Spanish Economic and Financial Outlook

An assessment of the Spanish mortgage framework: Issues, policy options, and implications

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Letter from the Editors

While the international economic context appears to have improved since last summer, recent events, such as the outcome of the Italian elections and the proposed bailout of Cyprus, provide evidence of the still fragile situation in Europe. Spanish growth is expected to recover in the final months of this year and continue to grow moderately throughout 2014. External financial conditions have improved, but domestic credit constraints will likely continue until the restructuring of the financial sector is complete.

The key topic of the March SEFO is the Spanish mortgage framework with an assessment of issues, policy options, and implications. Although the crisis hit Spain later -but more severely than most other developed countries- residential mortgage Non Performing Loan (NPL) ratios have remained relatively low. This is true even after the property bubble had burst and despite the unfavorable macroeconomic context. However, as in many other countries on both sides of the Atlantic, foreclosure rates have been on the rise and the situation is generating an intense social debate.

In response, the Spanish government has initiated Parliamentary debate on new measures directed at the mortgage market. The Government plans to reform the *Ley Hipotecaria* (Mortgage law), including more favorable terms for mortgage holders such as: limitations on late interest payments and making evictions, and the establishment of a moratorium on evictions for the most vulnerable, among others. Finally, the Government has proposed to give judges case by case jurisdiction to halt evictions in instances of abusive mortgage contracts, in this way transposing the court ruling issued recently by the European Court of Justice as regards the Spanish mortgage market. At the same time, the Government has rejected other proposed measures, such as to reform retroactively the dation in payment. Even though the law is still subject to amendment and final approval by Parliament, it appears that in the end, the reform will improve debtors´ protection without significantly damaging or altering the mortgage market.

Furthermore, we explore one of the fundamental roots of the banking crisis in Spain, the housing market, analyzing supply and demand conditions to determine the outlook for the property sector. We conclude that in the context of current macroeconomic and demographic conditions, a robust recovery in the Spanish property sector is unlikely in the near term. Even if lower prices stimulate sales, it will likely still take some time for the stock of housing to be absorbed.

The strategy of Spain´s bad bank (SAREB) to sell off acquired property assets will have to adapt to this situation. Indeed, SAREB´s provisional business plan already contemplates an extended period of up to 15 years to complete the sale and envisages macroeconomic and financial developments in the Spanish economy and, in particular, the real estate market.

Moving onto a different subject, another area that has been particularly affected by the crisis is *bancassurance.* Today, this sector provides one of the main distribution channels of insurance products in Spain. As a result of the crisis and financial sector restructuring, many credit institutions and insurance providers will have to rethink their existing business agreements and strategies over the coming year to resolve conflicts that have arisen under existing commercialization agreements, search for other distribution channels, or because new agents might appear in the insurance market.

Finally, we look at an issue in the Spanish energy market with important financial implications- the electricity tariff deficit, which stood at 30 billion euros at the end of 2012. Due to its size and evolution, the tariff deficit presents a key challenge for regulators searching to mitigate market inefficiencies without creating further distortions. The problem of the power tariff deficit cannot be solved in the short run unless consumer prices increase and/or the costs of the system decrease. However, the underlying reasons for the deficit should not be overlooked. The market's organization should be designed so as to prevent any future deficits.

FEATURES

The Spanish economy: Recent developments and outlook for 2013-2014

Ángel Laborda and María Jesús Fernández[1]

Although the international economic climate has improved since last summer, the revival of euro area tensions after Italian elections and the proposed bailout for Cyprus highlights that the situation is still fragile and that significant risks persist.

The first few months of 2013 point to an improvement in the advanced economies' situation, albeit a somewhat uneven one. Emerging economies, which had suffered a marked slowdown in growth in 2012, enjoyed a recovery in the final months of the year. In Spain, GDP growth is expected to remain negative until the third quarter of 2013, when it will start to grow slightly in the final months of the year, and continue to grow moderately over the course of 2014. External financial restrictions have eased in recent months, and major Spanish banking institutions have been able to return to international financial markets, although sporadically and facing high costs. Nevertheless, the effect will not be immediately apparent in the real economy. Domestic credit constraints will continue until institutions complete the restructuring process and are able to fully access international markets on similar terms to institutions in other euro area countries. This means that no easing of financial conditions is likely to be seen until at least the second half of the year.

International context

Despite the worsening performance of the advanced economies in the final quarter of the year, the international economic climate has improved since last summer. Firstly, the emerging economies, which had suffered a marked slowdown in growth in 2012, enjoyed a recovery in the final months of the year, accompanied by an increase in their foreign trade, in contrast to the situation in the advanced economies. Secondly, the indicators available for the first few months of 2013 point to an improvement in the advanced economies' situation, albeit a somewhat uneven one.

GDP growth in the United States, where the recovery had been showing reliable signs of gaining traction in previous quarters, came to a halt in the fourth quarter, although this was due to temporary factors that do not put the underlying positive trend in doubt. The forecasts suggest that the US economy will continue to recovery steadily in 2013, with growth of 2%, rising slightly in 2014, but still remaining sluggish compared to past recoveries. Nevertheless, it will at least allow for a certain amount of job creation and for a gradual reduction in the unemployment rate.

In the euro area, GDP accelerated its fall in the last quarter of 2012, dropping by 2.3% on an

[1] Funcas Economy and Statistics Department.

annualised basis, making a total of five straight quarters of negative growth. Almost all the euro area's economies were in negative territory, including Germany, which had previously managed to escape recession. The indicators for the first quarter point to Germany's returning to moderate growth and the contraction in the other countries slowing. The forecasts suggest a drop in GDP of 0.5% in 2013 and growth of just over 1% in 2014.

The improvement in confidence is largely due to the fact that the sovereign debt crisis has remitted significantly, owing to the bond purchase programme (known as Outright Monetary Transactions) announced by the European Central Bank in September. This has been reflected in a still modest return of financial flows to the peripheral economies and a drop in their risk premiums. Nevertheless, the revival of tensions, albeit in milder form, that occurred after the Italian elections and the proposed bailout for Cyprus highlights that the situation is still fragile and that significant risks persist.

Recent developments in the Spanish economy

Spain's **GDP** contracted by 0.8% in the fourth quarter of 2012 relative to the previous quarter. This is equivalent to a drop of 3.1% on an annualised basis (in what follows, quarterly growth figures will be expressed in annualised terms). The result for the year as a whole was -1.4%.

The contraction in the last quarter, the sixth consecutive quarter of negative growth, was the biggest since the Spanish economy fell back into recession in the third quarter of 2011.

The contraction in the last quarter, the sixth consecutive quarter of negative growth, was the biggest since the economy fell back into recession in the third quarter of 2011. This worsening was caused by the sharp drop in domestic demand driven by the accelerating decline in private consumption and investment in capital goods. The deterioration in domestic demand was so severe that it could not be offset by the external sector's stronger contribution to growth in the quarter. This contribution was the biggest since the first quarter of 2009 (4.5 percentage points), although it was not so much the consequence of faster export growth, which in fact slowed, as a sharp drop in imports.

Private consumption registered a marked decline (7.6%) in the last quarter of 2012. This was partly a result of consumers having brought forward some of their spending to the previous quarter ahead of the VAT rise, and partly due to the weakening fundamentals underlying private consumption, owing, among other factors, to the elimination of public employees' bonuses[2] in December. Consumer spending contracted by 2.1% in the year, although the drop in the indicators related to this macroeconomic variable, such as retail sales, new vehicle registrations, or domestic sales of consumer goods and services by large companies, was much more pronounced (with results of -7.1%, -12.9% and -5.3%, respectively).

The last two of these indicators registered a slight increase at the start of 2013, but this was too weak to break the overall downward trend, suggesting at best a moderation of the decline in consumption. The same conclusion can be drawn from the progress of the consumer confidence index, which improved in January and February, although to levels that remain below those of the first half of 2012 (Exhibits 1.1 and 1.2).

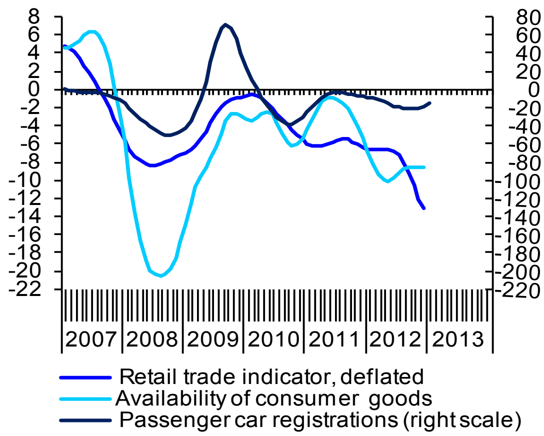
[2] All employees in Spain, in the public as well as in the private sector, receive an additional month of wages on a biannual basis, typically in June and December. This is referred to as the pago extra (extra payment). Throughout the article, we will refer to this as the public employees' bonus.

Exhibit 1

Consumption and capital goods investment indicators

1.1 - Consumption Indicators (I)

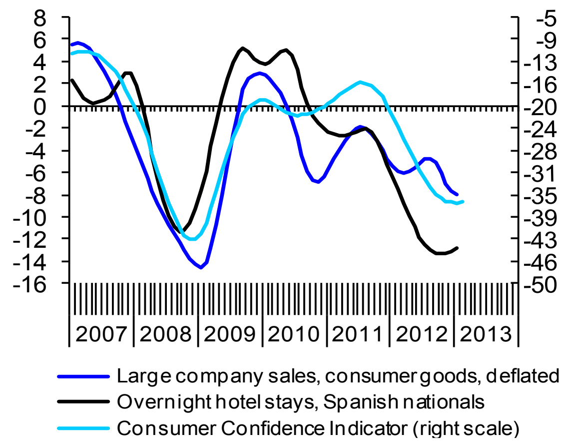
Annualised moving quarterly change in %, smoothed series



Sources: Ministry of Economy, INE, DGT and Funcas.

1.2 - Consumption Indicators (II)

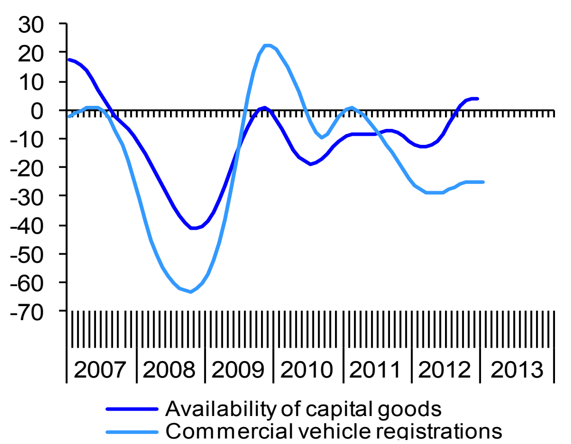
Annualised moving quarterly change in % and index (CCI), smoothed series



Sources: European Commission, INE, AEAT and Funcas.

1.3 - Capital goods GFCF Indicators (I)

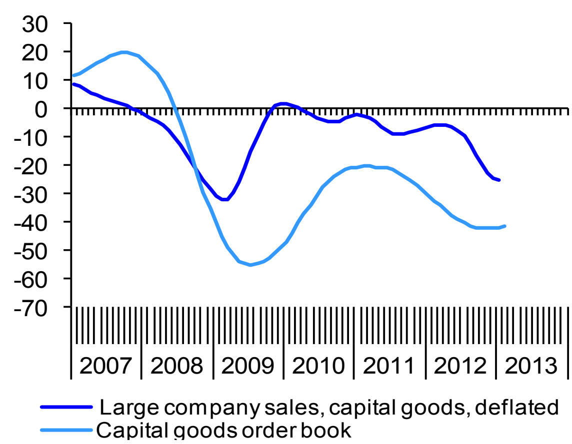
Annualised moving quarterly change in %, smoothed series



Sources: Ministry of Economy, DGT and Funcas.

1.4 - Capital goods GFCF Indicators (II)

Annualised moving quarterly change in %, smoothed series



Sources: Ministry of Industry, AEAT and Funcas.

At 1%, the cut in real **government consumption** in the first quarter of 2012 was less drastic than expected, although the drop experienced in current price terms was considerable, at 20.1%, due to the elimination of public employees' bonuses, which was reflected in a sharp drop in the deflator of this aggregate. Public consumption over the year as a whole fell by 3.7%.

Gross fixed capital formation in machinery and equipment and other manufactures contracted by 20.4% in the fourth quarter, and 4.9% over the year as a whole. However, here too, the annual drop is less severe than that of other indicators, such as the availability of capital goods (-8.3%), registrations of goods vehicles (-24.8%), or capital goods domestic sales by large companies (-9.8%). Once again, the indicators available for January show a slight recovery, although only sufficient to indicate a slowing of the negative trend (Exhibits 1.3 and 1.4).

Construction investment remains strongly negative (-11.5% a year), particularly in the case of non residential construction building, and there are no signs of a recovery in the real estate sector. Home sales picked up slightly at the end of last year, as buyers brought forward their purchases ahead of tax changes due to come into force at the start of 2013. The sharp drop in new home loans in January shows that the underlying trend is still steeply downward.

Exports of goods and services fell by 3.7% in the fourth quarter, although total foreign sales in 2012 were up 3.1% on those of the previous year. While the growth rate is positive, it falls short of that in previous years, and is below the historic average growth rate, which at least partly reflects the world economy's slower growth. One particular factor that has weighed heavily on the progress of foreign sales has been the slump in car exports. Cars are Spain's main manufacturing export, and output is largely destined for European markets.

Imports fell in the third quarter at a rate of 17.9%, a drop of 5% over the year as a whole, as a result of the collapse in domestic demand.

On the **supply** side, manufactured goods and services not related to general government were the sectors in which the fourth quarter drop in GVA was sharpest. Only agriculture showed positive growth over the year as a whole. In tourism, after favourable performance in the second and third quarters of the year, there was a sharp drop in the last quarter in terms of indicators such as hotel stays, which dropped by 13% in the period, and tourist numbers, which fell by 7%.

The PMI manufacturing and services indices, the industrial production index, and the change in the number of people registered with the social security system in the early months of 2013 all point to a continuation of the negative growth trends in these sectors' activity in the first quarter of the year, although at a more moderate pace than in the previous quarter (Exhibits 2.1 to 2.4).

Job losses accelerated in the final quarter of the year, rising to 6.4% according to National Accounts figures. The drop in 2012 as a whole was 4.4%, the biggest since 2009. Employees were hit hardest by the contraction in the labour market, while the number of self employed persons rose by 0.1%.

The rise in unemployment slowed significantly due to the sharp contraction in the labour force. This was partly due to a reduction in labour force participation, but mainly the result of a strong contraction in the working age population, as many immigrants return to their country of origin and Spaniards look for work abroad.

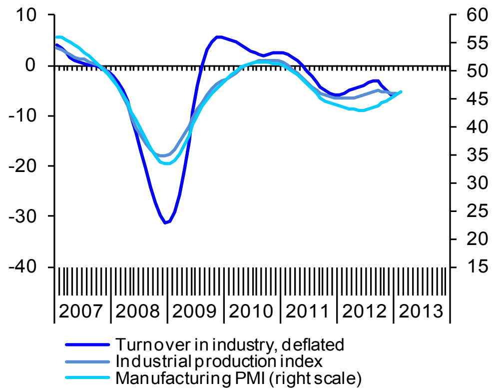
The figures from the Labour Force Survey show a somewhat smaller drop in employment than the

Exhibit 2

Industrial activity, services and construction indicators

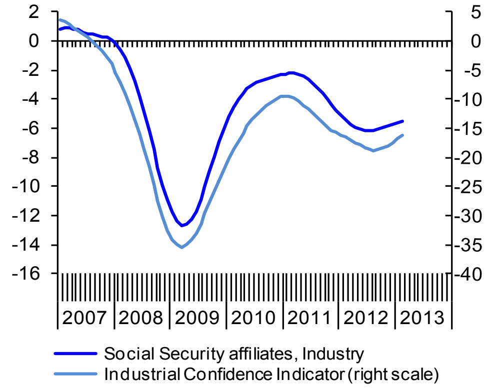
2.1 - Industrial sector indicators (I)

Annualised moving quarterly change in % and index, smoothed series



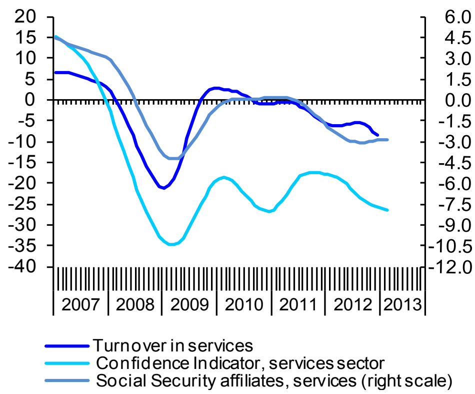
2.2 - Industrial sector indicators (II)

Annualised moving quarterly change in % and index, smoothed series



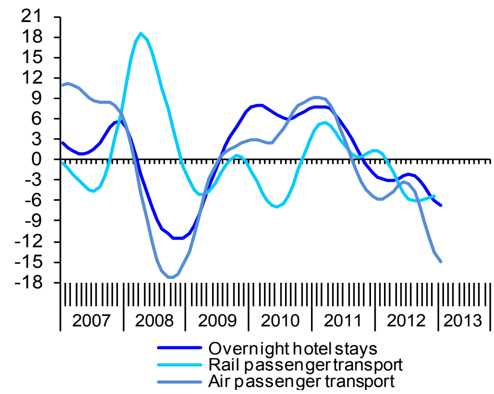
2.3 - Services indicators (I)

Annualised moving quarterly change in % and index, smoothed series



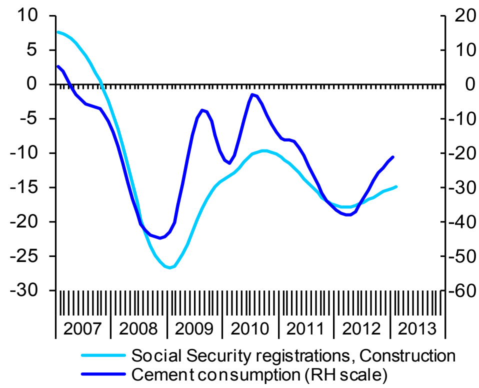
2.4 - Services indicators (II)

Annualised moving quarterly change in %, smoothed series



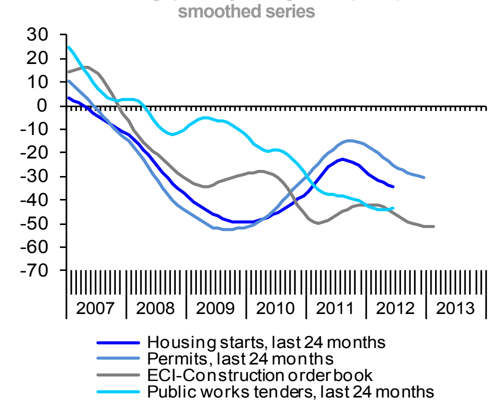
2.5 - Construction sector indicators (I)

Annualised moving quarterly change in % (Q 3/3), smoothed series



2.6 - Construction sector indicators (II)

Annualised moving quarterly change in % (Q 3/3) and index, smoothed series



Sources: European Commission, Ministry of Labour, Ministry of Industry, Ministry of Development, INE, AENA, Markit Economics Ltd.,RENFE. Markit Economics Ltd., OFICEMEN and Funcas.

National Accounts for the same period, although in either case it is more intense than in previous quarters. However, the rise in unemployment slowed significantly due to the sharp contraction in the labour force. This was partly due to a reduction in labour force participation, but mainly the result of a strong contraction in the working age population. This trend was first observed in 2012 and has gathered pace as many immigrants return to their country of origin and Spaniards look for work abroad.

According to figures for the number of people registered with the social security system, employment in all areas of the economy continued to contract in the first two months of the year, although the rate had slowed somewhat from the previous quarter. This, coupled with the performance of the other indicators available for the early months of the year, points to a **continuing contraction in GDP in the first quarter of 2013**, although at a more moderate rate than in the preceding quarter (Exhibits 3.1 to 3.4).

Apparent labour productivity rose by 3.2% in 2012, the biggest increase since the start of the crisis. **Compensation per employee** fell by 0.3% on average, the first time this variable has fallen in annual terms. This cut in average salaries is entirely due to the elimination of public employees' December bonuses, as in sectors outside general government there was a mild increase.

Unit labour costs (ULC) fell sharply (3.4%) in the year as a whole. This result was to some extent influenced by the changes in this variable in general government, where the elimination of public employees' bonuses caused ULCs to drop by 5.2%. There was also a significant drop in ULCs in construction and services not related to general government. In the manufacturing industry, the sector most exposed to foreign competition, ULCs rose by 0.1% after accumulating a drop of 10.6% over the previous two years.

The trade balance in goods and services was in surplus in 2012 for the first time since 1997, at 1% of GDP.

The **trade balance in goods and services**, according to the National Accounts, was in surplus in 2012 for the first time since 1997, at 1% of GDP. The deficit on the goods balance was 37% lower than in 2011 and was more than offset by the surplus on the services balance. Moreover, according to Customs figures, if energy-generating products are excluded, the trade balance in goods was also in surplus (Exhibit 4.1).

Nevertheless, over the year as a whole the economy continued to show a negative balance on the current account of 0.8% of GDP, and **net borrowing** was equivalent to -0.2% of GDP. However, it is worth noting that this represents a marked decrease on the previous year, when these balances were -3.7% and -3.2%, respectively, and that in the second half of the year both balances were in surplus.

Breaking down this net borrowing by sectors, the private sector registered a surplus (net lending) of 9.8% of GDP, and the public sector a deficit of 10%. However, these figures are skewed by the extraordinary aid (capital transfers), equivalent to 3.3% of GDP, granted to financial institutions by the State. The steady improvement in the net lending position of non-financial corporations also stands out. In the third quarter this came to 2.5% of GDP.

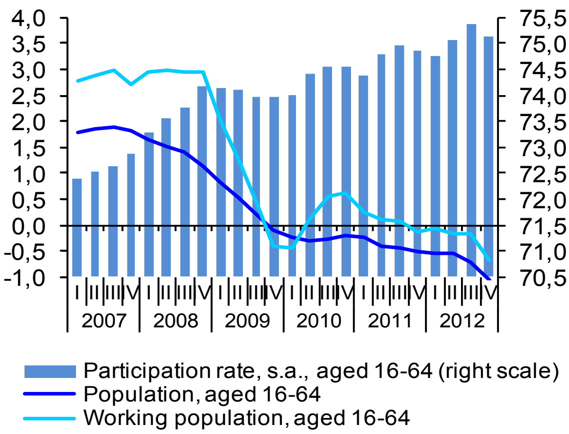
In terms of the **savings investment balance**, the improvement in the current account balance comes from a reduction in the economy's investment rate, which rose to 19.6% of GDP, and a slight increase in the savings rate, rising to 18.8%. This improvement derives from the increase in savings by companies and general government (which had a less negative savings rate), while the household saving rate has dropped.

Exhibit 3

Labour market indicators

3.1 - Labour supply

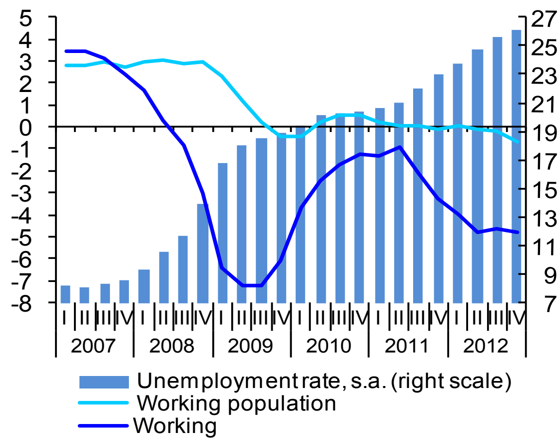
Change y-o-y in % and percentage of population aged 16-64



Source: INE (LFS).

3.2 - Employment and unemployment (LFS)

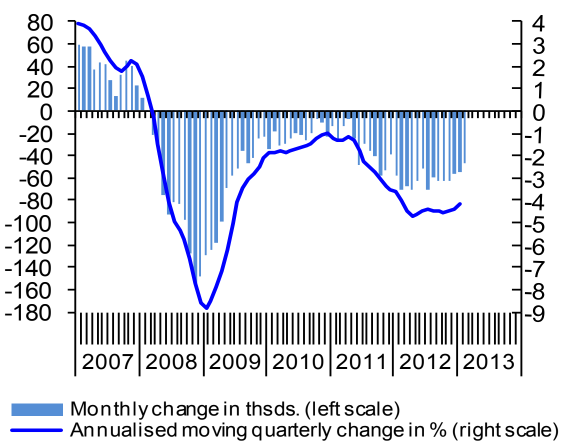
Change y-o-y in % and percentage of working age population



Source: INE (LFS).

3.3 - Social Security affiliates

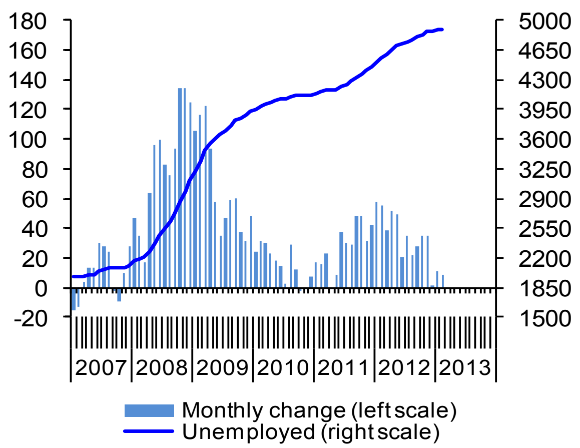
Change in thousands and in %, seasonally-adjusted data



Sources: Ministry of Labour and Funcas.

3.4 - Registered unemployment

Thousands, seasonally-adjusted data



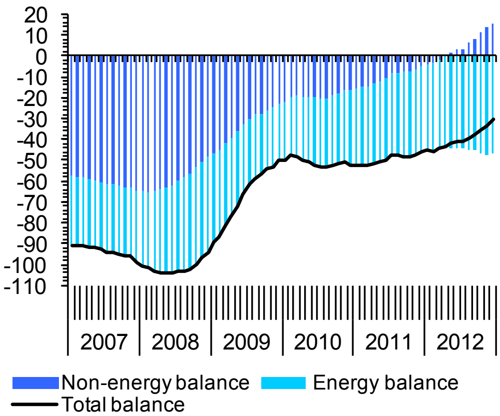
Sources: Ministry of Labour and Funcas.

Exhibit 4

External sector

4.1 - Surplus/deficit on trade in goods (Customs)

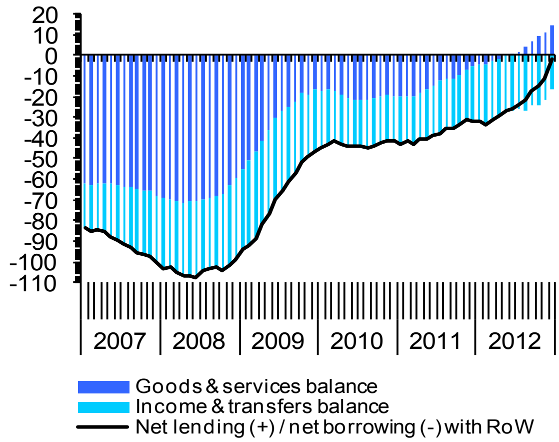
Euro billion, cumulative last 12 months



Source: Ministry of Industry.

4.2 - Balance of payments

Euro billion, cumulative last 12 months



Source: Bank of Spain.

Consumer price **inflation** remained stable at around 2% until July, subsequently rising to 3.5% in October, and ending the year at 2.9%. Rather than reflect inflationary pressures, this high level is entirely due to exogenous factors. In particular, these include the regulatory changes introduced by the government to curb the deficit (increases in indirect taxes, fees, and public prices, and changes to the prescription drug subsidy system) and the rapid inflation in the price of energy generating products. In the first two months of 2013 the inflation rate slowed slightly to 2.8% (Exhibit 5.1).

Rising prices led to a significant decline in household's purchasing power in 2012, such that despite a drop in consumption in real terms, spending rose in nominal terms. Moreover, this took place against the backdrop of declining nominal household incomes resulting from job losses, near-zero wage growth, and rising taxes.

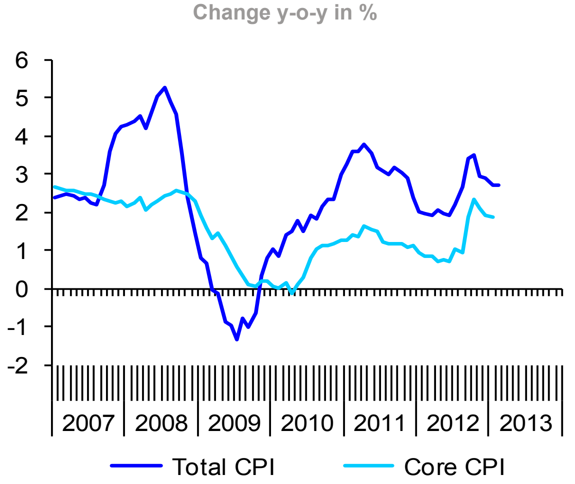
Taken together, these factors explain why the **household saving rate** has fallen to a historical minimum: 8.8% of gross disposable income (GDI) in the four quarters up to the third quarter of 2012 –the most recent quarter for which data are available– compared with 11% in 2011. Similarly, households' limited capacity to generate a financial surplus is constraining the rate at which they can reduce their indebtedness, which stood at 123.2% of GDI in the third quarter of 2012, against a maximum of 130.6% in 2007.

The general government deficit came to 6.7% of GDP in 2013, four tenths of a percentage point above the target agreed with Brussels. Government revenues recovered somewhat in the final months of the year, partly due to the VAT rise, delaying tax refunds until 2013 and bringing forward companies' corporate tax payments. This means carrying over part of the deficit from 2012 into 2013.

Exhibit 5

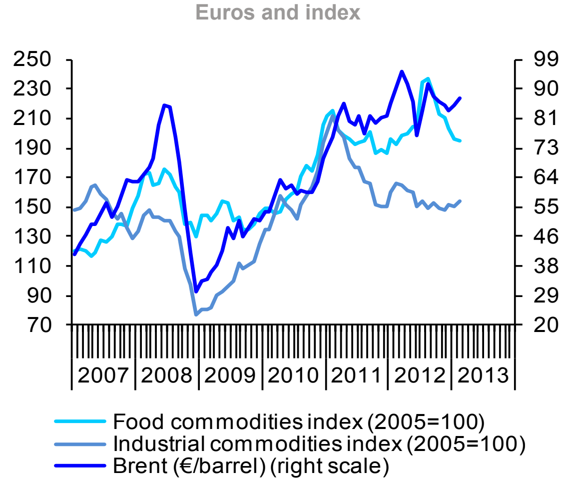
Price indicators

5.1 - Consumer prices index



Source: INE (CPI).

5.2 - Commodities prices in €



Sources: Ministry of Economy and The Economist.

The **general government deficit** came to 6.7% of GDP in 2013, four tenths of a percentage point above the target agreed with Brussels. The central government presented a deficit of 3.8%, whereas the autonomous regions had a deficit of 1.7%, local government 0.2%, and the social security fund 1%. Government revenues recovered somewhat in the final months of the year, partly due to the VAT rise, but also as a consequence of delaying tax refunds until 2013 and bringing forward companies' corporate tax payments. In effect, this means carrying over part of the deficit from 2012 into 2013[3].

The balance on the f**inancial account of the balance of payments** (excluding the Bank of Spain) changed sign in the second half of the year, going from a negative balance of 252 billion euros between January and August, to a positive balance of 73 billion euros between September and December (Exhibit 6.2). This reflects the easing of tensions in international financial markets following the ECB's announcement of its outright monetary transactions (OMT) programme, which opened the way for a modest return of financial flows after the substantial net outflows registered since mid 2011.

This change in market sentiment has also been reflected in the yield on Spanish ten year government bonds, which in July at times stood at over 7%, and in recent weeks has been around 5%, representing a drop of more than 200 basis points in the risk premium (Exhibit 6.1). Similarly, some of the major Spanish banking institutions have again been able to tap international capital markets for financing, although sporadically and at a high cost.

Forecasts for 2013-2014

The fourth-quarter results were in line with forecasts, although in the case of variables relating

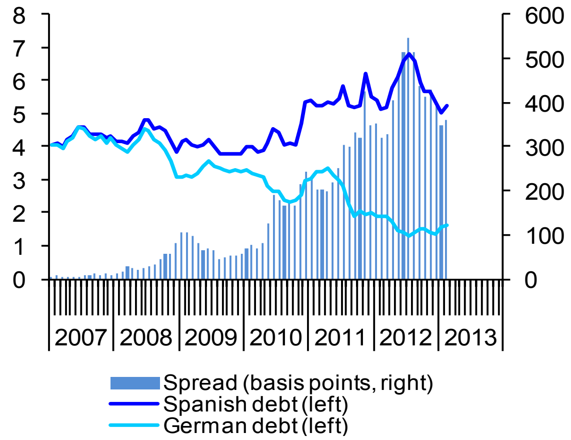
[3] Subsequently, the public deficit figure has been corrected to 7% of GDP by the European Commission.

Exhibit 6

Financial indicators

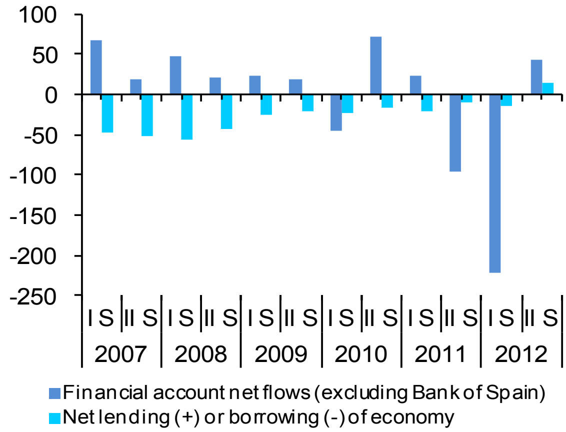
6.1 - Government 10 years bonds rate

Percentage and basis points



Sources: ECB and Bank of Spain.

6.2 - Balance of payments



Source: Bank of Spain.

to external balances –trade balance, and above all the economy's net lending or borrowing– the adjustment was faster than expected. The other variables are also performing largely as predicted in recent forecasts. As a result, the GDP growth forecast for 2013 remains unchanged at -1.6%, although that for 2014 has been revised upwards two percentage points to 0.5% (Exhibit 7 and Table 1).

Although the external financial restrictions have eased in recent months, and major banking institutions have been able to return to international financial markets, the effect will not be immediately apparent in the real economy. Domestic credit constraints will continue until institutions undergoing restructuring complete the process of cleaning up their balance sheets, and are able to fully access international markets on similar terms to institutions in other euro area countries. This means that no easing of financial conditions is likely to be seen until at least the second half of the year.

Also, the intense process of adjustment to the production capacity of the residential construction sector –and other related sectors– underway in recent years is now bottoming out. Thus, all the jobs created in construction between 1997 and 2007 have been lost, and the current level of employment in the industry is lower than it was in 1995, prior to the start of the bubble. Nevertheless, until the excess stock of unsold housing is absorbed, activity in the sector will continue to contract, although the rate at which this happens will gradually slacken. The adjustment in public works, on the other hand, will continue to be intense.

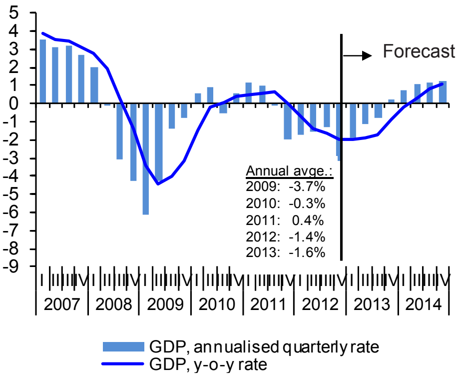
The contraction of **private consumption** will persist, as households' disposable income will continue to shrink and savings are already at rock bottom. This variable is predicted to drop by 3.2% in 2013, although at the end of the year or in early 2014 it should begin to level off. The forecast for 2014 therefore envisages a much more moderate drop (0.3%), with the possibility of positive quarterly growth from the third quarter onwards. **Public**

Exhibit 7

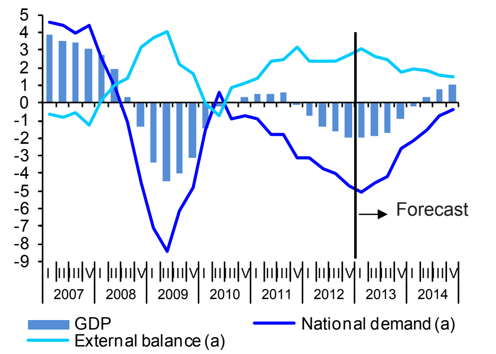
Funcas forecasts for 2013-2014, quarterly profile

Change y-o-y in %, unless otherwise indicated

7.1 - GDP

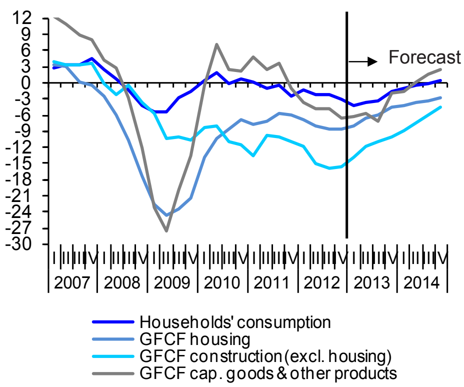


7.2 - GDP, national demand and external balance

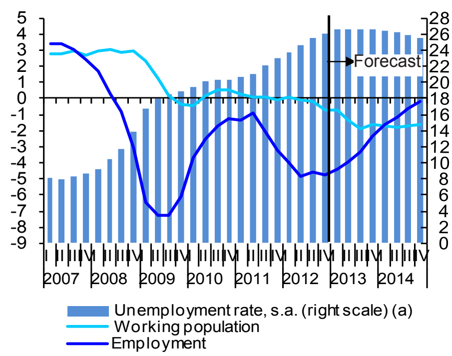


(a) Contribution to GDP growth in percentage points.

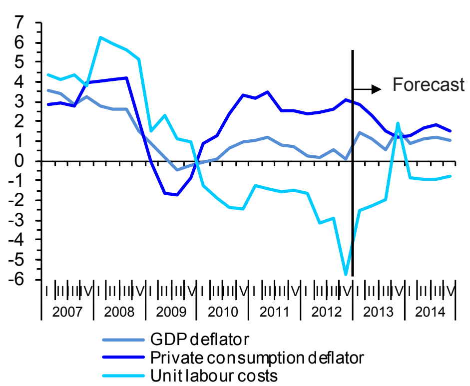
7.3 - National demand aggregates



7.4 - Employment and unemployment

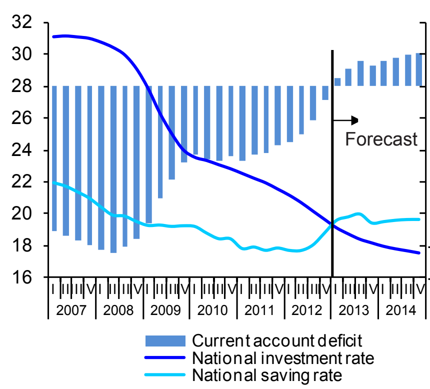


7.5 - Inflation



7.6 - Saving, investment and c/a deficit

(% GDP, 4MA)



Sources: INE (Quarterly National Accounts) and Funcas (forecasts).

