10.0	9.4	13.2	3.1	0.0	44.6	40.2	20.8	2.2	15.1	2.2	4.4	-9.0
111	35.4	35.4	10.1	9.3	13.0	3.0	0.0	44.0	39.9	20.4	2.3	15.1	2.1	4.0	-8.6
IV	35.1	35.3	9.8	9.5	13.0	3.0	-0.1	43.6	40.0	20.3	2.4	15.2	2.1	3.7	-8.5
2012 I	34.9	35.1	9.6	9.5	12.9	3.0	-0.2	43.4	40.0	20.0	2.5	15.4	2.1	3.4	-8.5

(1) On May 18th, 2012, the Government announced that the overall public sector deficit for 2011 was revised upwards to 8.9% of GDP. At the time of publication, details on the final breakdown of revenues and expenditures supporting the latest deficit figure were not yet available. Therefore, due to the lack of information, we were not able to further update this table Sources: INE (Quarterly National Accounts) and Funcas (Forecasts)



Chart 1.- Public sector: Current revenue, expenditure and saving Percentage of GDP, 4-quarter moving averages

Chart 2.- Public sector: Saving, investment and deficit Percentage of GDP, 4-quarter moving averages



### Table 8Public sector balances, by level of Government

Forecasts in blue

		Defi	cit		Debt							
	Central Government	Regional Governments	Local Governments	Social Security	TOTAL Gover- nment	Central Government	Regional Governments	Local Governments	Social Security	TOTAL Government		
	EUR Billi	ons, 4-quarter	cumulated op	erations			EUR B	illions, end of p	eriod			
2007	12.1	-2.3	-3.2	13.7	20.2	291.9	61.0	29.4	0.0	382.3		
2008	-32.9	-18.2	-5.3	7.6	-48.9	332.6	72.6	31.8	0.0	437.0		
2009	-98.0	-21.3	-5.9	8.1	-117.1	439.4	91.0	34.7	0.0	565.1		
2010	-52.9	-36.8	-6.5	-2.1	-98.2	488.2	119.5	35.4	0.0	643.1		
2011	-31.7	-50.5	-8.2	-1.0	-91.4	559.5	140.1	35.4	0.0	735.0		
2012	-37.0	-18.1	-3.2	-7.5	-65.8							
2010 I	-99.4	-20.6	-6.5	7.4	-119.1	446.8	99.4	36.2	0.0	582.4		
11	-89.1	-21.4	-5.1	6.7	-109.0	458.9	109.2	36.5	0.0	604.6		
111	-72.6	-29.6	-6.6	4.2	-104.6	467.8	112.0	36.2	0.0	616.0		
IV	-52.9	-36.8	-6.5	-2.1	-98.2	488.2	119.5	35.4	0.0	643.1		
2011 I	-55.9	-35.5	-3.5	-2.8	-97.7	521.4	125.4	37.3	0.0	684.1		
II	-52.1	-36.1	-6.0	-3.2	-97.3	532.0	134.4	37.6	0.0	704.0		
111	-54.3	-31.4	-3.2	-4.8	-93.6	534.1	136.3	36.7	0.0	707.1		
IV	-31.7	-50.5	-8.2	-1.0	-91.4	559.5	140.1	35.4	0.0	735.0		
2012 I						592.6	145.1	36.9	0.0	774.5		
	Percentage	of GDP, 4-quai	rter cumulated	operatio	ns	Percer						
2007	1.2	-0.2	-0.3	1.3	1.9	27.7	5.8	2.8	0.0	36.3		
2008	-3.0	-1.7	-0.5	0.7	-4.5	30.6	6.7	2.9	0.0	40.2		
2009	-9.4	-2.0	-0.6	0.8	-11.2	41.9	8.7	3.3	0.0	53.9		
2010	-5.0	-3.5	-0.6	-0.2	-9.3	46.4	11.4	3.4	0.0	61.2		
2011	-3.0	-4.7	-0.8	-0.1	-8.5	52.1	13.1	3.3	0.0	68.5		
2012	-3.5	-1.7	-0.3	-0.7	-6.2							
2010 I	-9.5	-2.0	-0.6	0.7	-11.3	42.7	9.5	3.5	0.0	55.7		
II	-8.5	-2.0	-0.5	0.6	-10.4	43.9	10.4	3.5	0.0	57.8		
111	-6.9	-2.8	-0.6	0.4	-10.0	44.6	10.7	3.5	0.0	58.8		
IV	-5.0	-3.5	-0.6	-0.2	-9.3	46.4	11.4	3.4	0.0	61.2		
2011 I	-5.2	-3.3	-0.3	-0.3	-9.1	49.3	11.9	3.5	0.0	64.7		
II	-4.9	-3.4	-0.6	-0.3	-9.1	50.0	12.6	3.5	0.0	66.1		
111	-5.1	-2.9	-0.3	-0.4	-8.7	49.9	12.7	3.4	0.0	66.0		
IV	-3.0	-4.7	-0.8	-0.1	-8.5	52.1	13.1	3.3	0.0	68.5		
2012 I						55.2	13.5	3.4	0.0	72.1		

Sources: Bank of Spain (Financial Accounts of the Spanish Economy) and Funcas (Forecasts)



Chart 1.- Government deficit Percent of GDP, 4-quarter cumulated operations

Chart 2.- Government debt Percent of GDP


# Table 9General activity and industrial sector indicators (a)

			General activit	ty indicators		Industrial sector indicators						
	Economic Senti- ment Index	Composite PMI index	Social Security Affiliates	Electricity consumption (temperature adjusted)	Industrial pro- duction index	Social Secu- rity Affiliates in industry	Manufacturing PMI index	Industrial confidence index	Turnover index deflated	Industrial orders		
	Index	Index	Thousands	1000 GWH	2005=100	Thou- sands	Index	Balance of responses	2005=100	Balance of responses		
2007	103.4	54.7	19233	265.8	107.1	2758	53.2	0.5	105.3	3.5		
2008	86.3	38.5	19132	269.4	99.3	2696	40.4	-17.9	96.7	-24.0		
2009	82.5	40.9	18019	256.3	83.6	2411	40.9	-30.8	78.0	-54.5		
2010	92.7	50.0	17667	263.8	84.3	2295	50.6	-13.8	80.7	-36.9		
2011	92.6	46.6	17431	261.0	83.1	2232	47.3	-12.5	80.9	-30.7		
2012 (b)	90.2	43.4	16948	130.9	80.3	2138	44.5	-16.1	78.0	-36.0		
2011 I	92.9	50.5	17555	66.2	85.2	2258	51.9	-8.6	82.2	-29.1		
II	93.6	50.1	17511	65.9	84.1	2246	48.7	-10.7	81.4	-28.7		
III	92.8	45.0	17397	65.3	82.9	2226	44.9	-14.4	81.2	-29.7		
IV	91.2	40.7	17251	63.8	81.0	2197	43.8	-16.5	79.0	-35.3		
2012	91.7	45.0	17105	65.0	79.8	2165	44.9	-14.8	79.0	-35.1		
II (b)	88.8	41.7	16957	64.8	78.4	2133	42.2	-17.4	79.2	-36.8		
2012 Apr	89.1	42.0	16997	21.8	78.2	2149	43.5	-17.5	79.2	-34.8		
Мау	88.1	41.2	16949	21.3	78.6	2133	42.0	-15.6		-37.0		
Jun	89.1	42.0	16924	21.6		2119	41.1	-19.0		-38.7		
				Perce	entage chang	es (c)						
2007			3.0	4.8	2.0	0.6			1.7			
2008			-0.5	1.4	-7.3	-2.2			-8.2			
2009			-5.8	-4.9	-15.8	-10.6			-19.3			
2010			-2.0	2.9	0.8	-4.8			3.4			
2011			-1.3	-1.1	-1.4	-2.7			0.3			
2012 (d)			-2.9	-1.8	-6.7	-4.7			-4.7			
2011 I			-0.9	-0.6	1.7	-2.3			3.4			
II			-1.0	-1.8	-5.1	-2.2			-3.6			
III			-2.6	-3.6	-5.7	-3.5			-1.0			
IV			-3.3	-8.7	-9.0	-5.1			-10.4			
2012 I			-3.3	7.8	-5.6	-5.7			-0.4			
II (e)			-3.4	-1.3	-6.8	-5.7			1.3			
2012 Apr			-0.3	0.8	-1.0	-0.2			-1.0			
Мау			-0.3	-2.1	0.5	-0.7						
Jun			-0.1	1.4		-0.7						

(a) Seasonally adjusted, except for annual data. (b) Period with available data. (c) Annualized percent change from the previous quarter for quarterly data, non-annualized percent change from the previous month for monthly data, unless otherwise indicated. (d) Growth of available period over the same period of the previous year. (e) Annualized growth of the average of available months over the monthly average of the previous quarter

Sources: European Commision, Markit Economics Ltd., M. of Labour, M. of Industry, National Statistics Institute, REE and Funcas



Chart 1.- General activity indicators Percent change from previuos period and index



### Table 10 Construction and services sector indicators (a)

		Co	onstruction ind	licators			Service sector indicators						
	Social Security Affiliates in construction	Consump- tion of cement	Construction confidence index	Official tenders (f)	Housing starts (f)	Housing permits (f)	Social Security Affiliates in services	Tournover index (nominal)	Services PMI index	Hotel overnight stays	Passenger air transport	Services confidence index	
	Thousands	1000 Tons	Balance of responses	EUR Billions	Thou- sands	1000 m2	Thousands	2005=100 (smoothed)	Index	Million	Million	Balance of res- ponses	
2007	2601	56.0	8.7	37.4	616.0	125.2	12738	113.4	54.4	271.7	208.6	9.4	
2008	2340	42.7	-23.6	38.5	346.0	60.0	12942	109.4	38.2	268.6	202.3	-18.9	
2009	1800	28.9	-32.3	35.4	159.3	29.2	12609	94.6	41.0	251.0	186.3	-29.6	
2010	1559	24.5	-29.7	21.9	123.6	24.5	12610	95.3	49.3	267.2	191.7	-22.4	
2011	1369	20.4	-55.4	11.8	86.3	20.0	12636	94.3	46.5	286.8	203.3	-20.8	
2012 (b)	1180	6.0	-51.8	1.9	16.7	4.9	12431	84.5	43.6	90.5	70.5	-16.1	
2011 I	1457	1.9	-54.1	3.2	23.0	5.5	12642	95.1	49.6	70.1	50.0	-28.2	
11	1403	1.8	-55.4	3.7	27.1	5.3	12667	94.8	50.5	71.4	51.4	-19.1	
111	1341	1.6	-58.6	2.7	17.9	5.0	12639	94.1	45.5	72.5	51.5	-14.2	
IV	1277	1.4	-53.6	2.2	18.2	4.1	12587	93.0	40.2	70.5	49.7	-21.8	
2012 I	1218	1.3	-50.4	1.6	16.7	3.8	12536	92.0	44.8	70.0	47.4	-15.5	
ll (b)	1162	1.1	-52.2	0.4		1.0	12475	87.6	42.4	46.2	32.5	-19.6	
2012 Apr	1182	1.3	-50.9	0.4		1.2	12480	89.8	42.1	22.9	16.2	-18.0	
May	1161	1.1	-56.6				12470		41.8	23.4	16.4	-23.3	
Jun	1142	1.1	-49.0				12476		43.4			-17.5	
					Perce	entage cha	anges (c)						
2007	5.6	0.2		-15.4	-19.0	-22.3	3.4	5.6		1.7	9.0		
2008	-10.1	-23.8		2.9	-43.8	-52.1	1.6	-3.5		-1.2	-3.0		
2009	-23.1	-32.3		-8.2	-54.0	-51.4	-2.6	-13.5		-6.5	-7.9		
2010	-13.4	-15.4		-38.0	-22.4	-16.0	0.0	0.8		6.4	2.9		
2011	-12.2	-16.4		-46.2	-30.2	-18.6	0.2	-1.1		7.3	6.0		
2012 (d)	-16.8	-34.6		-51.9	-27.1	-31.4	-1.3	-4.7		-1.4	-5.4		
2011 I	-11.0	-1.5		-45.5	-27.9	-9.7	0.5	-0.4		7.6	9.1		
II	-14.1	-22.7		-35.0	-18.0	-21.8	0.8	-0.9		7.6	12.1		
111	-16.4	-31.5		-45.2	-47.2	-13.9	-0.9	-3.0		5.9	0.8		
IV	-17.8	-39.6		-59.7	-46.3	-28.4	-1.6	-5.5		-10.6	-13.5		
2012 I	-17.4	-31.2		-50.6	-27.1	-30.5	-1.6	-7.2		-2.3	-17.0		
ll (e)	-17.1	-51.7		-56.7		-34.3	-1.9	-5.6		-3.8	12.0		
2012 Apr	-1.2	-34.1		-56.7		-34.3	-0.3	-0.7		-1.0	3.4		
May	-1.8	-41.2					-0.1			2.1	1.3		
Jun	-1.6	-39.6					0.1						

(a) Seasonally adjusted, except for annual data. (b) Period with available data. (c) Annualized percent change from the previous quarter for quarterly data, non-annualized percent change from the previous month for monthly data, unless otherwise indicated. (d) Growth of available period over the same period of the previous year. (e) Annualized growth of the average of available months over the monthly average of the previous quarter. (f) Percent changes are over the same period of the previous year

Sources: European Commision, Markit Economics Ltd., M. of Labour, M. of Public Works, National Statistics Institute, AENA, OFICEMEN and Funcas



Chart 1.- Construction indicators



### Table 11 Consumption and investment indicators (a)

		Co	nstruction indicate	ors		Investment in equipment indicators					
	Retail sales deflated	Car registrations	Consumer confi- dence index	Hotel overnight stays by residents in Spain	Industrial ord consumer g	lers for Joods	Cargo vehicles registrations	Industrial orders for investment goods	Availability of investment goods (f)		
	2005=100 (smoothed)	Thousands	Balance of responses	Million	Balance respons	of	Thousands (smoothed)	Balance of res- ponses	2005=100		
2007	104.7	1633.8	-13.3	116.6	-3.2	2	420.4	16.1	113.4		
2008	98.7	1185.3	-33.7	113.2	-21.0	)	236.9	-4.5	89.6		
2009	93.4	971.2	-28.2	109.8	-40.3	3	142.1	-50.8	65.6		
2010	91.5	1000.1	-20.9	113.2	-26.8	3	152.1	-31.0	58.4		
2011	86.5	808.3	-17.1	111.5	-21.8	3	142.0	-23.1	52.6		
2012 (b)	82.6	410.3	-26.8	36.0	-23.0	)	59.0	-35.4	48.3		
2011 I	88.6	208.3	-19.6	28.1	-22.3	3	37.1	-22.2	54.9		
II	87.3	211.8	-16.1	27.7	-21.4	1	36.6	-21.0	51.9		
	85.9	200.9	-15.8	27.9	-22.0	)	35.3	-23.1	52.6		
IV	84.4	186.1	-16.8	27.1	-21.4	1	33.0	-26.0	50.9		
2012 I	83.0	204.4	-24.6	26.5	-24.8	3	30.0	-31.7	49.1		
ll (b)	82.0	183.0	-29.0	18.1	-21.1	1	18.1	-39.1	45.8		
2012 Apr	82.2	56.3	-28.6	9.6	-21	1	9.4	-37.9	45.8		
May	81.7	65.8	-33.2	8.5	-21.8	3	9.1	-46.9			
Jun		60.9	-25.1		-20.5	5	8.8	-32.4			
				Percentage	e changes (	c)					
2007	2.7	-1.6		1.3			0.3		10.8		
2008	-5.8	-27.5		-2.9			-43.6		-21.0		
2009	-5.6	-18.1		-3.0			-40.0		-26.8		
2010	-1.8	3.0		3.2			7.0		-11.0		
2011	-5.8	-19.2		-1.5			-6.6		-9.8		
2012 (d)	-5.6	-8.0		-3.7			-22.9		-10.7		
2011 I	-6.1	1.8		-1.3			-0.8		-5.8		
II	-5.7	6.8		-5.4			-6.0		-20.6		
III	-6.1	-19.0		2.3			-13.1		5.6		
IV	-6.8	-26.3		-10.7			-23.5		-12.1		
2012 I	-6.3	45.6		-8.6			-31.9		-13.6		
II (e)	-5.1	-35.8					-33.6		-24.1		
2012 Apr	-0.5	-18.9		3.4			-3.4		0.9		
May	-0.5	16.8		-4.9			-3.4				
Jun		-7.5					-3.5				

(a) Seasonally adjusted, except for annual data. (b) Period with available data. (c) Annualized percent change from the previous quarter for quarterly data, non-annualized percent change from the previous month for monthly data, unless otherwise indicated. (d) Growth of available period over the same period of the previous year. (e) Annualized growth of the average of available months over the monthly average of the previous quarter. (f) Domestic production plus imports less exports

Sources: European Commision, M. of Economy, M. of Industry, National Statistics Institute, DGT, ANFAC and Funcas

#### **Chart 1.- Consumption indicators**

Percent change from previous period and balance of responses



Chart 2.- Investment indicators Percent change from previous period and balance of responses