Table 1

Economic Forecasts for Spain, 2013-2014

Annual rates of change in %, unless otherwise indicates

	Actual data			Funcas forecasts		Change in forecasts (a)	
	Average 1996-2007	2011	2012	2013	2014	2013	2014
1. GDP and aggregates, constant prices							
GDP	**3.7**	**0.4**	**-1.4**	**-1.6**	**0.5**	**0.0**	**0.2**
Final consumption households and NPISHs	3.8	-1.0	-2.1	-3.2	-0.3	0.1	0.3
Final consumption general government	4.3	-0.5	-3.7	-3.1	-2.4	1.8	0.5
Gross fixed capital formation	6.4	-5.3	-9.1	-7.7	-2.7	0.2	0.7
Construction	5.4	-9.0	-11.5	-9.1	-5.1	2.0	0.8
Residential construction	7.3	-6.7	-8.0	-6.3	-3.5	0.0	0.4
Non-residential construction	4.2	-11.0	-14.6	-11.7	-6.6	3.9	1.2
Capital goods and other products	7.5	2.5	-4.9	-5.3	0.7	-2.4	0.6
Exports goods and services	6.7	7.6	3.1	3.0	6.1	-1.5	0.3
Imports goods and services	9.3	-0.9	-5.0	-4.4	1.5	0.2	0.9
National demand (b)	**4.5**	**-1.9**	**-3.9**	**-3.9**	**-1.1**	**0.6**	**0.4**
External balance (b)	-0.8	2.3	2.5	2.3	1.6	-0.6	-0.2
GDP, current prices: - € billion	--	1063.4	1051.2	1046.5	1061.9	--	--
- % change	7.4	1.4	-1.1	-0.4	1.5	0.2	0.2
2. Inflation, employment and unemployment							
GDP deflator	3.6	1.0	0.3	1.2	1.0	0.2	0.0
Household consumption deflator	**3.1**	**2.9**	**2.7**	**2.0**	**1.6**	**-0.2**	**0.1**
Total employment (National Accounts, FTEJ)	3.3	-1.7	-4.4	-3.5	-0.9	-0.3	-0.3
Productivity (FTEJ)	0.4	2.2	3.2	2.0	1.4	0.4	0.5
Wages	7.2	-0.8	-5.4	-3.5	-0.7	0.0	-0.4
Gross operating surplus	7.3	5.0	2.2	1.4	3.5	1.0	0.6
Wages per worker (FTEJ)	3.2	0.7	-0.3	0.7	0.5	0.2	-0.2
Unit labour costs	2.8	-1.4	-3.4	-1.3	-0.9	-0.2	-0.7
Unemployment rate (LFS)	**12.2**	**21.6**	**25.0**	**26.6**	**26.0**	**-0.7**	**-1.2**
3. Financial balances (% of GDP)							
National saving rate	22.2	17.8	18.8	19.4	19.5	1.2	0.5
- of which, private saving	18.9	23.0	22.9(c)	23.2	22.5	1.2	1.1
National investment rate	26.6	21.5	19.6	18.1	17.4	0.1	0.2
- of which, private investment	23.1	18.7	17.7(c)	16.8	16.3	0.1	0.1
Current account balance with RoW	**-4.4**	**-3.7**	**-0.8**	**1.3**	**2.1**	**1.1**	**0.3**
Nation's net lending (+) / net borrowing (-)	-3.4	-3.2	-0.2	1.8	2.6	1.2	0.5
- Private sector	-2.6	6.3	9.8	7.6	7.2	1.4	1.1
- Public sector (general governm. deficit)	**-0.8**	**-9.4**	**-10.0**	**-5.8**	**-4.6**	**-0.2**	**-0.6**
Gross public debt	53.5	69.3	84.1	93.1	98.4	-1.2	-0.5
4. Other variables							
Household saving rate (% of GDI)	12.0	11.0	8.5(c)	8.5	8.5	0.1	-0.1
Household gross debt (% of GDI)	82.5	125.5	122.6(c)	119.3	113.7	-0.1	-0.3
12-month EURIBOR (annual %)	3.7	2.0	1.1	0.6	1.0	-0.3	-0.7
10-year government bond yield (annual %)	5.0	5.4	5.9	4.9	4.1	-0.1	0.1
Nominal effective euro rate (% annual change)	--	-0.3	-5.3	1.9	-1.2	3.2	-0.6

(a) Change between present and previous forecasts, in percentage points.
(b) Contribution to GDP growth, in percentage points.
Sources: 1996-2012 except for (c): INE and Bank of Spain; Forecasts 2013-14 and (c): Funcas.

consumption will remain on a downward path, given the need to continue deficit cutting efforts.

Investment in capital goods will also continue to decline. However, the stimulus from export growth and the need to renew and upgrade productive capital after several years of minimum spending make the downward trend likely to slow progressively over 2013, with a recovery likely in 2014, as lending conditions become less restrictive, and given companies' greatly improved financial situation, as they have been registering net lending capacity for some time. The forecasts for this year and next, therefore, are -5.3% and 0.7%, respectively. The decline in **construction investment** will gradually slow, particularly in the case of residential construction.

As a consequence of the above, **domestic demand** will remain in negative territory throughout 2013 and probably in 2014, although the trend will be towards a stabilisation.

The rate of **export** growth will accelerate as the world economy picks up momentum. The trend will be upwards this year and next, with annual rates of 3% and 6.1%, respectively. Given that domestic demand will remain very weak in 2013, **imports** will stay strongly negative, with a contraction of 4.4% over the year as a whole. Nevertheless, in 2014 this variable will change trend as domestic demand becomes less negative and there is stronger growth in exports –whose trend powerfully influences that of imports– such that growth of 1.5% is expected.

The overall result will be that domestic demand will make a negative contribution to growth throughout 2013 and 2014, although the trend will be upward (i.e. less negative). Thus, from the end of this year, falling domestic demand will be offset by the positive contribution from the external sector, resulting in a slightly positive GDP growth rate.

To conclude, it is anticipated that **GDP growth** will remain negative until the third quarter of 2013, when it will start to grow slightly in the final months of the year, and continue to grow moderately over the course of 2014. Domestic demand will remain negative, with growth coming from the external sector.

As regards **employment**, the number of full time equivalent jobs will continue to decline during the year. Only well into 2014 will the economy have reached a rate of growth compatible with minimum net job creation. The annual change in this variable in this year and the next will be -3.5% and -0.9%, respectively. The **unemployment rate** is expected to climb to 26.6% in 2013, moderating slightly in 2014 as the working age population contracts, a trend that has been apparent since 2010. **Productivity and unit labour costs** will continue their upward and downward trends, respectively, from recent years.

Finally, the **surplus on the current account of the balance of payments, and the economy's net lending position**, will increase over the next few years as a result of the increase in the national savings rate, and the continuation of the downward path of the investment rate. Net lending will reach a level of around 1.8% of GDP in 2013 and 2.6% in 2014. The biggest contribution will come from the **public sector**, whose deficit will be cut to 5.8% and 4.6%, respectively.

The Spanish mortgage debt market: Key features and considerations for regulatory reforms

Santiago Carbó Valverde[1] and Francisco Rodríguez Fernández[2]

The Spanish mortgage debt market is generating heated debate. Deteriorating macroeconomic conditions may further increase mortgage defaults. Rising foreclosure rates are escalating social tensions. In response, the Government plans to reform existing mortgage regulation through introduction of a series of measures to improve protection of debtors without significantly altering the mortgage market.

Spanish households are facing a substantial deleveraging challenge. Even if the average mortgage loan has declined from 150,647 euros in 2009 to 112,875 euros in 2012, residential mortgage debt still represents around 64% of Spanish GDP. Additionally, Spain is the fourth largest mortgage market in Europe. Taking mortgage-backed securities and covered bonds together, it is the second largest country in the EU (only after the United Kingdom) in terms of securitized mortgage debt, with an outstanding volume of 683 billion euros. Although macroeconomic conditions have not been favorable, the quality of the mortgage portfolio of Spanish banks has not deteriorated significantly. The non-performing ratio of these loans (NPL) was 3.49% in 2012Q3. Despite this relatively low level of NPLs, foreclosures have been increasing. Recently, they have been particularly on the rise, such that foreclosures and evictions have caused significant social debate surrounding mortgage regulation in Spain. The Government is supportive of several measures currently under Parliamentary debate designed to alleviate pressures on mortgage debtors; however, opposed to the proposal to reform retroactively dation in payment. In our view, implementing retroactive non recourse mortgages would be more harmful than beneficial for the Spanish economy, thus, providing support to the Government's position.

The mortgage debt market debate in Spain: A snapshot

There is a widespread debate in Spain on mortgage debt from, at least, four different perspectives:

i) Mortgages represent the main source of households' debt in Spain and the size of that debt has increased substantially in the years prior to the crisis. As a result, mortgages have become the main challenge for the necessary deleveraging effort that households have to make over the next years.

ii) The importance of mortgages goes beyond the contractual relationship between borrowers and lenders, as many mortgages have been securitized and sold in international markets

[1] Bangor Business School and Funcas.
[2] University of Granada and Funcas.

mainly as covered bonds or mortgage-backed securities (MBS). The size of such securitization is currently around 683 billion euros.

iii) Spain is undergoing a process of bank restructuring and recapitalization and the deterioration of loan portfolios up to date has been mainly attributed to loans to developers and construction. However, mortgage loan defaults have remained much lower. In any event, there is still a risk that non-performing mortgages may increase if macroeconomic conditions do not improve considerably.

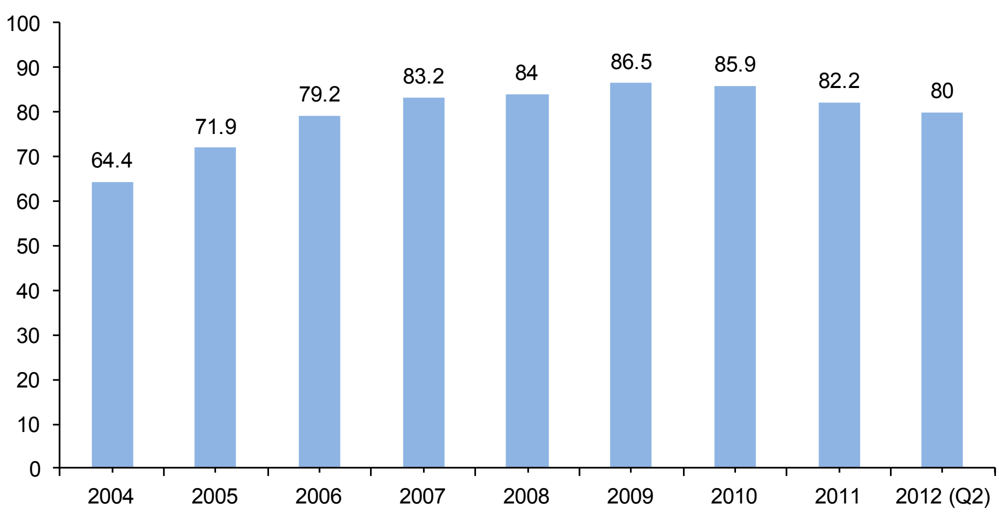
iv) Even if mortgage default rates have stayed relatively low, there are increasing difficulties for households to face mortgage payments and this is clearly shown in the growing number of foreclosures in Spain. Between 2007 and 2012Q3, there have been 416,975 foreclosures. As regards mortgages, the way this social problem can be addressed is probably the main current controversial issue in Spain.

Some figures illustrate the size and importance of mortgages both for the Spanish economy and, in particular, for households. Exhibit 1 depicts what the Financial Accounts provided by the Bank of Spain call the "debt of Spanish households in the form of loans and securities other than shares" as a percentage of GDP. This indicator is a good proxy for the deleveraging effort that Spanish families will have to make. This debt ratio was 64.4% in 2004 and rapidly increased to 86.5% in 2009. From 2010 onwards, a deleveraging effort can be observed with the debt to GDP ratio falling to 80% in 2012. This means a 6.5% percentage point fall from peak.

As shown in Exhibit 2, the outstanding mortgage market debt increased from 415 billion euros

Exhibit 1

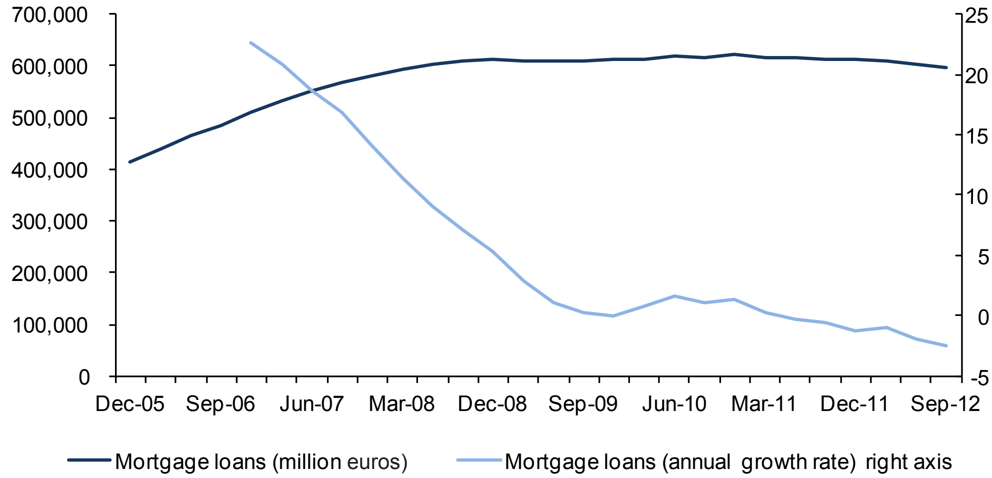
Debt of Spanish households in the form of loans and securities other than shares (% of GDP)



Source: Bank of Spain and own elaboration.

Exhibit 2

Mortgage loans (outstanding amounts and annual change) (2005Q4-2012Q3)



Source: Bank of Spain and own elaboration.

in 2005Q4 to 618 billion euros in 2010Q2. Subsequently, the volume of loans has decreased to 597 billion euros in 2012Q3. The annual growth rate of mortgages peaked at 22.6% in 2006Q4, and then fell progressively. It was 1.4% in 2005Q4. From 2006 onwards it turned negative. In 2012Q3 mortgages fell by 2.5% year-on-year.

How important is mortgage debt for Spanish households compared to other countries? The statistics of the European Mortgage Market Federation provide an idea. The latest available comparative data, as of 2010 (see Table 1) show that Spain is one of the largest mortgage markets in the world in absolute terms. Total outstanding

Table 1

Total mortgage debt outstanding. International comparison (2010)

	Outstanding amount (millions of euros)	Residential mortgage debt to GDP (%)
United States	8,383,789	76.5
United Kingdom	1,442,685	85.0
Germany	1,152,195	46.5
France	796,600	41.2
Spain	680,208	64.0
Netherlands	629,153	107.5
Italy	352,012	22.7
Sweden	283,666	81.8
Denmark	237,313	101.4

Source: European Mortgage Federation and own elaboration.

Table 2
Annual change in mortgage contracts in Spain (2009-2012)

	Number of contracts	Value of the new mortgages	Average amount
2009	-15.6	-27.5	-14.1
2010	-11.2	-18	-7.6
2011	-32.2	-36.4	-6.2
2012	-29.5	-33.4	-5.6
Memo:			
Average mortgage value in 2009 (euros)			150,647
Average mortgage value in 2012 (euros)			112,875

Source: National Statistics Office (INE).

mortgage debt held by residents as a percentage of GDP is 64% in Spain. This seems relatively high compared to other countries, such as Italy (22.7%), France (41.2%) and Germany (46.5%) but it is lower than the case of the United States (76.5%), the United Kingdom (85%) or the Netherlands (107.5%).

Examining the most recent data, the number of new mortgage contracts has been continuously falling since 2009. In that year, the mortgages signed decreased by 15.6% and in 2012 the fall was 29.5%. The value of the mortgages subscribed has declined even more rapidly, from -27.5% in 2009 to -33.4% in 2012. As a consequence, the average amount of mortgages in Spain has decreased from 150,647 euros in 2009 to 112,875 euros in 2012.

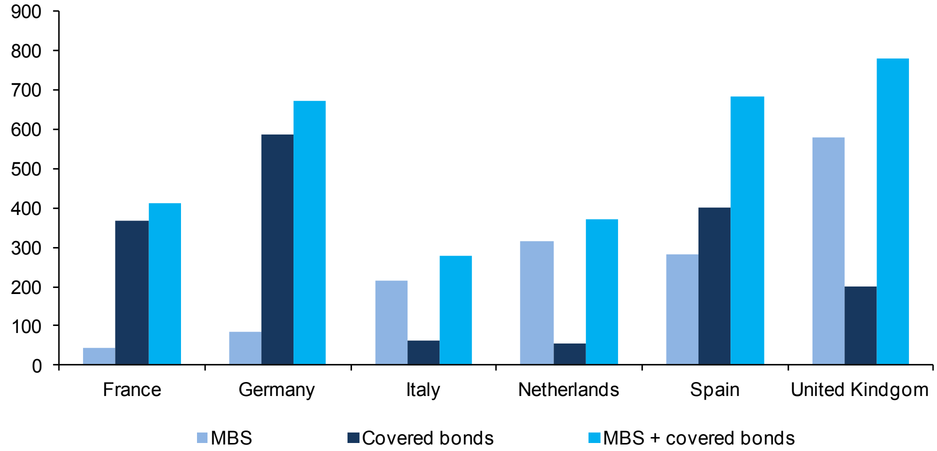
The securitized mortgage debt market: The relevance of Spain

Securitization is an essential feature of most mortgage markets in the world, with Spain being a prominent example. Current debates on the status and future evolution of Spanish financial stability are a key reference for mortgage markets. There are two main types of mortgage securities being issued in Europe: mortgage-backed securities (MBS) and covered bonds. MBS are debt obligations that represent claims to the cash flows from pools of mortgage loans, most commonly on residential property. Mortgage loans are purchased from banks, mortgage companies, and other originators and then assembled into pools by a specialized entity. The entity then issues securities that represent claims on the principal and interest payments made by borrowers on the loans in the pool. Covered bonds are similar to MBS but bondholders have a claim (full recourse) against the cover pool of financial assets in priority to the unsecured creditors of the issuer. Importantly, the issuer has the ongoing obligation to maintain sufficient assets in the cover pool to satisfy the claims of covered bondholders at all times.

As shown in Exhibit 3, Spain represents the second largest mortgage securitization market in Europe, following the United Kingdom. According to the Association of Financial Markets in Europe (AFME) and the European Covered Bond Council, Spain and the UK are large issuers of both MBS and covered bonds, which is not the case of most of the rest of the EU countries where either covered bonds (i.e., Germany) or MBS (i.e., Italy) dominate. There are many reasons for such differences, which mainly respond to legal and institutional features.

Exhibit 3

Mortgage-backed securities and covered bonds in Europe. Total outstanding (billions of euros) (2011)



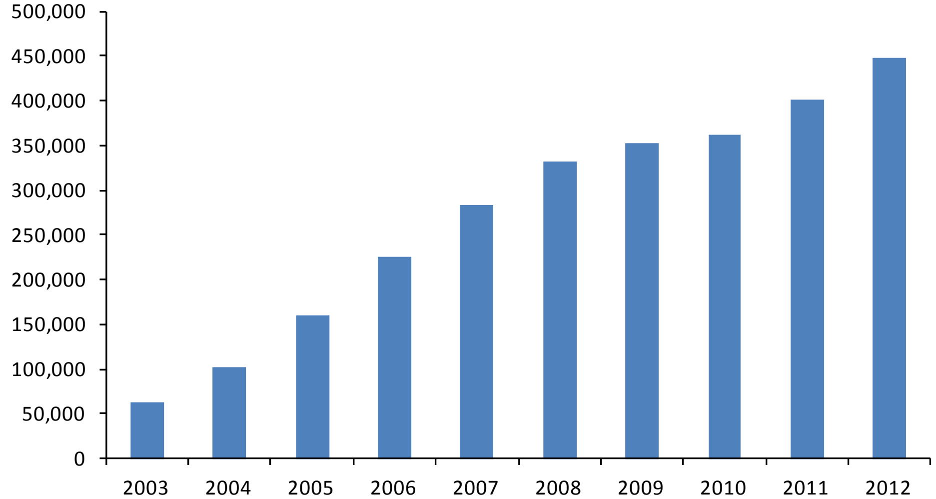
Sources: AFME, European Covered Bond Council and own elaboration.

Total covered bonds and MBS outstanding in the UK in 2011 were 777 billion euros and Spain follows with 683 billion euros. The third country in this ranking is Germany with 671 billion euros, while the volume in France is 410 billion euros.

In the case of Spain, the most important mortgage-securitized assets are covered bonds. The outstanding value of these instruments has increased from 62 billion euros in 2003 to 410 billion euros in 2012 (Exhibit 4).

Exhibit 4

Covered bonds in Spain (outstanding amount, millions of euros)



Source: AIAF and own elaboration.

These figures suggest that a great deal of the growth in lending during the years prior to the crisis was funded through securitization. As these securities have been sold widely throughout Europe and elsewhere, it seems clear that any features affecting the evolution of mortgages –from their default rates to any change in the mortgage regulation in Spain– are of key importance for international investors.

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The quality of mortgages

Given the relevance of Spanish mortgages both domestically and internationally, it seems worthwhile to look at the evolution of the non-performing mortgage loans (NPL) ratio. This is shown in Exhibit 5. In particular, the NPL ratio has increased from 0.37% in 2005Q4 to 3.49% in 2012Q3. Even if the increase is significant, the NPL ratio seems low compared to the 10.4% NPL of the entire loan portfolio in a country with a 26% unemployment rate.

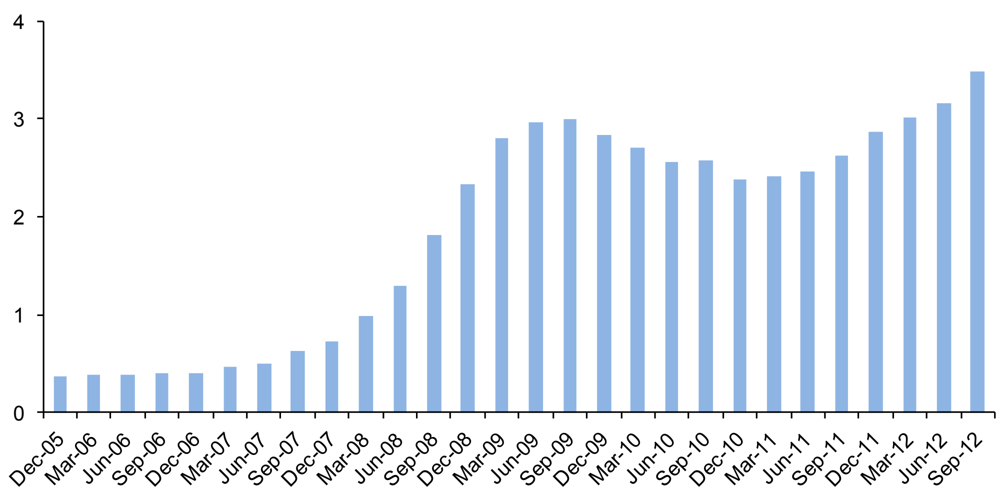
However, as the European Commission has shown in their March 2013 report entitled *Second Review of the Programme on the Financial Assistance for the Recapitalization of Financial Institutions in Spain* there are various factors that may explain such relatively low NPL ratios for mortgages in Spain:

i) Relatively low loan-to-value (LTV) ratios, which on average are estimated around 62%.

ii) A relatively low level of unemployment amongst residential loan holders. In particular, the EC claims, "while unemployment in Spain has exceeded 26%, according to recent data, only 7% to 9% of total outstanding mortgages were signed by people currently unemployed".

Exhibit 5

Non-performing mortgage loans (% total mortgage loans)



Source: Bank of Spain and own elaboration.

iii) The low and recently reduced interest rate levels. The Euribor 12-month rate decreased by 70% during 2012. As a result, mortgage interest rates have significantly decreased. The EC points out that "on average, Spanish households today pay around 40% less on a monthly mortgage payment as compared to the end of 2008".

As the EC points out, misclassifications of credits in the retail portfolio (including mortgages) have been found to be almost negligible (less than 0.1%) while they were higher in the SME portfolios. It is worth noting that most Spanish banks have also maintained active renegotiations of mortgages to make the fulfillment of payments as easy as possible for borrowers.

In any event, even if these default-attenuating factors are important, they highlight the fact that macroeconomic risk may have a considerable potential impact in increasing mortgage defaults. In particular, persistent unemployment rates or future increases in interest rates could trigger increased non-performing mortgage loan ratios.

Even if default-attenuating factors are important, they highlight the fact that macroeconomic risk may have a considerable potential impact in increasing mortgage defaults. In particular, persistent unemployment rates or future increases in interest rates could trigger increased non-performing mortgage loan ratios.

Mortgages and foreclosures: Contrasting social perceptions with financial sector reality

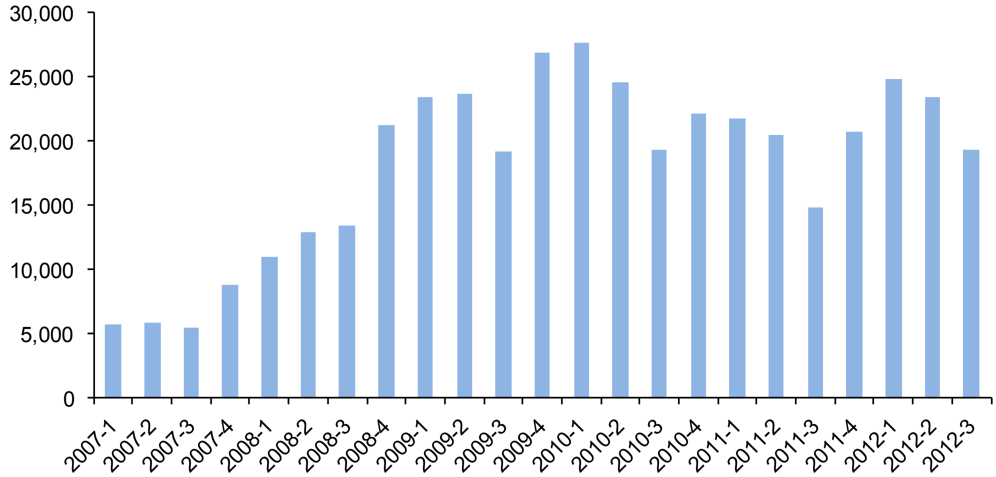
Even if non-performing mortgage loan rates have been kept at relatively low levels, many Spanish families are facing the drama of foreclosures and evictions. This represents possibly the most controversial social issue concerning mortgages in Spain now.

Exhibit 6 shows the evolution of foreclosures in Spain from 2007 to 2012. In this period, there have been 416,975 foreclosures. It is worth noting that this foreclosure statistic refers to the number of court rulings, and not necessarily the number of actual foreclosures that have taken place. Moreover, the statistics in the exhibit take into account foreclosures as a whole for a wide range of properties, such as second residences, businesses, and garage spaces, in addition to primary residences. Their growth has been particularly intense in 2009, in 2011 and in 2012. Foreclosures have become a matter of tremendous social discontent in Spain. Recently, an association of citizens called *Plataforma de Afectados por la Hipoteca, PAH* (Platform of People Affected by Mortgages) has come up with some proposals to change Spanish mortgage laws. The proposals of *PAH* have obtained around 1.5 million signatures in support. Importantly, the *PAH* proposals will now be discussed at the Spanish Parliament.

Perhaps the most important of the *PAH* proposals is for a universal and retroactive dation in payment. However, given the structure of the mortgage market in Spain, such a proposal would have harmful consequences for the economy as it would reduce the collateral value of the mortgage securitized assets and would set the wrong incentives for mortgage borrowers. As it has been shown in the previous sections, the reality of mortgages in Spain –as in many other countries– goes beyond a contractual relationship between lenders and borrowers as it also involves a substantial amount of securitized assets whose collateral would be affected by a retroactive change in recourse conditions. The Government is supportive of several measures currently under Parliamentary debate designed to alleviate pressures on mortgage debtors; however, opposed to the proposal to reform retroactively dation in payment. In our view, implementing retroactive non recourse mortgages would be more damaging

Exhibit 6

Foreclosures in Spain (2007Q1-2012Q3)



Source: General Council of Judicial Power and own elaboration.

than beneficial for the Spanish economy, thus, providing support to the Government's position.

Some of the other relief measures under consideration include: limitations on late-interest payments and making evictions[3] and house auction processes more favorable to mortgage holders underwater[4]. Even a moratorium on evictions has been approved for the most vulnerable cases. There are also interesting proposals involving the establishment of a personal and family bankruptcy law. These seem far more prudent ways to proceed to alleviate the foreclosures problem.

General assessment

The financial crisis started with subprime mortgage loans in the US and now it seems that mortgages again play a key role in the resolution of the banking crisis in Spain. Given the current conditions of the mortgage market, the real remaining test for the Spanish banking sector is how defaults from mortgages (and corporate loans) can be managed if the macroeconomic scenario does not improve. Given the set of actual and contingent restructuring and recapitalization mechanisms available for Spain (including an EU bailout fund backstop), the problem looks challenging but manageable.

Overall, mortgages are a key element of the deleveraging of the Spanish economy, which is probably the most important challenge for the country and will require years of adjustment. The figures shown in this note suggest that such a deleveraging process is ongoing, but will still take several years to complete.

Finally, even if mortgage loan delinquencies have been kept relatively low, we have also shown that foreclosures and evictions are becoming a substantially controversial social issue in Spain.

Due to their proposed negative impact on the

[3] The European Court of Justice has issued a sentence that allows for a debtor to plea abuse in the process of foreclosure, but whose legal jurisdiction remains to be determined. The ruling may affect the reform (Royal Decree-Law 27/2012) for protection of mortgage debtors, which is currently being discussed at Parliament; however, we estimate the impact of the sentence will be moderate under correct implementation.

[4] Underwater refers to a situation where the current outstanding debt exceeds the housing price.

Spanish economy, proposals for a retroactive change to move to a non recourse mortgage framework have been rejected by the Government. While the final law is still subject to Parliamentary debate, we believe the outcome will be regulatory reform better suited to the size, structure, and reputational features surrounding the Spanish mortgage debt market.

Supply and demand conditions in the Spanish property market and considerations for the SAREB

María Arrazola[1], José de Hevia[2], Desiderio Romero-Jordán[3] and José Félix Sanz-Sanz[4]

Current forecasts for macroeconomic and demographic factors affecting Spain's property market suggest a robust recovery in the Spanish property sector is unlikely in the near term. SAREB's initial plan to sell off acquired property assets, which contemplates an extended period of up to 15 years to complete the sale, seems to be reasonably adapted to this scenario.

Several supply and demand side factors are attributed to fuelling Spain's property market bubble from 1997-2008 and its subsequent collapse coinciding with the global financial crisis. This article sets out to examine supply and demand side determinants of Spain's housing market, such as population growth, household incomes, unemployment, production costs, real interest rates, and house prices, among others. At present, it appears that most of the factors that worked together to promote the property boom between 1997 and 2008 are now conspiring to prolong the crisis in this sector. The negative impact of slow population growth and high unemployment largely outweighs the positive impact of lower prices on housing demand. This is the challenging scenario SAREB will likely face as it attempts to implement its mandate and sell off property assets transferred from the Spanish financial system.

Introduction

The property boom Spain experienced from 1997 to 2008 would not have been possible without the almost unlimited financing of the property sector by the Spanish banking system. Nor is it possible to explain Spain's current banking crisis without taking into account the bursting of the property bubble and the excessive and unjustified exposure to property risk that the Spanish financial sector built up over the years. Once the bubble burst, the enormous weight on banks' balance sheets of home loans and lending to the property sector jeopardised the viability of a substantial part of the Spanish banking system. Spain's banking crisis has been of such a magnitude that, in 2012, it forced the government to request assistance of up to 100 billion euros from the Eurogroup to shore up the country's ailing banking sector. This assistance took shape in a Memorandum of Understanding (MoU), and it was in the specific context of this MoU that the

[1, 2, 3] Rey Juan Carlos University.

[4] Madrid Complutense University.

SAREB (Asset Management Company for Assets Resulting from Bank Restructuring), better known as the "bad bank," was created. This entity has taken over the high-risk property assets held by recapitalised and nationalised banking institutions and will manage assets worth around 55 billion euros. Approximately two thirds of this amount is in the form of loans and credit linked to the property sector, the remainder being property assets. The SAREB will consequently be handling the sale of some 89,000 properties received from nationalised financial institutions.

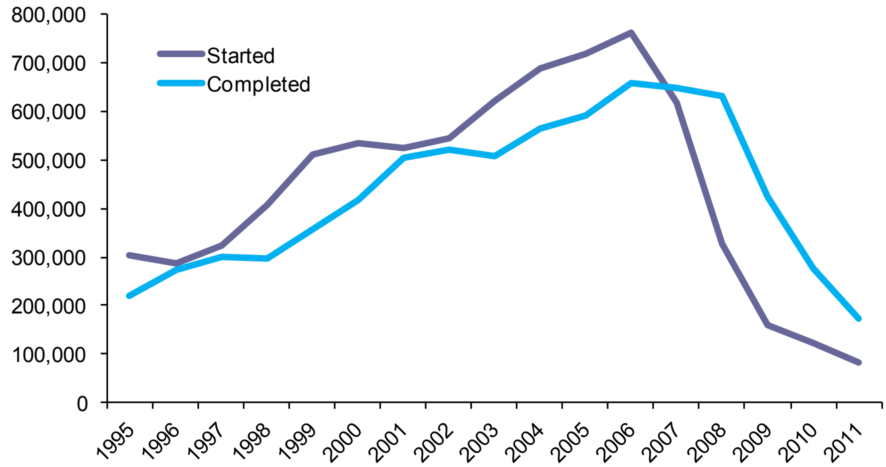
The SAREB aims to be a fundamental tool in the process of cleaning up the Spanish financial sector, while also seeking to ensure that its shareholders can obtain a profit from the asset liquidation process. Whether the SAREB is able to perform its task successfully will depend on numerous factors, but the conditions prevailing in the property market in which it will operate will undoubtedly be crucial. The main objective of this article is to analyse current property market conditions, using the results we have obtained from recent research on determinants of supply and demand in the Spanish property sector[5].

The Spanish housing market 1995-2012

Since the early 1970s, the Spanish property market has experienced three booms. The first began in the early seventies and ended in 1973 with the first oil crisis. The second took place between the mid-80s and the early nineties. The latest, and most intense of these booms, began in 1997 and ended in 2008, coinciding with the start of the international financial crisis. Exhibit 1, which shows the annual progress of the number of homes begun and completed in Spain between 1995 and 2011, illustrates the scale of the boom. As the exhibit shows, between 1997 and 2008, the annual average number of new housing starts exceeded 550,000 homes –peaking in 2006 at a figure of close to 760,000– with completed homes following the same trend with a time lag of just over a year. As a further indication of the intensity of this boom, Spain accounted for approximately 40% of all new homes built in the European Union

Exhibit 1

Trends in housing starts and completions



Note: Aggregate annual values based on monthly data.

Source: Ministry of Development.

[5] Arrazola, M. J. de Hevia, D. Romero and J. F. Sanz (2013); "Determinants of the Spanish housing market over three decades and three booms. Long-run supply and demand elasticities", (mimeo).

As a further indication of the intensity of the property boom, Spain accounted for approximately 40% of all new homes built in the European Union (EU) during this period (1997-2008) and the boom resulted in an increase in Spain's housing stock of no less than 50%.

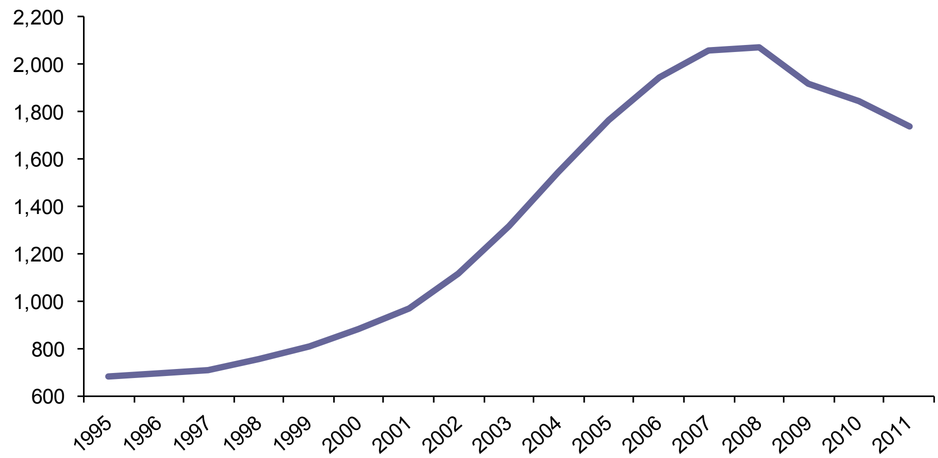
(EU) during this period, and the boom resulted in an increase in Spain's housing stock of no less than 50%.

Surprising as it may seem, this boom in home building was accompanied by sharply rising prices. Exhibit 2 illustrates how between 1997 and 2008 the average price per square meter of homes in the free market almost tripled, rising from 711 euros to 2,070 euros.

The rapid growth both in home building and property prices in the Spanish market between 1997 and 2008 was driven by strong simultaneous pressure from various factors. One of the factors increasing the pressure on the demand side of the housing market was population growth, driven primarily by immigration. Spain's population grew by around six million between 1997 and 2008. Other factors stimulating demand in this period included Spanish households' rising incomes, for example in terms of gross national per capita income (at purchasing power parity in current dollars), incomes doubled between 1997 and 2008; along with the improved labour market and consequent drop in the unemployment rate, which fell from 22% in 1996 to around 8% in 2007. Nor can one overlook the unprecedented drop in the cost of home loans, initially due to the efforts to meet the Maastricht convergence criteria, and later, thanks to Spain's membership in the euro. In 1996, the nominal interest rate on mortgage loans granted for home purchases was around 9%. This dropped to 6% in 1997 and was less than 5% between 1998 and 2007. In real terms, interest rates stood at over 5% in 1996, but were rarely above 1% between 1999 and 2006. Other factors also exerted exceptional pressures on Spain's housing market, such as the atypical

Exhibit 2

Trend in price per square meter of free-market housing



Note: Aggregate annual values based on quarterly data.