#### Table 12a Labour market (I)

Forecasts in blue

	Labour force	Emple	oumont	Linoma	lovmont	Participation	Employ-ment		Unemployme	nt rate (c)			
	Population	Labou	II IUICE	Emplo	oyment	Unemp	loyment	rate 16-64 (a)	rate 16-64 (b)	Total	Aged 16-24	Spanish	Foreign
	aged 16-64	Original	Seasonally adjusted	Original	Seasonally adjusted	Original	Seasonally adjusted		Sea	asonally ac	ljusted		
	1	2=4+6	3=5+7	4	5	6	7	8	9	10=7/3	11	12	13
			Milli	on						Percenta	ige		
2007	30.36	22.19		20.36		1.83		72.6	66.6	8.3	18.2	7.6	12.2
2008	30.79	22.85		20.26		2.59		73.7	65.3	11.3	24.6	10.2	17.5
2009	30.91	23.04		18.89		4.15		74.0	60.6	18.0	37.8	16.0	28.4
2010	30.83	23.09		18.46		4.63		74.4	59.4	20.1	41.6	18.2	30.2
2011	30.71	23.10		18.10		5.00		74.7	58.5	21.6	46.4	19.6	32.8
2012	30.55	23.08		17.41		5.67		75.0	56.5	24.5			
2010 I	30.85	23.01	23.03	18.39	18.57	4.61	4.46	74.2	59.7	19.4	40.1	17.4	29.4
II	30.83	23.12	23.09	18.48	18.44	4.65	4.65	74.4	59.3	20.1	41.4	18.2	30.3
111	30.82	23.12	23.11	18.55	18.41	4.57	4.70	74.5	59.2	20.3	41.9	18.4	30.5
IV	30.81	23.10	23.12	18.41	18.40	4.70	4.72	74.5	59.2	20.4	43.1	18.5	30.5
2011 I	30.78	23.06	23.10	18.15	18.34	4.91	4.75	74.5	59.1	20.6	44.5	18.7	30.5
II	30.71	23.14	23.10	18.30	18.26	4.83	4.84	74.7	59.0	21.0	45.4	19.0	31.9
111	30.68	23.13	23.11	18.16	18.01	4.98	5.11	74.9	58.2	22.1	47.0	20.0	34.0
IV	30.66	23.08	23.10	17.81	17.80	5.27	5.30	74.8	57.5	22.9	48.9	20.8	35.0
2012 I	30.61	23.07	23.11	17.43	17.64	5.64	5.47	75.0	57.2	23.7	51.1	21.6	35.3
		Pe	ercentage o	changes (	(d)				Difference	from on	e year ago		
2007	1.8	2.8		3.1		-0.2		0.7	0.8	-0.2	0.3	-0.4	0.4
2008	1.4	3.0		-0.5		41.3		1.1	-1.3	3.1	6.4	2.6	5.3
2009	0.4	0.8		-6.8		60.2		0.4	-4.7	6.7	13.2	5.8	10.9
2010	-0.3	0.2		-2.3		11.6		0.4	-1.2	2.1	3.8	2.1	1.8
2011	-0.4	0.1		-1.9		7.9		0.3	-0.9	1.6	4.8	1.4	2.7
2012	-0.5	-0.1		-3.8		13.3		0.3	-2.0	2.9			
2010 I	-0.2	-0.4	0.7	-3.6	-1.4	15.0	10.2	-0.1	-2.0	2.6	5.2	2.7	2.3
II	-0.3	0.2	1.0	-2.5	-2.9	12.3	18.5	0.3	-1.4	2.2	3.9	2.2	2.2
111	-0.3	0.6	0.4	-1.7	-0.6	10.9	4.2	0.6	-0.9	1.9	2.2	1.9	1.9
IV	-0.2	0.6	0.2	-1.3	-0.2	8.6	1.8	0.6	-0.6	1.5	3.7	1.7	0.7
2011 I	-0.2	0.2	-0.4	-1.3	-1.2	6.4	3.0	0.4	-0.6	1.2	4.4	1.3	1.2
II	-0.4	0.1	0.1	-0.9	-1.8	4.1	7.8	0.4	-0.3	0.8	4.0	0.7	1.6
111	-0.4	0.1	0.2	-2.1	-5.4	8.8	23.4	0.4	-1.0	1.8	5.2	1.5	3.5
IV	-0.5	-0.1	-0.3	-3.3	-4.6	12.3	15.8	0.3	-1.7	2.5	5.8	2.2	4.4
2012 I	-0.6	0.0	0.3	-4.0	-3.5	14.9	13.6	0.5	-2.0	3.1	6.6	2.8	4.7

(a) Labour force aged 16-64 over population aged 16-64. (b) Employed aged 16-64 over population aged 16-64. (c) Total unemployed over total labour force

(d) Annual percentage changes for original data; annualized quarterly percentage changes for S.A. data

Sources: INE (Labour Force Survey) and Funcas (Forecasts)



Chart 1.- Labour force, Employment and unemployment, SA Annual / annualized quarterly growth rates and percentage of active population





# Table 12b Labour market (II)

		Employe	ed by sector			Employed	d by professi	onal situation		Employed by	y duration o	f the working-day
						Emp	oloyees					
			Construc-	<b>a</b> .		В	y type of co	ntract	Self- emplo-			Part-time employ-
	Agriculture	Industry	tion	Services	Total	Temporary	Indefinite	Temporary employ ment rate (a)	yed	Full-time	Part-time	ment rate (b)
	1	2	3	4	5=6+7	6	7	8=6/5	9	10	11	12
					N	Aillion (orig	inal data)					
2007	7 0.87	3.24	2.75	13.50	16.76	5.31	11.45	31.7	3.60	17.96	2.40	11.8
2008	3 0.82	3.20	2.45	13.79	16.68	4.88	11.80	29.3	3.58	17.83	2.43	12.0
2009	0.79	2.78	1.89	13.44	15.68	3.98	11.70	25.4	3.21	16.47	2.42	12.8
2010	0.79	2.61	1.65	13.40	15.35	3.82	11.52	24.9	3.11	16.01	2.45	13.3
201	0.76	2.56	1.39	13.40	15.11	3.83	11.28	25.3	3.00	15.60	2.50	13.8
2010	I 0.80	2.63	1.69	13.45	15.25	3.72	11.53	24.4	3.15	15.94	2.45	13.2
1	I 0.79	2.62	1.69	13.34	15.36	3.82	11.54	24.9	3.11	15.98	2.50	13.6
II	I 0.79	2.58	1.65	13.39	15.46	3.95	11.51	25.6	3.08	16.17	2.37	12.9
IN	/ 0.79	2.61	1.57	13.42	15.31	3.80	11.51	24.8	3.09	15.93	2.47	13.4
2011	l 0.75	2.58	1.52	13.50	15.12	3.75	11.37	24.8	3.04	15.59	2.57	14.0
1	l 0.75	2.58	1.43	13.51	15.29	3.90	11.39	25.5	3.01	15.72	2.59	14.2
II	I 0.74	2.56	1.35	13.36	15.18	3.95	11.23	26.0	2.97	15.76	2.40	13.3
IN	/ 0.80	2.51	1.28	13.21	14.83	3.70	11.12	25.0	2.98	15.35	2.46	13.8
2012	I 0.78	2.46	1.19	13.01	14.41	3.42	10.99	23.8	3.02	14.93	2.51	14.4
		Ann	ual percen	tage char	nges			Difference from one year ago	Annual p	ercentage	changes	Difference from one year ago
2007	7 -2.0	-0.9	6.0	3.8	3.4	3.8	7.1	-2.4	-1.6	3.3	1.6	-0.2
2008	3 -5.5	-1.2	-10.7	2.1	-0.5	-8.0	3.0	-2.4	-0.5	-0.7	1.1	0.2
2009	9 -4.0	-13.3	-23.0	-2.5	-6.0	-18.4	-0.9	-3.9	-10.3	-7.6	-0.4	0.8
2010	0.9	-5.9	-12.6	-0.3	-2.1	-4.0	-1.5	-0.5	-3.0	-2.8	1.4	0.5
201	-4.1	-2.1	-15.6	0.0	-1.6	0.1	-2.1	0.4	-3.6	-2.5	2.2	0.6
2010	I -0.2	-10.1	-15.8	-0.5	-3.7	-7.6	-2.4	-1.0	-3.2	-4.4	1.2	0.6
I	I -1.0	-6.5	-11.6	-0.5	-2.4	-3.8	-1.9	-0.4	-3.0	-3.1	2.0	0.6
II	I 2.3	-4.5	-10.0	-0.4	-1.2	-2.4	-0.8	-0.3	-4.0	-2.3	2.4	0.5
IN	/ 2.5	-2.2	-12.7	0.2	-1.2	-2.2	-0.8	-0.3	-1.9	-1.5	0.2	0.2
2011	I -6.4	-2.2	-10.1	0.3	-0.9	0.7	-1.4	0.4	-3.5	-2.2	4.7	0.8
I	I -4.6	-1.6	-15.9	1.3	-0.5	2.1	-1.3	0.6	-3.3	-1.6	3.6	0.6
II	I -5.8	-1.0	-17.9	-0.2	-1.8	0.0	-2.4	0.5	-3.7	-2.6	1.1	0.4
IN	/ 0.3	-3.7	-18.8	-1.6	-3.2	-2.5	-3.4	0.2	-3.8	-3.7	-0.6	0.4
2012	I 3.2	-4.5	-21.7	-3.6	-4.7	-8.6	-3.4	-1.0	-0.6	-4.2	-2.4	0.4

(a) Percentage of employees with temporary contract over total employees. (b) Percentage of part-time employed over total employed Sources: INE (Labour Force Survey)