Source: Ministry of Development.

preference Spaniards have for home ownership[6], the existence of tax incentives to encourage home buying, and, of course, the continuous rise in home prices in real terms, which made buying a home a very profitable investment. The combination of these factors, in conjunction with the ease with which Spanish businesses and households were able to borrow as of the late 1990s –a situation not seen before in Spain– all helped fuel the Spanish property boom. This resulted in a property bubble that ultimately burst with devastating consequences for the Spanish economy and financial system.

Exhibits 1 and 2 illustrate the scale of the collapse of the property boom. For example, in terms of housing starts, in 2011 there had been a drop of 90% from the peak in 2006. And in the case of free market housing prices (i.e. excluding subsidised social housing), which peaked in 2008, by 2012 there had been a drop of around 26%, equivalent to a decrease of 32% in real terms. In 2012, the price per square meter in the free market had returned to 2004/2005 levels in nominal terms, and to 2002/2003 levels in real terms.

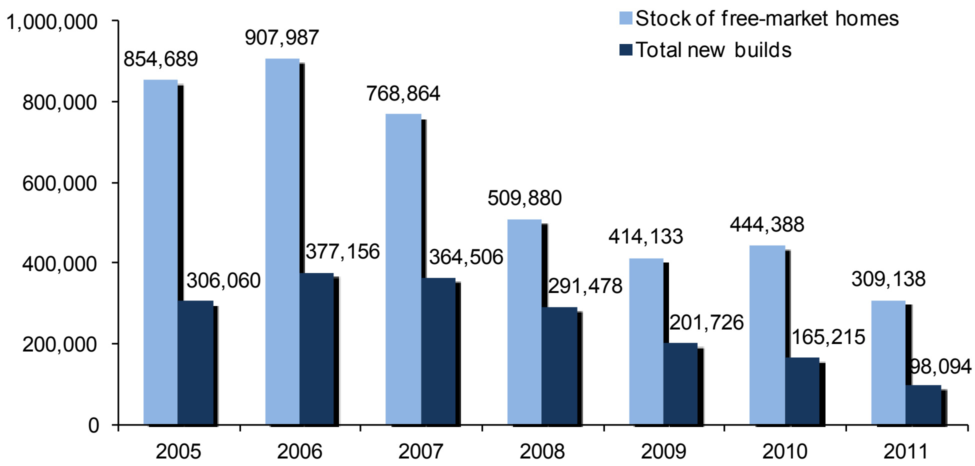
Nevertheless, the significant drop in housing prices has been insufficient to stimulate the property market. Indeed, Exhibit 3, which shows the number of property transactions in the free market, reveals how the total volume of transactions in

The significant drop in housing prices has been insufficient to stimulate the property market and the non-price factors exerting pressure on the housing market (population, income, unemployment or ease of borrowing) ceased to do so in the wake of the 2008 crisis.

2011/2012 was just a third of that in 2006/2007. Similarly, Exhibit 4, showing the trend in the unsold housing stock, illustrates how this rose

Exhibit 3

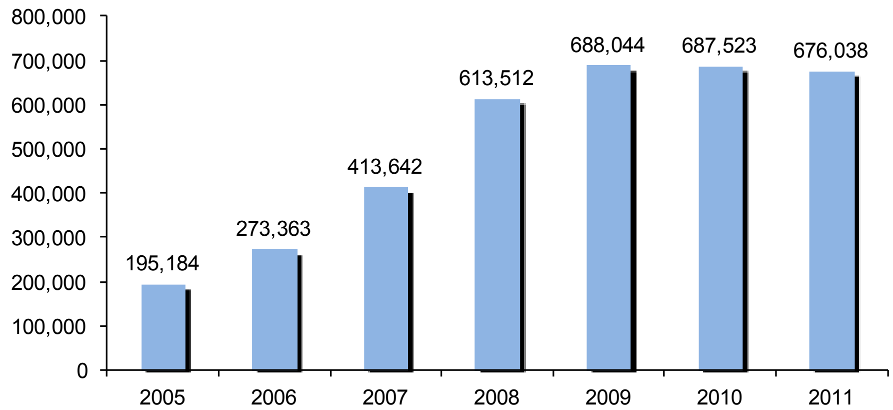
Sales of free-market homes



Source: Ministry of Development.

[6] The facts available indicate that 83.2% of Spanish households own at least one home, a figure slightly higher than that in Ireland (81.2%) and much higher than in other countries with a higher per capita income, such as the United Kingdom (70.7%), the United States (68.7%), Germany (41.0%) or Switzerland (38.4%).

Exhibit 4
Accumulated stock of unsold new housing



Source: Ministry of Development.

sharply after 2007 to reach a plateau at around 700,000 homes in 2009. This is explained by the fact that the non-price factors exerting pressure on the housing market (population, income, unemployment or ease of borrowing) ceased to do so in the wake of the 2008 crisis. Population growth slowed markedly after 2008. In the run-up to the crisis, the population was growing at a rate of 1.6% a year. In 2011 growth had slowed to just 0.1%, and the figures for 2012 suggest the population shrank by approximately 0.1%. Incomes have also performed poorly in Spain in recent years. For example, gross national per capita income (at purchasing power parity in current dollars) fell by 2.7% between 2008 and 2011. This fall has, of course, been influenced by the catastrophic trend in unemployment, which soared to 26% in 2012. Likewise, the international financial crisis and the Spanish banking crisis have totally reversed the considerable ease with which businesses and households were able to borrow prior to 2008. Thus, it would seem that most the factors that worked together to fuel the property boom between 1997 and 2008 are now conspiring to make the crisis in the property market drag on for several more years.

Elasticities of supply and demand in the Spanish housing market

Against this backdrop, it is worth exploring the sensitivity of the Spanish housing market to various supply and demand determinants and the extent to which the facts mentioned in the previous section are consistent with these sensitivities. As noted, to do so we have carried out research analysing each of the Spanish housing market's supply and demand determinants separately. This involved making estimates with a model using data for the value of Spain's gross stock of unsold housing in real terms, actual house prices, and a set of variables which, together with prices, can determine housing demand (population, real interest rates, a permanent measure of income –GDP per capita– and the unemployment rate) and supply (real costs in the construction industry and real interest rates).

One interesting –although predictable– result is that when there is an imbalance in the housing market, in terms of timing, prices adjust much faster than the stock of housing. Thus, when we

When there is an imbalance in the housing market, in terms of timing, prices adjust much faster than the stock of housing. The adjustment period for the stock of housing is around 13 years, whereas the price adjustment takes around 2 or 3 years.

measure the average delay for full transmission of a shock affecting housing supply and equilibrium prices to the stock and prices observed, the adjustment period for the stock of housing is around 13 years, whereas the price adjustment takes around 2 or 3 years.

Table 1 gives a summary of the results obtained regarding the sensitivity of supply and demand to their components. We made two types of estimates: one in which the speed of adjustment towards housing supply equilibrium was set (columns II) and one in which it was not (columns I). However, it should be noted that, from the econometric point of view, the conceptual framework used for the study seems to work better for demand than for supply.

The results show that, over the long run, demand is much less sensitive to prices than supply. As Table 1 shows, estimated price-elasticities for demand were -0.156 and -0.165, depending on whether or not the speed of adjustment was set. This result no doubt explains how demand for homes did not slacken even though prices rose so much during the boom, and why even though prices have now dropped considerably (by more than 30% in real terms between 2008 and 2012) this has not been sufficient to stimulate demand. Moreover, the supply-side price elasticity estimates vary considerably (1.309 and 0.433, respectively) depending on whether the speed of adjustment is set or not. Nevertheless, supply is clearly much more sensitive to prices than demand. This is entirely consistent with what happened to home building during the property boom and subsequent slump.

On the demand side, unlike what we see in the case of prices, the results obtained show the existence of a marked sensitivity to trends in other factors. Thus, population growth appears to exert significant pressure on demand, with estimated elasticities of close to unity (see Table 1). These

Table 1

Value of the gross stock of housing: Estimates of long-term elasticities

	Demand		Supply	
	(Model I)	(Model II)	(Model I)	(Model II)
Real housing prices	-0.165 (0.054)	-0.156 (0.076)	0.433 (0.048)	1.309 (0.591)
Population	0.941 (0.170)	0.965 (0.225)	-	-
Real interest rates (*)	-0.358 (0.167)	-0.356 (0.160)	-1.167 (0.369)	-5.732(*) (3.190)
Real construction costs	-	-	-0.690 (0.075)	-0.327(*) (0.398)
Unemployment rate(*)	-2.116 (0.307)	-1.987 (0.875)	-	
Per capita GDP	0.513 (0.031)	0.504 (0.066)	-	

Notes: Standard errors in brackets. (*) Semi-elasticities.

Source: Own elaboration.

values suggest that rising population may have been a key factor in the 1997-2008 property boom, and that population stagnation could be having a damping effect on housing demand today.

Similarly, trends in income and unemployment rates seem to have a strong influence on housing demand. As can be seen in Table 1, the estimates of long-term demand elasticity are around 0.5 and the semi-elasticity of demand to the unemployment rate is around -2, highlighting that incomes, and particularly unemployment, are powerful drivers of increases or decreases in housing demand. Again, these results are consistent with events between 1997 and 2012, as they explain how the sharp drop in unemployment and increasing incomes stimulated the property boom, and how falling incomes and, in particular, soaring unemployment, have undermined housing demand despite the current downward trend in prices.

As regards the effects of financial conditions on the housing market, real interest rates also emerge as an important determinant of housing demand and supply, which is entirely consistent with what happened during the property boom. Indeed, the fall in interest rates that was made possible by Spain's joining the euro, in conjunction with the huge range of borrowing options open to businesses and households, fuelled both the housing supply and demand for homes. Nevertheless, it is worth noting that, just as in the case of prices, demand is much less sensitive to real interest rates than supply. Specifically, the estimated semi-elasticities of demand were -0.356 and -0.358, whereas on the supply side the values obtained were -5.732 and -1.167. In any event, on the financial side, although real interest rates were, on average, higher over the period 2007-2012 than between 1997 and 2006 (1.7% compared to 1.1%), real interest rates do not appear to underlie the sluggishness of the housing market as much as the credit restrictions caused by the banking crisis in Spain, which have led to a substantial tightening of the requirements for loan approvals, even when backed with a mortgage guarantee.

Lastly, on the supply side it is worth noting that we have found evidence of sensitivity to production costs. Specifically, when the speed of adjustment is imposed on the estimates, an elasticity of -0.69 is obtained.

These results and current forecasts of the determinants of property market supply and demand suggest that a robust recovery in the Spanish property market is not likely in the near term. In a context that remains characterised by zero population growth, rising unemployment, contracting GDP (shrinking by 1.5% in 2013 according to the estimates of the European Commission and the International Monetary Fund) and declining household disposable income (slowing to a rate of 3.2% in 2012), the cuts in home prices that have taken place and will continue (both the IMF and the European Commission predict further drops in average housing prices in 2013) do not appear to be sufficient stimulus for a substantial recovery in the property market in the near term.

Against this backdrop, the SAREB will be handling the sale of some 89,000 properties. The average discount on these properties (with respect to their original market value) will be approximately 55%. Although this discount is substantial, the difficulties the SAREB will face are still significant, given weak internal demand. Nevertheless, SAREB asset sales may happen faster than anticipated if the long-term outlook for Spain and the Euro Zone shows improvement in the short and medium-term. Such a scenario could serve as a catalyst to attract foreign demand, including various types of investment funds, seeking to take advantage of the deep discount on real-estate related asset prices[7]. It is worth nothing that

[7] Data show that, after years of adjustment, the number of residential properties purchased by non-residents in 2012 is very close to the situation seen in 2007, prior to the end of the real estate bubble.

between 2008 and 2011, residential property prices fell, on average, 19% in nominal terms. Nevertheless, the adjustment was much greater in some geographic areas, for example the Mediterranean coast, where the fall in prices in some municipalities was above 30%. Such a decline is in line with some of the more pessimistic estimates of overvaluation in the residential property market, made by institutions such as the Bank of Spain, or the International Monetary Fund, whose estimates are close to 30%.

Restructuring of the bancassurance sector in Spain

Ignacio Blasco and Fernando Azpeitia[1]

Financial sector restructuring has had important implications on *bancassurance* in Spain. Consequently, significant reshuffling among the key players, as well as those of the Spanish life insurance sector itself, is expected over the coming year.

The historical connection between banking and life insurance products has boosted the development of the bancassurance *sector in Spain, becoming the main distribution channel for insurance products in this country, above traditional channels, such as agents and insurance brokers. The reduction in the number of deposit institutions through several integration processes, a direct consequence of the present financial crisis, has caused conflicts among the different commercialization agreements established between insurance and credit institutions. Entities involved must solve these conflicts before January 1st 2014, as required by the Bank of Spain.*

Introduction

The historical connection between banking and life insurance products, and the cross-selling between traditional banking products, such as mortgages, risk life insurance and loan amortization insurance, has boosted the development of the *bancassurance* sector in Spain, becoming the main distribution channel for insurance products in this country, above traditional channels, such as agents and insurance brokers.

While life insurance products have shown strong growth within the *bancassurance* channel, the distribution of non-life insurance products through credit institutions' commercial networks is still not significant compared to the level reached in the life insurance business. However, in other insurance areas, it might be considered as the natural distribution channel, for example in the home insurance business.

Without a doubt, the growth of the *bancassurance* business could be explained by a series of incentives that both credit institutions and insurance companies have had in order to promote the commercialization of insurance products through banks, savings banks and credit cooperatives.

Incentives for credit institutions include the following:

- The proceeds received by credit institutions for distributing insurance products, either in the form of commissions or as dividends originated by their own subsidiaries. These proceeds represent a major source of earnings that allow credit institutions to compensate for the reduction in financial

[1] A.F.I. - Analistas Financieros Internacionales, S.A.

margins. In this respect, and in contrast to what happens with other financial products, it is important to point out that in many cases, clients do not assume the commissions that credit institutions charge for the commercialization of their products.

- Cross-selling of insurance products, mainly those linked to asset transactions and fundamentally to mortgages, such as loan amortization life insurance, home insurance, payment protection insurance, etc. This cross-selling technique allows credit institutions to obtain a more profound link with the client.

- A more favourable fiscal treatment for some savings life insurance and especially for pension plans. This represents a competitive advantage when compared to banking products, and has been one of the keys for their growth in Spain.

- Life insurance products do not cannibalize banking products or traditional savings from clients of credit institutions.

Among the incentives for insurance companies, we highlight the following:

- Credit institutions extensive commercial network has allowed insurance companies to gain access swiftly to a nationally established distribution network.

- Insurance products' distribution exclusivity.

- Client base and commercial information exploitation that credit institutions have from clients experience in insurance products commercialization.

- More familiarity in client perception from both banks and savings banks with respect to insurance companies.

- Greater experience in sales and marketing from the banks relative to insurance companies.

Unlike other countries, in the Spanish case, it is important to highlight that when we talk about the *bancassurance* sector, we are not only referring to the distribution of insurance products through credit institutions commercial networks, but it is also very common to include the distribution of pension plans. In fact, the majority of agreements between insurance companies selling life insurance products and credit institutions include the distribution of pension plans.

Distribution of insurance products through banking networks

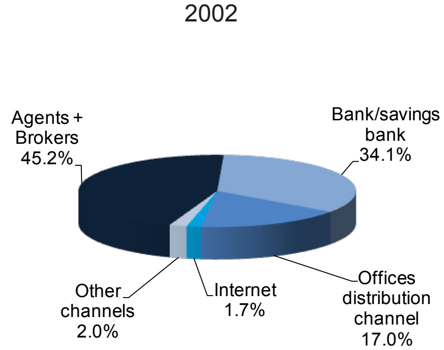
The Spanish *bancassurance* channel has a significant weight within the Spanish insurance sector, specifically regarding life insurance products. In 2011, 71.4% (21.4 billion euros) of life insurance premiums came from credit institutions commercial networks, while the *bancassurance* channel only represented 10.2% (more than 3 billion euros) of the total non-life insurance premiums. Combining life and non-life, the premiums from the *bancassurance* channel were 40.8% of the total in 2011.

This bigger weight of the *bancassurance* channel in the distribution of life insurance products is a common pattern in almost every European national market, except in the United Kingdom and Ireland, where the majority of life insurance products are distributed through brokers. The countries where the *bancassurance* channel has more weight in the life insurance business are Spain, Italy and France.

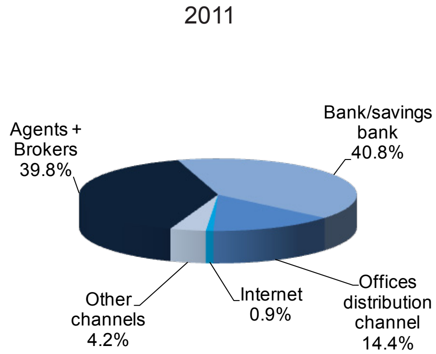
The Spanish bancassurance *channel has a significant weight within the Spanish insurance sector, specifically regarding life insurance products.*

Exhibit 1

Premiums by distribution channel, 2002-2011



Source: Spanish Insurance Supervisor. (Dirección General de Seguros y Fondos de Pensiones)*, 2002.*



Source: Spanish Insurance Supervisor. (Dirección General de Seguros y Fondos de Pensiones)*, 2011*

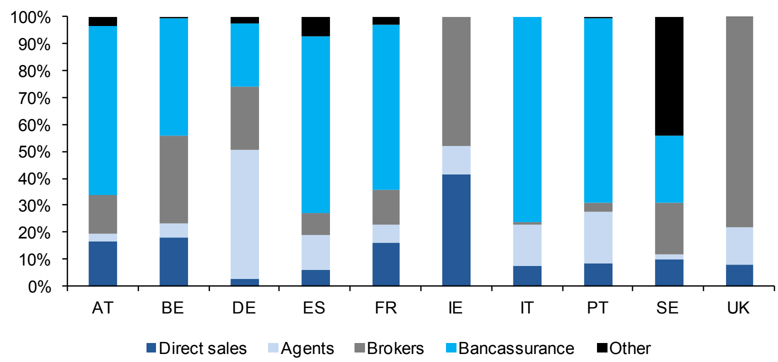
In the rest of the European countries, as it happens in Spain, the commercialization of non-life insurance products represents a small percentage, around 10%, and even non-existent in some cases such as Ireland.

Given the heterogeneity of non-life insurance products, the distribution through financial institutions is quite different among them, but in general, its weak connection with loans of credit institutions accounts for the lacklustre development of its commercialization through credit institutions. However, in the past years, an upward trend can be signalled in the distribution of these products through the commercial networks of credit institutions.

In Spain, the non-life insurance products that register a bigger penetration within the *bancassurance* sector are home insurance (38.1%) and pecuniary

Exhibit 2

Life insurance distribution channels (2010)

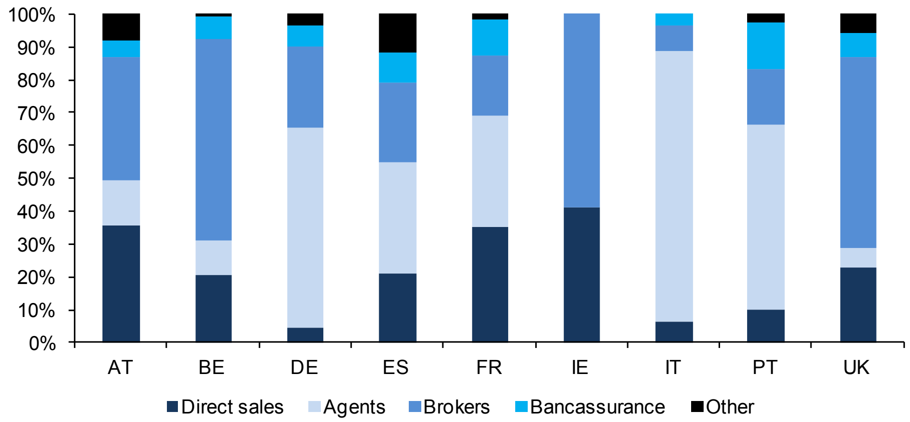


Notes: For UK, bancassurance *is included in all other channels and cannot be separated out. For NL, agents are included in brokers; For DE, SE and UK, figures refer to new business. 2009 data for ES & PL.*

Source: Insurance Europe.

Exhibit 3

Non-life insurance distribution channels (2010)



Note: For NL, agents are included in brokers and bancassurance *is included in "Other".*
Source: Insurance Europe.

losses or payment protection insurance (28.2%), due to their link with the granting of mortgages and personal loans[2].

Bancassurance operator

Before the introduction of Spanish Law 26/2006 of July 17th, regulating insurance mediation and private reinsurance, credit institutions sold insurance products operating as normal insurance agents. After 2006, an important separate role was recognized for these *bancassurance* institutions, thus creating a new form of insurance agent, called the *bancassurance* operator.

Consequently, all credit institutions must have a *bancassurance* operator in order to commercialize insurance products through their banking networks. This role can be played by the credit institutions themselves or by companies controlled or owned by them. This can be made through the execution of an insurance agency contract with one or more insurance companies, and the registration in the administrative record of insurance mediators as an insurance agent using the distribution networks of the credit institutions.

The credit institutions in Spain can make their distribution network available to the bancassurance *operator.*

Like the rest of the insurance agents, *bancassurance* operators can be defined in two ways, depending on their connection with the insurance company:

- Exclusive *bancassurance* operators, are those who sign an insurance agency contract with only one insurance company. The insurance company can authorize the agent to operate with a different insurance company in the insurance areas where the first entity may not operate.

[2] 2011 data. Source: Spanish Insurance Supervisor. (Dirección General de Seguros y Fondos de Pensiones), 2011.

- Non-exclusive *bancassurance* operators, are those who sign an insurance agency contract with several insurance companies. This is the option chosen by most of the entities, from all the 86 *bancassurance* operators, 62 have non-exclusive status, while 24 chose exclusive status. However, many linked operators have exclusivity distribution agreements with insurance companies for specific insurance businesses.

In addition, *bancassurance* operators must be registered in the official registry for insurance mediators, meeting the following requirements:

- *Bancassurance* operators have to be a credit institution or a company controlled or owned by the credit institution. In this case, the connection between both must be regulated by a contract for service provision consisting of the transfer of the credit institution's distribution network to the *bancassurance* operator for insurance mediation.

- The Board of Directors of the institution, responsible for insurance mediation, must meet the required qualifications.

- The institution must have a distribution network personnel training program. Personnel must directly participate in insurance mediation.

- Non-exclusive *bancassurance* operators must indicate in their annual report detail regarding network or networks through which the insurance mediation will be developed.

Business models in *bancassurance*

The distribution of insurance products through credit institutions can be structured into different business models, depending on the interests and objectives both from the insurance company and the credit institution. Despite the fact that these agreements register a lot of special features depending on each case, we can classify them into four broad categories or groups, based on the Spanish experience and on the commercial, organizational and shareholder implications that these agreement have for each institution.

- **General distribution agreements,** in this case, credit institutions commercialize insurance products coming from different

Table 1

Business models in *Bancassurance*

Business model	Description
General distribution agreements	Credit institutions distribute insurance products from one or more insurance companies in exchange for commissions from their commercialization, with no further link between the institutions.
Exclusive distribution agreements	Credit institutions distribute insurance products exclusively from one insurance company without the necessity of creating an insurance company for that same purpose.
Joint ventures	Creation of a new insurance company by the credit institution and the insurance company, owning 50% each. Incorporates exclusivity for the commercialization of insurance products.
Groups of financial services	The insurance company integrates itself 100% in the financial group, meaning the insurance subsidiary is fully owned by the credit institution.

Source: Afi.

insurance companies in exchange for commissions, as any other agent does, but with no shareholder agreement or any strategic link with the insurance company. In this way, both institutions remain independent and their connection is established through a commission contract for the distribution of insurance products.

- **Exclusive distribution agreements,** the credit institution commits to exclusively commercialize the products of the insurance company. This agreement can be applied to every insurance business of the entity, or only to a specific one. It is common practice that the credit institution reaches an agreement with the insurance company for the life insurance business and it reaches another exclusive agreement with a different insurance company for the non-life business.

In Spain, on the one hand, credit institutions' business models for general insurance or non-life insurance products have been skewed towards an open business architecture, by offering their clients products from different insurance companies. On the other hand, with life insurance products, the model has been traditionally based on exclusive agreements with one insurance company. However, in the past years, this model has also been extended to the non-life insurance business.

As is the case with joint ventures, it is very common that when an exclusivity distribution agreement exists, the retribution diagram is based on the initial payment for that exclusivity, and additional payments by the insurance company are made in the medium and longer term, subject to the achievement of certain goals set in the business plan.

- **Joint venture 50/50,** the creation of an insurance company, comprised of the credit institution and the original insurance company at 50% each. This new entity will act as a "factory" for creating insurance products to be distributed through the commercial network of the credit institution. This means one more step in the integration of both insurance and banking businesses.

The joint ventures' usual structure is based on the distribution of 50% of the shares for each undertaking, but with the possibility for the insurer to fully consolidate it in its accounts through the payment of a premium by the insurance partner. Through this formula, the exclusivity of commercialization is guaranteed in the medium and longer term (5 to 10 years), with very favourable commissioning conditions for the insurance company.

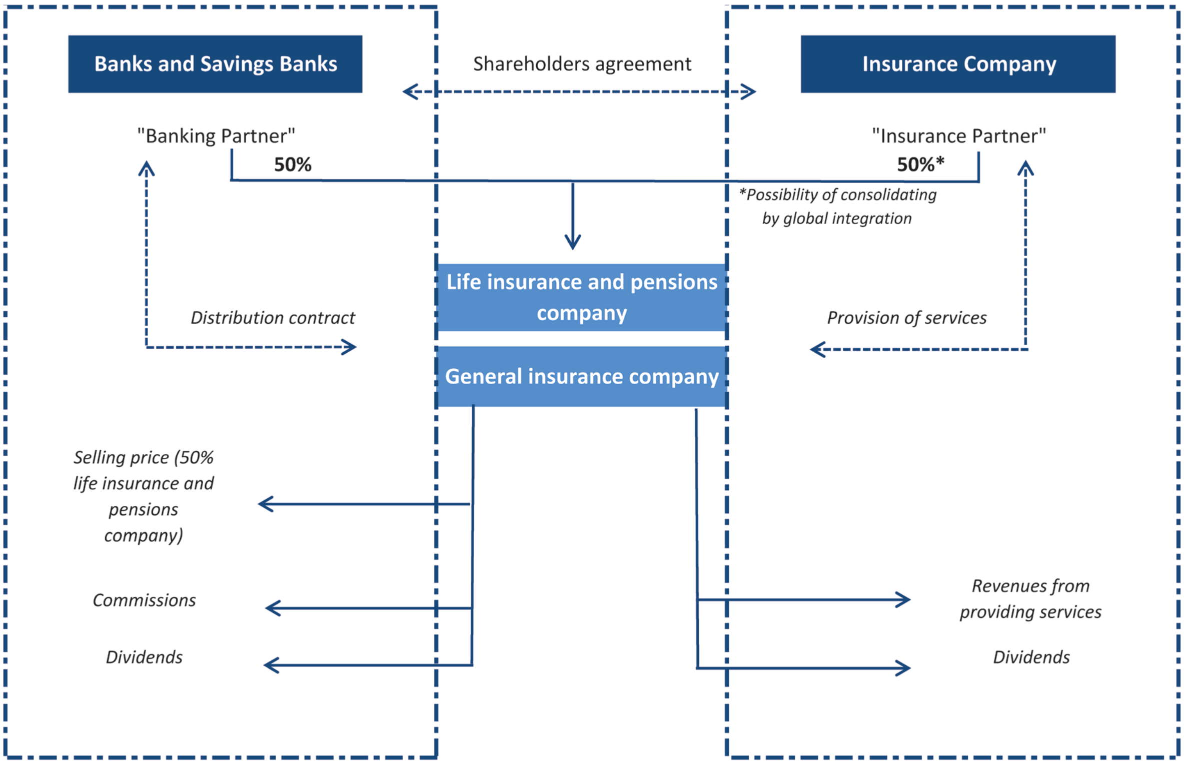
One of the main factors that has boosted the *bancassurance* business model development through joint ventures and exclusive distribution agreements is that the participation of credit institutions in insurance companies exceeding 10%, is deducted from own funds calculations, when calculating minimum capital requirements[3].

Additionally, through joint ventures, credit institutions have reduced their participation in their insurance subsidiary, and therefore improved their solvency ratios, keeping at the same time certain control over the subsidiary and obtaining a capital gain when that participation is sold. The same conclusion could be reached in the case of exclusive distribution agreements. Credit institutions achieved almost the same

[3] Circular 3/2008, May 22nd, Bank of Spain, to credit institutions, about controlling the minimum funds requirements. Basel III sets this percentage at 10%.

Exhibit 4

Joint ventures structure model



Source: Atlas Capital.

effect but without having to own shares of the insurance company and therefore have their solvency ratios affected.

- **Groups of financial services.** In this case, the insurance subsidiary is completely owned by the credit institution, so there is complete vertical integration in the organizational structure of the credit institution. Nowadays, there are only a few credit institutions that keep using this business model, including BBVA or Kutxabank.

Consolidation of the Spanish financial sector and effects on *bancassurance* agreements

One of the most remarkable transformations that the Spanish banking system has witnessed in the last years, as a consequence of the financial crisis, is the reduction in the number of deposit institutions, especially of savings banks, due to the consolidation processes that have taken place.

As seen in the next exhibit, in December 2009, the census of the Spanish banking system (defined as the set of deposit institutions in the country), rose to 192 institutions: 65 banks, 46 savings banks and 81 credit cooperatives. If we add the 88 foreign businesses, the number of financial institutions increases to 280 entities, without taking into account 70 financial credit establishments (EFC or *Establecimientos Financieros de Crédito*) and the Spanish Official Credit Institution (Instituto de Crédito Oficial - ICO). A census of this magnitude implies a high level of competition between entities, causing, in times of crisis, integrations, searching for synergies and economies of scale, and in the worst-case scenario, nationalizations of the weakest institutions.

The consolidation processes have reduced the number of national deposit institutions to 108 institutions as of February 2013, 44% less than in 2009, which means a decrease of 84 institutions. Of the 108 remaining institutions, 54 are banks, 11 are former savings banks, 2 are savings banks and the 41 remaining are credit cooperatives. Undoubtedly, the major transformation has taken place in the area of the savings banks, because from the original 46 institutions, only 2 remain with their original legal nature (institutions of private law with a non-profit nature), including the confederation of savings banks CECA. The subsystem of credit cooperatives has also decreased considerably since 2009 (49%), but has kept its legal configuration.

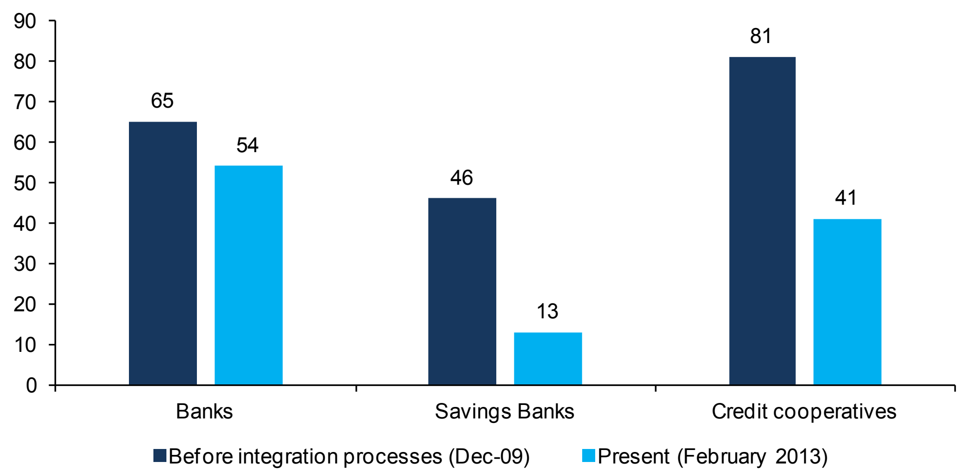
The previously mentioned consolidation processes carried out among the Spanish credit institutions have caused conflicts among the different commercialization agreements established between insurance and credit institutions, because in many cases the insurance partners of the merged credit institutions were different.

Therefore, a credit institution may have found itself with two or more different insurance partners, and in most cases, the distribution agreements, as we mentioned before, include clauses with commercialization exclusivity for insurance products, whether they are life products or non-life products.

Even though the resolution of these agreements is very hard and complex, that situation cannot be extended indefinitely, so the Bank of Spain has given the credit institutions that were involved in

Exhibit 5

Deposit institutions census Dec 09 compared to Feb13



Sources: Bank of Spain Statistical Bulletin, AEB, CECA, UNACC and Afi.

consolidation processes until January 1st, 2014, to resolve these situations[4].

The Bank of Spain has given the credit institutions that were involved in consolidation processes until January 1st, 2014, to resolve conflicts with their previous bancassurance operators.

In this context we can examine some of the latest transactions that have taken place in the *bancassurance* sector. (Exhibit 6 provides a clear picture of the current situation):

- Purchase by BBVA, once UNNIM BANC was integrated, of the shares that the insurance partners from UNNIM held in various insurance subsidiaries, specifically:
  - Reale - 50% of the general insurance subsidiary, for 68 million euros.
  - AEGON - 50% of the life insurance and pensions subsidiary, for 352.5 million euros.
- Purchase by Bankia of 50% of the life insurance and pensions business of ASEVAL, subsidiary of the former Bancaja, from AVIVA, for 608 million euros.
- Purchase by Caixabank from AEGON of 50% of the joint venture the latter had with Banca Cívica Vida y Pensiones, Caja Burgos Vida and Can Seguros de Salud with Banca Cívica for a total amount of 190 million euros, plus the purchase of 50% of the two joint-ventures that CASER had with CajaSol, one for the life and pensions business, and the other one for general insurance. Finally, the purchase of 50% of the joint venture that CASER had with Caja Canarias for the general insurance business, for a total amount of 215 million euros.

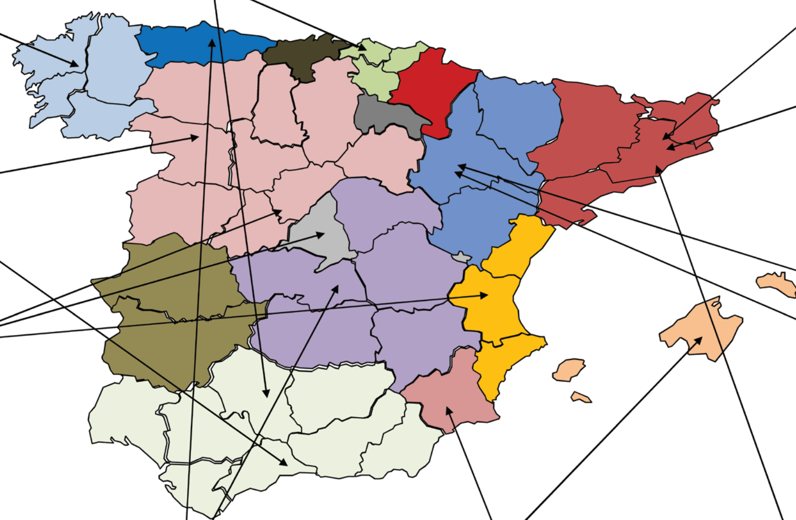
Despite the aforementioned transactions, there are still credit institutions with remaining exclusive commercialization agreements with different insurance companies, such as BMN, Novagalicia Banco, Bankia, etc. Therefore, in the upcoming months, transactions like those previously mentioned will take place, orientated at rationalizing insurance agreements.

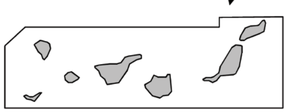
The resolution of these agreements is not only relevant to the *bancassurance* subsector. Given its strong weight in the life insurance business, the consequences of the restructuring of the financial system can cause movements in the insurance sector, due to the fact that some insurance companies ended up out of the sector and might need to rethink their business strategy through other distribution channels, or because new agents might appear in the insurance market, as has been the case following the purchase of 50% of the business of Segurcaixa Adeslas by Mutua Madrileña in 2011.

[4] Through the Royal Decree 2/2012, from February 3rd, for reorganization of the financial system.

Exhibit 6

Bancassurance agreements in Spain (as of February 2013)





NCG BANCO	Life	Non-Life
Caixa Galicia	Aviva	-
Caixanova	Caser	Caser

BANCO SANTANDER	Life	Non-Life
Banco Santander	AEGON	AEGON
Banesto	AEGON	AEGON
Banif	AEGON	AEGON
Openbank	AEGON	AEGON

BANCO CEISS	Life	Non-Life
Caja España	Aviva	-
Caja Duero	Mapfre	-

UNICAJA BANCO	Life	Non-Life
Unicaja	Aviva	-

BANKIA	Life	Non-Life
Caja Madrid	Mapfre	Mapfre
Bancaja	-	Groupama
C.A. Insular	Caser	Caser
CA Avila	Caser	Caser
C.A. Segovia	Caser	Caser
C.A. Rioja	Caser	Caser
C.A. Laietana	-	-

BBK	Life	Non-Life
BBK	Biharko	Biharko
Cajasur*	Biharko	Biharko

LIBERBANK	Life	Non-Life
Cajastur	AEGON	-
CCM	Mapfre	-
Caja Cantabria	AEGON	Caser
C.A. Extremadura	AEGON	-

BMN	Life	Non-Life
C.A. Murcia	Aviva	Caser
C.A. Granada	Aviva	Caser
C.A. Penedés	Caser	-
Sa Nostra	Caser	Caser

CAIXABANK	Life	Non-Life
La Caixa	Vidacaixa	Mutua Madrileña
CajaSol	Vidacaixa	-
C.A. Canarias	Vidacaixa	-
C.A. Navarra	Vidacaixa	Zurich
C.A. Burgos	Vidacaixa	-

CATALUNYA BANC	Life	Non-Life
Caixa Catalunya	Mapfre	Mapfre
Caixa Tarragona	Mapfre	Mapfre
Caixa Manresa	Mapfre	Mapfre

BBVA	Life	Non-Life
BBVA	-	-
UNNIM	-	-

IBERCAJA+CAJA 3	Life	Non-Life
Ibercaja	-	-
CAI	-	Reale
C.A. Badajoz	AEGON	-
C.A. Círculo	Caser	

BANCO POPULAR	Life	Non-Life
Banco Popular	Allianz	Allianz
Banco Pastor	Axa	Tranquilidade

BANC SABADELL	Life	Non-Life
SABADELL	Zurich	Zurich
CAM	AEGON	-

Source: Afi.

Understanding the electricity tariff deficit and its challenges[1]

María Paz Espinosa[2]

Spain's electricity tariff deficit has reached unsustainable levels. The problem of the deficit must be solved through a combination of consumer price increases, electricity system cost decreases, and energy market reform.

Regulators and market participants have become increasingly concerned about the Spanish electricity tariff deficit due to its size and the difficulties to control its growth. The deficit can be traced to inefficiencies in market organization and solutions should be designed to mitigate those inefficiencies. Tariff deficits have allowed for the transfer of part of the present costs of electricity services to future consumers, but this situation has reached a limit and a deep revision of regulation in this market cannot be postponed. In general, solutions that interfere with market prices and signals are not appropriate.