Chart 1.- Employment by sector Annual percentage changes

Chart 2.- Employment by type of contract Annual percentage changes



# Table 13 Index of Consumer Prices

Forecasts in blue

	Total	Tatal avaluating food and		Excluding unprocessed	I food and er	iergy	Linning and		
	Total	energy	Total	Non-energy industrial goods	Services	Processed food	food	Energy	Food
% of total in 2011	100.0	67.46	82.11	27.79	39.67	14.65	6.50	11.39	21.15
				Indexes, 2011 = 100					
1999	70.8		74.4	88.5	67.0	68.9	63.8	52.6	
2000	73.2		76.3	90.3	69.5	69.5	66.5	59.7	
2001	75.9		79.0	92.7	72.4	71.9	72.2	59.1	
2002	78.6	83.7	81.9	95.0	75.8	75.0	76.4	59.0	75.3
2003	80.9	86.1	84.3	96.9	78.6	77.3	81.0	59.8	78.3
2004	83.4	88.2	86.6	97.8	81.5	80.0	84.7	62.6	81.4
2005	86.2	90.4	88.9	98.7	84.6	82.8	87.5	68.7	84.2
2006	89.2	92.9	91.5	100.1	87.8	85.7	91.3	74.1	87.4
2007	91.7	95.2	93.9	100.8	91.2	88.9	95.7	75.4	91.0
2008	95.5	97.4	96.9	101.1	94.8	94.6	99.5	84.4	96.1
2009	95.2	98.2	97.7	99.8	97.0	95.4	98.2	76.8	96.3
2010	96.9	98.7	98.3	99.4	98.3	96.4	98.2	86.4	96.9
2011	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2012	101.8	100.8	101.2	100.0	101.3	103.0	101.9	106.4	102.6
2007	2.8	2.5	2.7	0 7	39	37	47	17	4 1
2007	4.1	2.3	3.2	0.3	3.0	6.5	4.0	11.0	5.7
2000	-0.3	0.8	0.8	-1.3	24	0.9	-1.3	-9.0	0.2
2000	1.8	0.6	0.7	-0.5	1.3	1.0	0.0	12.5	0.2
2010	3.2	1.3	1.7	0.6	1.8	3.8	1.8	15.7	3.2
2012	1.8	0.8	12	0.0	1.3	3.0	1.9	6.4	2.6
2010 Dec	3.0	1.3	1.5	0.9	1.6	2.6	2.6	15.6	2.6
2011 Jan	3.3	1.3	1.6	0.7	1.6	3.1	2.3	17.6	2.9
Feb	3.6	1.4	1.8	0.8	1.8	3.4	2.9	19.0	3.2
Mar	3.6	0.9	1.7	0.7	1.7	3.7	3.1	18.9	3.5
Apr	3.8	1.7	2.1	0.9	2.2	4.5	2.4	17.7	3.9
May	3.5	1.5	2.1	0.9	2.0	4.7	2.7	15.3	4.1
Jun	3.2	1.5	1.7	0.9	1.9	2.9	2.1	15.4	2.6
Jul	3.1	1.2	1.6	0.4	1.7	3.4	1.6	16.0	2.8
Aug	3.0	1.2	1.6	0.4	1.7	3.3	1.1	15.3	2.6
Sep	3.1	1.2	1.7	0.4	1.6	4.1	1.3	15.9	3.2
Oct	3.0	1.2	1.7	0.6	1.6	4.4	0.9	14.5	3.3
Nov	2.9	1.1	1.7	0.3	1.6	4.4	0.8	13.8	3.3
Dec	2.4	1.1	1.5	0.3	1.7	3.1	0.7	10.3	2.4
2012 Jan	2.0	0.9	1.3	0.2	1.4	2.8	1.0	8.0	2.2
Feb	2.0	0.8	1.2	0.1	1.3	2.8	1.8	7.9	2.5
Mar	1.9	0.8	1.2	0.3	1.2	2.7	1.4	7.5	2.3
Apr	2.1	0.7	1.1	0.1	1.1	2.9	2.1	8.9	2.7
May	1.9	0.7	1.1	0.2	1.1	3.0	1.1	8.3	2.4
Jun	1.9	0.7	1.3	0.1	1.2	3.9	1.5	6.6	3.2
Jul	1.7	0.8	1.2	0.0	1.2	3.4	1.7	4.8	2.9
Aug	1.8	0.7	1.2	-0.1	1.3	3.4	2.1	5.5	3.0
Sep	1.6	0.7	1.1	-0.1	1.3	2.7	2.3	4.6	2.6
Oct	1.6	0.7	1.0	-0.3	1.3	2.7	2.3	5.2	2.6
Nov	1.6	0.8	1.1	-0.1	1.3	2.6	2.6	4.6	2.6
Dec	1.6	0.7	1.1	-0.1	1.3	2.7	2.9	4.9	2.8

Sources: Eurostat, INE and Funcas (Forecasts)



Chart 2.- Inflation rate (II) Annual percentage changes



# Table 14Other prices and costs indicators

		Industrial producer prices		Housi	ng prices			Labour Costs	Survey		
	GDP deflator (a)	Total	excluding energy	Housing Price Index (INE)	m2 average price (M. Public Works)	Urban land pri- ces (M. Public Works)	Total labour costs per worker	Wage costs per worker	Other cost per worker	Total labour costs per hour worked	Wage increa- ses agreed in collective bargaining
	2000=100	200	5=100		2007=100			2000=10	0		
2007	132.2	109.2	108.7	100.0	100.0	100.0	131.1	128.3	139.9	136.2	
2008	135.4	116.3	113.6	98.5	101.1	91.1	137.4	134.8	145.6	142.5	
2009	135.5	112.4	110.9	91.9	93.8	85.8	142.3	139.2	151.8	150.5	
2010	136.0	115.9	112.3	90.1	90.3	74.9	142.8	140.4	150.2	151.4	
2011	137.9	124.0	116.5	83.4	85.3	69.9	144.5	141.9	152.5	154.8	
2012 (b)	140.0	128.0	117.5	75.4	82.2	65.3	142.2	137.9	155.1	144.7	
2011 I	137.2	122.4	115.6	86.3	88.6	78.1	140.5	136.3	153.7	142.7	
П	137.8	124.0	116.7	85.2	86.0	76.2	146.9	145.2	152.3	153.0	
111	138.1	124.5	117.0	82.9	84.6	59.5	138.9	134.9	151.2	159.8	
IV	138.4	124.9	116.7	79.4	82.0	65.9	151.7	151.3	152.9	163.6	
2012 I	138.0	128.1	117.2	75.4	82.2	65.3	142.2	137.9	155.1	144.7	
ll (b)		127.9	118.0								
2012 Apr	·	127.9	118.0								
May		127.8	118.1								
Jun											
					Annual percen	t changes					
2007	3.3	3.6	4.1		5.8	3.8	4.0	4.0	4.1	4.5	3.1
2008	2.4	6.5	4.5	-1.5	1.1	-8.9	4.8	5.1	4.0	4.7	3.6
2009	0.1	-3.4	-2.4	-6.7	-7.2	-5.8	3.5	3.2	4.3	5.6	2.3
2010	0.4	3.2	1.3	-2.0	-3.7	-12.7	0.4	0.9	-1.1	0.7	1.5
2011	1.4	6.9	3.8	-7.4	-5.5	-6.6	1.2	1.1	1.5	2.1	2.4
2012 (c)	0.5	4.0	1.2	-12.6	-7.2	-16.4	1.2	1.2	0.9	1.5	2.1
2011 I	1.3	7.4	4.1	-4.1	-4.6	3.8	0.8	1.0	0.5	0.0	3.1
II	1.6	6.9	4.1	-6.8	-5.1	1.5	0.8	0.7	1.5	1.5	2.7
111	1.4	7.2	3.9	-7.4	-5.5	-11.1	1.4	1.2	2.2	4.8	2.6
IV	1.2	6.2	2.9	-11.2	-6.8	-19.9	1.7	1.4	2.1	2.5	2.4
2012 I	0.5	4.6	1.4	-12.6	-7.2	-16.4	1.2	1.2	0.9	1.5	2.3
11											2.1
2012 Apr		1.1	8.4								2.3
May		1.2	9.3								2.2
Jun											2.1

(a) Seasonally adjusted. (b) Period with available data. (c) Growth of available period over the same period of the previous year. Sources: M. of Public Works, M. of Labour and INE (National Statistics Institute)



Chart 1.- Housing and urban land prices





# Table 15 External trade (a)

	Exports of goods		Imports of goods			Exports to EU	Exports to no	Total Balance	Balance of	Balance of	
	Nominal	Prices	Real	Nominal	Prices	Real	countries	EU countries	of goods	ding energy	countries
	EUR Billions	2005=	:100	EUR Billions	2005=	100			EUR Billion	s	
2007	185.0	108.3	110.2	285.0	104.8	115.6	130.9	54.2	-100.0	-65.5	-40.2
2008	189.2	108.5	112.5	283.4	107.7	111.8	130.8	58.5	-94.2	-50.7	-26.3
2009	159.9	101.7	101.4	206.1	93.6	93.7	110.5	49.4	-46.2	-18.8	-9.1
2010	186.8	102.8	117.2	240.1	99.8	102.3	126.3	60.5	-53.3	-17.9	-5.0
2011	214.5	107.1	129.1	260.8	107.4	103.3	141.7	72.8	-46.3	-5.2	4.1
2012 (b)	71.6	108.4	127.9	85.7	111.7	97.9	46.6	25.1	-14.0	2.6	3.6
2011 I	53.4	107.2	128.9	66.1	107.5	106.2	34.8	18.5	-12.7	-1.7	-0.1
Ш	53.3	109.1	126.5	64.2	107.4	103.3	34.8	18.5	-10.9	-0.7	1.5
III	54.9	108.2	131.4	65.4	109.7	103.0	35.8	19.1	-10.5	0.2	1.5
IV	55.7	110.6	130.4	65.3	111.8	100.9	36.3	19.4	-9.6	-0.3	1.2
2012 I	55.0	110.6	128.7	65.8	115.3	98.5	35.2	19.8	-10.8	1.6	2.3
ll (b)	17.6	108.6	125.7	20.7	111.8	96.0	11.2	6.4	-3.2	1.1	1.1
2012 Feb	18.3	112.3	126.5	22.5	116.7	100.0	11.8	6.5	-4.2	0.1	0.3
Mar	18.3	110.4	129.1	21.7	116.2	96.9	11.7	6.7	-3.4	0.8	1.2
Apr	17.6	108.7	125.7	20.7	112.0	96.0	11.2	6.4	-3.2	1.1	1.1
			Percenta	ige changes	s (c)				Pe	rcentage of	GDP
2007	8.6	4.3	4.1	8.5	1.4	7.1	8.0	10.0	-9.5	-6.2	-3.8
2008	2.3	0.2	2.1	-0.6	2.8	-3.3	-0.1	8.0	-8.7	-4.7	-2.4
2009	-15.5	-6.3	-9.8	-27.3	-13.2	-16.3	-15.5	-15.5	-4.4	-1.8	-0.9
2010	16.8	1.1	15.6	16.5	6.7	9.2	14.3	22.5	-5.1	-1.7	-0.5
2011	14.8	4.3	10.1	8.7	7.6	1.0	12.2	20.4	-4.3	-0.5	0.4
2012 (d)	2.2	2.6	-0.4	-1.3	2.6	-7.3	1.4	10.7			
2011 I	24.0	1.8	21.8	28.0	14.3	11.9	15.4	42.2	-4.8	-0.6	0.0
Ш	-0.5	7.3	-7.2	-11.0	-0.5	-10.6	-1.0	0.5	-4.1	-0.3	0.5
	12.6	-3.3	16.4	7.9	8.8	-0.9	12.5	12.9	-3.9	0.1	0.6
IV	6.0	9.5	-3.2	-0.8	7.9	-8.0	6.3	5.6	-3.6	-0.1	0.4
2012 I	-5.1	0.0	-5.1	3.1	13.4	-9.1	-12.2	9.4	-4.0	0.6	0.9
ll (e)	-15.4	-7.0	-9.0	-20.1	-11.7	-10.0	-17.6	-11.5			
2012 Feb	-0.5	2.7	-3.1	4.5	3.1	1.4	0.9	-2.9			
Mar	0.4	-1.6	2.0	-3.6	-0.4	-3.2	-0.9	2.8			
Apr	-4.2	-1.6	-2.6	-4.5	-3.6	-0.9	-4.4	-3.8			