The tariff deficit

The electricity system in Spain accumulated a deficit of over 30 billion euros by the end of 2012 (see Exhibit 1). A part has been recovered through tariffs but the outstanding debt stands at nearly 22 billion euros, over 2% of Spanish GDP. This debt derives from the financing of the difference between costs and revenues from regulated activities, accumulated in previous years. Most of the outstanding debt (66%) is held by FADE, the Deficit Securitization Fund for the Electricity System, the electricity firms hold 19% and third parties have 15%. The deficit was initially financed by the five largest electricity firms (Endesa, 44.16%; Iberdrola, 35.01%; Gas Natural Fenosa, 13.75%; Hidroeléctrica del Cantábrico, 6.08%; and E.On España, 1.00%), but the firms had transferred most of their deficit collection rights to FADE by the end of 2012. In 2012, FADE issued bonds for 9.9 billion euros at a cost for consumers of 5.617% (CNE, 2012a)[3].

The regulator set two principles for electricity pricing (Royal-Decree 6/2009): (1) the budget constraint has to be fulfilled (revenue must be sufficient to cover costs) and (2) the costs should be assigned to the agents participating in the market in order for the economic signals to be compatible with efficiency. However, in practice,

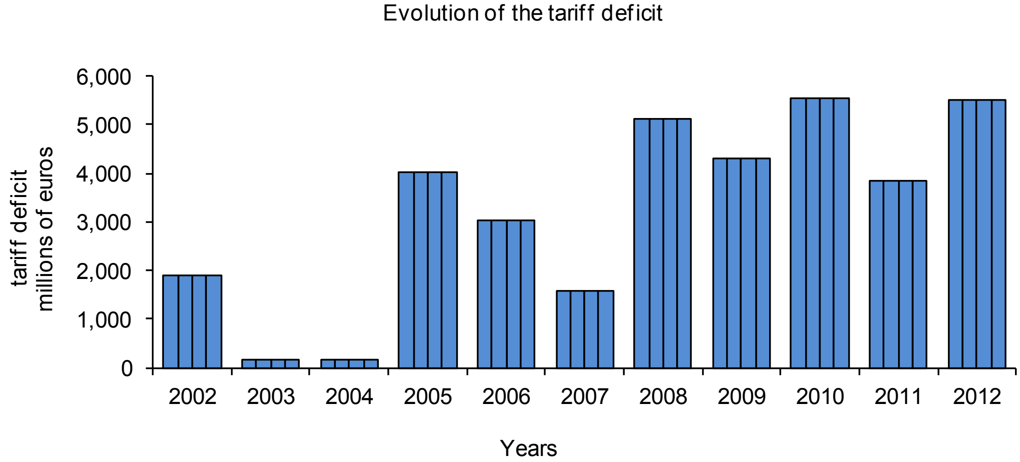
[1] Financial support from MEC (ECO2012-35820), the Basque Government (DEUI, IT-313-07) and UPV/EHU (UFI 11/46 BETS) is gratefully acknowledged.

[2] UPV/EHU.

[3] At the end of 2011, FADE held 44%, electricity companies 39% and third parties 17%.

Exhibit 1

Evolution of the deficit of regulated activities



Source: CNE (2012a).

these two principles have not been followed. The reasons behind the deficit from regulated activities are due to the organization of the electricity system, making it increasingly difficult to reduce its magnitude. In the short term, the solutions to the deficit necessarily involve increasing the price to the end-users and/or decreasing the cost of the electricity services.

Consumer prices

The price paid by most end-users is regulated (TUR, last resort tariff)[4]. The TUR has two components: the cost of energy (determined at the CESUR auction) and the cost of regulated activities which include distribution and transportation costs, capacity payments, incentives for renewable energy and domestic coal, the cost of non-mainland generation, repayment of previous deficits, and other costs of the system. In principle, the regulator should set this tariff so that electricity revenues equal costs. In practice, the tariff has been insufficient to cover all costs, violating the budget constraint principle.

However, solving the deficit through consumer price increases would be difficult to implement, as prices are already very high. Table 1 shows the prices in the Euro area and EU-27. In 2009, the electricity price for Spanish consumers was 168 euros per MWh, 2% above the EU-27 average, while it was 209 euros per MWh in 2011, 13.6% more expensive than the average for EU-27. The price in 2011 for industrial consumers was 116 euros per MWh, which was also higher than the EU-27 average.

The regulated component of the TUR for 2013 includes an escalation clause for users whose consumption exceeds 10% of the average consumption for each level of contracted power (from 3kW to 10kW). Price increases range from 2% to 16% depending on the deviation from average consumption.

[4] At the end of 2012, around 27 million consumers had the right to this tariff (power less than 10kw); 21 million were still under the TUR and 6 million had chosen market prices.

Table 1

Half yearly electricity prices, second half of year, 2009-2011

(EUR per kWh)	Electricity prices					
	Households (1)			Industry (2)		
	2009	**2010**	**2011**	**2009**	**2010**	**2011**
EU-27	0.164	0.173	0.184	0.103	0.105	0.112
Euro area (3)	0.173	0.182	0.193	0.106	0.109	0.118
Denmark	0.255	0.271	0.298	0.093	0.096	0.093
Germany	0.229	0.244	0.253	0.113	0.119	0.124
Cyprus	0.164	0.202	0.241	0.149	0.173	0.211
Belgium	0.186	0.197	0.212	0.108	0.105	0.115
Spain	0.168	0.185	0.209	0.112	0.109	0.116
Ireland	0.186	0.188	0.209	0.118	0.113	0.129
Italy	0.200	0.192	0.207	0.137	0.144	0.167
Sweden	0.165	0.196	0.204	0.069	0.084	0.083
Austria	0.191	0.193	0.197	:	:	:
Portugal	0.159	0.167	0.188	0.094	0.092	0.101
Netherlands	0.184	0.170	0.184	0.111	0.103	0.094
Slovakia	0.156	0.164	0.171	0.140	0.120	0.126
Malta	0.151	0.170	0.170	0.129	0.180	0.180
Luxembourg	0.188	0.175	0.166	0.116	0.102	0.100
United Kingdom	0.141	0.145	0.158	0.101	0.100	0.104
Hungary	0.166	0.157	0.155	0.130	0.105	0.100
Slovenia	0.134	0.143	0.149	0.096	0.101	0.096
Czech Republic	0.139	0.139	0.147	0.112	0.108	0.108
France	0.121	0.135	0.142	0.065	0.072	0.081
Finland	0.129	0.137	0.137	0.068	0.068	0.075
Poland	0.129	0.138	0.135	0.093	0.099	0.094
Latvia	0.105	0.105	0.134	0.089	0.091	0.110
Greece	0.103	0.121	0.124	0.094	0.103	0.111
Lithuania	0.093	0.122	0.122	0.079	0.105	0.104
Romania	0.098	0.105	0.109	0.083	0.081	0.080
Estonia	0.092	0.100	0.104	0.065	0.073	0.075
Bulgaria	0.082	0.083	0.087	0.064	0.066	0.067
Norway	0.156	0.191	0.187	0.080	0.094	0.091
Montenegro	:	:	0.085	:	:	:
Croatia	0.116	0.115	0.115	0.090	0.090	0.089
FYR of Macedonia	:	:	:	:	:	:
Turkey	0.118	0.137	0.115	0.079	0.092	0.076

(1) Annual consumption: 2 500 kWh < consumption < 5 000 kWh.

(2) Annual consumption: 500 MWh < consumption < 2 000 MWh; excluding VAT.

(3) EA-16, 2009 and 2010.

Source: Eurostat.

Given the recent trend of strong increases in consumer electricity prices (double-digit increases in the last three years), and the evolution of the deficit over that period, it does not seem feasible to eliminate the tariff deficit only by further increasing consumer prices.

Given the recent trend of strong increases in consumer electricity prices (double-digit increases in the last three years), and the evolution of the deficit over that period (Exhibit 1), it does not seem feasible to eliminate the tariff deficit only by further increasing consumer prices. Furthermore, electricity prices affect international competitiveness as they may represent a significant component in the cost structure of many service-providing business and industrial firms. Therefore, further policy measures that reduce the costs of providing electricity are likewise necessary.

The cost of electricity

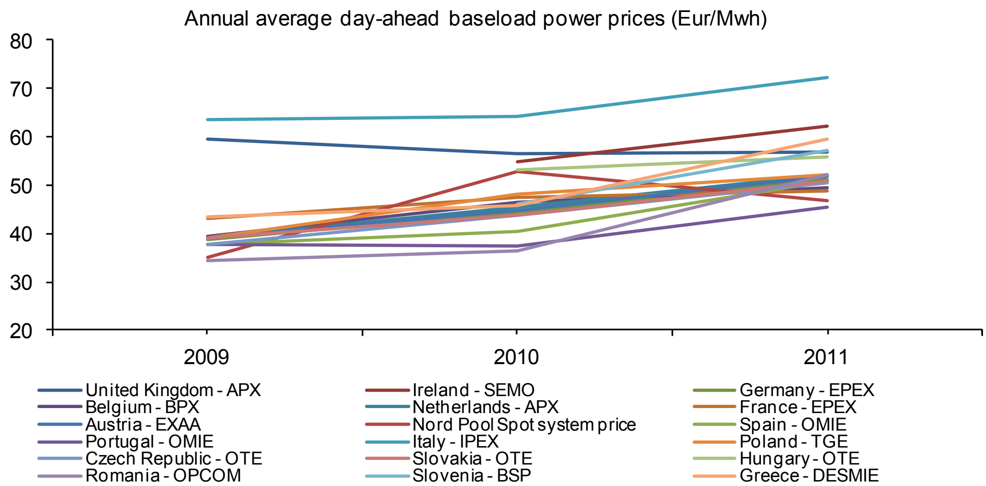
On the supply side, the electricity market is vertically organized and consists of generation, transmission, distribution and retailing activities[5]. In Spain, since July 2009, distribution activities have been formally separated from retailing to end-users. Retailing and generation are liberalized, while transmission and distribution networks are natural monopolies and therefore regulated activities. Regulatory measures could affect the costs at different levels of the vertical structure.

Generation costs

Generation costs for the electricity system are determined by prices at the wholesale market and payments to generators for other services. A moderately concentrated market structure coupled with very inelastic demand and the fact that, from the point of view of electricity, the Iberian market

Exhibit 2

Wholesale prices in the main European markets



Source: European Commission, Energy Markets in the European Union.

[5] Retailing consists of metering and billing the electricity to end-users. Distribution is transportation of low voltage electricity through local networks and consists of overhead lines, cables, switchgear, transformers, control systems and meters to transfer electricity from the transmission system to customers' premises. Transmission activities involve transportation of electricity at high voltage. Generation is the production and conversion of electric power.

is almost an island[6], would suggest that prices are well above marginal prices. However, market power at the electricity pool is currently less of a concern than it was a few years ago due to entry of new capacity with low marginal costs (mainly renewable)[7]. In fact, the Spanish wholesale price is not far from prices in the main European markets (see Exhibit 2).

In any case, measures promoting competition in the wholesale market could only be beneficial for the tariff deficit. It is well known that forward contracting fosters competition in the spot market and implies prices closer to marginal costs (Allaz and Vila, 1993; Powell, 1993). In Spain, electricity forward trading is still underdeveloped compared to other European markets and generator participation in these markets should be promoted.

Capacity payments

Generation capacity in mainland Spain is over 100,000 MW (REE, 2012) and over 65% is firm capacity (always available). On the other hand, peak demand may reach 45,000 MW. Thus, the reserve margin is well above the optimal level (10-20%)[8]. This would justify a reconsideration of the appropriateness of payments for capacity (around 600 million euros in 2012) that are supposed to provide incentives for investment and availability.

Renewable generation incentives

An important component of the electricity costs is the support to renewable energy sources. Subsidies in the form of feed-in tariffs (FIT) for different types of technologies (wind, thermo solar, photovoltaic, biomass,…) have been very successful in fostering investment in clean energy and have produced a large increase in renewable capacity. In 2005, renewable energy stood at 15% of all generation; in 2011, 33% and it is expected to reach 41% by 2020 (Eurostat, 2012; EWEA, 2011). This increase was larger than expected, as it was not envisioned at the time the feed-in tariffs were established that the cost of some of these technologies would go down so rapidly. The number of hours of production was also underestimated. The photovoltaic target was 400 MW, and 500 MW for thermo solar (Spanish Renewable Energy Plan 2005-2010). However, the generosity of the feed-in tariffs has driven much greater investment; the photovoltaic capacity was 4,047 MW and 1,049 MW for thermo solar energy by the end of 2011. The incentives for wind energy have been more modest and capacity at the end of 2011 was 21,091 MW, not far from the target of 20,155 MW set for 2010.

The widespread use of feed-in tariffs to promote photovoltaic energy has likewise produced investment bubbles in other countries (Creti and Joaug, 2012). In 2011, global solar photovoltaic capacity increased by around 30 GW, up 75%. Germany and Italy accounted for around 60% of the additions, with 25 GW and 13 GW of installed capacity, respectively at the end of 2011 (IEA, 2012).

In Spain, investment in renewable energy and the level of the feed-in tariffs implies payments of 8.4 billion euros in 2012 and 9.1 billion euros for 2013, to be added to the cost of other regulated activities. However, the effect of these feed-in tariffs on the total cost of electricity is not clear. Investment in renewable capacity has increased supply at the wholesale market thus decreasing the system marginal price. It has been argued that renewable energy “pays for itself” in the sense that by bidding at the pool at zero prices these units have substantially decreased the system marginal price and therefore the cost of all energy produced for the electricity system. Sáenz

[6] The interconnection capacity with Europe (through France) is relatively low, around 3% of peak consumption in the Iberian maket; it will increase to 6% in 2014 (REE).

[7] See Ciarreta and Espinosa (2010a,b; 2012) and CNE (2012b).

[8] See Marín and García (2012).

de Miera *et al.* (2008) analyzed the effect of the incentives for wind power in 2007 and concluded that the savings in terms of a lower wholesale price offset the tariffs paid to this technology. Ciarreta *et al.* (2012a,b) conducted a similar simulation exercise for the entire special regime in 2010 and concluded that the decrease in the wholesale price, around 29 €/MWh, was able to cover 70% of the feed-in tariff cost.

New regulation introduced in 2012 (Royal Decree 1/2012) has eliminated the incentives for new investment in renewable sources, but the feed-in tariffs to existing production units are still the largest component affecting the electricity cost structure in Spain (44% of the access charges projected for 2013). A regulatory authority sets the feed-in tariffs and it is very difficult to fix and maintain the adequate price for all technologies over time. Different systems of renewable energy promotion (a market for certificates, auctions by technology) should be considered as alternatives, at least for the more mature technologies.

Supply security constraints

The so-called supply-security-constraints mechanism (RGS), which was introduced in 2010 to foster the use of domestic coal, has a projected cost of around 450 million euros for 2013. This mechanism interferes with price formation at the pool and implied a transfer of trade from the day-ahead market to the intraday markets. The RGS drove up the wholesale price, so that the total cost imposed on the system may be even higher than the direct cost of incentives for domestic coal. The promotion of domestic coal should be redesigned so as to deter gaming of incentive regulation mechanisms.

Transmission and distribution costs

Transmission and distribution are natural monopolies and the problem is therefore to design incentive schemes that mitigate the information asymmetry between the firm and the regulator. In Spain, transmission and distribution are under "cost of service" or "rate of return" regulation and the regulator sets the revenue for these activities.

Traditionally, utilities have been regulated either on a cost-plus basis or under a fixed price. Under cost-plus regulation, the utility sees its costs offset and obtains a given rate of return on investment; thus, the firm's viability is guaranteed and the participation constraint is fulfilled. Under a fixed price system, the utility receives a fixed price for its services, which provides high-powered incentives for cost reduction; however, given that the regulator may have less information on the possibilities of cost reduction, the fixed price will potentially leave rents to the firm to ensure the firm's participation.

The optimal regulatory mechanism lies between these two extremes (cost-plus and fixed price) and combines the advantages of both systems. In general, it will take the form of a sliding scale mechanism where the price that the regulated firm can charge is partially responsive to changes in realized costs and partially fixed ex ante. Incentive regulation or performance-based regulation has been introduced in the US, the UK and other countries (Joskow, 2011).

Appropriate regulation is crucial, not only because it affects the price paid by the consumers (around half of the electricity bill paid by Spanish end-users is related to the cost of regulated activities) and the level of the tariff deficit, but also as the prices set in the regulated segment affect competitive segments. The access charges by means of which transmission and distributors recover their authorized costs need to give the correct signals,

Appropriate regulation is crucial, not only because it affects the price paid by the consumers and the level of the tariff deficit, but also as the prices set in the regulated segment affect competitive segments.

as network users can be induced to make efficient decisions only if they are confronted with the correct prices.

Retailing costs

Most consumers are under TUR pricing (last resort tariff). They pay the same price independently of the generation cost at the time of consumption. A price schedule for the end-user that would vary with the hourly cost of electricity at the pool, time of use (TOU) pricing, would improve the signals that the agents receive from the market. Real time feedback could imply cost reduction, first, by transferring some consumption from the peak hours (expensive) to off-peak hours (less expensive) and, second, by reducing consumption.

TOU pricing requires smart meters. By September 2012, Member States were expected to complete a cost-benefit assessment of the roll-out of smart metering systems (Directive 2009/72/EC). In Spain the meter substitution plan establishes the obligation for distributors to install smart meters for all consumers under 15 kW by 2018. This is a potentially important development for competition in the retail segment of the market. Retailers will be able to compete by setting different price schedules and presumably this could reduce the consumer electricity bill.

Prospects for the future

Table 2 presents the projected revenues and costs from regulated activities for 2013. The estimated revenues amount to 14.9 billion euros, and regulated costs are 20.6 billion euros. The negative balance, 5.7 billion euros, is expected to be covered through tax revenue from taxes to generation (3.0 billion euros), the revenue from CO_2 emission auctions (450 million euros) and other revenues.

This estimate of costs and revenues for 2013 assumes that the Spanish National Budget would

Table 2

Projected costs and revenues from regulated activities for 2013

(million euros)	REVENUES	COSTS	
Regulated revenues	14,884		
Regulated costs (access charges, capacity payments and other regulated activities)		20,561	
Transmission		1,637	
Distribution		5,161	
Feed-in tariffs		9,060	
Recovery deficit from regulated activities		2,271	
Excess deficit previous years		1,952	
Other		480	
Regulated Revenue-Cost			-5,717
Other revenues	5,720		
Tax measures (Law 15/2012)	3,000		
CO2 emission auctions	450		
Other	2,270		

Source: CNE (2012a).

offset the costs in non-mainland generation (RDL 6/2009). However, the Government Budget Bill for 2013 precludes that the compensation for non-mainland generation be included in the National Budget. If this is finally the case, the tariff deficit may be increased by around 1.7 billion euros.

The tax measures introduced by Law 15/2012 (a tax rate of 7% for all energy produced, plus additional taxes differentiated by type of technology) are supposed to generate tax revenue of 3.0 billion euros in 2013. Espinosa and Pizarro-Irizar (2012) simulated the effect of these taxes on the day-ahead market prices and concluded that the average final price would rise by some 11 €/MWh. This price raise translates into a higher cost of the energy produced for the electricity system. Since the estimated increase in the cost of energy is over 2.6 billion euros, the net effect of the taxes is much lower[9]. Furthermore, setting differentiated tax rates to different technologies may change their merit order at the day-ahead market giving rise to cost inefficiencies and sending the wrong signals for investment.

Finally, it is worth noting that over 20% of all regulated costs for 2013 are related to past deficits (4.2 billion euros), which makes it very difficult for the electricity system to generate a surplus that could absorb this deficit.

Over 20% of all regulated costs for 2013 are related to past deficits, which makes it very difficult for the electricity system to generate a surplus that could absorb this deficit.

Conclusion

The level of the tariff deficit has reached a magnitude that makes it unsustainable and requires effective measures. Through tariff deficits, regulators have allowed transferring part of the present costs of the electricity service to future consumers but this cannot be done indefinitely and a deep revision of regulation in this market is in order. A solution would be to pass at least a part of the accumulated deficit onto the National Budget, but unfortunately this is inconsistent with Spain's current budgetary targets.

The problem of the power tariff deficit cannot be solved in the short run unless consumer prices increase and/or the costs of the system decrease. However, the underlying reasons for the deficit should not be overlooked. The market's organization should be designed so as to prevent any future deficits; in particular, the market agents should be the residual claimants for any surplus or deficit generated. This would require a revision of the regulation concerning the promotion of renewable energy and the regulation of transmission and distribution.

As a final note, in their attempt to solve the tariff deficit, regulators should watch carefully for the side effects of regulatory measures. Some of the proposals to reduce the deficit imply interfering with the market price and the signals it conveys, and may do more harm than good.

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[9] See also Fabra and Fabra (2012).

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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-Law on measures to support entrepreneurs, stimulate growth and create employment (Royal Decree-Law 4/2013, published in the State Official Gazette (BOE) on February 23rd, 2013)

This Royal Decree-Law establishes different sets of measures:

Measures aimed at reducing youth unemployment and improving job stability: these include setting a lower initial rate of social security contributions for young people under 30 years old. The main changes relating to taxation are:

- A new tax scale (15% on the first 300,000 euros of taxable earnings and 20% on any amount over that threshold) has been put in place for newly created entities (established as of January 1st, 2013) conducting economic activities.
- Income tax exemption on lump-sum payments of unemployment benefits: The current generally applicable limit of 15,500 euros has been eliminated.
- A new reduction of 20% on net earnings from economic activities subject to direct assessment, which will be applicable to taxpayers starting an economic activity as of January 1st, 2013 and applicable to net earnings of up to 100,000 euros a year.

Measures to stimulate lending to businesses, which include the following legislative changes:

- **Regulations on the organisation and supervision of private insurance:** These regulations have been amended to allow insurance undertakings the possibility of investing in securities traded on the alternative stock market (MAB), and to make these investments eligible to meet requirements for technical provisions.
- **Regulations on pension funds and plans.** Along the same lines as in the case of insurance undertakings, these regulations have been amended to allow pension funds the possibility of investing in securities traded on the alternative stock market and in venture capital undertakings, subject to an upper limit of 3% of the fund's assets being invested in any one entity.
- **Securities Market Law**, with a view to facilitating Spanish firms' access to non-bank finance, the ceiling on issues established in the Capital Corporations Law (whereby total issues may not exceed paid-in capital stock

plus reserves) for investments in multilateral trading systems (in line with practice in regulated markets) has been eliminated.

Measures to finance payments of suppliers of local entities and regional governments: A new phase of the mechanism implemented last year has been put into place, its purpose and scope have been broadened, and some specific features have been added for this new phase. In particular, it has been expanded to include local groups of councils and local entities in the Basque Country and Navarre. Accordingly, the following legislation has been amended:

- **Royal Decree-Law 7/2012**, of March 9th, 2012, creating the fund to finance supplier payments, now establishes that the ICO will be in charge of managing operations involving this fund.

- **Royal Decree-Law 21/2012,** of July 13th, 2012, on liquidity measures for general government and measures in the financial domain, establishes that fulfilment of obligations deriving from debt to multilateral financial institutions, and those envisaged in adjustment plans, may not be affected by the possible retention of resources of the financing system for the autonomous regions.

Measures to combat late payment, Law 3/2004, of December 29th, 2004, establishing measures to combat late payment for commercial transactions, has been amended as follows:

- Payment times have been simplified.

- A forecast of payment schedules has been included, together with the definition of how interest will be calculated in the event that an installment is not paid on the agreed date.

- The legal interest rate the debtor is liable to pay in the event of late payment has been changed, such that it is now equal to the interest rate applied by the European Central Bank in its most recent main refinancing operation, plus eight percentage points.

- As compensation for collection costs, the debtor shall be obliged to pay the creditor a fixed sum of 40 euros, without the need for prior request. This is in addition to any amount claimed to cover the costs incurred in obtaining collection of the sum due. The limit on this compensation has also been eliminated.

- Contract clauses that waive compensation for collection costs are deemed abusive, and therefore null and void.

Draft bill on savings banks and banking foundations (pending parliamentary approval)

On January 21st, open hearings began on the draft bill for a law on savings banks and banking foundations.

The changes affecting **savings banks** relate primarily to their sphere of action, which is restricted to an autonomous region or up to ten contiguous provinces, and their main business, which centres on attracting deposits and granting loans. The rules on activities incompatible with the post of director have been expanded (specifically, executive officers of political parties, trade unions and professional associations may not be appointed as directors).

Savings banks' **governing bodies** are defined as being the general assembly, the board of directors, and the steering committee.

- **Assembly**: with a membership of between 30 and 150, who must meet certain requirements (good reputation and professional standing, not subject to any incompatibility, etc.).

Representatives of government may not account for more than 25% of members.

- **Board of Directors**: with a membership of between 13 and 17, most of whom must be independent.

- **Steering committee**: at least half of its members must be independent.

- **Other committees**: an investment committee, appointments and compensations committee, and social work committee are envisaged.

Banking foundations are defined as being foundations with a direct or indirect shareholding of at least 10% of the share capital or voting rights of a credit institution, or which have voting power enabling them to appoint or dismiss a member of its governing body. The main function of foundations of this kind will be to manage their charitable/philanthropic work and their holding in the credit institution. Their company name must include the words *fundación bancaria* (banking foundation) and they may use the names of the savings banks from which they derive.

Banking foundations will be governed by the legal framework established in this law, together with the general legislation on foundations.

Savings banks must **convert into banking foundations** when any of the following situations arise:

- In the event that a savings bank exceeds any of the following parameters, at the consolidated group level:

  - total consolidated assets of more than **10 billion euros**, or

  - market share in its autonomous region, in terms of deposits, of more than **35%.**

  In these cases, the savings bank will be obliged to transfer its financial activity to a credit institution, convert to a banking foundation, approve new articles of association, and appoint trustees, within **five months** of the time when the conditions triggering the obligation to convert arise.

- Unless the institution returns to its prior state, if five months elapse without this conversion being carried out, the **institution will be wound up** and removed from the register of credit institutions.

The **governing bodies** of banking foundations will be the board of trustees (the highest governing body), the director, and any other body or office envisaged in the articles of association, in accordance with the general legislation on foundations.

Banking foundations will have the following obligations, depending on their percentage shareholding in the credit institution:

- If one institution (or a number of foundations acting as a consortium) holds more than 30% of the shares in a credit institution, or exercises control over it as defined in article 42 of the Commercial Code, these foundations must comply with certain additional requirements:

  - Preparation of a **management protocol for the financial interest**, setting out the basic criteria of this strategic shareholding, describing the relationships between the trustees and the institution's governing bodies, establishing the operational criteria for the relationship between them, and defining how to prevent possible conflicts of interest. This plan must be made public, and will be subject to the prior approval of the Bank of Spain, which will define its minimum content.

- Annual preparation of a **financial plan** describing how the credit institution's possible capital needs are to be met, and the foundation's criteria and strategy for its investments in the financial institution.

- If the shareholding of the foundation (or foundations) in the credit institution **exceeds 50% or represents a controlling interest,** as defined in the Commercial Code, the financial plan must also include:

- An **investment diversification and risk management plan;**

- Setting aside of a **reserve fund**, to be invested in high credit quality, highly liquid financial assets, to meet the credit institution's possible equity capital needs (the financial plan will consequently include a timetable of minimum provisions);

- Other measures guaranteeing sound and prudential management of the credit institution.

Supervisory authority over banking foundations whose main business extends over more than one autonomous region will rest with the Ministry of Economic Affairs and Competitiveness.

The Bank of Spain will have responsibility for ensuring compliance with the legislation on foundations' holdings in the capital of credit institutions. To this end it may undertake inspections and require credit institutions to submit any information it deems necessary.

It also clarifies other points, such as:

- In the event that a savings bank holds **more than 50% of a credit institution's shares** or exercises control over the institution, as per article 42 of the Commercial Code, and it converts into a banking foundation, it may not subscribe new shares in the credit institution if this means increasing its percentage holding.

- Agreements on the distribution of **dividends** by credit institutions controlled by banking foundations will be subject to an enhanced quorum, as laid down in article 194 of the Capital Companies Law, and must be adopted by a majority of at least three quarters of the capital present or represented at the shareholders' meeting. The articles of Association may establish that a larger majority is required.

- **Early action, restructuring and resolution plans** may include the obligation not to increase the shareholding in the credit institution, or to reduce it to positions that do not grant control.

- The ***Montes de Piedad*** (charitable pawnbrokers) may be considered to form part of the foundation's social work, and may therefore be included in the savings banks, banking foundations, or credit institutions they control.

- Savings banks operating indirectly will have a period of **one year in which to convert into a banking foundation**. If their conversion into a special foundation is already underway, they will have the remainder of the five-month period available in which to complete the process.

- **Adaptation of savings banks:** if the requirements (size/market share) are not satisfied, they will have **one year in which to comply or convert into a banking foundation.**

- **The following laws are expressly repealed:**

  a) **Law 31/1985,** of August 2nd, 1985, on Regulation of the Basic Standards for the Governing Bodies of Savings Banks (LORCA);

b) **Royal Decree-Law** 11/2010, of July 9th, 2010, on governing bodies and other aspects of the legal framework for Savings Banks;

c) Certain articles **concerning non-voting equity units (cuotas participativas) in Law 13/1985**, of May 25th, 1985, on investment ratios, equity capital and reporting obligations of financial intermediaries, which had previously been amended by Royal Decree-Law 11/2010;

d) The framework for SIPs[1].

Draft Royal Decree modifying the requirements for good reputation, experience and good governance in credit institutions (pending parliamentary approval)

On January 21st, the public hearing began for the draft Royal Decree modifying the requirements for good reputation, experience and good governance in credit institutions. The bill amends several rules (affecting banks, credit unions, credit finance institutions, payment services and electronic money institutions) in order to incorporate into Spanish legislation the EBA guidelines regarding the suitability of the members of the Board of Directors and other staff with key functions in the institution.

In the case of credit institutions the **following requirements** are laid down:

1) To be of **good business and professional standing, and have appropriate knowledge and experience** for the exercise of their functions. This requirement is applicable to all **the members of the board of directors,** and the board of the parent company, if any, and general managers or similar officers, and persons responsible for control functions or who hold key positions for the day-to-day running of the business of the institution or its parent.

When assessing business and professional standing, the following should be considered:

a) Individuals' track records in relation to regulatory and supervisory authorities; the reasons for any dismissals from previous posts; their history of creditworthiness and fulfilment of obligations; the results of their performance of their responsibilities; whether they have been declared bankrupt.

b) Any criminal convictions or penalties imposed for having committed administrative offences.

c) The existence of significant and well-founded investigations, in relation to either criminal or administrative matters.

2) When **assessing the requirements for appropriate knowledge and experience**, both knowledge acquired in academia and professional experience performing similar functions in other institutions should be taken into account, with particular attention being paid to the nature and complexity of the positions held, the competencies and decision-making powers and responsibilities assumed, the number of people the individual was in charge of, the technical knowledge they have acquired regarding the financial sector, and the risks that need to be managed.

However, it is established that the assessment of the members of the board of directors must be made considering the board as a whole.

[1] SIP = *Sistema Institucional de Protección* (Institutional Protection Scheme).

3) **Good governance of the institution**. This requirement is applicable solely to members of the board of directors. When assessing this quality, the following will be considered:

   a) the existence of possible **conflicts of interest** leading to undue influence of third parties, as a result of:

      i. positions held in the past or present with the same institution or other organisations;

      ii. any personal, professional or economic relationship with members of the institution's board of directors, or that of its parent or subsidiaries;

      iii. any personal, professional or economic relationship with shareholders controlling the institution, its parent or subsidiaries.

   b) the ability to devote **sufficient time and effort** to carrying out the corresponding functions.

The **assessment of suitabilit**y will be carried out:

a) **By the institution concerned,** when it applies to the Bank of Spain for authorisation to conduct banking business, when making new appointments, and whenever circumstances arise that make it advisable to assess suitability.

b) **By the Bank of Spain**, when authorising the creation of a bank, when it is notified of new appointments, or whenever it considers it necessary to assess whether the members of the board are suitable for their posts.

Spanish economic forecasts panel: March 2013

Funcas Economic Trends and Statistics Department

The GDP forecast for 2013 remains unchanged at -1.5%

There has been no change in the forecasts for 2013. The consensus average continues to predict a change in GDP of -1.5%, as a result of worse domestic demand than in 2012, while the contribution from the external sector remains similar. All the components of domestic demand are expected to fall sharply.

The forecast for 2014 stands at 0.7%

In this Panel, forecasts for 2014 were requested for the first time, and the consensus forecast was growth of 0.7%. The fall in private consumption is expected to bottom out, and investments in capital goods should start to pick up. Nevertheless, domestic demand's contribution to growth will remain negative (-0.7 percentage points), although less so than in the preceding years. Moreover, it will be offset by the positive contribution from the external sector, although this contribution will be smaller than in recent years.

The quarterly profile emerging from the consensus figures (Table 2) is for GDP to contract over the first three quarters of 2013, level off in the fourth, and return to modest growth from the first quarter of 2014 onwards.

Industrial activity has resumed its downward trend

Industrial activity fell sharply in the fourth quarter of 2012. The indicators available for the first quarter of 2013 –the industrial production index for January, and the PMI for January and February– suggest that the negative rates will continue, although the pace of the decline will slacken.

The consensus forecast for the Spanish industrial production index is -3.6% in 2013 –no change on the previous panel– and growth of 0.2% is predicted for 2014.

Falling inflation

The inflation rate remained unchanged in January and February 2013 at 2.7%, down from the peak of 3.5% in October 2012. The downward trend is expected to continue over the course of the year, unless there are any new legislative or tax changes affecting final consumption prices, as the staged effects on the general index caused by various measures introduced in 2012 cease to impact consumer prices.

The average rate expected for the year as a whole is 2%, dropping to 1.6% in 2014. The year-on-year rate in December is expected to be 1.7% this year and 1.6% the next (Table 3).

The outlook for employment is negative

Employment contracted by 4.4% in 2012, measured in terms of full-time equivalent jobs, with the final quarter suffering the biggest drop. The number of social security affiliates in January and February indicate that jobs continued to be lost in the first quarter of 2013, but that the rate had slowed somewhat from the preceding quarter. The forecast trend in employment has worsened by one tenth of a percentage point, to -3.2%, with a drop of 0.2% anticipated in 2014. The annual average unemployment rate is predicted to be 26.8% in 2013 and 26.5% in 2014.

Drawing on consensus estimates for GDP, employment and salary growth, it is possible to obtain implicit productivity and unit labour cost growth estimates. This yields expected productivity growth of 1.8% in 2013 and 0.8% in 2014, while ULCs, which fell by 3.4% last year, are predicted to drop by 1.7% and 0.3% this year and next, respectively.

The trade imbalance has been corrected

In 2012, the current account balance was -0.8% of GDP. However, the deficit was concentrated in the first half of the year, with a change of sign in the second half, with the balance moving into surplus. The consensus forecast for 2013 and 2014 is for a balance of 0.3% and 1.2% of GDP, respectively.

The government deficit targets will be hard to meet

Last year ended with an overall general government deficit of 6.7% of GDP, excluding aid to financial institutions. This was less than the consensus forecast of 7.3%, although much of the difference is the result of delaying tax refunds until 2013 and bringing forward collection of corporate tax to 2012, which means deferring a share of the deficit from 2012 to 2013[1].

The consensus forecast for 2013 is -5.7% of GDP. One tenth of a point more than the previous Panel's deficit forecast. A balance of -4.4% is predicted for 2014.

The outlook for the global context is brighter

The developed countries saw a general worsening in their economic performance in the last quarter of the year. The drop in euro area GDP worsened to -0.6%, with all the area's main economies contracting. Nevertheless, the emerging economies registered a significant upturn in GDP growth and foreign trade in the same period.

The opinion regarding the current situation in the EU remains largely negative, while the opinion on the situation outside the EU remains neutral. The majority expecting positive developments both in the EU and in the rest of the world in the next few months has grown.

Interest rates on government debt are not expected to rise further

After the upward trend seen in January, short-term interest rates moved downwards again in February. After a short spike in late February caused by the results of Italy's elections, yields on ten-year government debt resumed the downward path they began in August, falling to below 5% in early March.

Short-term interest rates are still viewed as being appropriate to the Spanish economy's situation, and the majority of panellists continue to expect them to remain stable over the coming months. In the case of long-term rates, there has been almost no change in the opinion that the current level is too high to enable the economy to recover, but most panellists expect them to remain stable over the next few months.

The euro is overvalued

There have been no changes in the valuation of the euro, which remains strong. The large majority of panellists consider that the European currency is overvalued and expect it decline in value over the coming months.

[1] Subsequently, the public deficit figure has been corrected to 7% of GDP by the European Commission.

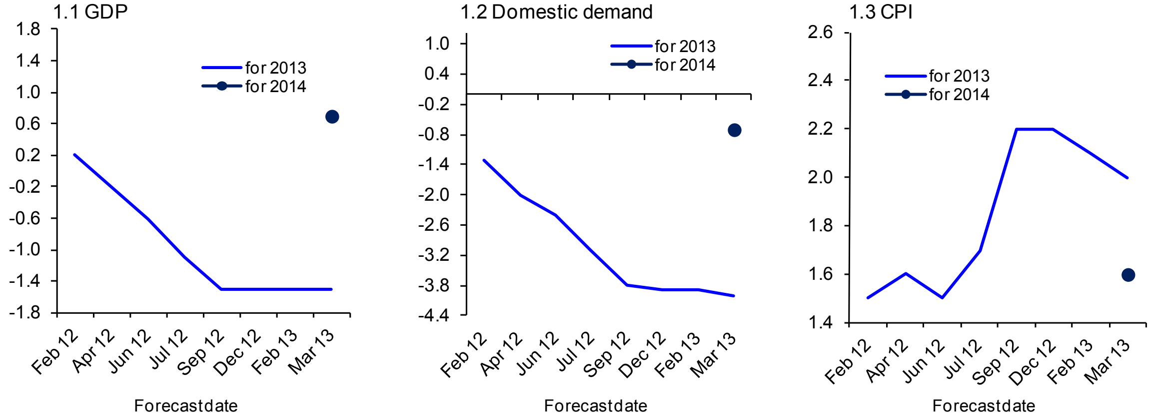
Expansionary monetary policy is warranted

There has been no change in opinions on fiscal policy either, which continues to be unanimously viewed as restrictive, an orientation the majority considers necessary. The overwhelming majority of panellists also consider current monetary policy to be expansionary, and still unanimously consider that this orientation should be maintained.

Exhibit 1

Change in forecasts (Consensus values)

Percentage annual change



Source: FUNCAS Panel of forecasts.

Table 1

Economic Forecasts for Spain – March 2013

Average year-on-year change, as a percentage, unless otherwise state

	GDP		Household consumption		Public consumption		Gross formation fixed capital		GFCF machinery capital goods		GFCF Construction		National demand	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Analistas Financieros Internacionales (AFI)	-1.8	0.5	-3.0	-0.1	-6.3	-4.0	-6.4	0.9	-4.4	3.3	-7.7	-0.4	-4.3	-0.7
Banco Bilbao Vizcaya Argentaria (BBVA)	-1.1	1.1	-2.8	-0.3	-7.2	-1.8	-6.8	2.6	-1.7	6.4	-10.2	0.3	-4.6	0.0
Bankia	-1.5	0.7	-3.1	-0.1	-5.0	-3.1	-7.5	-0.8	-7.4	0.5	-8.4	-1.8	-4.4	-0.9
CatalunyaCaixa	-1.5	0.8	-3.3	-0.1	-6.3	-2.0	-8.3	-3.8	-7.8	-3.4	-8.7	-4.1	-4.9	-1.2
Cemex	-1.6	0.4	-3.1	0.1	-3.6	-1.7	-7.9	-0.3	-6.0	1.7	-10.0	-2.6	-4.1	-0.3
Centro de Estudios Economía de Madrid (CEEM-URJC)	-1.4	1.1	-2.4	0.1	-7.0	-1.4	-5.5	-0.8	-3.6	0.8	-7.2	-1.9	-3.9	-0.4
Centro de Predicción Económica (CEPREDE-UAM)	-1.5	0.9	-2.5	0.1	-3.8	-0.6	-7.9	-1.3	-6.7	-1.0	-9.5	-2.0	-4.3	-0.6
CEOE	-1.5	0.8	-3.1	-0.2	-4.0	-2.4	-7.3	-2.2	-2.8	3.3	-10.5	-5.5	-4.2	-0.9
ESADE	-1.0	--	-1.0	--	-4.5	--	-0.9	--	--	--	--	--	-1.7	--
Fundación Cajas de Ahorros (FUNCAS)	-1.6	0.5	-3.2	-0.3	-3.1	-2.4	-7.7	-2.7	-6.5	0.3	-9.1	-5.1	-4.0	-1.2
Instituto Complutense de Análisis Económico (ICAE-UCM)	-1.3	--	-2.2	--	-7.8	--	-11.9	--	-6.7	--	-15.3	--	-3.5	--
Instituto de Estudios Económicos (IEE)	-1.5	--	-2.5	--	-6.5	--	-6.5	--	-3.0	--	-8.5	--	-3.9	--
Instituto de Macroeconomía y Finanzas (Universidad CJC)	-1.4	0.9	-2.1	0.6	-3.6	-2.5	-5.4	1.6	-1.8	6.8	-7.7	-0.5	-3.1	0.2
Instituto Flores de Lemus (IFL-UC3M)	-1.6	0.0	-2.6	0.2	-6.3	-3.7	-7.5	-3.4	-6.9	-2.5	-9.4	-5.0	--	--
Intermoney	-2.0	--	-3.8	--	-5.2	--	-11.4	--	-13.5	--	-11.1	--	-5.4	--
La Caixa	-1.3	0.8	-3.0	0.1	-4.0	-2.2	-7.6	-1.1	-4.6	1.8	-9.1	-2.6	-4.0	-0.6
Repsol	-1.4	0.8	-2.7	-0.4	-4.0	-1.6	-5.7	0.8	-3.1	6.3	-6.5	-1.6	-3.5	-1.5
Santander	-1.4	0.9	-2.9	0.5	-5.0	-3.0	-6.8	-0.9	-4.2	2.5	-7.9	-2.9	-4.0	-0.5
Solchaga Recio & asociados	-1.8	0.2	-3.1	-0.5	-4.5	-3.5	-8.1	-3.6	-5.1	-0.5	-10.6	-5.5	-4.4	-1.7
CONSENSUS (AVERAGE)	-1.5	0.7	-2.8	0.0	-5.1	-2.4	-7.2	-1.0	-5.3	1.8	-9.3	-2.7	-4.0	-0.7
Maximum	-1.0	1.1	-1.0	0.6	-3.1	-0.6	-0.9	2.6	-1.7	6.8	-6.5	0.3	-1.7	0.2
Minimum	-2.0	0.0	-3.8	-0.5	-7.8	-4.0	-11.9	-3.8	-13.5	-3.4	-15.3	-5.5	-5.4	-1.7
Change on 2 months earlier[1]	0.0	--	-0.5	--	1.4	--	-0.6	--	-1.6	--	-0.4	--	-0.1	--
- Rise[2]	2	--	1	--	13	--	2	--	1	--	5	--	4	--
- Drop[2]	3	--	10	--	0	--	11	--	12	--	9	--	7	--
Change on 6 months earlier[1]	0.0	--	-0.6	--	1.8	--	-1.3	--	-1.4	--	-1.9	--	-0.2	--
Memorandum entry:														
Government (Sep. 2012)	-0.5	1.2	-1.4	1.0	-8.2	-6.4	-2.0	1.4	--	--	--	--	-2.8	-0.3
Bank of Spain (January 2012)	0.2	--	-0.5	--	-3.3	--	-2.2	--	-0,9[3]	--	-3.1	--	--	--
EC (February 2013)	-1.4	0.8	-2.7	-0.2	-5.4	-1.1	-6.6	-1.0	--	--	--	--	-4.0	-0.5
IMF (January 2013)	-1.5	0.8	--	--	--	--	--	--	--	--	--	--	--	--
OECD (November 2012)	-1.4	0.5	-2.3	-0.5	-4.0	-0.8	-9.0	-2.7	--	--	--	--	-4.0	-0.9

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

Table 1 (Continued)

Economic Forecasts for Spain – March 2013

Average year-on-year change, as a percentage, unless otherwise state

	Exports goods & services		Imports goods & services		Industrial output (IPI)		CPI (annual average)		Labour costs[3]		Jobs[4]		Unemp. (LFS) (% labour force)		C/A bal. payments (% of GDP)[5]		Gen. gov. bal. (% of GDP)	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Analistas Financieros Internacionales (AFI)	3.2	6.2	-4.8	3.0	--	--	2.2	1.7	--	--	-3.9	0.4	27.3	26.6	0.8	1.4	-5.8	-4.5
Banco Bilbao Vizcaya Argentaria (BBVA)	6.3	8.2	-4.4	5.8	--	--	2.0	1.1	--	--	-3.4	-0.4	26.8	26.1	0.3	0.9	-5.9	-4.6
Bankia	3.6	4.2	-5.7	-0.8	-2.8	--	1.9	1.9	-0.3	0.3	-3.4	-0.4	26.7	26.6	0.6	2.2	--	--
CatalunyaCaixa	5.0	5.4	-4.6	2.0	--	--	2.1	2.0	--	--	-3.5	1.1	26.8	26.3	--	--	--	--
Cemex	4.1	5.0	-3.1	3.2	--	--	1.8	1.2	--	--	-3.0	0.1	26.5	26.5	0.6	1.0	-5.3	-4.0
Centro de Estudios Economía de Madrid (CEEM-URJC)	5.5	5.8	-2.3	1.8	--	--	1.8	1.2	--	--	-2.2	0.2	26.0	25.5	-0.1	1.5	-5.7	-4.1
Centro de Predicción Económica (CEPREDE-UAM)	3.2	4.9	-4.2	1.7	-3.7	-1.6	2.1	1.7	-0.7	0.8	-3.0	-0.4	26.6	26.9	1.3	2.5	-5.1	-4.7
CEOE	5.1	5.7	-3.1	0.8	-3.6	2.0	2.0	1.2	0.9	0.1	-3.2	-0.5	27.0	26.9	-0.1	-0.4	-5.5	-4.8
Esade	3.0	--	-1.0	--	--	--	2.5	--	--	--	-2.5	--	24.5	--	-2.5	--	--	--
Fundación Cajas de Ahorros (FUNCAS)	3.0	6.1	-4.4	1.5	-4.5	0.9	2.0	1.4	0.7	0.5	-3.5	-0.9	26.6	26.0	1.3	2.2	-5.8	-4.6
Instituto Complutense de Análisis Económico (ICAE-UCM)	4.8	--	-2.6	--	-4.0	--	2.8	--	0.7	--	-3.4	--	27.5	--	-0.2	--	-6.0	--
Instituto de Estudios Económicos (IEE)	4.6	--	-3.0	--	--	--	2.2	--	1.0	--	-3.0	--	26.5	--	0.1	--	-5.5	--
Instit. Macroec.y Finanzas (Univ. CJC)	3.2	4.1	-3.1	1.3	-4.0	-1.0	2.3	1.5	--	--	-3.6	-0.9	27.1	27.4	0.5	-0.5	-6.0	-4.5
Instituto Flores de Lemus (IFL-UC3M)	3.2	4.3	-4.8	0.3	-5.1	-3.5	2.1	1.7	--	--	--	--	27.2	27.3	--	--	--	--
Intermoney	0.8	--	-10.4	--	--	--	1.1	--	-1.0	--	-4.2	--	27.9	--	1.0	--	-6.1	--
La Caixa	4.4	4.2	-4.2	0.4	-1.1	4.0	2.1	1.6	-0.7	1.0	-3.2	0.3	26.4	25.7	1.0	2.0	-6.2	-4.4
Repsol	5.3	6.0	-3.3	2.1	-3.4	0.5	2.1	1.7	0.3	0.1	-3.1	-1.0	26.9	26.0	0.5	0.8	-5.2	-4.0
Santander	5.0	5.7	-4.6	1.7	--	--	1.9	2.0	0.2	0.4	-2.7	0.4	26.7	26.0	0.2	0.5	--	--
Solchaga Recio & asociados	3.5	5.7	-4.9	0.5	--	--	1.8	1.6	--	--	-3.5	-0.8	27.5	27.3	0.3	2.0	-5.5	-4.2
CONSENSUS (AVERAGE)	4.0	5.4	-4.1	1.7	-3.6	0.2	2.0	1.6	0.1	0.5	-3.2	-0.2	26.8	26.5	0.3	1.2	-5.7	-4.4
Maximum	6.3	8.2	-1.0	5.8	-1.1	4.0	2.8	2.0	1.0	1.0	-2.2	1.1	27.9	27.4	1.3	2.5	-5.1	-4.0
Minimum	0.8	4.1	-10.4	-0.8	-5.1	-3.5	1.1	1.1	-1.0	0.1	-4.2	-1.0	24.5	25.5	-2.5	-0.5	-6.2	-4.8
Change on 2 months earlier[1]	-0.4	--	-0.7	--	0.0	--	-0.1	--	-0.5	--	-0.1	--	0.1	--	0.3	--	-0.1	--
- Rise[2]	4	--	3	--	2	--	3	--	1	--	0	--	4	--	8	--	1	--
- Drop[2]	8	--	10	--	2	--	5	--	6	--	5	--	2	--	1	--	5	--
Change on 6 months earlier[1]	-0.1	--	-0.8	--	-1.0	--	-0.2	--	-0.4	--	-0.6	--	0.7	--	0.4	--	-0.6	--
Memorandum entry:																		
Government (Sep 2012)	6.0	7.1	-1.5	3.3	--	--	--	--	1.5	0.5	-0,2[7]	1.1	24.3	23.3	0.0	1.0	-4.5	-2.8
Bank of Spain (January 2012)	5.9	--	1.2	--	--	--	1,2[6]	--	0.1	--	-0.7	--	23.3	--	0.0[8]	--	-3.0	--
EC (February 2013)	4.2	5.7	-3.8	2.0	--	--	1.7	1.0	--	--	-3.1	0.0	26.9	26.6	1.0	2.5	-6.7	-7.2
IMF (January 2013)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
OECD (Novemb. 2012)	6.4	6.2	-1.3	2.4	--	--	1.2	0.4	--	--	--	--	26.9	26.8	0.5	1.8	-6.3	-5.9

[1] Difference in percentage points between the current month's average and that of two months earlier (or six months earlier).

[2] Number of panelists revising their forecast upwards (or downwards) since two months earlier.

[3] Average earnings per full-time equivalent job.

[4] In National Accounts terms: full time equivalent jobs.

[5] Current account balance, according to Bank of Spain estimates.

[6] Private consumption deflator.

[7] Employment (LFS).

[8] Net borrowing vis-à-vis rest of world.

Table 2

Quarterly Forecasts - March 2013[1]

Quarter-on-quarter change (percentage)

	13-Q1	13-Q2	13-Q3	13-Q4	14-Q1	14-Q2	14-Q3	14-Q4
GDP[2]	-0.5	-0.3	-0.1	0.0	0.1	0.2	0.3	0.3
Household consumption[2]	-0.4	-0.5	-0.3	-0.3	0.2	0.0	0.2	0.1

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

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

Table 3

CPI Forecasts – March 2013[1]

Monthly change (%)				Year-on-year change (%)	
March-13	Apr-13	May-13	Jun-13	Dec-13	Dec-14
0.5	1.1	0.1	0.0	1.7	1.6

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

Table 4

Opinions – March 2013

Number of responses

	Currently			Trend for next 6 months		
	Favourable	Neutral	Unfavourable	Improving	Unchanged	Worsening
International context: EU	0	2	17	13	5	1
International context: Non-EU	7	12	0	13	6	0
	Low[1]	Normal[1]	High[1]	Increasing	Stable	Decreasing
Short-term interest rate[2]	5	11	3	3	13	3
Long-term interest rate[3]	1	3	15	1	10	8
	Overvalued[4]	Normal[4]	Undervalued[4]	Appreciation	Stable	Depreciation
Euro/dollar exchange rate	16	3	0	0	10	9
	Is being			Should be		
	Restrictive	Neutral	Expansionary	Restrictive	Neutral	Expansionary
Fiscal policy assessment[1]	19	0	0	11	5	3
Monetary policy assessment[1]	2	3	14	0	1	18

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

[2] *Three-month Euribor.*

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

[4] *Relative to theoretical equilibrium rate.*

KEY FACTS:

KEY FACTS: ECONOMIC INDICATORS

Table 1

National accounts: GDP and main expenditure components SWDA*

Forecasts in blue

		GDP	Private consumption	Public consumption	Gross fixed capital formation					Exports	Imports	Domestic Demand (a)	Net exports (a)
						Construction							
					Total	Total	Housing	Other constructions	Equipment & others products				
Chain-linked volumes, annual percentage changes													
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	-3.8	3.7	-18.0	-16.6	-23.1	-9.1	-21.3	-10.0	-17.2	-6.6	2.9
2010		-0.3	0.7	1.5	-6.2	-9.8	-10.1	-9.6	2.8	11.3	9.2	-0.6	0.3
2011		0.4	-1.0	-0.5	-5.3	-9.0	-6.7	-11.0	2.5	7.6	-0.9	-1.9	2.3
2012		-1.4	-2.1	-3.7	-9.1	-11.5	-8.0	-14.6	-4.9	3.1	-5.0	-3.9	2.5
2013		-1.6	-3.2	-3.1	-7.7	-9.1	-6.3	-11.7	-5.3	3.0	-4.5	-4.0	2.4
2014		0.5	-0.3	-2.4	-2.8	-5.1	-3.5	-6.6	0.7	6.1	1.4	-1.2	1.6
2012	I	-0.7	-1.3	-3.8	-7.4	-9.5	-6.8	-11.9	-3.5	2.1	-5.9	-3.1	2.4
	II	-1.4	-2.2	-2.8	-9.2	-11.6	-7.9	-14.9	-4.7	2.7	-5.2	-3.8	2.4
	III	-1.6	-2.1	-4.0	-9.7	-12.4	-8.7	-15.8	-4.8	4.2	-3.4	-4.0	2.4
	IV	-1.9	-3.0	-4.1	-10.3	-12.3	-8.7	-15.7	-6.5	3.2	-5.4	-4.7	2.8
2013	I	-2.0	-4.1	-3.3	-9.3	-11.0	-8.0	-13.8	-6.2	5.1	-4.7	-5.1	3.1
	II	-1.9	-3.5	-3.5	-7.9	-9.3	-6.4	-11.8	-5.6	4.0	-4.1	-4.5	2.6
	III	-1.7	-3.4	-2.4	-8.0	-8.6	-6.0	-11.0	-7.2	0.3	-7.0	-4.2	2.5
	IV	-0.9	-1.7	-3.2	-5.3	-7.5	-4.6	-10.1	-1.9	2.7	-2.2	-2.6	1.7
2014	I	-0.2	-1.2	-2.9	-4.5	-6.6	-4.2	-8.8	-1.5	5.2	-0.5	-2.2	2.0
	II	0.3	-0.6	-2.9	-3.3	-5.6	-3.8	-7.3	0.1	6.0	0.9	-1.5	1.8
	III	0.8	0.0	-2.0	-2.1	-4.6	-3.3	-5.8	1.6	6.4	2.2	-0.8	1.6
	IV	1.1	0.5	-1.8	-1.0	-3.6	-2.8	-4.4	2.6	6.7	2.9	-0.4	1.5
Chain-linked volumes, quarter-on-quarter percentage changes, at annual rate													
2012	I	-1.8	2.1	-4.2	-9.5	-13.8	-7.8	-18.9	-1.2	-9.9	-7.7	-1.2	-0.6
	II	-1.5	-4.2	-1.3	-11.8	-14.8	-11.0	-18.2	-6.4	7.3	-5.2	-5.3	3.7
	III	-1.3	-2.1	-9.8	-4.9	-9.8	-6.3	-13.1	3.9	21.8	11.3	-4.4	3.1
	IV	-3.1	-7.6	-1.0	-14.5	-10.8	-9.5	-12.2	-20.4	-3.7	-17.9	-7.8	4.7
2013	I	-1.9	-2.4	-1.0	-5.4	-8.6	-5.2	-11.4	-0.1	-3.2	-4.8	-2.2	0.4
	II	-1.1	-2.0	-2.0	-6.4	-7.8	-4.7	-10.7	-4.1	3.0	-2.7	-2.9	1.8
	III	-0.8	-1.4	-5.6	-5.4	-7.1	-4.5	-9.6	-2.8	5.3	-1.8	-3.1	2.3
	IV	0.2	-1.0	-4.0	-4.1	-6.3	-4.1	-8.5	-0.6	6.0	0.7	-2.0	2.2
2014	I	0.8	-0.2	0.0	-2.2	-4.9	-3.5	-6.2	1.6	6.3	2.0	-0.5	1.2
	II	1.1	0.4	-2.0	-1.3	-3.9	-3.0	-4.8	2.4	6.5	2.9	-0.4	1.5
	III	1.2	0.8	-2.0	-0.7	-3.2	-2.5	-3.8	2.9	6.7	3.2	-0.1	1.3
	IV	1.2	1.0	-3.0	0.0	-2.4	-2.0	-2.8	3.4	7.0	3.4	0.0	1.2
		Current prices (EUR billions)	**Percentage of GDP at current prices**										
2007		1,053.2	57.4	18.3	30.7	21.9	12.2	9.7	8.8	26.9	33.6	106.7	-6.7
2008		1,087.8	57.2	19.5	28.7	20.2	10.8	9.4	8.4	26.5	32.3	105.8	-5.8
2009		1,048.1	56.5	21.3	23.6	16.8	8.1	8.7	6.8	23.9	25.8	101.9	-1.9
2010		1,048.9	58.0	21.4	22.3	15.1	7.1	8.0	7.2	27.2	29.4	102.2	-2.2
2011		1,063.4	58.3	20.9	21.1	13.6	6.4	7.2	7.4	30.3	31.1	100.8	-0.8
2012		1,051.2	59.2	20.1	19.1	11.8	5.6	6.2	7.3	32.2	31.1	99.0	1.0
2013		1,046.4	58.7	19.4	17.5	10.4	5.0	5.4	7.1	34.0	30.3	96.3	1.9
2014		1,062.6	58.6	18.6	16.7	9.6	4.7	4.9	7.1	36.2	30.9	94.7	5.3

**Seasonally and Working Day Adjusted.*
(a) Contribution to GDP growth.
Sources: INE (Quarterly National Accounts) and Funcas (Forecasts).

Chart 1.1 - GDP
Percentage change

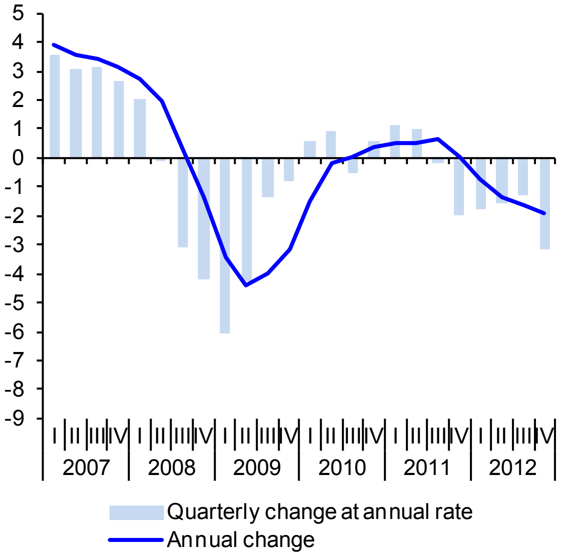


Chart 1.2 - Contribution to GDP growth
Percentage points

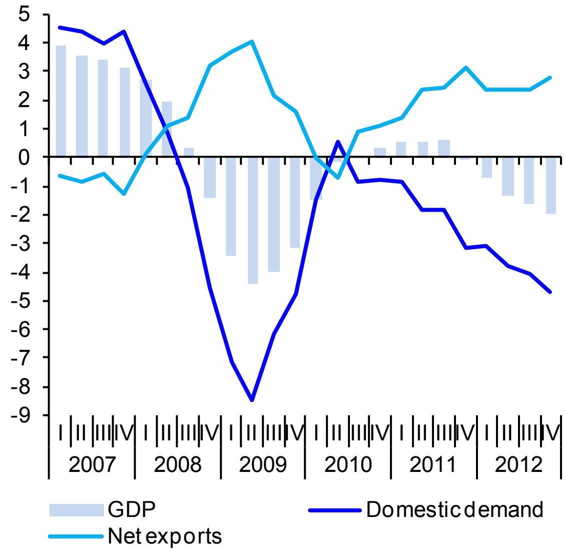


Chart 1.3 - Final consumption
Annual percentage change

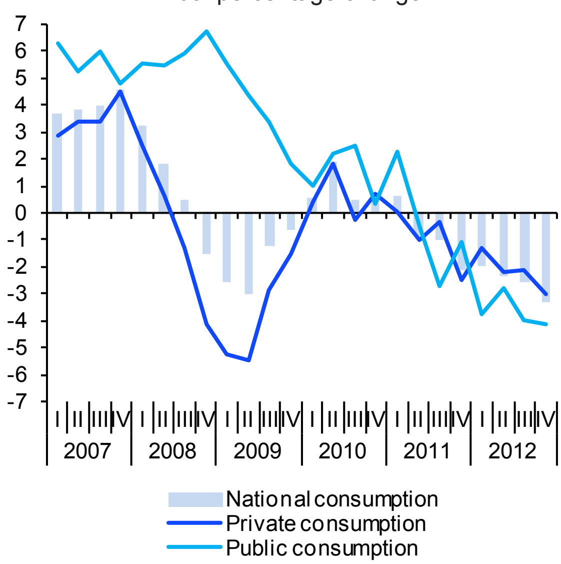


Chart 1.4 - Gross fixed capital formation
Annual percentage change

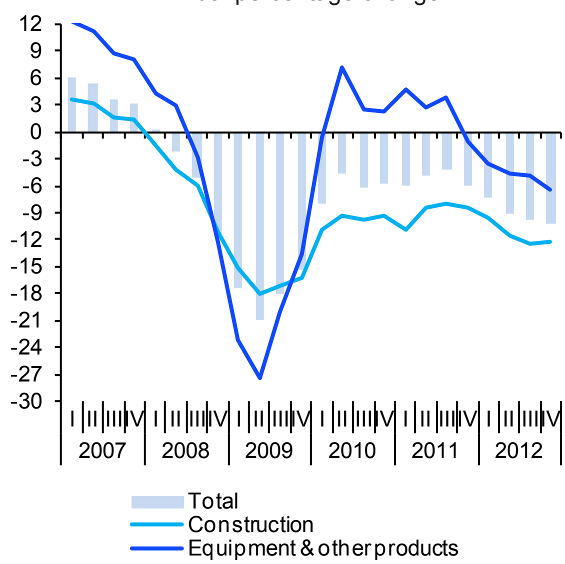


Table 2

National accounts: Gross value added by economic activity SWDA*

Forecasts in blue

	Gross value added at basic prices												Taxes less subsidies on products
	Total	Agriculture, forestry and fishing	Manufacturing, energy and utilities	Construction	Services								
					Total	Trade, transport, accommodation and food services	Information and communication	Finance and insurance	Real estate	Professional, business and support services	Public administration, education, health and social work	Arts, entertainment and other services	
Chain-linked volumes, annual percentage changes													
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	-2.1	-0.2	2.3	0.4	1.5	2.8	2.1	2.3	5.1	2.0	-0.3
2009	-3.6	-3.2	-12.1	-7.8	-0.6	-1.9	0.9	-4.0	0.0	-2.6	2.3	0.3	-5.4
2010	-0.4	2.0	4.3	-14.3	1.2	1.6	6.5	-3.7	-0.9	-0.2	2.4	0.3	0.1
2011	1.0	8.2	2.7	-5.9	1.4	1.1	3.9	-3.6	2.7	3.2	1.1	1.4	-5.5
2012	-1.5	2.2	-2.9	-8.1	-0.4	-1.2	1.1	0.1	1.8	-0.7	-0.5	-0.7	-0.3
2013	-1.4	1.6	-1.6	-5.9	-0.9	-1.7	1.1	-3.1	2.4	-0.7	-1.2	-1.6	-3.5
2014	0.6	1.1	1.6	-3.1	0.8	1.3	2.0	-1.2	3.5	1.2	-1.3	0.1	-0.6
2012 I	-0.8	2.5	-3.2	-7.5	0.7	0.0	1.5	2.7	2.0	-0.1	0.6	1.3	-0.4
II	-1.5	2.2	-3.1	-7.7	-0.3	-1.5	0.9	2.6	1.8	-1.5	0.2	-1.5	-0.2
III	-1.8	2.4	-2.9	-8.9	-0.6	-1.1	1.2	-1.2	2.0	-0.4	-1.4	-1.2	-0.2
IV	-2.1	1.9	-2.4	-8.5	-1.2	-2.1	0.6	-3.4	1.3	-0.8	-1.2	-1.3	-0.5
2013 I	-1.8	1.8	-2.6	-7.2	-1.0	-3.0	0.7	-3.7	2.2	-0.6	0.6	-2.1	-3.6
II	-1.7	2.0	-2.4	-5.8	-1.1	-1.9	1.2	-4.0	2.1	0.2	-2.0	0.0	-4.0
III	-1.6	1.5	-1.4	-5.0	-1.3	-1.9	1.8	-2.4	1.8	-2.2	-1.8	-2.3	-3.3
IV	-0.7	1.0	-0.1	-5.5	-0.3	-0.2	0.9	-2.3	3.5	-0.2	-1.6	-1.9	-2.9
2014 I	-0.1	1.0	0.5	-4.6	0.3	0.5	1.5	-1.8	3.5	0.6	-1.4	-0.7	-1.6
II	0.4	1.1	1.2	-3.6	0.7	1.1	1.8	-1.3	3.5	1.2	-1.3	0.1	-0.8
III	0.9	1.1	2.0	-2.6	1.0	1.7	2.5	-1.0	3.5	1.5	-1.2	0.6	-0.2
IV	1.2	1.1	2.5	-1.6	1.2	2.1	2.0	-0.7	3.5	1.5	-1.2	0.5	0.0
Chain-linked volumes, quarter-on-quarter percentage changes, at annual rate													
2012 I	-2.6	1.4	0.1	-11.8	-1.9	2.8	-0.8	-1.7	0.1	-2.8	-8.9	-0.6	7.9
II	-1.5	-1.6	-1.7	-11.0	-0.1	-4.4	-1.0	-1.1	3.9	-4.0	8.8	-10.6	-1.9
III	-1.0	4.2	-4.0	-8.4	0.6	-0.2	-3.4	-8.2	4.6	10.5	-2.1	8.1	-5.2
IV	-3.2	3.6	-3.8	-2.4	-3.4	-6.2	7.9	-2.2	-3.1	-6.3	-1.9	-1.0	-2.2
2013 I	-1.6	1.0	-0.9	-6.6	-1.2	-1.0	-0.5	-3.0	3.5	-1.8	-2.1	-4.1	-5.1
II	-0.9	-0.5	-0.7	-5.8	-0.3	0.2	1.0	-2.5	3.5	-1.0	-1.7	-2.7	-3.5
III	-0.6	2.1	-0.3	-5.1	-0.3	-0.2	-1.0	-2.0	3.5	0.5	-1.5	-1.4	-2.4
IV	0.3	1.4	1.3	-4.3	0.6	0.3	4.2	-1.5	3.5	1.5	-1.2	0.8	-0.6
2014 I	0.8	1.2	1.6	-2.9	1.1	1.8	2.0	-1.0	3.5	1.5	-1.2	0.5	0.0
II	1.2	-0.3	2.3	-1.9	1.3	2.6	2.0	-0.8	3.5	1.5	-1.2	0.5	0.0
III	1.3	2.2	2.9	-1.2	1.1	2.0	2.0	-0.6	3.5	1.5	-1.2	0.5	0.0
IV	1.4	1.5	3.4	-0.4	1.1	1.8	2.0	-0.4	3.5	1.5	-1.2	0.5	0.0
	Current prices (EUR billions)	**Percentage of value added at basic prices**											
2007	946.0	2.7	17.3	13.9	66.1	23.0	4.2	5.3	6.9	7.2	16.1	3.4	11.3
2008	997.0	2.5	16.9	13.6	67.0	23.1	4.1	5.4	6.9	7.4	16.7	3.4	9.1
2009	973.4	2.4	15.3	13.1	69.2	23.6	4.2	5.9	6.4	7.4	18.1	3.6	7.7
2010	957.8	2.6	16.2	10.9	70.3	24.4	4.3	4.6	7.3	7.4	18.6	3.7	9.5
2011	976.3	2.5	16.9	10.1	70.5	24.8	4.3	4.2	7.7	7.6	18.3	3.7	8.9
2012	964.4	2.7	16.9	9.1	71.3	25.5	4.3	4.3	8.1	7.6	17.7	3.8	9.0
2013	954.6	2.9	16.9	8.5	71.7	25.9	4.4	4.3	8.5	7.7	17.2	3.7	9.6
2014	968.9	2.9	17.1	8.0	72.0	26.4	4.4	4.3	8.8	7.9	16.5	3.6	9.7

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

Chart 1.1 - GVA by sectors
Annual percentage change

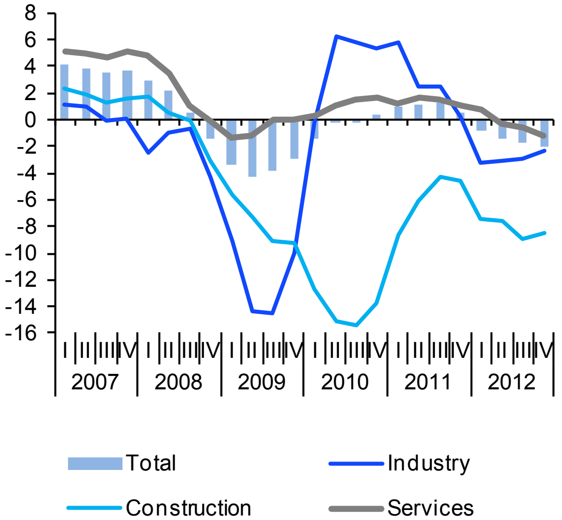


Chart 1.2 - GVA, services (I)
Annual percentage change

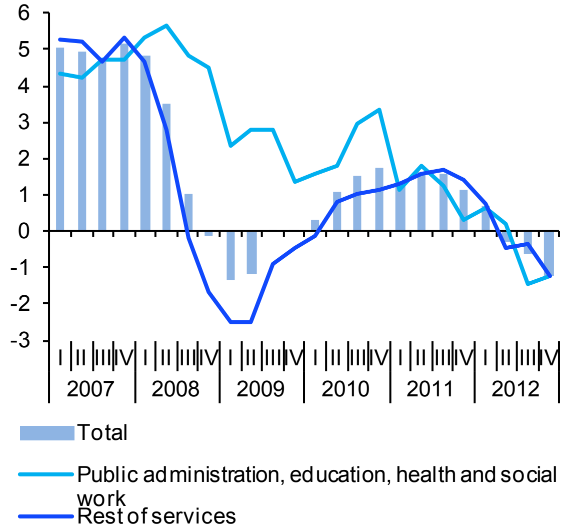


Chart 1.3 - GVA, services (II)
Annual percentage change

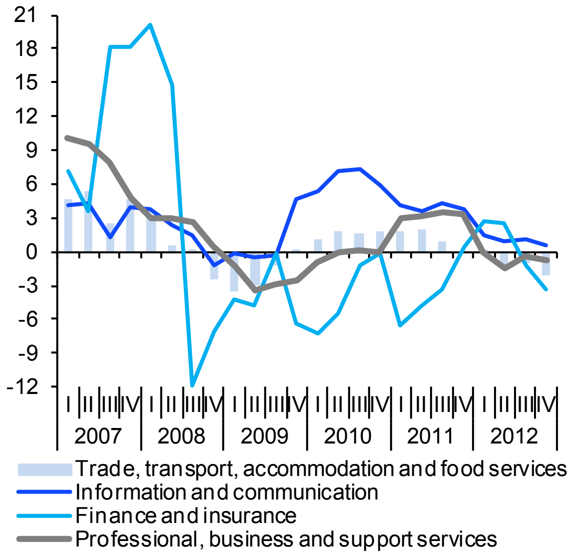


Chart 1.4 - GVA, structure by sectors
Percentage of value added at basic prices

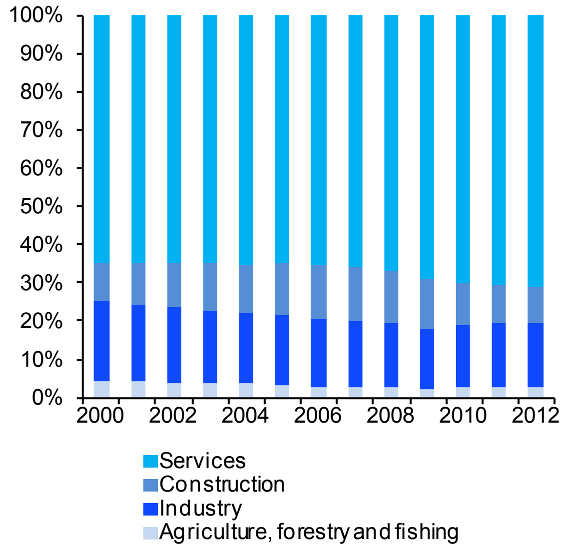


Table 3a

National accounts: Productivity and labour costs (I)

Forecasts in blue

		Total economy						Manufacturing industry					
		GDP, constant prices	Employment (jobs, full time equivalent)	Employment productivity	Compensation per job	Nominal unit labour cost	Real unit labour cost (a)	Gross value added, constant prices	Employment (jobs, full time equivalent)	Employment productivity	Compensation 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, 2000 = 100, SWDA													
2007		126.4	123.1	102.7	128.2	124.7	94.3	107.8	91.1	118.3	139.9	118.3	95.7
2008		127.6	122.8	103.9	137.0	131.9	97.4	104.1	89.7	116.0	147.4	127.0	98.2
2009		122.8	115.2	106.6	142.7	133.8	98.8	90.4	77.5	116.6	150.7	129.2	100.6
2010		122.4	112.2	109.1	143.1	131.2	96.4	94.0	74.1	126.9	152.7	120.4	93.0
2011		122.9	110.3	111.4	144.1	129.3	94.1	96.7	73.4	131.8	152.1	115.4	86.2
2012		121.2	105.4	114.9	143.6	125.0	90.7	92.8	69.1	134.4	155.4	115.6	85.2
2013		119.2	101.7	117.2	144.7	123.4	88.6	90.6	--	--	--	--	--
2014		119.8	100.8	118.9	145.4	122.3	86.9	92.1	--	--	--	--	--
2011	I	122.9	111.1	110.6	143.4	129.7	94.7	98.4	73.5	134.0	150.5	112.3	84.5
	II	123.2	111.3	110.7	144.0	130.2	94.8	97.9	73.9	132.4	151.7	114.5	86.3
	III	123.1	110.3	111.6	143.7	128.8	93.8	96.1	73.6	130.5	152.2	116.6	88.5
	IV	122.5	108.6	112.8	145.0	128.5	93.3	94.2	72.4	130.1	154.0	118.4	85.8
2012	I	122.0	107.0	114.0	145.5	127.6	92.9	94.2	70.1	134.4	154.4	114.9	84.8
	II	121.5	106.1	114.5	144.4	126.1	91.7	93.5	69.3	135.0	155.6	115.2	85.6
	III	121.1	105.2	115.2	143.9	125.0	90.5	92.8	69.0	134.4	155.2	115.5	86.9
	IV	120.1	103.4	116.1	140.6	121.1	87.8	90.8	67.9	133.8	156.3	116.8	83.6
Annual percentage changes													
2007		3.5	3.0	0.5	4.7	4.2	0.9	0.3	-2.5	-0.8	7.2	1.5	-2.0
2008		0.9	-0.2	1.1	6.9	5.7	3.3	-3.4	-1.5	-1.9	5.3	7.4	2.7
2009		-3.7	-6.3	2.7	4.2	1.5	1.4	-13.1	-13.6	0.5	2.3	1.7	2.4
2010		-0.3	-2.5	2.3	0.3	-2.0	-2.4	3.9	-4.5	8.8	1.3	-6.9	-7.5
2011		0.4	-1.7	2.2	0.7	-1.4	-2.4	2.9	-1.0	3.9	-0.4	-4.1	-7.3
2012		-1.4	-4.4	3.2	-0.3	-3.4	-3.6	-3.9	-5.8	2.0	2.1	0.1	-1.2
2013		-1.6	-3.5	2.0	0.7	-1.2	-2.4	-2.4	--	--	--	--	--
2014		0.5	-0.9	1.4	0.5	-0.9	-1.9	1.7	--	--	--	--	--
2011	I	0.5	-1.4	1.9	0.6	-1.3	-2.3	6.1	-1.3	7.5	-1.1	-8.0	-11.4
	II	0.5	-0.9	1.5	0.1	-1.4	-2.5	2.7	-0.5	3.1	-0.8	-3.8	-6.8
	III	0.6	-1.6	2.3	0.7	-1.6	-2.4	2.7	0.0	2.7	0.0	-2.6	-6.2
	IV	0.0	-2.9	2.9	1.4	-1.5	-2.2	0.1	-2.2	2.3	0.3	-2.0	-4.8
2012	I	-0.7	-3.7	3.1	1.4	-1.6	-1.9	-4.3	-4.6	-0.5	2.6	2.3	0.3
	II	-1.4	-4.7	3.5	0.2	-3.1	-3.3	-4.5	-6.3	1.9	2.6	0.6	-0.8
	III	-1.6	-4.6	3.1	0.1	-2.9	-3.5	-3.4	-6.2	1.9	2.0	-1.0	-1.8
	IV	-1.9	-4.7	2.9	-3.0	-5.8	-5.9	-3.6	-6.3	1.9	1.4	-1.4	-2.6

(a) Nominal ULC deflated by GDP/GVA deflator.