(a) Seasonally adjusted, except for annual data. (b) Period with available data. (c) Annualized percent change from the previous quarter for quarterly data, non-annualized percent change from the previous month for monthly data. (d) Growth of available period over the same period of the previous year. (e) Annualized growth of the average of available period over the monthly average of the previous quarter Sources: Ministry of Economy and Funcas







Chart 2.- Trade balance

Balance of non-energy goods Balance of energy goods

#### Table 16 Balance of Payments (according to IMF manual)

(Net transactions)

	Current account									Financial acc	count			
						Capital	Current	Fina	ncial account	, excluding E	ank of Sp	ain		Errors and
	Total	Goods	Services	Income	Tansfers	account	capital accounts	Total	Direct invest-ment	Porfolio investment	Other invest- ment	Financial derivatives	Bank of Spain	omissions
	1 = 2 + 3 + 4 + 5	2	3	4	5	6	7=1+6	8 = 9 + 10 + 11 + 12	9	10	11	12	13	14
							EUR b	illions						
2006	-88.31	-83.25	22.24	-20.80	-6.50	6.19	-82.12	111.42	-58.55	199.61	-31.65	2.00	-25.80	-3.51
2007	-105.27	-91.12	23.05	-30.06	-7.15	4.58	-100.69	86.68	-53.18	104.26	39.69	-4.09	14.32	-0.31
2008	-104.68	-85.59	25.79	-35.48	-9.39	5.47	-99.20	70.00	1.55	-0.20	75.72	-7.06	30.22	-1.02
2009	-50.54	-41.61	25.03	-25.93	-8.03	4.22	-46.32	41.52	-1.92	44.82	4.66	-6.05	10.46	-5.67
2010	-47.43	-47.78	27.51	-19.85	-7.31	6.29	-41.14	27.48	1.83	27.67	-10.61	8.59	15.70	-2.04
2011	-37.50	-39.73	34.24	-26.11	-5.90	5.49	-32.01	-73.39	-5.60	-23.08	-44.88	0.16	109.15	-3.75
2012(b)	-16.12	-11.86	8.55	-8.01	-4.80	1.00	-15.12	-121.89	7.95	-56.35	-77.00	3.51	134.56	2.45
2011 I	-16.86	-11.14	4.21	-5.87	-4.06	1.56	-15.29	20.89	-3.52	22.82	-1.16	2.75	-11.04	5.44
Ш	-7.72	-9.80	9.54	-5.95	-1.50	1.34	-6.37	1.57	-7.51	-19.87	31.00	-2.05	5.87	-1.07
111	-5.72	-10.06	13.10	-7.49	-1.28	1.27	-4.46	-30.76	2.16	-14.60	-17.35	-0.97	39.02	-3.80
IV	-7.20	-8.73	7.39	-6.80	0.94	1.31	-5.89	-65.09	3.27	-11.42	-57.37	0.43	75.30	-4.33
2012 I	-14.44	-8.97	5.72	-6.70	-4.49	0.69	-13.76	-95.30	7.18	-36.15	-69.83	3.49	105.57	3.49
ll(b)	-1.68	-2.89	2.83	-1.31	-0.31	0.31	-1.36	-79.76	2.30	-60.60	-21.51	0.05	86.97	-5.84
2012 Jan	-5.57	-3.25	1.85	-3.03	-1.14	0.08	-5.49	-6.54	2.66	-6.52	-2.60	-0.08	9.53	2.50
Feb	-5.86	-3.11	1.68	-1.86	-2.58	0.12	-5.74	-22.64	2.30	-5.43	-22.10	2.58	29.31	-0.92
Mar	-3.01	-2.61	2.19	-1.82	-0.78	0.49	-2.52	-66.13	2.21	-24.19	-45.13	0.98	66.73	1.92
Apr	-1.68	-2.89	2.83	-1.31	-0.31	0.31	-1.36	-26.59	0.77	-20.20	-7.17	0.02	28.99	-1.04
						F	Percentag	ge of GDP						
2006	-9.0	-8.4	2.3	-2.1	-0.7	0.6	-8.3	11.3	-5.9	20.3	-3.2	0.2	-2.6	-0.4
2007	-10.0	-8.7	2.2	-2.9	-0.7	0.4	-9.6	8.2	-5.0	9.9	3.8	-0.4	1.4	0.0
2008	-9.6	-7.9	2.4	-3.3	-0.9	0.5	-9.1	6.4	0.1	0.0	7.0	-0.6	2.8	-0.1
2009	-4.8	-4.0	2.4	-2.5	-0.8	0.4	-4.4	4.0	-0.2	4.3	0.4	-0.6	1.0	-0.5
2010	-4.5	-4.5	2.6	-1.9	-0.7	0.6	-3.9	2.6	0.2	2.6	-1.0	0.8	1.5	-0.2
2011	-3.5	-3.7	3.2	-2.4	-0.6	0.5	-3.0	-6.8	-0.5	-2.1	-4.2	0.0	10.2	-0.3
2012(b)														
2011 I	-6.4	-4.3	1.6	-2.2	-1.6	0.6	-5.8	8.0	-1.3	8.7	-0.4	1.1	-4.2	2.1
11	-2.8	-3.6	3.5	-2.2	-0.5	0.5	-2.3	0.6	-2.7	-7.2	11.2	-0.7	2.1	-0.4
111	-2.2	-3.9	5.1	-2.9	-0.5	0.5	-1.7	-11.9	0.8	-5.7	-6.7	-0.4	15.1	-1.5
IV	-2.6	-3.1	2.7	-2.4	0.3	0.5	-2.1	-23.4	1.2	-4.1	-20.6	0.2	27.1	-1.6
2012 I	-5.5	-3.4	2.2	-2.6	-1.7	0.3	-5.3	-36.4	2.7	-13.8	-26.7	1.3	40.3	1.3

(b) Period with available data Sources: Bank of Spain



Chart 1.- Balance of payments: Current and capital accounts





# Table 17State and Social Security System budget

				State			Social Security System					
	Nation	nal account	s basis		Revenue, ca	ish basis (a)			Accr	ued income	E>	kpenditure
	Surplus or deficit	Revenue	Expenditure	Total	Direct taxes	Indirect taxes	Others	Surplus or deficit	Total	of which, social contributions	Total	of which, pensions
	1=2-3	2	3	4=5+6+7	5	6	7	8=9-11	9	10	11	12
					EUR billio	ns, 12-month	cumul	ated				
2005	4.2	132.9	128.8	173.6	89.4	70.7	13.5	10.0	97.7	88.2	87.7	70.8
2006	8.2	150.7	142.5	191.1	102.4	76.3	12.4	12.2	106.3	95.8	94.1	75.8
2007	12.4	165.3	152.9	214.2	121.0	78.9	14.4	14.7	116.7	103.7	102.0	81.8
2008	-33.1	132.6	165.7	188.7	102.0	70.7	16.0	14.6	124.2	108.7	109.7	86.9
2009	-99.1	105.8	204.9	162.5	87.5	55.7	19.3	8.8	123.7	107.3	114.9	92.0
2010	-51.3	141.1	192.4	175.0	86.9	71.9	16.3	2.4	122.5	105.5	120.1	97.7
2011	-31.3	137.1	168.3	177.0	89.6	71.2	16.1	-0.5	121.7	105.4	122.2	101.5
2012 Jan	-35.9	136.3	172.2	176.4	88.4	70.6	17.4	0.4	123.0	105.6	122.6	101.9
Feb	-38.1	136.6	174.6	176.5	88.4	69.8	18.3	1.5	124.3	105.4	122.8	102.2
Mar	-39.6	136.4	176.0	177.2	88.9	69.7	18.7	0.0	123.1	105.1	123.2	102.5
Apr	-39.8	135.6	175.4	177.9	89.7	69.3	18.9	0.2	123.5	104.9	123.3	102.8
May	-39.7	135.7	175.4	176.9	89.2	68.5	19.2	-0.8	122.8	104.7	123.6	103.1
					Annual	percentage	change	es				
2005		12.1	1.1	11.8	17.7	9.6	-8.6		7.8	7.8	7.0	6.9
2006		13.4	10.7	10.1	14.6	7.9	-8.2		8.8	8.6	7.2	7.0
2007		9.7	7.3	12.1	18.1	3.4	16.4		9.7	8.3	8.4	7.9
2008		-19.8	8.4	-11.9	-15.7	-10.4	11.1		6.5	4.8	7.6	6.2
2009		-20.2	23.6	-13.9	-14.2	-21.2	20.4		-0.5	-1.3	4.7	5.9
2010		33.3	-6.1	7.7	-0.7	29.1	-15.7		-1.0	-1.7	4.5	6.2
2011		-2.8	-12.5	1.1	3.1	-0.9	-0.8		-0.7	-0.1	1.8	3.9
2012 Jan		-3.2	-10.0	0.2	0.4	-2.3	11.3		0.6	0.2	1.9	3.8
Feb		-0.4	-8.3	1.0	2.9	-3.9	12.9		1.7	0.1	1.8	3.8
Mar		-1.4	-5.4	0.5	2.2	-4.5	14.1		-0.1	-0.2	2.0	3.8
Apr		-1.3	-5.0	0.0	3.0	-6.5	13.8		-0.1	-0.2	2.0	3.8
May		-0.3	-3.4	-1.3	1.6	-8.1	13.6		-0.1	-0.2	2.0	3.8
				Pe	rcentage o	f GDP, 12-mc	onth cu	mulated				
2005	0.5	14.6	14.2	19.1	9.8	7.8	1.5	1.1	10.7	9.7	9.6	7.8
2006	0.8	15.3	14.5	19.4	10.4	7.7	1.3	1.2	10.8	9.7	9.5	7.7
2007	1.2	15.7	14.5	20.3	11.5	7.5	1.4	1.4	11.1	9.8	9.7	7.8
2008	-3.0	12.2	15.2	17.3	9.4	6.5	1.5	1.3	11.4	10.0	10.1	8.0
2009	-9.5	10.1	19.6	15.5	8.4	5.3	1.8	0.8	11.8	10.2	11.0	8.8
2010	-4.9	13.4	18.3	16.7	8.3	6.8	1.5	0.2	11.7	10.0	11.4	9.3
2011	-2.9	12.8	15.7	16.5	8.4	6.6	1.5	0.0	11.3	9.8	11.4	9.5
2012 Jan	-3.4	12.8	16.2	16.6	8.3	6.6	1.6	0.0	11.5	9.9	11.5	9.6
Feb	-3.6	12.8	16.4	16.6	8.3	6.5	1.7	0.1	11.7	9.9	11.5	9.6
Mar	-3.7	12.8	16.5	16.6	8.3	6.5	1.8	0.0	11.6	9.9	11.6	9.6
Apr	-3.7	12.7	16.5	16.7	8.4	6.5	1.8	0.0	11.6	9.8	11.6	9.6
May	-3.7	12.7	16.5	16.6	8.4	6.4	1.8	-0.1	11.5	9.8	11.6	9.7