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

Chart 1.1 - Nominal ULC, total economy
Index, 2000=100

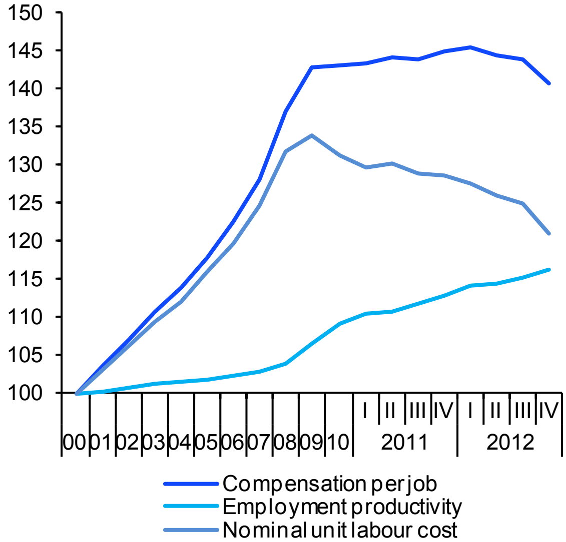
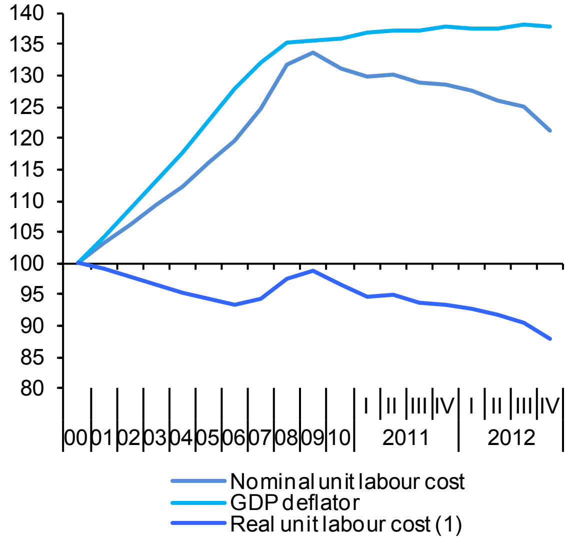


Chart 1.2 - Real ULC, total economy
Index, 2000=100



(1) Nominal ULC deflated by GVA deflator.

Chart 2.1 - Nominal ULC, manufacturing industry
Index, 2000=100

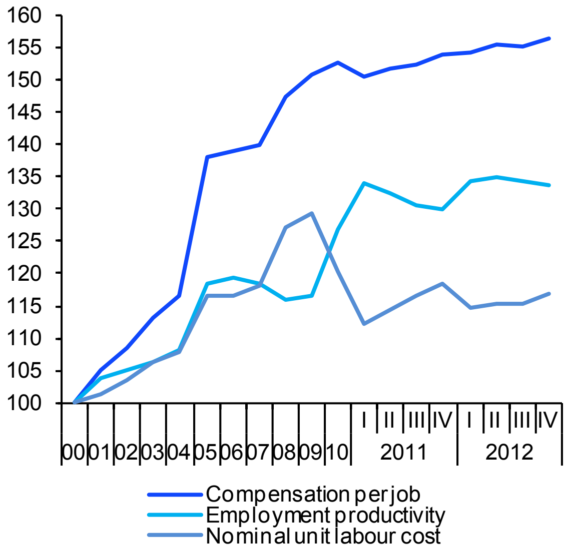
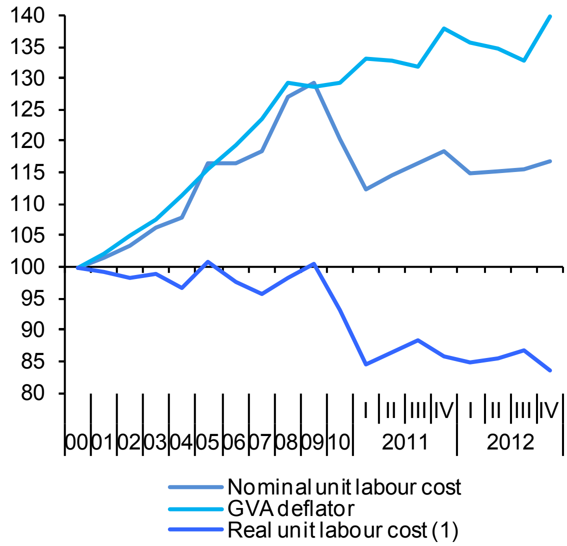


Chart 2.2 - Real ULC, manufacturing industry
Index, 2000=100



(1) Nominal ULC deflated by GVA deflator.

Table 3b

National accounts: Productivity and labour costs (II)

Forecasts in blue

		Construction						Services					
		Gross value added, constant prices	Employment (jobs, full time equivalent)	Employment productivity	Compensation per job	Nominal unit labour cost	Real unit labour cost (a)	Gross value added, constant prices	Employment (jobs, full time equivalent)	Employment productivity	Compensation 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, 2000 = 100, SWDA													
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	152.3	139.6	84.7	133.3	135.3	98.6	131.8	133.7	98.4
2009		129.3	101.3	127.7	166.9	130.7	78.0	132.5	132.0	100.4	136.8	136.3	98.8
2010		110.9	88.5	125.3	168.8	134.7	83.7	134.1	130.5	102.8	137.1	133.5	97.9
2011		104.3	74.7	139.7	178.3	127.6	79.2	135.9	130.5	104.1	137.5	132.0	96.1
2012		95.8	60.8	157.7	183.0	116.0	74.3	135.4	126.7	106.9	136.2	127.4	92.5
2013		90.2	52.8	170.9	--	--	--	134.1	123.1	108.9	--	--	--
2014		87.4	49.6	176.3	--	--	--	135.2	122.4	110.5	--	--	--
2011	I	107.2	80.3	133.5	179.1	134.1	82.9	134.7	130.7	103.0	136.9	132.9	96.5
	II	104.3	77.1	135.2	177.8	131.5	81.6	136.0	131.5	103.4	137.5	132.9	97.6
	III	103.4	73.1	141.6	178.5	126.1	78.5	136.7	130.8	104.5	137.0	131.1	95.6
	IV	102.3	68.2	150.1	177.5	118.3	73.8	136.3	129.1	105.6	138.7	131.3	94.8
2012	I	99.2	63.5	156.2	185.1	118.5	74.3	135.6	128.3	105.7	138.4	131.0	94.3
	II	96.3	63.0	152.8	184.3	120.6	76.6	135.6	127.3	106.5	136.9	128.6	93.4
	III	94.2	59.6	158.1	182.1	115.2	74.9	135.8	126.5	107.4	136.7	127.3	92.1
	IV	93.6	56.9	164.4	179.9	109.4	71.4	134.6	124.5	108.1	132.8	122.8	90.2
Annual percentage changes													
2007		1.8	5.3	-3.4	2.4	6.0	2.2	5.0	4.0	0.9	4.6	3.7	-0.3
2008		-0.2	-11.7	12.9	12.6	-0.2	-3.9	2.3	2.7	-0.4	6.0	6.4	1.9
2009		-7.8	-21.2	17.0	9.6	-6.3	-7.8	-0.6	-2.4	1.8	3.8	1.9	0.4
2010		-14.3	-12.6	-1.9	1.1	3.0	7.2	1.2	-1.2	2.4	0.2	-2.1	-0.9
2011		-5.9	-15.7	11.5	5.6	-5.3	-5.3	1.4	0.0	1.4	0.3	-1.1	-1.8
2012		-8.1	-14.7	12.9	2.6	-9.1	-6.2	-0.4	-3.0	2.7	-0.9	-3.5	-3.7
2013		-5.9	-14.1	8.3	--	--	--	-0.9	-2.8	1.9	--	--	--
2014		-3.1	-13.1	3.2	--	--	--	0.8	-0.6	1.4	--	--	--
2011	I	-8.6	-10.9	2.6	5.4	2.8	3.7	1.3	0.0	1.3	0.3	-1.0	-1.2
	II	-6.1	-14.6	9.9	5.4	-4.1	-4.8	1.6	0.9	0.7	-0.5	-1.2	-2.5
	III	-4.3	-17.4	15.8	4.9	-9.5	-10.0	1.6	0.2	1.4	0.2	-1.1	-1.8
	IV	-4.5	-20.0	19.4	6.8	-10.6	-10.3	1.1	-0.9	2.1	1.1	-1.0	-1.8
2012	I	-7.5	-20.9	17.0	3.3	-11.7	-10.4	0.7	-1.8	2.6	1.1	-1.5	-2.3
	II	-7.7	-18.3	13.0	3.6	-8.3	-6.1	-0.3	-3.2	3.0	-0.4	-3.2	-4.3
	III	-8.9	-18.4	11.6	2.0	-8.6	-4.5	-0.6	-3.3	2.7	-0.3	-2.9	-3.6
	IV	-8.5	-16.5	9.6	1.3	-7.5	-3.2	-1.2	-3.5	2.4	-4.2	-6.5	-4.9

(a) Nominal ULC deflated by GVA deflator.

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

Chart 1.1 - Nominal ULC, construction
Index, 2000=100

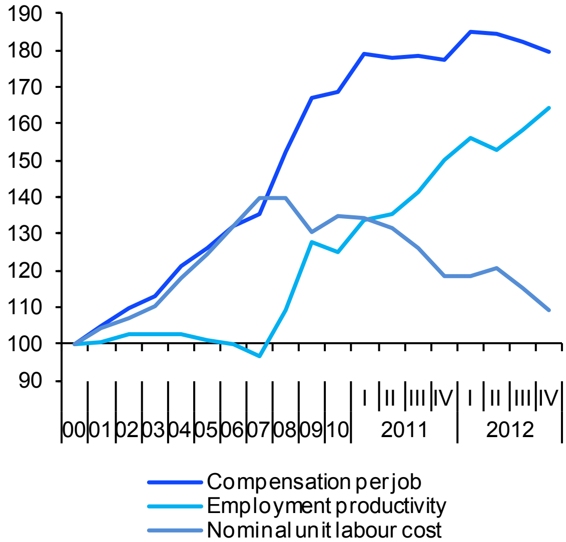
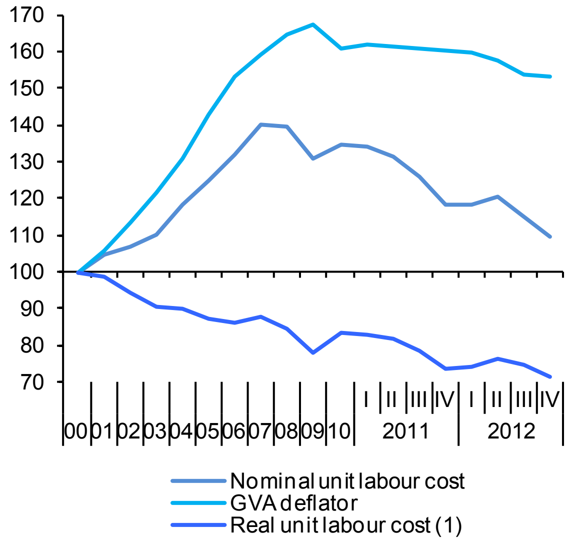


Chart 1.2 - Real ULC, construction
Index, 2000=100



(1) Nominal ULC deflated by GVA deflator.

Chart 2.1 - Nominal ULC, services
Index, 2000=100

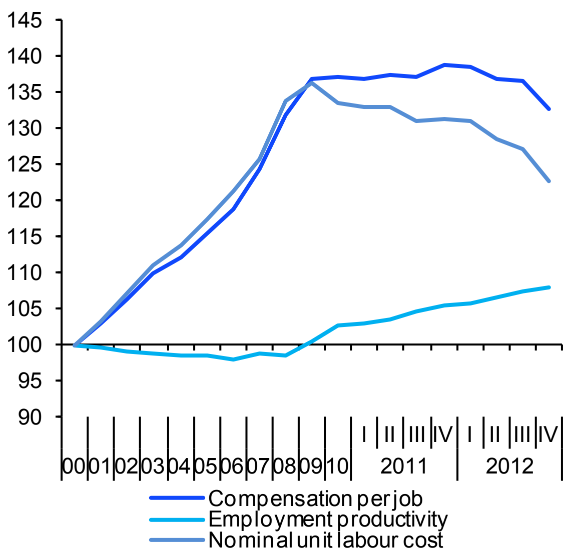
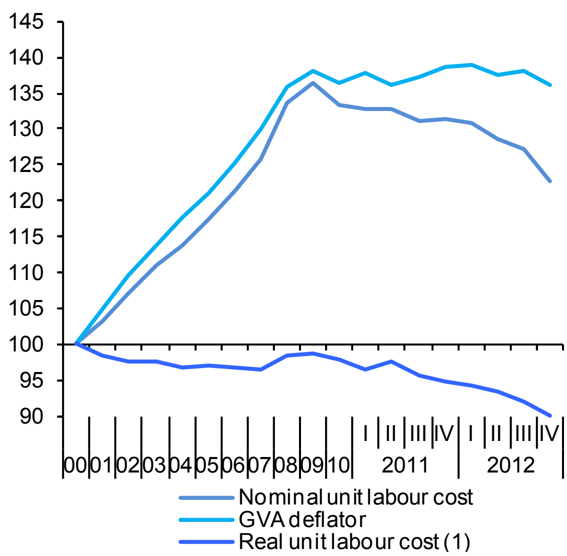


Chart 2.2 - Real ULC, services
Index, 2000=100



(1) Nominal ULC deflated by GVA deflator.

Table 4

National accounts: National income, distribution and disposition

Forecasts in blue

		Gross domestic product	Compen-sation of employees	Gross opera-ting surplus	Taxes on production and imports less subsi-dies	Income payments to the rest of the world, net	Gross national product	Current transfers to the rest of the world, net	Gross natio-nal income	Final national consumption	Gross national saving (1)	Compen-sation of employees	Gross operating surplus	Taxes on production and imports less subsidies
		1=2+3+4	2	3	4	5	6=1+5	7	8=6+7	9	10=8-9	11	12	13
		EUR Billions, 4-quarter cumulated transactions										Percentage of GDP		
2007		1,053.2	504.1	441.2	107.8	-27.4	1,025.7	-7.0	1,018.7	797.7	221.0	47.9	41.9	10.2
2008		1,087.8	537.6	458.1	92.0	-31.8	1,056.0	-9.2	1,046.8	834.4	212.4	49.4	42.1	8.5
2009		1,048.1	524.6	446.4	77.1	-23.1	1,025.0	-7.3	1,017.7	816.0	201.7	50.1	42.6	7.4
2010		1,048.9	512.8	441.9	94.2	-17.2	1,031.7	-5.9	1,025.9	832.6	193.2	48.9	42.1	9.0
2011		1,063.4	508.6	464.2	90.5	-24.1	1,039.3	-6.9	1,032.4	842.7	189.7	47.8	43.7	8.5
2012		1,051.2	481.0	474.6	95.6	-14.9	1,036.3	-4.7	1,031.6	834.1	197.5	45.8	45.1	9.1
2013		1,046.4	464.0	481.3	101.1	-21.0	1,025.4	-4.1	1,021.3	818.1	203.3	44.3	46.0	9.7
2014		1,062.6	460.6	498.3	103.6	-29.7	1,032.9	-4.0	1,028.9	820.2	208.7	43.3	46.9	9.8
2011	I	1,053.0	512.1	446.4	94.5	-19.0	1,034.0	-7.9	1,026.1	838.6	187.5	48.6	42.4	9.0
	II	1,057.5	511.2	453.1	93.2	-18.9	1,038.6	-8.1	1,030.6	841.3	189.3	48.3	42.8	8.8
	III	1,061.4	510.2	459.1	92.0	-22.1	1,039.3	-8.4	1,030.9	843.1	187.8	48.1	43.3	8.7
	IV	1,063.4	508.6	464.2	90.5	-24.1	1,039.3	-6.9	1,032.4	842.7	189.7	47.8	43.7	8.5
2012	I	1,062.1	505.0	466.0	91.1	-24.8	1,037.3	-7.2	1,030.1	842.2	187.9	47.5	43.9	8.6
	II	1,058.9	498.6	470.0	90.2	-23.2	1,035.7	-7.5	1,028.1	840.9	187.2	47.1	44.4	8.5
	III	1,056.0	491.7	472.9	91.4	-19.4	1,036.7	-6.9	1,029.7	839.4	190.4	46.6	44.8	8.7
	IV	1,051.2	481.0	474.6	95.6	-14.9	1,036.3	-4.7	1,031.6	834.1	197.5	45.8	45.1	9.1
		Annual percentage changes										Difference from one year ago		
2007		6.9	8.2	8.0	-2.9	46.0	6.1	-5.8	6.2	7.3	2.3	0.6	0.5	-1.0
2008		3.3	6.6	3.8	-14.7	15.8	3.0	32.0	2.8	4.6	-3.9	1.6	0.2	-1.8
2009		-3.7	-2.4	-2.6	-16.2	-27.4	-2.9	-21.3	-2.8	-2.2	-5.0	0.6	0.5	-1.1
2010		0.1	-2.3	-1.0	22.2	-25.6	0.7	-19.1	0.8	2.0	-4.2	-1.2	-0.5	1.6
2011		1.4	-0.8	5.0	-3.9	40.2	0.7	17.0	0.6	1.2	-1.8	-1.1	1.5	-0.5
2012		-1.1	-5.4	2.2	5.6	-37.9	-0.3	-31.9	-0.1	-1.0	4.1	-2.1	1.5	0.6
2013		-0.5	-3.5	1.4	5.8	40.5	-1.0	-12.1	-1.0	-1.9	2.9	-1.4	0.8	0.6
2014		1.5	-0.7	3.5	2.5	41.4	0.7	-3.9	0.7	0.3	2.7	-1.0	0.9	0.1
2011	I	0.9	-1.7	0.3	21.4	9.5	0.7	3.5	0.7	2.4	-6.5	-1.3	-0.2	1.5
	II	1.3	-1.4	2.8	10.2	11.5	1.2	21.2	1.0	2.1	-3.4	-1.3	0.6	0.7
	III	1.5	-1.0	4.9	0.0	25.4	1.1	11.6	1.0	1.9	-2.5	-1.2	1.4	-0.1
	IV	1.4	-0.8	5.0	-3.9	40.2	0.7	17.0	0.6	1.2	-1.8	-1.1	1.5	-0.5
2012	I	0.9	-1.4	4.4	-3.6	30.8	0.3	-8.7	0.4	0.4	0.2	-1.1	1.5	-0.4
	II	0.1	-2.5	3.7	-3.2	23.1	-0.3	-6.6	-0.2	0.0	-1.1	-1.3	1.5	-0.3
	III	-0.5	-3.6	3.0	-0.7	-12.2	-0.3	-18.0	-0.1	-0.4	1.4	-1.5	1.5	0.0
	IV	-1.1	-5.4	2.2	5.6	-37.9	-0.3	-31.9	-0.1	-1.0	4.1	-2.1	1.5	0.6

(1) Including change in net equity in pension funds reserves.

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

Chart 1.- National income, consumption and saving
EUR Billions, 4-quarter cumulated

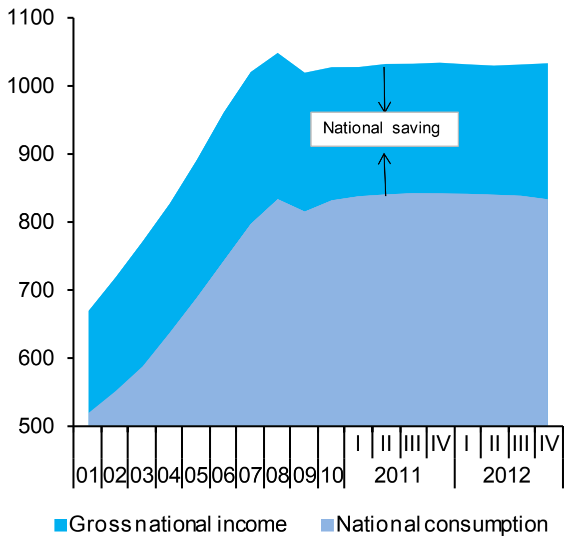


Chart 2.- National income, consumption and saving rate
Annual percentage change and percentage of GDP, 4-quarter moving averages

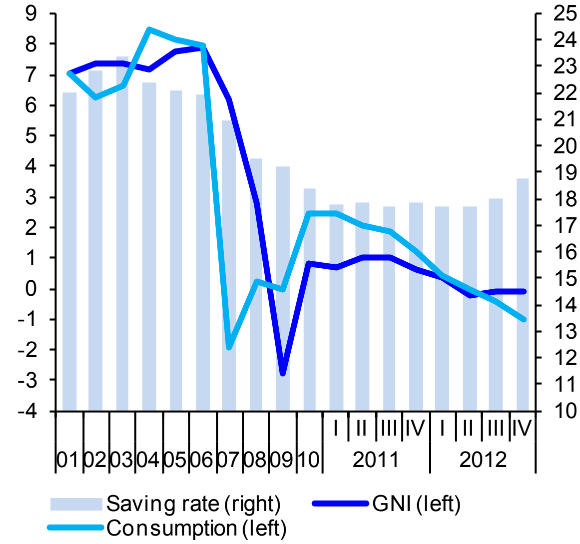


Chart 3.- Components of National Income (I)
Annual percentage change

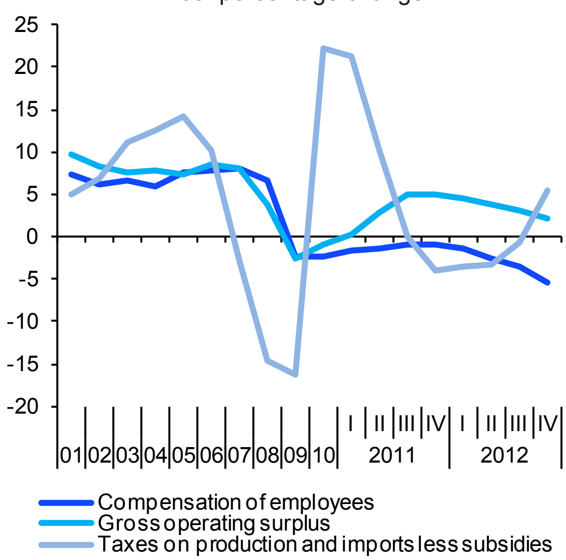


Chart 4.- Functional distribution of income
Percentage of GDP, 4-quarter moving averages

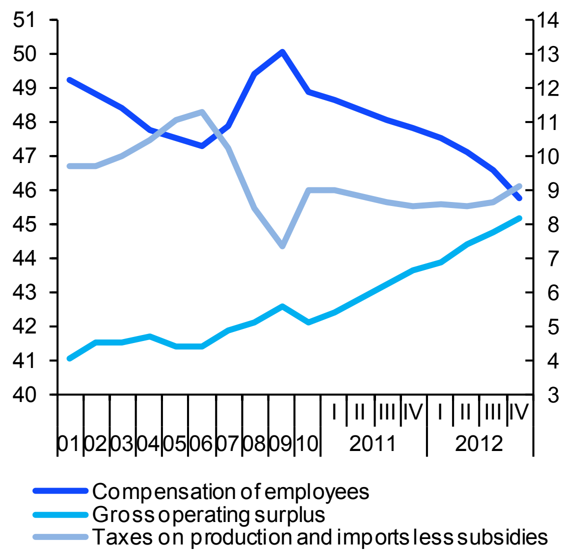


Table 5

National accounts: Net transactions with the rest of the world

Forecasts in blue

		Goods and services				Income	Current transfers	Current account	Capital transfers	Net lending/ borrowing with rest of the world	Saving-Investment-Deficit		
		Total	Goods	Tourist services	Non-tourist services						Gross national saving	Gross capital formation	Current account 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 Billions, 4-quarter cumulated transactions													
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	-85.4	30.6	-8.5	-31.8	-9.2	-104.3	4.4	-99.9	212.4	316.7	-104.3
2009		-19.5	-41.6	28.3	-6.2	-23.1	-7.3	-49.9	4.3	-45.5	201.7	251.6	-49.9
2010		-23.0	-48.0	29.3	-4.3	-17.2	-5.9	-46.0	6.4	-39.6	193.2	239.3	-46.0
2011		-8.4	-40.1	32.9	-1.2	-24.1	-6.9	-39.4	5.4	-33.9	189.7	229.1	-39.4
2012		10.7	-25.4	33.6	2.5	-14.9	-4.7	-8.9	6.6	-2.4	197.5	206.4	-8.9
2013		38.3	-4.7	33.9	9.0	-21.0	-4.1	13.2	5.3	18.5	203.3	190.1	13.2
2014		56.1	6.7	36.0	13.4	-29.7	-4.0	22.4	4.9	27.3	208.7	186.3	22.4
2011	I	-22.7	-48.8	30.0	-4.0	-19.0	-7.9	-49.6	6.1	-43.5	187.5	237.1	-49.6
	II	-18.7	-46.6	31.2	-3.3	-18.9	-8.1	-45.6	6.4	-39.2	189.3	234.9	-45.6
	III	-14.4	-43.6	32.1	-2.9	-22.1	-8.4	-44.9	5.8	-39.2	187.8	232.7	-44.9
	IV	-8.4	-40.1	32.9	-1.2	-24.1	-6.9	-39.4	5.4	-33.9	189.7	229.1	-39.4
2012	I	-4.7	-37.6	33.1	-0.2	-24.8	-7.2	-36.8	4.3	-32.5	187.9	224.7	-36.8
	II	-1.1	-34.3	33.1	0.1	-23.2	-7.5	-31.9	4.5	-27.4	187.2	219.1	-31.9
	III	3.8	-30.9	33.5	1.2	-19.4	-6.9	-22.5	4.7	-17.9	190.4	212.9	-22.5
	IV	10.7	-25.4	33.6	2.5	-14.9	-4.7	-8.9	6.6	-2.4	197.5	206.4	-8.9
Percentage of GDP, 4-quarter cumulated transactions													
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	-0.8	-9.6	0.4	-9.2	19.5	29.1	-9.6
2009		-1.9	-4.0	2.7	-0.6	-2.2	-0.7	-4.8	0.4	-4.3	19.2	24.0	-4.8
2010		-2.2	-4.6	2.8	-0.4	-1.6	-0.6	-4.4	0.6	-3.8	18.4	22.8	-4.4
2011		-0.8	-3.8	3.1	-0.1	-2.3	-0.6	-3.7	0.5	-3.2	17.8	21.5	-3.7
2012		1.0	-2.4	3.2	0.2	-1.4	-0.4	-0.8	0.6	-0.2	18.8	19.6	-0.8
2013		3.7	-0.4	3.2	0.9	-2.0	-0.4	1.3	0.5	1.8	19.4	18.2	1.3
2014		5.3	0.6	3.4	1.3	-2.8	-0.4	2.1	0.5	2.6	19.7	17.5	2.1
2011	I	-2.2	-4.6	2.9	-0.4	-1.8	-0.8	-4.7	0.6	-4.1	17.8	22.5	-4.7
	II	-1.8	-4.4	3.0	-0.3	-1.8	-0.8	-4.3	0.6	-3.7	17.9	22.2	-4.3
	III	-1.4	-4.1	3.0	-0.3	-2.1	-0.8	-4.2	0.5	-3.7	17.7	21.9	-4.2
	IV	-0.8	-3.8	3.1	-0.1	-2.3	-0.6	-3.7	0.5	-3.2	17.8	21.5	-3.7
2012	I	-0.4	-3.5	3.1	0.0	-2.3	-0.7	-3.5	0.4	-3.1	17.7	21.1	-3.5
	II	-0.1	-3.2	3.1	0.0	-2.2	-0.7	-3.0	0.4	-2.6	17.7	20.7	-3.0
	III	0.4	-2.9	3.2	0.1	-1.8	-0.7	-2.1	0.4	-1.7	18.0	20.2	-2.1
	IV	1.0	-2.4	3.2	0.2	-1.4	-0.4	-0.8	0.6	-0.2	18.8	19.6	-0.8

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

Chart 1.- Balance of goods and services
Percentage of GDP, 4-quarter moving averages

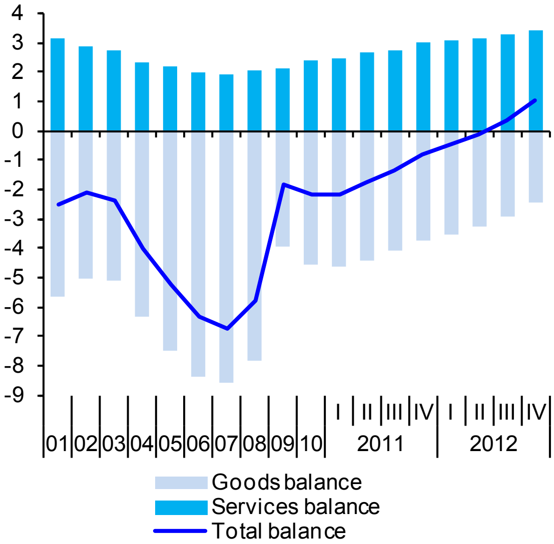


Chart 2.- Services balance
Percentage of GDP, 4-quarter moving averages

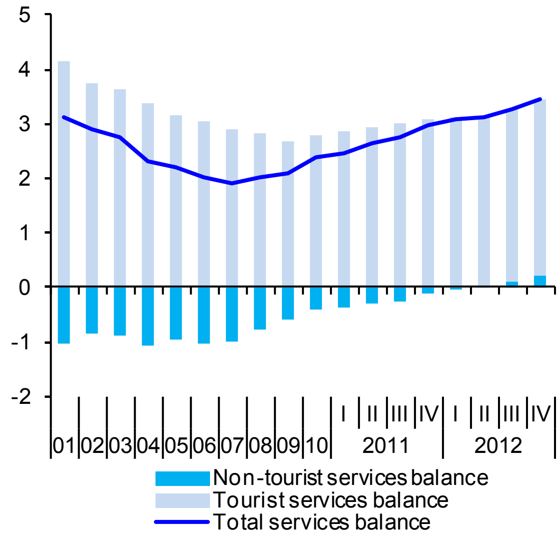


Chart 3.- Net lending or borrowing
Percentage of GDP, 4-quarter moving averages

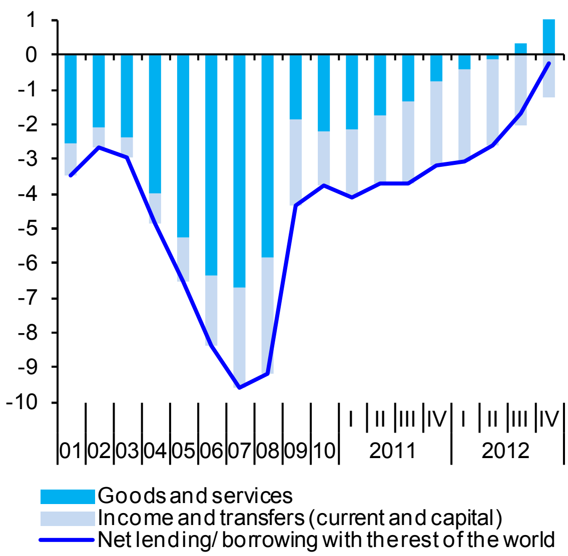


Chart 4.- Saving, investment and current account deficit
Percentage of GDP, 4-quarter moving averages

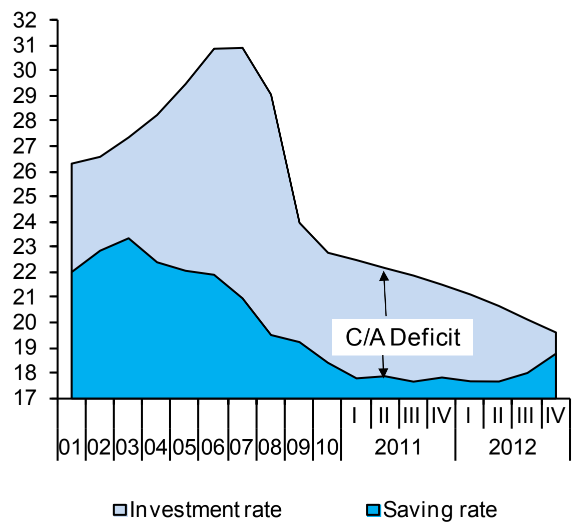


Table 6

National accounts: Household income and its disposition

Forecasts in blue

		Gross disposable income (GDI)						Final consumption expenditure	Gross saving (a)	Saving rate (gross saving as a percentage of GDI)	Net capital transfers	Gross capital formation	Net lending (+) or borrowing (-)	Net lending or borrowing as a percentage of GDP
		Total	Compensation of employees (received)	Mixed income and net property income	Social benefits and other current transfers (received)	Social contributions and other current transfers (paid)	Personal income taxes							
		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-quarter cumulated operations														
2007		671.2	503.9	262.7	197.3	206.3	86.5	604.7	66.5	9.9	3.5	101.5	-31.5	-2.7
2008		717.0	537.6	264.1	217.0	216.9	84.7	622.4	94.6	13.2	5.4	91.1	8.9	1.2
2009		720.9	524.5	248.0	233.8	209.3	76.1	592.4	128.5	17.8	5.8	65.4	68.9	6.6
2010		700.1	512.7	235.4	238.7	207.2	79.5	608.1	92.0	13.1	7.2	58.4	40.8	3.9
2011		696.6	508.5	235.5	241.0	207.1	81.3	620.0	76.6	11.0	4.9	55.6	25.9	2.4
2012		680.6	481.0	237.1	245.2	199.9	82.9	622.7	57.9	8.5	3.4	48.6	12.8	1.2
2013		671.6	464.0	241.9	246.3	195.6	85.0	614.7	56.9	8.5	2.6	43.3	16.2	1.6
2011	I	698.9	511.9	234.8	239.4	207.7	79.6	612.7	86.2	12.3	7.1	57.1	36.2	3.4
	II	697.5	511.2	235.1	240.1	208.3	80.6	616.1	81.5	11.7	7.5	56.1	32.9	3.0
	III	698.1	510.0	236.1	240.9	207.8	81.2	619.1	78.9	11.3	7.6	56.1	30.5	2.8
	IV	696.6	508.5	235.5	241.0	207.1	81.3	620.0	76.6	11.0	4.9	55.6	25.9	2.4
2012	I	694.8	505.0	235.7	242.1	206.0	81.9	622.5	72.3	10.4	5.1	54.5	22.8	2.2
	II	687.8	498.3	234.2	242.1	204.5	82.3	622.9	64.9	9.4	4.8	52.5	17.1	1.6
	III	685.1	491.7	234.5	245.2	203.7	82.7	623.9	61.2	8.9	4.2	50.2	15.2	1.4
Annual percentage changes, 4-quarter cumulated operations										**Difference from one year ago**	**Annual percentage changes, 4-quarter cumulated operations**			**Difference from one year ago**
2007		6.6	8.2	7.2	8.1	8.8	16.6	6.8	12.3	0.6	-49.8	4.2	--	0.0
2008		6.8	6.7	0.5	9.9	5.2	-2.1	2.9	42.2	3.3	55.5	-10.2	--	3.9
2009		0.6	-2.4	-6.1	7.8	-3.5	-10.2	-4.8	35.9	4.6	7.3	-28.2	--	5.4
2010		-2.9	-2.2	-5.1	2.1	-1.0	4.5	2.7	-28.4	-4.7	23.9	-10.7	--	-2.7
2011		-0.5	-0.8	0.1	1.0	-0.1	2.3	2.0	-16.7	-2.1	-31.5	-4.8	--	-1.4
2012		-2.3	-5.4	0.7	1.7	-3.5	2.0	0.4	-24.4	-2.5	-30.0	-12.7	--	-1.2
2013		-1.3	-3.5	2.0	0.4	-2.2	2.5	-1.3	-1.6	0.0	-25.0	-10.8	--	0.3
2011	I	-2.5	-1.7	-4.3	1.9	0.0	4.1	2.9	-28.9	-4.6	18.8	-9.3	--	-2.7
	II	-1.7	-1.4	-2.2	2.0	0.5	3.7	2.4	-24.5	-3.5	30.3	-9.1	--	-1.9
	III	-0.7	-1.1	-0.1	1.9	0.6	3.0	2.7	-21.0	-2.9	24.9	-7.2	--	-1.5
	IV	-0.5	-0.8	0.1	1.0	-0.1	2.3	2.0	-16.7	-2.1	-31.5	-4.8	--	-1.4
2012	I	-0.6	-1.4	0.4	1.1	-0.8	2.9	1.6	-16.2	-1.9	-28.9	-4.6	--	-1.3
	II	-1.4	-2.5	-0.4	0.8	-1.8	2.1	1.1	-20.4	-2.3	-36.6	-6.4	--	-1.4
	III	-1.9	-3.6	-0.7	1.8	-2.0	1.9	0.8	-22.5	-2.4	-44.9	-10.6	--	-1.4

(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
Annual percentage change and percentage of GDI, 4-quarter moving averages

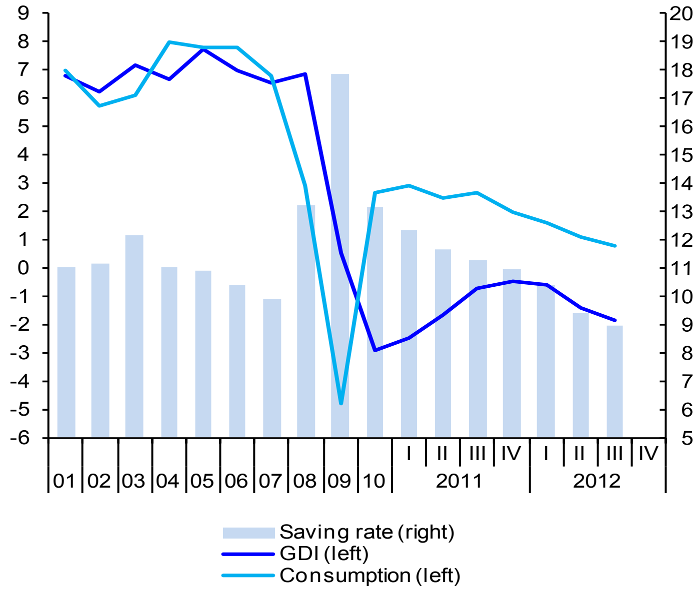
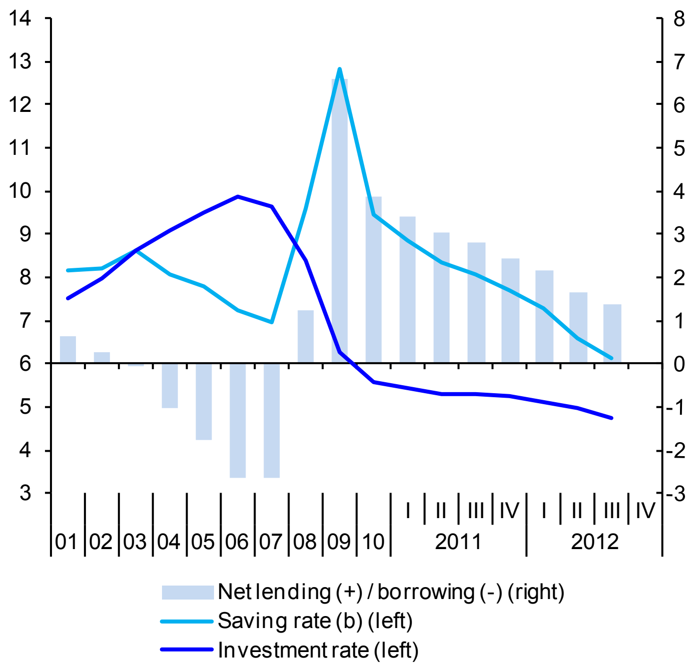


Chart 2.- Households: Saving, investment and deficit
Percentage of GDP, 4-quarter moving averages



(b) Including net capital transfers.