(a) Including the regional and local administrations share in direct and indirect taxes Sources: Bank of Spain



Chart 1.- State: Revenue, expenditure and deficit

Chart 2.- Social Security System: Revenue, expenditure and deficit EUR Billions, 12-month cumulated



## Table 18 Monetary and financial indicators

		Interest rate	es (percentag	ge rates)			Credit stock				
	10 year Bonds	Spread with German Bund (basis points)	Housing credit to households	Consumer credit to households	Credit to non-financial corporations (less than 1 million)	TOTAL	Government	Non-financial corporations	Households	Contribution of Spanish MFI to M3	Stock market (IBEX-35)
		Average	e of period	data				End of j	period data	1	
2007	4.3	7.4	5.3	9.8	5.8	2471.0	382.3	1214.3	874.4		15182.3
2008	3 4.4	36.0	5.8	10.9	6.4	2655.9	437.0	1307.6	911.3		9195.8
2009	4.0	70.5	3.4	10.5	4.7	2767.9	565.1	1299.5	903.3		11940.0
2010	4.2	146.5	2.6	8.6	4.3	2842.9	643.1	1301.6	898.1		9859.1
2011	5.4	277.4	3.5	8.6	5.1	2864.0	735.0	1255.4	871.0		8563.3
2012 (b)	) 5.7	399.5	3.7	9.5	5.6	2871.2	768.0	1238.9	854.6		7102.2
2011	5.3	212.0	3.0	8.4	4.8	2858.8	684.1	1286.7	887.9		10576.5
I	5.4	222.3	3.4	8.2	5.1	2866.0	704.0	1272.9	889.2		10359.9
Ш	I 5.4	311.6	3.6	8.7	5.2	2851.8	707.1	1267.1	877.6		8546.6
IV	5.7	365.1	3.7	9.1	5.4	2864.0	735.0	1255.4	871.0		8563.3
2012	l 5.2	334.6	3.8	9.7	5.5	2886.6	774.5	1248.9	859.0		8008.0
ll (b)	) 6.2	464.3	3.5	9.1	5.7						7102.2
2012 Apr	5.8	411.0	3.5	9.1	5.8	2871.2	768.0	1243.9	855.9		7011.0
Мау	6.1	465.7	3.5	9.1	5.6			1238.9	854.6		6089.8
Jur	6.6	516.2									7102.2
						Percen	tage change	e from same	period pre	vious year	(c)
2007						12.3	-2.3	17.7	12.5	15.0	7.3
2008	3					7.8	14.3	8.2	4.4	7.8	-39.4
2009	)					4.0	29.4	-1.2	-0.3	-0.8	29.8
2010	)					3.2	13.8	0.6	0.2	-2.2	-17.4
2011						1.6	14.3	-1.9	-2.4	-1.6	-13.1
2012 (b)	)					1.6	13.3	-1.7	-2.8	-1.2	-17.1
2011	I					3.6	17.5	0.1	-0.5	0.9	7.3
I						2.7	16.4	-0.7	-1.6	2.5	-2.0
Ш	I					2.0	14.8	-1.5	-1.6	0.1	-17.5
IV						1.6	14.3	-1.9	-2.4	-1.6	0.2
2012						1.8	13.2	-1.4	-2.7	-0.9	-6.5
II (b)	)										-11.3
2012 Apr	r					1.6	13.3	-1.6	-2.9	-1.1	-12.5
Мау								-1.7	-2.8	-1.2	-13.1
Jur	)										16.6



Chart 1.- 10 year bond yield Percentage rates and basis points





### Table 19 Competitiveness indicators in relation to EMU

	Relative I	Unit Labour Cost (Spain/EMU)	ts in industry	Harmo	onized Con	sumer Prices		Producer prices	3	Real Effective Exchange Rate
	Relative productivity	Relative wages	Relative ULC	Spain	EMU	Spain/EMU	Spain	EMU	Spain/EMU	in relation to developed countries
		1998=100			2005=	100		2005=100		1999 I =100
2007	92.7	110.9	119.9	106.5	104.4	102.1	108.4	106.5	101.8	111.9
2008	94.7	112.5	119.0	110.9	107.8	102.9	114.7	111.8	102.5	114.5
2009	101.6	111.5	110.2	110.6	108.1	102.4	110.9	106.7	103.9	114.0
2010	100.2	111.6	111.7	112.9	109.8	102.8	114.8	110.1	104.3	112.9
2011	101.5	110.9	109.1	116.3	112.8	103.1	122.4	116.2	105.3	113.1
2012 (b)				117.8	115.0	102.5	126.1	118.8	106.1	111.3
2011 I				114.5	111.3	102.9	120.9	114.7	105.4	112.6
Ш				117.2	113.1	103.6	122.4	116.3	105.2	114.4
III				116.1	112.9	102.8	122.9	116.7	105.4	112.7
IV				117.6	114.1	103.1	123.2	117.0	105.3	112.8
2012 I				116.7	114.3	102.1	126.1	118.6	106.3	110.8
II (b)				119.5	115.9	103.1	126.1	119.3	105.7	112.0
2012 Apr				119.7	116.0	103.2	126.1	119.3	105.7	112.3
Мау				119.4	115.9	103.1	126.0	118.8	106.1	111.7
Jun				119.1	115.8	102.8				
			Percer	ntage ch	anges (c)	Differential	Percen	tage changes (c)	Differential	
2007	0.3	5.0	4.8	2.8	2.1	0.7	3.2	2.2	1.0	-
2008	2.2	1.5	-0.8	4.1	3.3	0.9	5.7	5.0	0.7	
2009	7.4	-0.9	-7.4	-0.2	0.3	-0.5	-3.3	-4.6	1.3	-
2010	-1.4	0.0	1.3	2.0	1.6	0.4	3.5	3.2	0.3	
2011	1.3	-0.6	-2.3	3.1	2.7	0.3	6.6	5.6	1.1	-
2012 (d)				1.9	2.6	-0.7	3.9	3.1	0.8	
2011 I			-	3.2	2.5	0.8	7.4	6.4	1.0	-
II				3.3	2.8	0.6	6.6	5.8	0.9	
III			-	2.9	2.7	0.2	6.7	5.4	1.4	-
IV				2.7	2.9	-0.2	5.8	4.7	1.1	
2012 I				1.9	2.7	-0.8	4.2	3.4	0.9	-
II			-	1.9	2.5	-0.6	2.9	2.4	0.5	
2012 Apr				2.0	2.6	-0.6	2.9	2.4	0.5	
May				1.9	2.4	-0.5	3.0	2.1	0.9	
Jun				1.8	2.4	-0.6				

(b) Period with available data. (c) Annual percent change. (d) Growth of available period over the same period of the previous year Sources: Eurostat and Bank of Spain



Chart.1 Relative Unit Labour Costs (Spain/EMU) 1998=100

**Chart.2 Harmonized Consumer Prices** 

Annual growth in % and percentage points



# Table 20 Imbalances: International comparison (I)

	Governm	ent net lendi	ng (+) or borro	owing (-)		Governmer	nt gross debt		Curre	nt Account E	Balance of Pa	ayments
	Spain	EMU	USA	UK	Spain	EMU	USA	UK	Spain	EMU	USA	UK
					<b>Billions</b> of	of national o	currency					
2005	11.5	-207.7	-402.9	-42.9	391.7	5718.5	8566.6	533.2	-67.8	33.6	-645.5	-32.7
2006	23.3	-118.6	-272.8	-36.2	390.2	5871.5	8912.6	577.1	-88.9	43.9	-556.1	-43.1
2007	20.2	-62.6	-385.1	-38.2	381.4	5989.0	9421.7	624.7	-105.2	40.3	-704.0	-34.8
2008	-48.9	-196.8	-913.4	-71.9	437.0	6481.7	10881.1	786.0	-104.3	-62.6	-676.5	-19.8
2009	-117.1	-569.2	-1601.0	-158.8	565.1	7126.9	12528.1	970.8	-53.8	-13.4	-454.8	-20.3
2010	-98.2	-570.5	-1536.2	-149.0	643.1	7839.0	14312.0	1165.0	-47.3	5.2	-480.2	-48.6
2011	-91.4	-386.5	-1442.3	-125.1	735.0	8284.6	15537.4	1292.6	-41.8	14.6	-481.1	-29.0
2012	-68.6	-305.6	-1294.1	-124.4	861.5	8750.6	16994.6	1419.8	-21.4	56.7	-488.8	-27.0
					Perc	entage of (	GDP					
2005	1.3	-2.5	-3.2	-3.4	43.1	70.6	68.2	42.5	-7.5	0.5	-5.1	-2.6
2006	2.4	-1.4	-2.0	-2.7	39.6	69.0	66.9	43.4	-9.0	0.6	-4.2	-3.2
2007	1.9	-0.7	-2.8	-2.7	36.2	66.8	67.5	44.4	-10.0	0.6	-5.0	-2.5
2008	-4.5	-2.1	-6.4	-5.0	40.2	70.8	76.5	54.8	-9.6	-0.6	-4.8	-1.4
2009	-11.2	-6.4	-11.5	-11.5	53.9	80.6	90.4	69.6	-5.1	-0.1	-3.3	-1.5
2010	-9.3	-6.2	-10.6	-10.2	61.2	86.2	99.1	79.6	-4.5	0.1	-3.3	-3.3
2011	-8.9	-4.1	-9.6	-8.3	68.5	88.6	103.5	85.7	-3.9	0.2	-3.2	-1.9
2012	-6.4	-3.2	-8.3	-67	80.9	92.4	108.9	91.2	-2.0	0.6	-3.1	-17

Source: European Commission



(f) European Commission forecast.





### Table 20 Imbalances: International comparison (II)

In blue: European Commission Forecasts

		Househol	d debt (a)		Non	n-financial corp	oorations deb	ot (a)	F	inancial corpor	ations debt (	a)
	Spain	EMU	USA	UK	Spain	EMU	USA	UK	Spain	EMU	USA	UK
					Billions	of national	currency					
2005	653.5	4777.4	11701.4	1165.2	954.0	7088.0	8639.5	1281.6	527.5	7638.9	12956.9	2388.4
2006	780.7	5198.9	12834.6	1289.8	1193.9	7747.7	9571.8	1458.4	752.5	8635.5	14278.6	2586.3
2007	876.6	5568.6	13680.9	1401.0	1386.0	8643.8	10876.5	1502.2	979.1	9968.3	16223.8	3099.7
2008	913.4	5819.8	13665.5	1451.3	1475.4	9326.4	11538.6	1698.2	1041.0	10881.5	17122.7	3491.6
2009	905.5	5942.3	13394.5	1440.6	1461.6	9422.9	11190.9	1631.5	1119.1	11379.0	15708.3	3471.3
2010	901.6	6102.2	13115.6	1448.6	1471.3	9587.6	11295.1	1572.3	1115.1	11627.2	14261.8	3561.9
2011	875.1	6191.5	12930.0	1446.5	1433.6	9849.0	11804.9	1618.4	1098.5	11943.8	13793.8	3428.1
					Per	centage of	GDP					
2005	71.9	58.7	92.7	92.9	104.9	87.0	68.4	102.2	58.0	93.8	102.6	190.4
2006	79.2	60.7	95.9	97.3	121.1	90.5	71.6	109.8	76.4	100.8	106.7	194.7
2007	83.2	61.7	97.5	100.2	131.6	95.7	77.5	106.9	93.0	110.4	115.6	220.5
2008	84.0	63.0	95.6	99.8	135.6	100.9	80.7	118.4	95.7	117.7	119.8	243.5
2009	86.4	66.6	96.1	102.9	139.5	105.6	80.3	117.1	106.8	127.5	112.7	249.0
2010	85.8	66.6	90.3	103.9	139.9	104.7	77.8	107.4	106.1	127.0	98.2	243.3
2011	81.5	65.8	85.7	103.9	133.6	104.6	78.2	107.4	102.3	126.9	91.4	227.4

(a) Loans and securities other than shares

Source: European Central Bank and Federal Reserve



Chart 1.- Household debt Percentage of GDP

Chart 2.- Non-financial corporations debt Percentage of GDP



<b>INDICATORS – FUNCAS</b>	
FINANCIAL SYSTEM	2
<b>KEY FACTS: 50</b>	Updated: June 30th, 201

Highlights		
Indicator	Last value available	Corresponding to:
Bank lending to other resident sectors (monthly average $\%$ var.)	-1.0	April 2012
Other resident sectors' deposits in credit institutions (monthly average % var.)	-1.3	April 2012
Doubtful loans (monthly % var.)	3.4	April 2012
Recourse to the Eurosystem (Eurozone financial institutions, million euros)	347,195	April 2012
Recourse to the Eurosystem (Spanish financial institutions, million euros)	287,813	April 2012
Recourse to the Eurosystem (Spanish financial institutions million euros)- Main L/T refinancing operations	9,204	April 2012
Operating expenses/gross operating income" ratio (%)	49.01	March 2012
Customer deposits/employees" ratio (thousand euros)	4,717.4	March 2012
"Customer deposits/branches" ratio (thousand euros)	28,941.0	March 2012
"Branches/institutions" ratio	144.06	March 2012

Vol. 1, N.º 2 (July 2012)

99

SEFO - Spanish Economic and Financial Outlook

SEFO - Spanish Economic and Financial Outlook

100

Updated: June 30th, 2012

A. Money and interest	rates						
Indicator	Source:	Average 1996-2009	2010	2011	2012 April	2012 May	Definition and calculation
1. Monetary Supply (%chg.)	ECB	6.0	1.7	2.2	2.5	ı	M3 aggregate change (non- stationary)
2. Three-month interbank interest rate	Bank of Spain	6. 4.	0.0	4.	0.7	0.6(a)	Daily data average
3. One-year Euribor interest rate (from 1994)	Bank of Spain	3.3	1. 4.	2.0	1.3	1.2(a)	End-of-month data
<ol> <li>Ten-year Treasury bonds interest rate (from 1998)</li> </ol>	Bank of Spain	6.4	4.3	5.4	5. .8	6.3(a)	Market interest rate (not exclusively between account holders)
5. Corporate bonds average interest rate	Bank of Spain	5.0	3.7	5.0	5.3		End-of-month straight bonds average interest rate (> 2 years) in the AIAF market

(a) Last data published: June 2012

Comment on "Money and Interest Rates": At the end of June, the 3-month and 1-year Euribor rates remain at 0.6% and 1.2%, respectively. Expectations point to a possible reduction in ECB rates in the short term. Also, the 10-year Spanish bond interest rate stood at 6.2% by the end of June, having experienced a reduction after the agreements reached in the latest European Summit.

	Definition and calculation	id amount/ nding balance) n the market (not ively between nt holders)	id amount/ nding balance) n the market (not ively between nt holders)	id amount/ nding balance) n the market (not ively between nt holders)	id amount/ nding balance) market (not ively between it holders)	ht transactions market (not ively between it holders)	ht transactions market (not ively between it holders)	le in the total er of resident inies	
	y [2	(Trade outstar outstar exclusi accour	(Trade outstar x100 ir exclusi accour	(Trade outstar a x100 ir exclusi accour	(Trade outstar in the r exclusi accour	Outrigh in the r exclusi accour	Outrigh in the r exclusi accour	Chang .6 numbe compa	
	201 Ma	3 148	124	ò	Ö	0	666	-10	
	2012 April	152.8	114.3	0.1	0. G	0.3	687.7	-4.6	
	0 2011	81.6	9 112.6	5.2	ю. С.	1.6	8 684.4	-0.8	
	ge 201(	40.5	88.0	1.7	7 .0	0.7	647.	12.1	
	Averaç 1996-2(	18.3	77.8	0.3	4.6	3.4	490.2	× 1.1	
	Source:	Bank of Spain	Bank of Spain	Bank of Spain	t <sup>t</sup> Bank of Spain	Bank of Spain	Bank of Spain	Bank of Spain and Madrid Stoc Exchange	
3. Financial markets	Indicator	<ol> <li>Outright spot treasury bills ransactions trade ratio</li> </ol>	<ul> <li>Outright spot government</li> <li>ounds transactions trade ratio</li> </ul>	<ol> <li>Outright forward treasury oills transactions trade ratio</li> </ol>	<ol> <li>Outright forward governmer bonds transactions trade ratio</li> </ol>	10. Three-month maturity reasury bills interest rate	11. Government bonds yield ndex (Dec1987=100)	12. Madrid Stock Exchange Capitalization (monthly average %chg.)	