Table 7

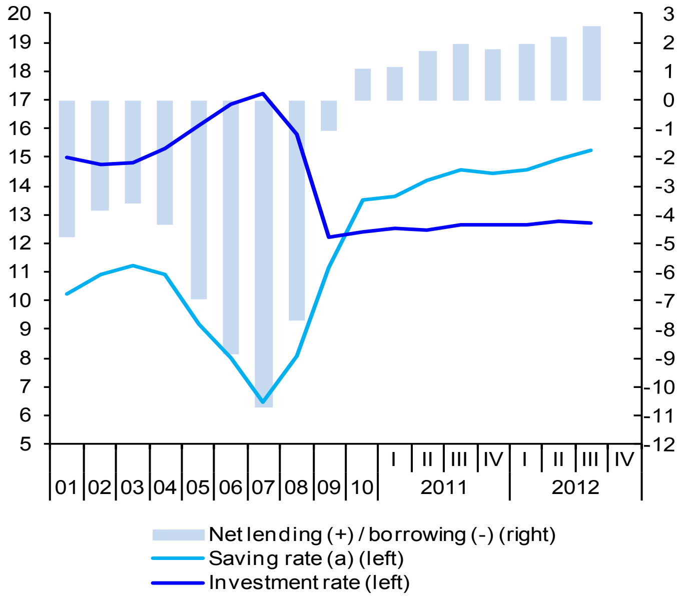
National accounts: Non-financial corporations income and its disposition

Forecasts in blue

		Gross value added	Compensation of employees and net taxes on production (paid)	Gross operating surplus	Net property income	Net current transfers	Income taxes	Gross saving	Net capital transfers	Gross capital formation	Net lending (+) or borrowing (-)	Net lending or borrowing as a percentage of GDP	Profit share (percentage)	Investment rate (percentage)
		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 Billions, 4-quarter cumulated operations														
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		522.1	339.0	183.1	-71.2	-10.6	26.1	75.3	12.8	171.8	-83.7	-7.7	35.1	32.9
2009		507.7	323.3	184.4	-50.9	-10.3	20.0	103.2	13.7	128.2	-11.3	-1.1	36.3	25.3
2010		516.0	314.9	201.1	-46.0	-10.4	15.7	129.0	12.7	130.1	11.6	1.1	39.0	25.2
2011		537.1	314.8	222.4	-53.8	-10.1	16.6	141.9	11.5	134.6	18.9	1.8	41.4	25.1
2012		537.1	305.4	231.6	-54.1	-10.4	21.4	145.7	10.0	131.2	24.5	2.3	43.1	24.4
2013		528.5	292.2	236.3	-65.5	-10.5	16.7	143.5	8.5	125.9	26.2	2.5	44.7	23.8
2011	I	520.6	314.9	205.7	-48.3	-10.3	15.7	131.4	12.2	131.6	12.0	1.1	39.5	25.3
	II	527.4	315.1	212.3	-49.3	-10.5	14.9	137.6	12.7	132.0	18.3	1.7	40.3	25.0
	III	532.1	315.1	217.0	-50.1	-10.4	14.6	142.0	13.0	134.0	21.0	2.0	40.8	25.2
	IV	537.1	314.8	222.4	-53.8	-10.1	16.6	141.9	11.5	134.6	18.9	1.8	41.4	25.1
2012	I	537.1	312.4	224.6	-54.5	-10.1	16.4	143.6	11.1	133.9	20.8	2.0	41.8	24.9
	II	535.6	308.2	227.3	-53.3	-9.9	17.3	146.8	11.3	135.1	22.9	2.2	42.4	25.2
	III	534.6	304.0	230.5	-53.5	-9.9	16.6	150.5	10.4	134.0	26.9	2.5	43.1	25.1
Annual percentage changes, 4-quarter cumulated operations												**Difference from one year ago**		
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		6.5	6.5	6.4	13.1	7.0	-37.5	31.0	20.8	-5.1	--	3.0	0.0	-4.0
2009		-2.8	-4.6	0.7	-28.5	-2.5	-23.3	37.1	6.9	-25.4	--	6.6	1.3	-7.7
2010		1.6	-2.6	9.0	-9.6	0.4	-21.8	25.1	-7.2	1.5	--	2.2	2.6	0.0
2011		4.1	0.0	10.6	16.8	-2.5	6.1	9.9	-9.3	3.4	--	0.7	2.4	-0.2
2012		0.0	-3.0	4.2	0.7	3.0	29.0	2.7	-13.0	-2.5	--	0.6	1.7	-0.6
2013		-1.6	-4.3	2.0	21.1	1.0	-22.0	-1.5	-15.0	-4.0	--	0.2	1.6	-0.6
2011	I	2.0	-1.6	7.9	10.7	-0.8	-20.0	12.3	-13.2	3.4	--	0.8	2.2	0.3
	II	2.8	-1.0	9.1	12.7	1.5	-23.7	13.7	-7.9	3.0	--	1.1	2.3	0.0
	III	4.0	-0.6	11.3	12.0	-0.7	-14.7	15.7	-7.3	5.3	--	1.1	2.7	0.3
	IV	4.1	0.0	10.6	16.8	-2.5	6.1	9.9	-9.3	3.4	--	0.7	2.4	-0.2
2012	I	3.2	-0.8	9.2	12.8	-2.2	4.7	9.3	-9.3	1.8	--	0.8	2.3	-0.3
	II	1.6	-2.2	7.1	8.2	-5.7	16.1	6.7	-11.4	2.4	--	0.4	2.2	0.2
	III	0.5	-3.5	6.2	6.8	-4.4	13.6	6.0	-20.2	0.0		0.6	2.3	-0.1

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

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



(a) Including net capital transfers.

Chart 2.- Non-financial corporations: Profit share and investment rate
Percentage of non-financial corporations GVA, 4-quarter moving averages

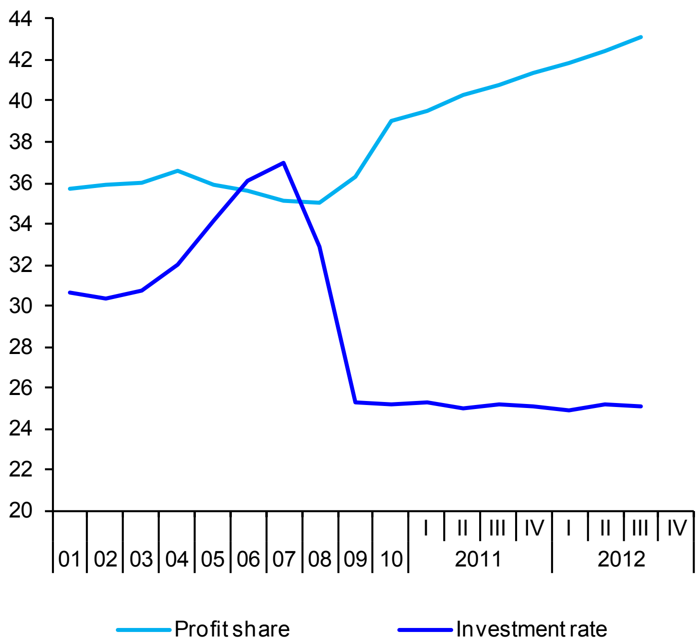


Table 8

National accounts: Public revenue, expenditure and deficit

Forecasts in blue

		Gross value added	Taxes on produc-tion and imports receiva-ble	Taxes on income and weath receiva-ble	Social contribu tions receiva-ble	Com-pen-sation of emplo-yees	Interests and other capital incomes payable (net)	Social be-nefits paya-ble	Sub-sidies and net current transfers payable	Gross disposable income	Final consump-tion expendi-ture	Gross saving	Net capital expendi-ture	Net len-ding(+)/ net borro-wing(-)	Net lending(+)/ net borrowing (-) excluding financial entities bail-out expenditures
		1	2	3	4	5	6	7	8	9=1+2+3+4-5-6-7-8	10	11=9-10	12	13=11-12	14
EUR Billions, 4-quarter cumulated operations															
2007		125.1	122.0	137.0	136.8	107.8	6.6	122.7	18.9	264.8	193.1	71.8	51.5	20.2	20.2
2008		136.9	106.6	116.5	143.1	118.5	6.0	136.3	22.7	219.7	212.0	7.7	56.5	-48.9	-48.9
2009		144.5	92.4	101.1	140.1	125.7	7.9	153.7	22.4	168.4	223.6	-55.2	61.9	-117.1	-117.1
2010		145.7	109.9	99.6	140.3	125.7	10.6	161.6	20.7	176.8	224.5	-47.7	53.7	-101.5	-101.5
2011		144.8	105.0	101.6	140.0	123.6	15.5	163.8	21.0	167.5	222.7	-55.2	45.2	-100.4	-95.3
2012		135.5	108.0	109.1	135.7	113.2	21.1	168.3	17.6	168.1	211.4	-43.3	61.7	-105.0	-70.8
2013		135.7	112.6	105.5	133.1	112.6	26.0	169.8	15.4	163.1	203.4	-40.3	20.5	-60.7	-60.7
2011	I	145.6	110.8	99.6	140.3	125.2	11.6	162.1	21.3	176.1	225.4	-49.4	50.1	-99.5	-99.5
	II	144.8	110.0	99.9	140.1	124.1	12.7	161.9	20.6	175.4	224.4	-49.0	48.2	-97.2	-97.2
	III	144.9	108.9	99.9	139.7	123.9	14.5	162.6	20.0	172.4	223.3	-50.9	45.1	-96.0	-96.0
	IV	144.8	105.0	101.6	140.0	123.6	15.5	163.8	21.0	167.5	222.7	-55.2	45.2	-100.4	-95.3
2012	I	144.6	105.0	101.6	139.1	123.1	17.2	165.0	20.8	164.3	220.4	-56.1	42.6	-98.7	-93.5
	II	143.8	103.2	102.6	138.8	122.1	18.9	166.5	20.4	160.5	218.3	-57.9	44.6	-102.5	-91.9
	III	142.9	103.8	102.2	137.5	121.1	20.8	168.1	19.8	156.7	215.8	-59.2	45.4	-104.6	-89.5
Percentage of GDP, 4-quarter cumulated operations															
2007		11.9	11.6	13.0	13.0	10.2	0.6	11.6	1.8	25.1	18.3	6.8	4.9	1.9	1.9
2008		12.6	9.8	10.7	13.2	10.9	0.5	12.5	2.1	20.2	19.5	0.7	5.2	-4.5	-4.5
2009		13.8	8.8	9.6	13.4	12.0	0.8	14.7	2.1	16.1	21.3	-5.3	5.9	-11.2	-11.2
2010		13.9	10.5	9.5	13.4	12.0	1.0	15.4	2.0	16.9	21.4	-4.6	5.1	-9.7	-9.7
2011		13.6	9.9	9.6	13.2	11.6	1.5	15.4	2.0	15.8	20.9	-5.2	4.3	-9.4	-9.0
2012		12.9	10.3	10.4	12.9	10.8	2.0	16.0	1.7	16.0	20.1	-4.1	5.9	-10.0	-6.7
2013		13.0	10.8	10.1	12.7	10.8	2.5	16.2	1.5	15.6	19.4	-3.8	2.0	-5.8	-5.8
2011	I	13.8	10.5	9.5	13.3	11.9	1.1	15.4	2.0	16.7	21.4	-4.7	4.8	-9.4	-9.4
	II	13.7	10.4	9.4	13.2	11.7	1.2	15.3	1.9	16.6	21.2	-4.6	4.6	-9.2	-9.2
	III	13.6	10.2	9.4	13.2	11.7	1.4	15.3	1.9	16.2	21.0	-4.8	4.2	-9.0	-9.0
	IV	13.6	9.9	9.6	13.2	11.6	1.5	15.4	2.0	15.8	20.9	-5.2	4.3	-9.4	-9.0
2012	I	13.6	9.9	9.6	13.1	11.6	1.6	15.5	2.0	15.5	20.8	-5.3	4.0	-9.3	-8.8
	II	13.6	9.8	9.7	13.1	11.5	1.8	15.7	1.9	15.2	20.6	-5.5	4.2	-9.7	-8.7
	III	13.5	9.8	9.7	13.0	11.5	2.0	15.9	1.9	14.8	20.5	-5.6	4.3	-9.9	-8.5

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

Chart 1.- Public sector: Income, Consumption and saving
Percentage of GDP, 4-quarter moving averages

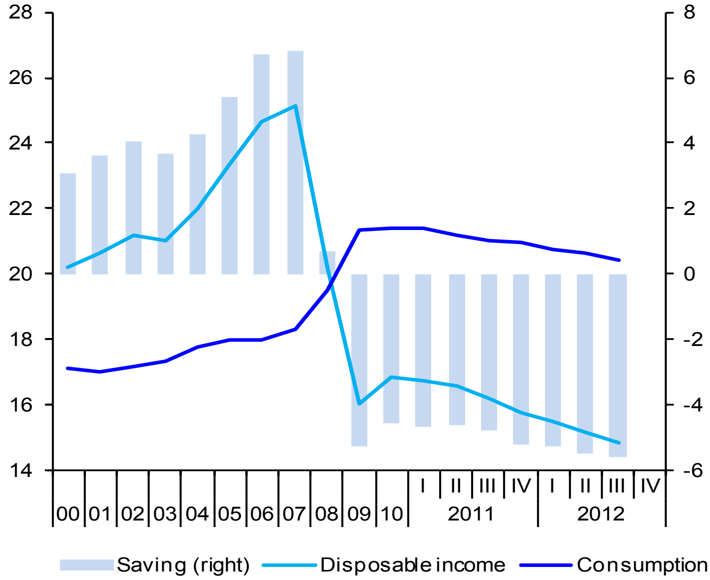
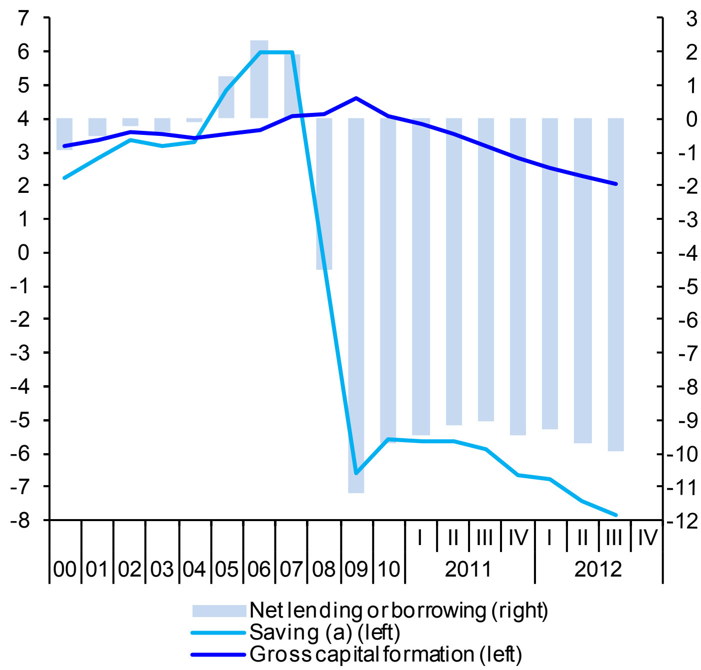


Chart 2.- Public sector: Saving, investment and deficit
Percentage of GDP, 4-quarter moving averages



(a) Including net capital transfers.

Table 9

Public sector balances, by level of Government

Forecasts in blue

		Deficit					Debt				
		Central Government	Regional Governments	Local Governments	Social Security	TOTAL Government	Central Government	Regional Governments	Local Governments	Social Security	TOTAL Government (consolidated)
		EUR Billions, 4-quarter cumulated operations					**EUR Billions, end of period**				
2007		12.1	-2.3	-3.2	13.7	20.2	317.4	61.0	29.4	17.2	382.3
2008		-32.9	-18.2	-5.3	7.6	-48.9	367.1	72.6	31.8	17.2	437.0
2009		-98.0	-21.3	-5.9	8.1	-117.1	485.5	91.0	34.7	17.2	565.1
2010		-52.9	-39.6	-7.0	-1.9	-101.5	549.7	120.8	35.4	17.2	644.7
2011		-36.6	-54.1	-9.0	-0.8	-100.4	622.3	141.4	35.4	17.2	736.5
2012		-74.5	-18.2	-2.1	-10.1	-105.0	760.3	185.0	42.0	17.2	884.4
2013		-38.7	-10.5	-1.0	-10.5	-60.7	--	--	--	--	974.8
2011	I	-48.6	-41.4	-6.2	-3.3	-99.5	581.9	126.7	37.3	17.2	685.7
	II	-47.3	-39.6	-7.0	-3.3	-97.2	594.8	135.7	37.6	17.2	705.5
	III	-45.0	-38.4	-7.6	-5.1	-96.0	598.0	137.6	36.7	17.2	708.6
	IV	-36.6	-54.1	-9.0	-0.8	-100.4	622.3	141.4	35.4	17.2	736.5
2012	I	-43.8	-45.1	-9.2	-0.5	-98.7	655.4	146.4	36.9	17.2	774.9
	II	-55.6	-42.5	-6.9	2.5	-102.5	680.2	168.3	45.0	17.2	804.6
	III	-54.4	-40.4	-5.4	-4.3	-104.6	695.5	167.5	43.8	17.2	817.2
	IV	--	--	--	--	--	760.3	185.0	42.0	17.2	884.4
		Percentage of GDP, 4-quarter cumulated operations					**Percentage of GDP**				
2007		1.2	-0.2	-0.3	1.3	1.9	30.1	5.8	2.8	1.6	36.3
2008		-3.0	-1.7	-0.5	0.7	-4.5	33.7	6.7	2.9	1.6	40.2
2009		-9.3	-2.0	-0.6	0.8	-11.2	46.3	8.7	3.3	1.6	53.9
2010		-5.0	-3.8	-0.7	-0.2	-9.7	52.4	11.5	3.4	1.6	61.5
2011		-3.4	-5.1	-0.8	-0.1	-9.4	58.5	13.3	3.3	1.6	69.3
2012		-7.1	-1.7	-0.2	-1.0	-10.0	72.3	17.6	4.0	1.6	84.1
2013		-3.7	-1.0	-0.1	-1.0	-5.8	--	--	--	--	93.1
2011	I	-4.6	-3.9	-0.6	-0.3	-9.4	55.3	12.0	3.5	1.6	65.1
	II	-4.5	-3.7	-0.7	-0.3	-9.2	56.2	12.8	3.6	1.6	66.7
	III	-4.2	-3.6	-0.7	-0.5	-9.0	56.3	12.9	3.5	1.6	66.7
	IV	-3.4	-5.1	-0.8	-0.1	-9.4	58.5	13.3	3.3	1.6	69.3
2012	I	-4.1	-4.2	-0.9	0.0	-9.3	61.7	13.8	3.5	1.6	73.0
	II	-5.3	-4.0	-0.6	0.2	-9.7	64.3	15.9	4.3	1.6	76.0
	III	-5.2	-3.8	-0.5	-0.4	-9.9	65.9	15.9	4.2	1.6	77.4
	IV	--	--	--	--	--	72.3	17.6	4.0	1.6	84.1

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

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

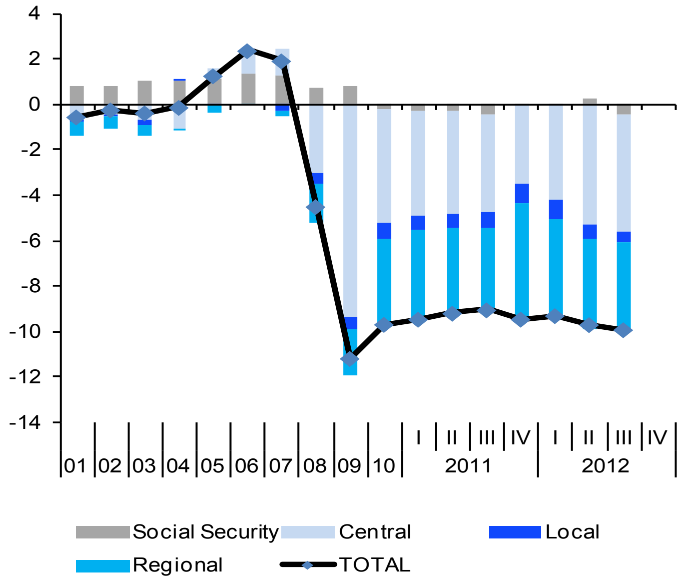


Chart 2.- Government debt
Percent of GDP

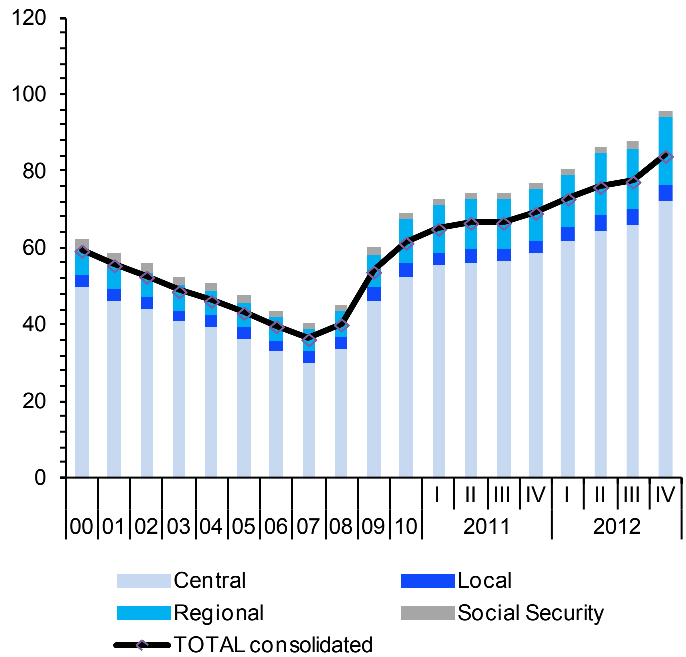


Table 10

General activity and industrial sector indicators (a)

		General activity indicators				Industrial sector indicators					
		Economic Sentiment Index	Composite PMI index	Social Security Affiliates	Electricity consumption (temperature adjusted)	Industrial production index	Social Security Affiliates in industry	Manufacturing PMI index	Industrial confidence index	Turnover index deflated	Industrial orders
		Index	**Index**	**Thousands**	**1000 GWH**	**2005=100**	**Thousands**	**Index**	**Balance of responses**	**2005=100 (smoothed)**	**Balance of responses**
2008		87.2	38.5	18,834	269.5	99.3	2,696	40.4	-17.9	96.7	-23.4
2009		83.3	40.9	17,657	256.9	83.6	2,411	40.9	-30.8	78.0	-55.3
2010		93.4	50.0	17,244	263.8	84.3	2,295	50.6	-13.8	80.6	-36.7
2011		93.4	46.6	16,970	260.5	83.1	2,232	47.3	-12.5	80.9	-30.8
2012		88.8	43.1	16,335	255.2	78.1	2,114	43.8	-17.5	77.1	-37.2
2013 (b)		89.0	45.9	15,723	46.5	76.2	2,028	46.4	-16.1	--	-34.4
2011	II	94.4	50.1	17,045	65.4	84.1	2,245	48.7	-10.7	81.6	-28.2
	III	93.6	45.0	16,939	65.2	82.7	2,227	44.9	-14.4	80.7	-31.0
	IV	91.9	40.7	16,794	64.2	81.2	2,197	43.8	-16.5	79.5	-36.1
2012	I	92.5	45.0	16,624	64.8	80.0	2,165	44.9	-14.8	78.5	-33.6
	II	89.6	41.7	16,427	64.0	78.5	2,130	42.2	-17.4	77.7	-36.2
	III	85.8	42.6	16,241	63.3	78.1	2,096	43.6	-20.0	77.1	-40.4
	IV	87.3	42.9	16,057	63.0	76.6	2,067	44.5	-17.9	75.9	-38.5
2013	I (b)	89.0	45.9	15,922	41.3	76.1	2,045	46.4	-16.1	--	-34.4
2012	Dec	87.7	43.9	15,999	21.0	76.2	2,058	44.6	-16.0	75.5	-38.2
2013	Jan	88.2	46.5	15,945	20.7	76.1	2,049	46.1	-18.6	--	-36.9
	Feb	89.7	45.3	15,899	20.6	--	2,041	46.8	-13.5	--	-31.8
Percentage changes (c)											
2008		--	--	-0.6	0.7	-7.3	-2.2	--	--	-8.2	--
2009		--	--	-6.2	-4.7	-15.8	-10.6	--	--	-19.3	--
2010		--	--	-2.3	2.7	0.8	-4.8	--	--	3.4	--
2011		--	--	-1.6	-1.3	-1.4	-2.7	--	--	0.3	--
2012		--	--	-3.7	-2.0	-6.0	-5.3	--	--	-4.7	--
2013 (d)		--	--	-4.4	-4.8	-5.0	-5.8	--	--	--	--
2011	II	--	--	-1.3	-3.1	-4.3	-2.5	--	--	-1.2	--
	III	--	--	-2.5	-1.1	-6.2	-3.2	--	--	-4.2	--
	IV	--	--	-3.4	-6.0	-7.1	-5.2	--	--	-5.9	--
2012	I	--	--	-4.0	3.9	-5.8	-5.7	--	--	-5.1	--
	II	--	--	-4.6	-4.9	-7.6	-6.3	--	--	-3.9	--
	III	--	--	-4.5	-4.1	-1.7	-6.3	--	--	-3.2	--
	IV	--	--	-4.4	-1.9	-7.8	-5.4	--	--	-5.9	--
2013	I (e)	--	--	-3.3	-6.9	-2.4	-4.1	--	--	--	--
2012	Dec	--	--	-4.1	0.4	0.3	-0.4	--	--	-0.6	--
2013	Jan	--	--	-4.0	-1.4	-0.1	-0.4	--	--	--	--
	Feb	--	--	-3.4	-0.5	--	-0.4	--	--	--	--

(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) Excluding domestic service workers and non-professional caregivers. Sources: European Commission, 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

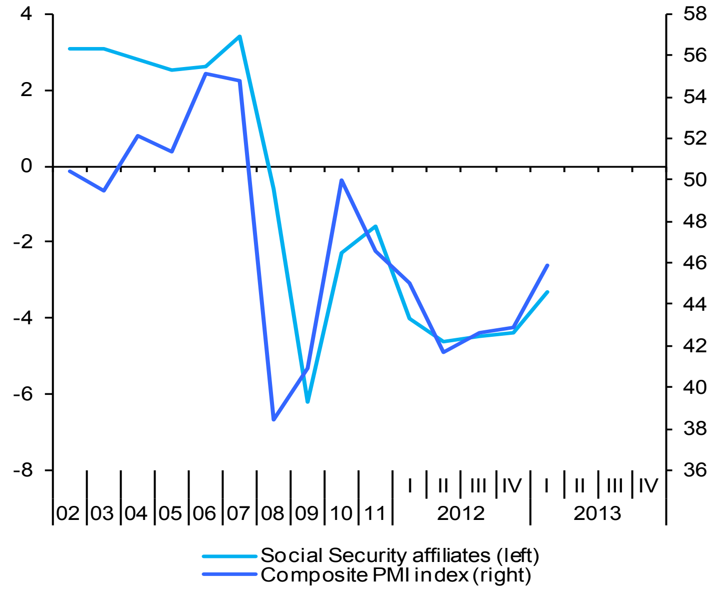


Chart 2.- Industrial sector indicators
Percent change from previuos period and index

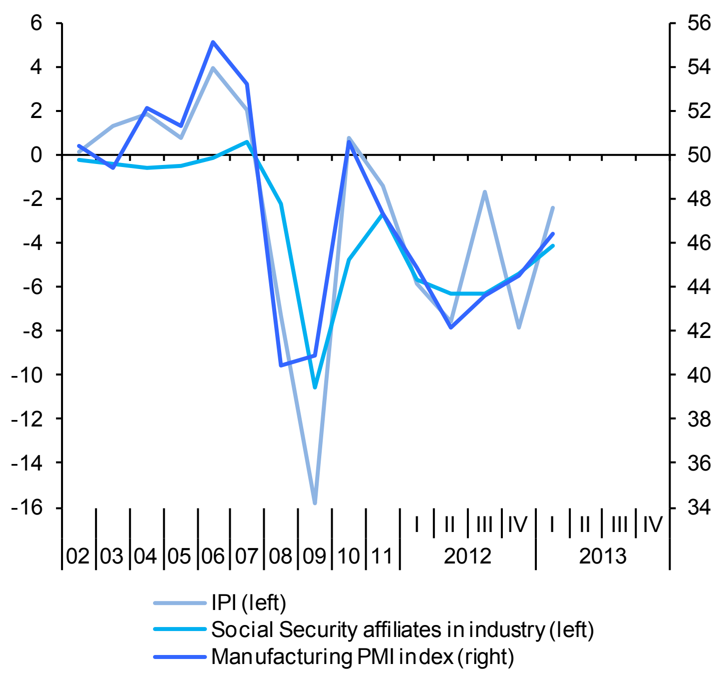


Table 11

Construction and services sector indicators (a)

	Construction indicators						Service sector indicators					
	Social Security Affiliates in construction	Consumption of cement	Construction confidence index	Official tenders (f)	Housing starts (f)	Housing permits (f)	Social Security Affiliates in services (g)	Turnover index (nominal)	Services PMI index	Hotel overnight stays	Passenger air transport	Services confidence index
	Thousands	**Million Tons**	**Balance of responses**	**EUR Billions**	**Thousands**	**Million m²**	**Thousands**	**2005=100 (smoothed)**	**Index**	**Million**	**Million (smoothed)**	**Balance of responses**
2008	2,340	42.7	-23.8	38.5	346.0	60.0	12,644	109.4	38.2	268.6	202.9	-18.9
2009	1,800	28.9	-32.3	35.4	159.3	29.2	12,247	94.6	41.0	253.2	186.2	-29.6
2010	1,559	24.5	-29.7	21.9	123.6	24.5	12,186	95.3	49.3	269.4	191.5	-22.4
2011	1,369	20.4	-55.4	11.8	86.3	20.0	12,176	94.3	46.5	286.8	203.0	-20.8
2012 (b)	1,136	13.5	-54.9	3.7	28.6	12.5	11,907	89.1	43.1	281.4	192.3	-21.5
2013 (b)	1,010	0.9	-45.4	--	--	--	11,554	--	45.8	11.9	15.0	-25.2
2011 II	1,402	5.5	-55.4	3.7	27.1	5.3	12,204	94.9	50.5	71.3	50.9	-19.1
III	1,343	4.9	-58.6	2.7	17.9	5.0	12,181	94.2	45.5	71.9	50.7	-14.2
IV	1,278	4.4	-53.6	2.2	18.2	4.1	12,128	92.9	40.2	71.0	50.0	-21.8
2012 I	1,216	3.9	-50.4	1.6	16.7	3.8	12,051	91.4	44.8	70.4	49.3	-15.5
II	1,159	3.4	-52.2	2.1	11.9	3.1	11,954	90.1	42.4	70.0	48.9	-19.6
III	1,107	3.2	-55.5	--	--	2.8	11,863	88.7	42.6	70.5	48.1	-26.6
IV	1,063	3.0	-61.4	--	--	2.8	11,774	86.8	42.6	68.1	46.3	-24.4
2013 I (b)	1,032	1.0	-45.4	--	--	--	11,717	--	45.8	22.7	15.0	-25.2
2012 Dec	1,051	1.0	-60.7	--	--	--	11,745	86.1	44.3	22.4	15.2	-26.1
2013 Jan	1,038	1.0	-41.6	--	--	--	11,728	--	47.0	22.7	15.0	-23.8
Feb	1,025	1.0	-49.1	--	--	--	11,706	--	44.7	--	--	-26.5
Percentage changes (c)												
2008	-10.0	-23.8	--	2.9	-43.8	-52.1	1.5	-3.5	--	-1.2	-2.7	--
2009	-23.1	-32.3	--	-8.2	-54.0	-51.4	-3.1	-13.5	--	-5.7	-8.3	--
2010	-13.4	-15.4	--	-38.0	-22.4	-16.0	-0.5	0.8	--	6.4	2.9	--
2011	-12.2	-16.4	--	-46.2	-30.2	-18.6	-0.1	-1.1	--	6.4	6.0	--
2012 (d)	-17.0	-34.0	--	-46.9	-43.0	-37.2	-2.2	-5.5	--	-1.9	-5.2	--
2013 (d)	-15.8	-21.5	--	--	--	--	-2.9	--	--	-5.2	-9.0	--
2011 II	-14.3	-14.3	--	-35.0	-18.0	-21.8	0.5	-1.1	--	5.5	4.5	--
III	-15.8	-34.2	--	-45.2	-27.6	-14.4	-0.8	-2.9	--	3.5	-1.8	--
IV	-17.9	-36.1	--	-59.8	-46.3	-28.4	-1.7	-5.3	--	-5.0	-5.4	--
2012 I	-18.0	-40.3	--	-50.6	-27.4	-30.5	-2.5	-6.2	--	-3.4	-5.4	--
II	-17.4	-40.1	--	-43.6	-56.2	-41.5	-3.2	-5.7	--	-2.2	-3.3	--
III	-16.8	-17.4	--	--	--	-44.5	-3.0	-5.8	--	3.0	-6.7	--
IV	-15.0	-30.5	--	--	--	-32.1	-3.0	-8.6	--	-13.2	-13.6	--
2013 I (e)	-11.4	18.4	--	--	--	--	-1.9	--	--	--	-11.0	--
2012 Dec	-1.0	-0.7	--	--	--	--	-0.2	-0.8	--	-0.8	-1.4	--
2013 Jan	-1.2	7.5	--	--	--	--	-0.1	--	--	1.3	-1.5	--
Feb	-1.3	--	--	--	--	--	-0.2	--	--	--	--	--

(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. (g) Excluding domestic service workers and non-profesional caregivers.