Vol. 1, N.º 2 (July 2012)

101

SEFO - Spanish Economic and Financial Outlook

		e bital		ket	ket		15
se 1985=100	se dec1989=3000	drid Stock Exchange tio "share value/ cap fitability"	iation for all stocks	<pre> .F fixed-income mar</pre>	.F fixed-income mar	:X-35 shares icluded transactions	:X-35 shares Icluded transactions
Bas	) Bas	Ma Rat pro	Var	AIA	AIA	IBE	IBE con
718.5(a)	7,102.2(a)	•	21.0	5.7	2.3	6.6	34.5
707.5	7,011.0	11.4	4 4	-1.6	2.0	33.1	16.0
857.7	9,734.6	9.7	15.1	59.24	1.9	-15.8	-25.9
1.003.7	10,200.7	8. G	-29.2	-43.9	0.8	15.42	-31.88
973.6	9,319.2	17.1	2.8	45.2	3.6	2.1	-2.7
Bank of Spain and Madrid Stock Exchange	Bank of Spain and Madrid Stock Exchange	Bank of Spain and Madrid Stock Exchange	Bank of Spain and Madrid Stock Exchange	J Bank of Spain and AIAF	Bank of Spain and AIAF	Bank of Spain	Bank of Spain
14. Madrid Stock Exchange general index (Dec1985=100)	15. lbex-35 (Dec1989=3000)	16. Madrid Stock Exchange PER ratio (share value/ orofitability)	17. Long-term bonds. Stock rading volume (%chg.)	18. Commercial paper. Tradinç ɔalance (%chg.)	19. Commercial paper. Three- month interest rate	20. IBEX-35 financial futures concluded transactions (%chg.)	21. IBEX-35 financial options concluded transactions (%chg.)

(a) Last data published: 29th June 2012

Comment on "Financial Markets". During the last month there has been a slight reduction in transactions with outright spot and forward T-bills, while in contrast there was a slight increase in the negotiation of government bonds and debentures. Regarding the stock market, the IBEX-35 stood at 7,102.2 points by the end of June, while the previous month it closed at 7,011.0 points. Finally, there was a slight reduction in financial IBEX-35 tuture transactions, while an increase with last vectors, with a slight reduction in financial lect.

C. Financial Savings and	Debt						
Indicator	Source:	Average 2002-2008	2009	2010	2011 III-Q.	2011 IV-Q.	Definition and calculation
22. Net Financial Savings/GDP (National Economy)	Bank of Spain	-6.3	-5.1	1.9	-3.6	-3.4	Difference between financial assets and financial liabilities flows over GDP
23. Net Financial Savings/GDP (Households and non- profit institutions)	Bank of Spain	-0.6	5.8	4 .5	3.4	2.7	Difference between financial assets and financial liabilities flows over GDP
24. Debt in securities (other than shares) and loans/GDP (National Economy)	Bank of Spain	229.9	284.8	290.3	290.6	290.6	Public debt, non-financial companies debt and households and non- profit institutions debt over GDP
25. Debt in securities (other than shares) and loans/GDP (Households and non-profit institutions)	Bank of Spain	70.3	86.0	84.9	82.3	81.5	Households and non- profit institutions debt over GDP
26. Households and non-profit institutions balance: financial assets (quarterly average %chg.)	Bank of Spain	7.7	3.9	з.1	-4.2	- -	Total assets percentage change (financial balance)
27. Households and non-profit institutions balance: financial liabilities (quarterly average %chg.)	Bank of Spain	14.4	۲. ۲.	-0.3	4. 4.	-0 -0	Total liabilities percentage change (financial balance)
Comment on "Financial S the overall economy, whic savings, which decreased reduction in the debt to G balance sheets, while as t	avings and Det th contrasts with 1 from 3.4% to 2 DP ratio from 8 for liabilities, th	of": During the fourth quar h the 1.9% increase obse 2.7%. Also, there was a si 2.3% to 81.5%. There wa e decrease was 0.5%.	ter of 2011, i rved in 2010 light reductio is also a 0.19	there was a . Additionall n in househ % reduction	3.4% reduct y, there was olds´ financi in the stock	ion in finar a slowdov al delevera of financia	icial savings to GDP in In in household financial Iging, evidencing a I assets on households'

Financial system indicators

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D. Credit institutions. Busines:	s Development						
Indicator	Source:	Average 1996-2009	2010	2011	2012 March	2012 April	Definition and calculation
28. Bank lending to other resi- dent sectors (monthly averag∈ % var.)	Bank of Spain	14.7	0.3	-3.8	0.1	-1.0	Lending to the private sector percentage change for the sum of banks, savings banks and credit unions.
29. Other resident sectors' deposits in credit institutions (monthly average % var.)	Bank of Spain	10.5	0.8	-5.3	0.3	-1.3	Deposits percentage change for the sum of banks, savings banks and credit unions.
30. Debt securities (monthly average % var.)	Bank of Spain	10.2	-6.8	5.2	3.2	-1.7	Asset-side debt securities percentage change for the sum of banks, savings banks and credit unions.
31. Shares and equity (month- ly average % var.)	- Bank of Spain	16.0	-2.0	41.0	-0.7	0.5	Asset-side equity and shares percentage change for the sum of banks, savings banks and credit unions.
32. Credit institutions. Net position (difference between assets from credit institutions and liabilities with credit institutions) (% of total assets)	Bank of Spain	-0 . 57	- <u>-</u> 5	-4.3	-7.6	ය. ප	Difference between the asset- side and liability-side "Credit System" item as a proxy of the net position in the interbank market (month-end).
33. Doubtful loans (monthly average % var.)	Bank of Spain	28.3	16.2	28.3	0.7	3.4	Doubtful loans. Percentage change for the sum of banks, savings banks and credit unions.
34. Assets sold under repur- chase (monthly average % var.)	Bank of Spain	с. О-	2.5	-15.7	8.7	-18.9	Liability-side assets sold under repurchase. Percentage change for the sum of banks, savings banks and credit unions.
35. Equity capital (monthly average % var.)	Bank of Spain	11.0	-6.4	37.9	-0.2	-2.0	Equity percentage change for the sum of banks, savings banks and credit unions.
Comment on "Credit institutior to the private sector (1.0%) an 3.4% compared to the previou	ns. Business Dev Id in financial ins Is month, in a rec	relopment": T titutions depc sessive macro	he latest sit-taking peconomi	available data (1.3%). Also, c environmen	t as of April 2012 doubtful assets t	show a n experienc	ew monthly decline in bank credit ed a new relative increase of

E. Credit institutions. Ma	arket Structure	and Eurosystem Refina	ncing				
Indicator	Source:	Average 1995-2008	2009	2010	2011 September	2011 December	Definition and calculation
36. Number of Spanish credit institutions	Bank of Spain	207	192	188	192	194	Total number of banks, savings banks and credit unions operating in Spanish territory
37. Number of foreign credit institutions operating in Spain	Bank of Spain	29	88	88	88	86	Total number of foreign credit institutions operating in Spanish territory
38. Number of employees	Bank of Spain	243,228	263,093	257,578		243,041	Total number of employees in the banking sector
39. Number of branches	: Bank of Spain	43,329	44,085	42,894	40,390	39,843	Total number of branches in the banking sector
40. Recourse to the Eurosystem (total Eurozone financial institutions) (Euro millions)	Bank of Spain	358,753	575,400	473,173	385,451	347,195(a)	Open market operations and ECB standing facilities. Eurozone total
41. Recourse to the Eurosystem (total Spanish financial institutions) (Euro millions)	Bank of Spain	45,126	76,104	66,986	69,299	287,813(a)	Open market operations and ECB standing facilities. Spain total
42. Recourse to the Eurosystem (total Spanish financial institutions): main long term refinancing operations (Euro millions)	Bank of Spain	20,385	2,800	22,196	32,965	9,204(a)	Open market operations: main long term refinancing operations. Spain total
(a) Last data published: Comment on "Credit ins Eurosystem funding by	April 2012 titutions. Marke Spanish credit	et Structure and Eurosys institutions, which accou	tem Refin inted for a	ancing": In , bout 83% o	April, there wa f net total func	is evidence of Is borrowed fi	increasing recourse to om the ECB by the Eurozone.

Financial system indicators

Vol. 1, N.º 2 (July 2012) 105

SEFO - Spanish Economic and Financial Outlook

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Indicator	Source:	Average 1995-2008	2009	2010	2011 December	2012 March	Definition and calculation
43. "Operating expenses/gross operating income" ratio	Bank of Spain	57.27	43.52	46.53	49.85	49.01	Operational efficiency indicator. Numerator and denominator are obtained directly from credit institutions' P&L accounts
44. "Customer deposits/ employees" ratio (Euro thousands)	Bank of Spain	2229.88	4514.61	4605.69	4,512.30	4,717.42	Productivity indicator (business by employee)
45. "Customer deposits/branches" ratio(Euro thousands)	Bank of Spain	9390.89	16398.79	16554.20	29,171.23	28,941.01	Productivity indicator (business by branch)
46. "Branches/ institutions" ratio	Bank of Spain	180.80	229.61	155.41	205.38	144.06	Network expansion indicator
48. Equity capital (monthly average % var.)	Bank of Spain	0.11	0.04	0.86	0.40	0.03	Credit institutions equity capital variation indicator
49. ROA	Bank of Spain	0.85	0.46	0.31	0.06	-0.16	Profitability indicator, defined as the "pre-tax profit/average total assets"
50. ROE	Bank of Spain	14.17	7.94	5.73	3.28	-2.14	Profitability indicator, defined as the "pre-tax profit/equity capital"
Comment on "Cred	it institutions. Effic or a touch busine	ciency and Proc	ductivity, Risk a	and Profitability	": During the firs	st quarter of 2(	012 the Spanish banking of Productivity indicators have

LIA V C sector was still facing a tough business and macroeconomic environment, in improved due to the restructuring process of the Spanish banking sector.
Orders and information:

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