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

Chart 1.- Construction indicators
Percentage changes

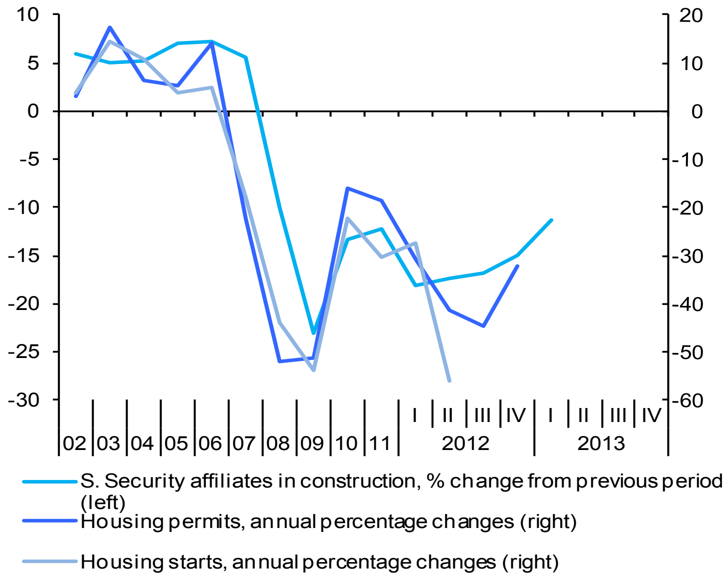


Chart 2.- Services indicators
Percentage changes from previous period and index

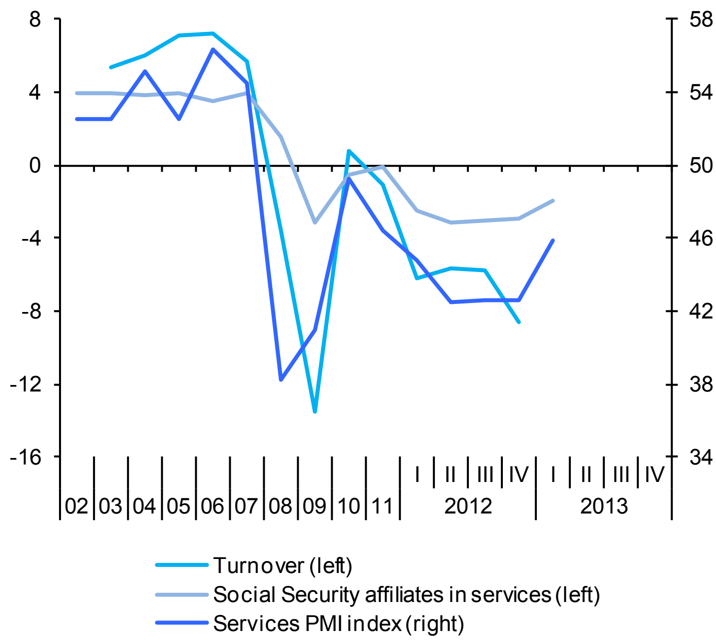


Table 12

Consumption and investment indicators (a)

	Consumption indicators					Investment in equipment indicators		
	Retail sales deflated	Car registrations	Consumer confidence index	Hotel overnight stays by residents in Spain	Industrial orders for consumer goods	Cargo vehicles registrations	Industrial orders for investment goods	Availability of investment goods (f)
	2005=100 (smoothed)	**Thousands (smoothed)**	**Balance of responses**	**Million**	**Balance of responses**	**Thousands (smoothed)**	**Balance of responses**	**2005=100 (smoothed)**
2007	104.4	1,633.8	-13.3	116.6	-3.2	420.4	16.1	113.4
2008	98.2	1,185.3	-33.7	113.2	-21.0	236.9	-4.5	89.6
2009	92.9	971.2	-28.2	110.1	-40.2	142.1	-50.8	65.5
2010	91.3	1,000.1	-20.9	113.6	-26.7	152.1	-31.1	58.4
2011	86.2	808.3	-17.1	111.5	-21.7	142.0	-23.0	52.6
2012	79.8	703.8	-31.7	102.1	-24.3	106.7	-38.6	48.2
2013 (b)	78.3	110.1	-33.0	4.4	-20.8	14.2	-39.9	--
2011 II	86.9	203.8	-16.1	27.4	-22.0	36.6	-21.1	53.0
III	85.8	201.5	-15.8	28.0	-21.9	35.1	-23.2	52.0
IV	84.4	197.4	-16.8	27.3	-20.6	32.8	-25.8	50.6
2012 I	82.9	191.1	-24.6	26.7	-25.9	30.2	-31.7	48.8
II	81.2	181.5	-29.0	25.9	-21.4	27.7	-37.3	47.8
III	79.1	171.5	-35.2	25.0	-23.5	25.8	-44.3	47.9
IV	76.4	165.7	-37.8	23.9	-26.3	24.0	-41.1	48.4
2013 I (b)	74.5	111.5	-33.0	8.0	-20.8	15.1	-39.9	--
2012 Dec	75.4	55.2	-40.0	7.9	-27.7	7.8	-44.6	48.6
2013 Jan	74.5	55.5	-32.5	8.0	-26.1	7.6	-44.5	--
Feb	--	56.0	-33.4	--	-15.6	7.5	-35.3	--
				Percentage changes (c)				
2007	2.5	-1.6	--	1.3	--	0.3	--	10.8
2008	-6.0	-27.5	--	-2.9	--	-43.6	--	-21.0
2009	-5.4	-18.1	--	-2.7	--	-40.0	--	-26.9
2010	-1.7	3.0	--	3.1	--	7.0	--	-11.0
2011	-5.6	-19.2	--	-1.8	--	-6.6	--	-9.9
2012	-7.4	-12.9	--	-8.4	--	-24.8	--	-8.3
2013 (d)	-10.2	-8.7	--	-12.4	--	-22.7	--	--
2011 II	-5.6	-4.2	--	-10.9	--	-6.3	--	-8.2
III	-5.1	-4.5	--	8.5	--	-14.8	--	-7.4
IV	-6.2	-8.0	--	-9.6	--	-23.8	--	-10.7
2012 I	-6.9	-12.1	--	-7.7	--	-28.6	--	-13.0
II	-7.9	-18.6	--	-11.8	--	-28.6	--	-8.2
III	-10.1	-20.4	--	-13.6	--	-25.6	--	1.2
IV	-13.2	-12.8	--	-16.0	--	-24.6	--	3.9
2013 I (e)	-9.3	3.9	--	1.0	--	-20.7	--	--
2012 Dec	-1.2	0.1	--	1.3	--	-2.3	--	0.4
2013 Jan	-1.2	0.6	--	0.7	--	-2.2	--	--
Feb	--	0.8	--	--	--	-2.3	--	--

(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 Commission, 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

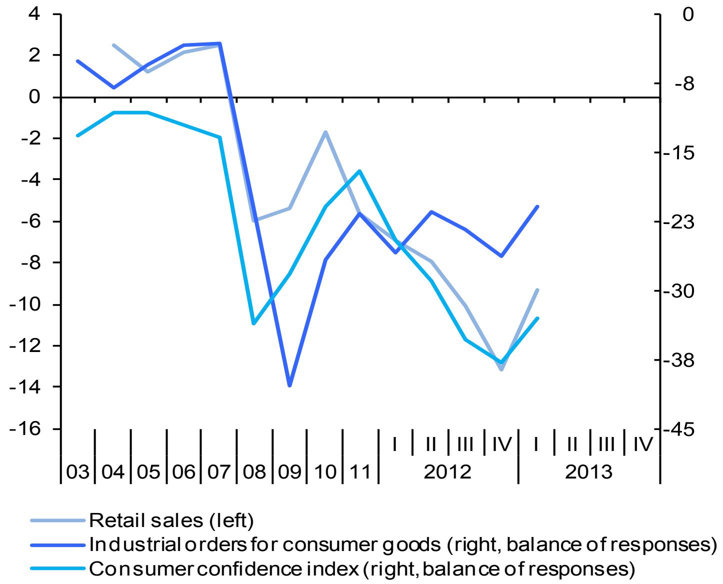


Chart 2.- Investment indicators
Percent change from previous period and balance of responses

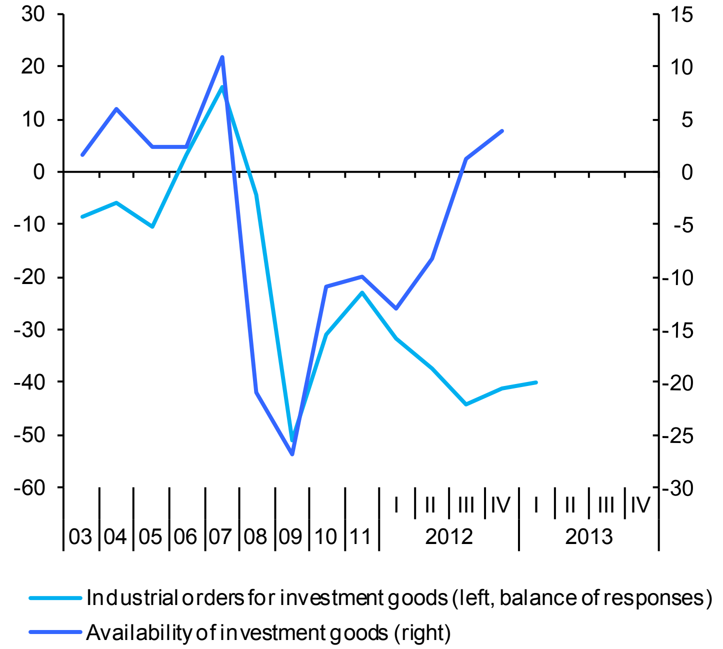


Table 13a

Labour market (I)

Forecasts in blue

		Population aged 16-64	Labour force		Employment		Unemployment		Participation rate 16-64 (a)	Employment rate 16-64 (b)	Unemployment rate (c)			
											Total	Aged 16-24	Spanish	Foreign
			Original	Seasonally adjusted	Original	Seasonally adjusted	Original	Seasonally adjusted	Seasonally adjusted					
		1	2=4+6	3=5+7	4	5	6	7	8	9	10=7/3	11	12	13
		Million							**Percentage**					
2007		30.4	22.2	--	20.4	--	1.8	--	72.6	66.6	8.3	18.2	7.6	12.2
2008		30.8	22.8	--	20.3	--	2.6	--	73.7	65.3	11.3	24.6	10.2	17.5
2009		30.9	23.0	--	18.9	--	4.1	--	74.0	60.6	18.0	37.8	16.0	28.4
2010		30.8	23.1	--	18.5	--	4.6	--	74.4	59.4	20.1	41.6	18.2	30.2
2011		30.7	23.1	--	18.1	--	5.0	--	74.7	58.5	21.6	46.4	19.6	32.8
2012		30.5	23.1	--	17.3	--	5.8	--	75.1	56.2	25.0	--	--	--
2013		30.0	22.7	--	16.7	--	6.0	--	75.7	55.5	26.6	--	--	--
2014		29.5	22.3	--	16.5	--	5.8	--	75.7	56.0	26.0	--	--	--
2011	I	30.8	23.1	23.0	18.2	18.3	4.9	4.8	74.4	58.9	20.6	44.4	18.8	30.9
	II	30.7	23.1	23.1	18.3	18.3	4.8	4.8	74.8	59.0	21.0	45.5	19.0	31.9
	III	30.7	23.1	23.1	18.2	18.0	5.0	5.1	75.0	58.3	22.0	47.2	19.9	33.8
	IV	30.7	23.1	23.1	17.8	17.8	5.3	5.3	74.8	57.6	22.9	48.9	20.8	34.8
2012	I	30.6	23.1	23.0	17.4	17.6	5.6	5.5	74.8	56.9	23.7	50.9	21.6	35.8
	II	30.5	23.1	23.1	17.4	17.4	5.7	5.7	75.1	56.4	24.7	52.5	22.8	35.8
	III	30.5	23.1	23.1	17.3	17.2	5.8	5.9	75.4	56.0	25.6	53.8	23.8	35.9
	IV	30.3	22.9	23.0	17.0	17.0	6.0	6.0	75.1	55.4	26.1	55.4	24.3	36.5
		Percentage changes (d)							**Difference from one year ago**					
2007		1.8	2.8	--	3.1	--	-0.2	--	0.7	0.8	-0.2	0.1	-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		-0.7	-0.2	--	-4.5	--	15.4	--	0.3	-2.3	3.4	--	--	--
2013		-1.5	-1.4	--	-3.5	--	4.9	--	0.6	-0.7	1.6	--	--	--
2014		-1.7	-1.7	--	-0.9	--	-3.9	--	0.0	0.5	-0.6	--	--	--
2011	I	-0.2	0.2	-1.6	-1.3	-2.6	6.4	2.5	0.4	-0.6	1.2	4.5	1.3	1.2
	II	-0.4	0.1	1.3	-0.9	-0.4	4.1	8.0	0.4	-0.3	0.8	4.0	0.7	1.7
	III	-0.4	0.1	0.5	-2.1	-4.9	8.8	23.0	0.4	-1.0	1.7	5.1	1.5	3.4
	IV	-0.5	-0.1	-0.6	-3.3	-5.0	12.3	16.5	0.3	-1.7	2.5	5.8	2.2	4.3
2012	I	-0.6	0.0	-1.3	-4.0	-5.3	14.9	12.8	0.4	-2.0	3.1	6.5	2.8	4.9
	II	-0.5	-0.1	1.0	-4.8	-4.1	17.8	19.1	0.3	-2.6	3.8	7.1	3.8	4.0
	III	-0.7	-0.2	0.5	-4.6	-4.0	16.1	15.4	0.4	-2.4	3.5	6.6	3.9	2.1
	IV	-1.0	-0.7	-2.9	-4.8	-5.7	13.1	5.6	0.3	-2.2	3.2	6.6	3.6	1.7

(a) Labour force aged 16-64 over population aged 16-64. (b) Employed aged 16-64 over population aged 16-64. (c) Unemployed in each group over labour force in that group. (d) Annual percentage changes for original data; annualized quarterly percentage changes for S.A. data.
Sources: INE (Labour Force Survey) and Funcas (Forecasts).

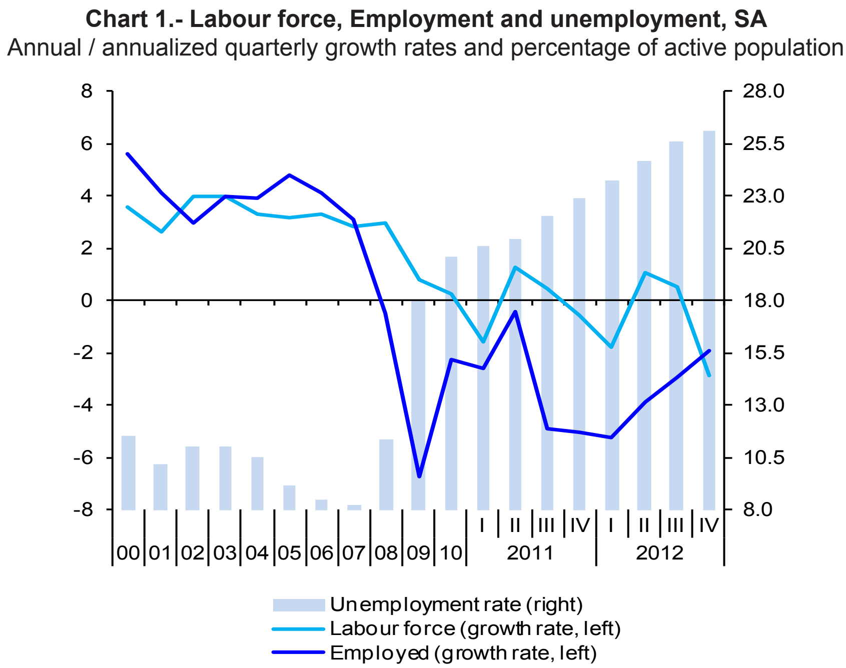


Chart 1.- Labour force, Employment and unemployment, SA
Annual / annualized quarterly growth rates and percentage of active population
8
6
4
2
0
-2
-4
-6
-8
28.0
25.5
23.0
20.5
18.0
15.5
13.0
10.5
8.0
00 01 02 03 04 05 06 07 08 09 10
I II III IV I II III IV
2011
2012
Unemployment rate (right)
Labour force (growth rate, left)
Employed (growth rate, left)

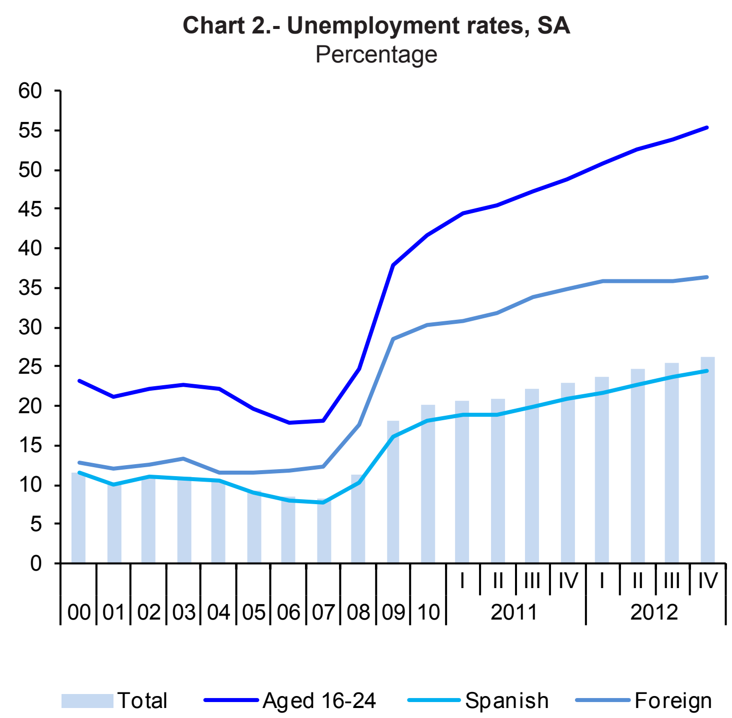


Chart 2.- Unemployment rates, SA
Percentage
60
55
50
45
40
35
30
25
20
15
10
5
0
00 01 02 03 04 05 06 07 08 09 10
I II III IV I II III IV
2011
2012
Total
Aged 16-24
Spanish
Foreign

Table 13b

Labour market (II)

		Employed by sector				Employed by professional situation					Employed by duration of the working-day		
						Employees							
							By type of contract						
		Agriculture	Industry	Construc-tion	Services	Total	Temporary	Indefinite	Temporary employment rate (a)	Self- emplo-yed	Full-time	Part-time	Part-time employ-ment rate (b)
		1	2	3	4	5=6+7	6	7	8=6/5	9	10	11	12
Million (original data)													
2007		0.87	3.24	2.75	13.50	16.76	5.31	11.45	31.7	3.60	17.96	2.40	11.78
2008		0.82	3.20	2.45	13.79	16.68	4.88	11.80	29.3	3.58	17.83	2.43	11.97
2009		0.79	2.78	1.89	13.44	15.68	3.98	11.70	25.4	3.21	16.47	2.42	12.79
2010		0.79	2.61	1.65	13.40	15.35	3.82	11.52	24.9	3.11	16.01	2.45	13.27
2011		0.76	2.56	1.39	13.40	15.11	3.83	11.28	25.3	3.00	15.60	2.50	13.82
2012 (c)		0.75	2.43	1.15	12.95	14.24	3.36	10.88	23.6	3.04	14.73	2.55	14.75
2010	I	0.84	2.60	1.66	13.30	15.25	3.72	11.53	24.4	3.14	15.94	2.45	13.33
	II	0.78	2.62	1.70	13.38	15.36	3.82	11.54	24.9	3.11	15.98	2.50	13.52
	III	0.75	2.60	1.67	13.52	15.46	3.95	11.51	25.6	3.09	16.17	2.37	12.79
	IV	0.80	2.62	1.57	13.41	15.31	3.80	11.51	24.8	3.09	15.93	2.47	13.44
2011	I	0.78	2.54	1.49	13.33	15.12	3.75	11.37	24.8	3.03	15.59	2.57	14.14
	II	0.74	2.58	1.43	13.55	15.29	3.90	11.39	25.5	3.01	15.72	2.59	14.14
	III	0.71	2.58	1.37	13.50	15.18	3.95	11.23	26.0	2.98	15.76	2.40	13.21
	IV	0.81	2.53	1.28	13.20	14.83	3.70	11.12	25.0	2.98	15.35	2.46	13.81
2012	I	0.78	2.46	1.19	13.01	14.41	3.42	10.99	23.8	3.02	14.93	2.51	14.37
	II	0.73	2.44	1.19	13.05	14.40	3.41	10.99	23.7	3.02	14.82	2.60	14.93
	III	0.72	2.44	1.14	13.02	14.23	3.42	10.81	24.0	3.09	14.83	2.49	14.37
	IV	0.78	2.38	1.07	12.72	13.93	3.21	10.72	23.0	3.03	14.36	2.60	15.33
		Annual percentage changes							**Difference from one year ago**	**Annual percentage changes**			**Difference from one year ago**
2007		-2.0	-0.9	6.1	3.8	3.4	-3.8	7.1	-2.4	1.6	3.3	1.6	-0.2
2008		-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		-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
2011		-4.1	-2.1	-15.6	0.0	-1.6	0.1	-2.1	0.4	-3.6	-2.5	2.2	0.6
2012 (d)		-0.9	-4.9	-17.6	-3.3	-5.7	-12.1	-3.6	-1.7	1.4	-5.6	1.8	0.9
2010	I	-0.3	-10.4	-15.9	-0.6	-3.7	-7.6	-2.4	-1.0	-3.3	-4.4	1.2	0.6
	II	-1.1	-6.4	-11.6	-0.4	-2.4	-3.8	-1.9	-0.4	-3.0	-3.1	2.0	0.6
	III	2.3	-4.4	-9.8	-0.3	-1.2	-2.4	-0.8	-0.3	-4.0	-2.3	2.4	0.5
	IV	2.8	-2.2	-12.8	0.2	-1.2	-2.2	-0.8	-0.3	-1.9	-1.5	0.2	0.2
2011	I	-6.2	-2.3	-10.2	0.3	-0.9	0.7	-1.4	0.4	-3.5	-2.2	4.7	0.8
	II	-4.8	-1.6	-15.9	1.3	-0.5	2.1	-1.3	0.6	-3.3	-1.6	3.6	0.6
	III	-6.1	-0.9	-17.8	-0.2	-1.8	0.0	-2.4	0.5	-3.7	-2.6	1.1	0.4
	IV	0.5	-3.7	-18.8	-1.6	-3.2	-2.5	-3.4	0.2	-3.7	-3.7	-0.6	0.4
2012	I	-0.9	-3.2	-20.6	-2.4	-4.7	-8.6	-3.4	-1.0	-0.3	-4.2	-2.4	0.2
	II	-1.2	-5.4	-16.6	-3.7	-5.9	-12.7	-3.5	-1.9	0.3	-5.7	0.5	0.8
	III	1.8	-5.2	-17.1	-3.6	-6.2	-13.4	-3.7	-2.0	3.7	-5.9	3.8	1.2
	IV	-3.0	-5.7	-15.9	-3.6	-6.1	-13.5	-3.6	-2.0	1.8	-6.5	5.7	1.5

(a) Percentage of employees with temporary contract over total employees. (b) Percentage of part-time employed over total employed. (c) Period with available data. (d) Growth of available period over the same period of the previous year.

Source: INE (Labour Force Survey).

Chart 1.- Employment by sector
Annual percentage changes

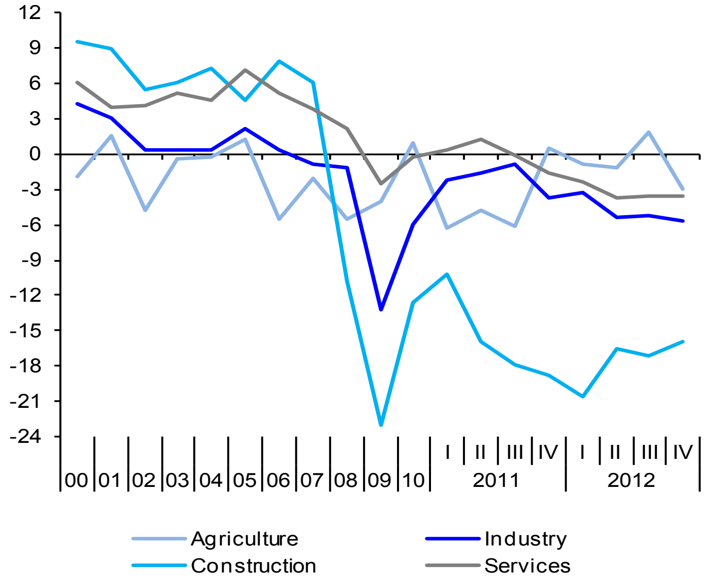


Chart 2.- Employment by type of contract
Annual percentage changes

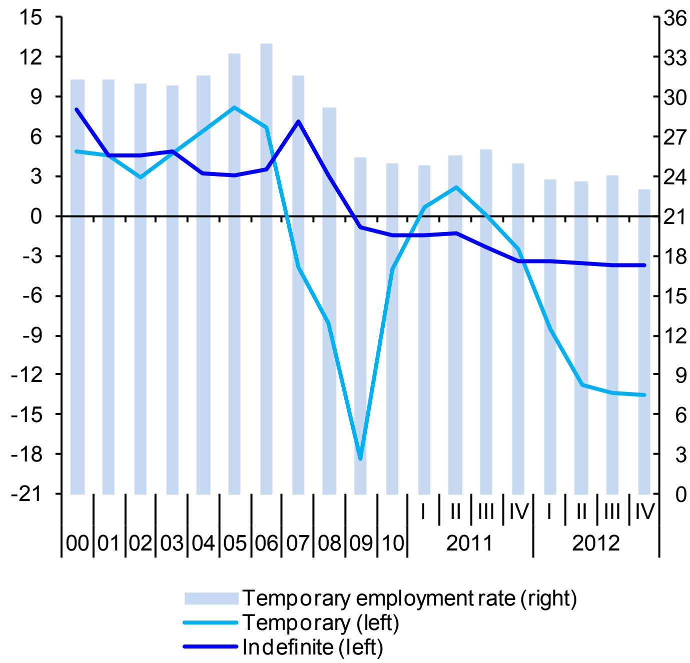


Table 14

Index of Consumer Prices

Forecasts in blue

		Total	Total excluding food and energy	Excluding unprocessed food and energy				Unprocessed food	Energy	Food
				Total	Non-energy industrial goods	Services	Processed food			
% of total in 2011		100.0	63.73	81.41	26.99	39.74	14.76	6.41	12.18	21.09
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		102.5	101.3	101.6	100.9	101.6	103.1	102.2	109.0	102.8
2013		104.7	103.3	103.7	102.3	103.9	106.0	104.8	111.6	105.6
Annual percentage changes										
2007		2.8	2.5	2.7	0.7	3.9	3.7	4.7	1.7	4.1
2008		4.1	2.3	3.2	0.3	3.9	6.5	4.0	11.9	5.7
2009		-0.3	0.8	0.8	-1.3	2.4	0.9	-1.3	-9.0	0.2
2010		1.8	0.6	0.6	-0.5	1.3	1.0	0.0	12.5	0.7
2011		3.2	1.3	1.7	0.6	1.8	3.8	1.8	15.7	3.2
2012		2.5	1.3	1.6	0.9	1.6	3.1	2.2	9.0	2.8
2013		2.1	1.9	2.1	1.4	2.3	2.9	2.5	2.4	2.8
2011	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	3.8	2.5	6.2	3.4
	Jul	2.2	1.0	1.4	1.0	1.0	3.2	2.0	7.8	2.8
	Aug	2.7	1.0	1.4	0.7	1.1	3.2	2.7	11.9	3.1
	Sep	3.4	1.9	2.1	2.0	1.8	2.9	2.8	13.4	2.9
	Oct	3.5	2.3	2.5	2.0	2.6	3.0	2.7	11.2	2.9
	Nov	2.9	2.1	2.3	1.7	2.3	3.1	3.3	7.5	3.2
	Dec	2.9	1.9	2.1	1.5	2.2	3.1	3.9	7.6	3.3
2013	Jan	2.7	1.9	2.2	1.3	2.2	3.6	4.3	5.3	3.8
	Feb	2.8	1.9	2.3	1.4	2.2	3.6	3.1	5.9	3.5
	Mar	2.6	2.1	2.4	1.5	2.5	3.7	3.2	3.4	3.5
	Apr	2.0	1.8	2.0	1.6	1.9	3.1	2.9	1.1	3.1
	May	2.3	1.8	2.0	1.6	2.0	2.9	3.7	3.0	3.1
	Jun	2.5	1.9	2.1	1.6	2.1	3.0	2.8	5.5	3.0
	Jul	2.1	1.6	1.9	0.7	2.1	3.1	3.5	2.5	3.2
	Aug	1.8	1.8	2.0	1.0	2.2	3.0	3.2	-0.5	3.1
	Sep	0.9	0.9	1.3	0.0	1.6	2.7	3.3	-2.5	2.9
	Oct	1.1	0.9	1.2	0.1	1.4	2.4	3.4	-0.6	2.7
	Nov	1.5	1.0	1.2	0.4	1.5	2.2	3.1	2.3	2.5
	Dec	1.5	1.0	1.3	0.4	1.5	2.2	2.9	2.6	2.4

Sources: INE and Funcas (Forecasts).

Chart 1.- Inflation rate (I)
Annual percentage changes

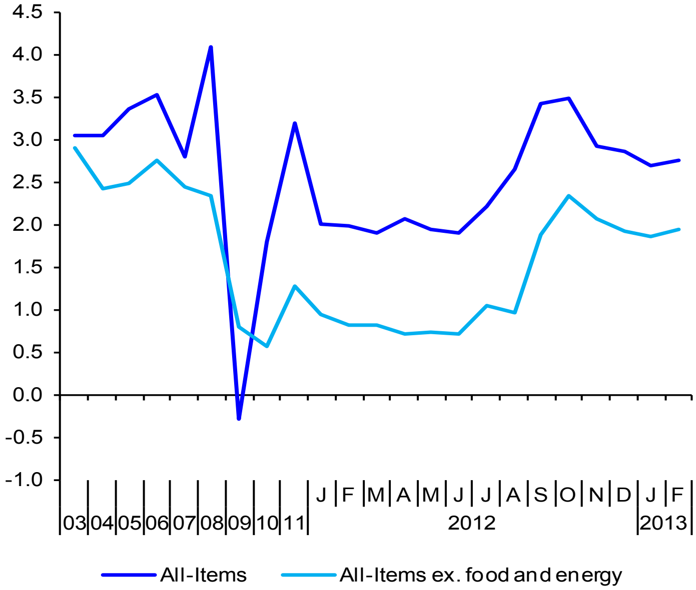


Chart 2.- Inflation rate (II)
Annual percentage changes

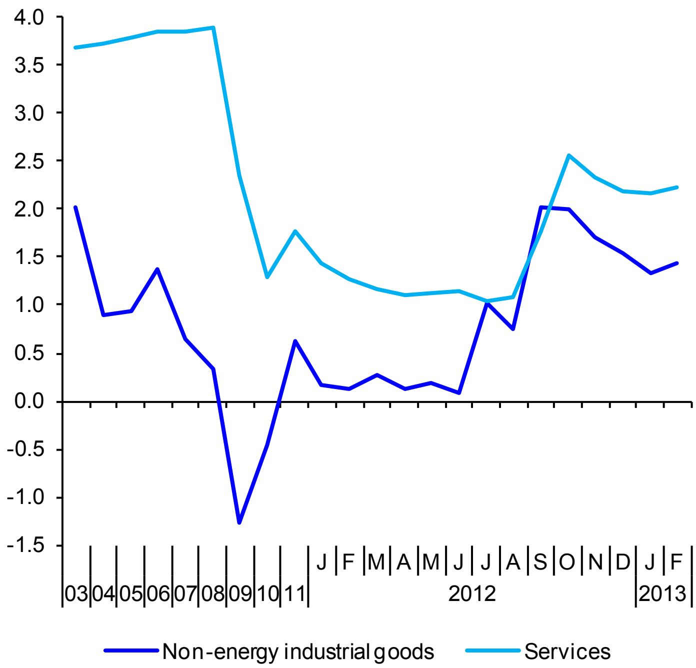


Table 15

Other prices and costs indicators

		GDP deflator (a)	Industrial producer prices		Housing prices			Labour Costs Survey				Wage increases agreed in collective bargaining
			Total	excluding energy	Housing Price Index (INE)	m^2 average price (M. Public Works)	Urban land prices (M. Public Works)	Total labour costs per worker	Wage costs per worker	Other cost per worker	Total labour costs per hour worked	
		2000=100	2005=100		2007=100			2000=100				
2007		132.2	109.2	109.7	100.0	100.0	100.0	131.1	128.3	139.9	136.2	--
2008		135.4	116.3	114.2	98.5	100.7	91.1	137.5	134.8	145.6	142.5	--
2009		135.5	112.4	111.7	91.9	93.2	85.8	142.3	139.2	151.8	150.5	--
2010		136.0	116.5	113.3	90.1	89.6	74.8	142.8	140.4	150.2	151.4	--
2011		137.3	124.6	117.7	83.4	84.6	69.8	144.5	141.9	152.5	154.8	--
2012 (b)		137.7	129.3	119.3	72.0	77.2	65.4	143.6	141.1	151.3	154.7	--
2013 (b)		--	131.1	120.7	--	--	--	--	--	--	--	--
2011	II	137.3	124.6	116.9	85.2	85.2	76.8	146.9	145.2	152.3	153.0	--
	III	137.3	125.2	117.0	82.9	84.1	60.9	138.9	134.9	151.2	159.8	--
	IV	137.8	125.5	116.5	79.4	82.8	65.5	151.7	151.3	152.9	163.6	--
2012	I	137.4	128.7	116.9	75.4	80.2	63.7	142.2	137.9	155.1	144.7	--
	II	137.5	128.4	118.0	73.0	78.1	70.2	146.5	145.3	150.2	154.1	--
	III	138.1	130.2	118.6	70.2	76.1	60.4	138.8	135.2	149.7	159.8	--
	IV	137.9	129.9	119.2	69.2	74.5	67.3	146.9	145.8	150.2	160.0	--
2013	I (b)	--	131.1	119.5	--	--	--	--	--	--	--	--
2012	Nov	--	129.7	119.1	--	--	--	--	--	--	--	--
	Dec	--	129.7	114.5	--	--	--	--	--	--	--	--
2013	Jan	--	131.1	110.0	--	--	--	--	--	--	--	--
Annual percent changes												
2007		3.3	3.6	4.2	--	5.8	3.8	4.0	4.0	4.1	4.6	3.1
2008		2.4	6.5	4.0	-1.5	0.7	-8.9	4.8	5.1	4.1	4.6	3.6
2009		0.1	-3.4	-2.2	-6.7	-7.4	-5.8	3.5	3.2	4.3	5.6	2.3
2010		0.4	3.7	1.5	-2.0	-3.9	-12.8	0.4	0.9	-1.1	0.6	1.5
2011		1.0	6.9	3.9	-7.4	-5.6	-6.7	1.2	1.0	1.6	2.2	2.1
2012 (c)		0.3	3.8	1.4	-13.7	-8.7	-6.4	-0.6	-0.6	-0.8	-0.1	1.3
2013 (c)		--	2.6	2.6	--	--	--	--	--	--	--	--
2011	II	1.2	6.9	4.4	-6.8	-5.2	1.5	0.8	0.6	1.5	1.5	2.7
	III	0.8	7.1	3.9	-7.4	-5.6	-11.1	1.5	1.2	2.2	4.8	2.6
	IV	0.8	5.9	2.5	-11.2	-6.8	-19.9	1.6	1.4	2.2	2.5	2.1
2012	I	0.3	4.6	0.9	-12.6	-7.2	-16.4	1.1	1.2	0.9	1.4	2.2
	II	0.1	3.1	0.9	-14.4	-8.3	-8.6	-0.3	0.0	-1.4	0.7	1.7
	III	0.6	3.9	1.3	-15.2	-9.5	-0.7	-0.1	0.3	-0.9	0.0	1.3
	IV	0.1	3.5	2.3	-12.8	-10.0	2.7	-3.2	-3.6	-1.8	-2.2	1.3
2013	I (c)	--	1.9	2.2	--	--	--	--	--	--	--	--
2012	Nov	--	3.3	2.3	--	--	--	--	--	--	--	1.3
	Dec	--	3.3	2.6	--	--	--	--	--	--	--	1.3
2013	Jan	--	2.6	2.6	--	--	--	--	--	--	--	0.4

(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
Index (2007=100)

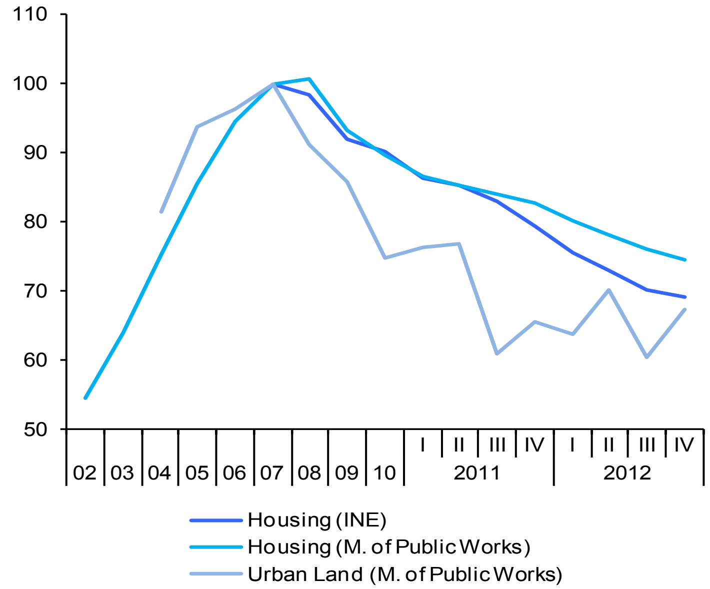


Chart 2.- Wage costs
Annual percent change

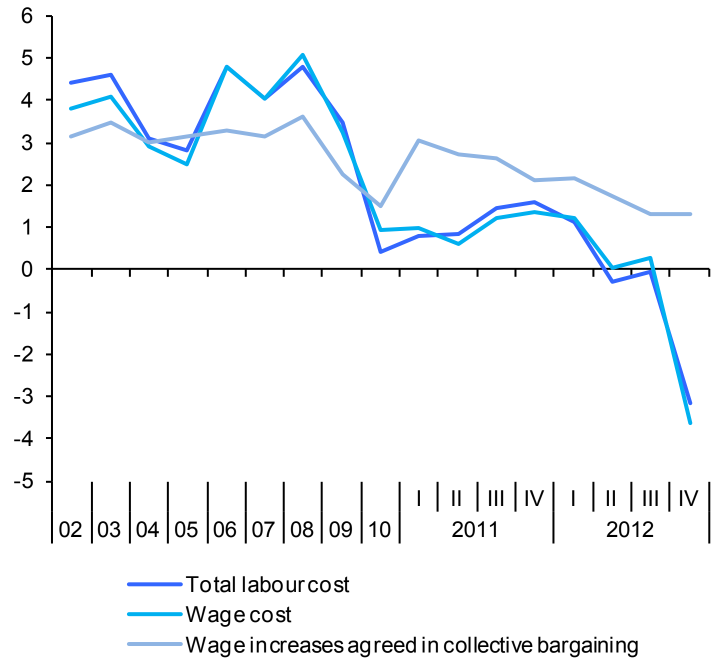


Table 16
External trade (a)

		Exports of goods			Imports of goods			Exports to EU countries	Exports to non-EU countries	Total Balance of goods	Balance of goods excluding energy	Balance of goods with EU countries
		Nominal	Prices	Real	Nominal	Prices	Real					
		EUR Billions	2005=100		EUR Billions	2005=100		EUR Billions				
2007		185.0	108.3	110.2	285.0	105.8	115.6	130.9	54.2	-100.0	-65.5	-40.2
2008		189.2	108.5	112.5	283.4	108.8	111.8	130.8	58.5	-94.2	-50.7	-26.3
2009		159.9	101.7	101.4	206.1	94.5	93.7	110.5	49.4	-46.2	-18.8	-9.1
2010		186.8	102.8	117.2	240.1	100.8	102.3	126.3	60.5	-53.3	-17.9	-5.0
2011		215.2	107.5	129.1	263.1	109.4	103.3	142.4	72.9	-47.9	-4.0	3.4
2012		222.6	109.3	131.4	253.4	113.4	95.9	139.9	82.8	-30.8	15.8	12.6
2011	I	53.4	105.4	130.7	66.1	106.3	106.8	34.8	18.5	-12.7	-1.7	-0.1
	II	53.3	106.4	129.2	64.2	106.4	103.6	34.8	18.5	-10.9	-0.7	1.5
	III	54.9	107.6	131.6	65.4	109.6	102.5	35.8	19.1	-10.5	0.2	1.5
	IV	55.7	109.1	131.8	65.3	111.5	100.5	36.3	19.4	-9.6	-0.3	1.2
2012	I	55.0	109.1	130.1	65.8	114.0	99.1	35.2	19.8	-10.8	1.6	2.3
	II	54.8	107.2	131.8	62.7	111.9	96.2	34.4	20.4	-7.9	4.0	3.0
	III	57.6	109.5	135.6	63.9	114.0	96.3	34.9	22.7	-6.3	5.6	2.6
	IV	58.1	111.5	134.6	61.2	113.7	92.5	35.7	22.5	-3.1	7.2	4.7
2012	Oct	19.9	110.7	139.1	21.3	115.4	95.0	11.6	8.3	-1.4	2.1	0.9
	Nov	19.3	111.4	134.0	20.5	111.4	94.5	11.9	7.4	-1.2	2.5	1.5
	Dec	19.0	112.4	130.7	19.5	114.1	87.8	12.2	6.8	-0.5	2.7	2.3
		Percentage changes (b)								Percentage of GDP		
2007		8.6	4.3	4.1	8.5	1.3	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		15.2	4.6	10.1	9.6	8.5	1.0	12.7	20.5	-4.5	-0.4	0.3
2012		3.4	1.7	1.7	-3.7	3.7	-7.1	-1.8	13.6	-2.9	1.5	1.2
2011	I	24.0	5.3	17.7	28.0	14.4	11.9	15.4	42.2	-4.8	-0.7	0.0
	II	-0.5	4.1	-4.4	-11.0	0.5	-11.5	-1.0	0.5	-4.1	-0.3	0.6
	III	12.6	4.6	7.7	7.9	12.4	-4.0	12.5	12.9	-3.9	0.1	0.6
	IV	6.0	5.5	0.5	-0.8	7.3	-7.5	6.3	5.6	-3.6	-0.1	0.4
2012	I	-5.1	0.0	-5.2	3.1	9.1	-5.5	-12.2	9.4	-4.1	0.6	0.9
	II	-1.6	-6.6	5.4	-17.5	-6.9	-11.4	-8.9	12.6	-3.0	1.5	1.1
	III	22.0	8.7	12.2	7.8	7.5	0.3	5.9	53.2	-2.4	2.1	1.0
	IV	4.1	7.3	-3.0	-15.8	-1.2	-14.8	9.6	-4.1	-1.2	2.8	1.8
2012	Oct	8.8	-0.6	9.5	4.1	0.0	4.1	6.4	12.4	--	--	--
	Nov	-3.1	0.6	-3.7	-3.9	-3.5	-0.5	3.1	-11.8	--	--	--
	Dec	-1.6	0.9	-2.5	-4.8	2.4	-7.1	2.4	-8.0	--	--	--

(a) Seasonally adjusted, except for annual data. (b) Annualized percent change from the previous quarter for quarterly data, non-annualized percent change from the previous month for monthly data.
Sources: Ministry of Economy and Funcas.

Chart 1.- External trade (real)
Percent change from previous period

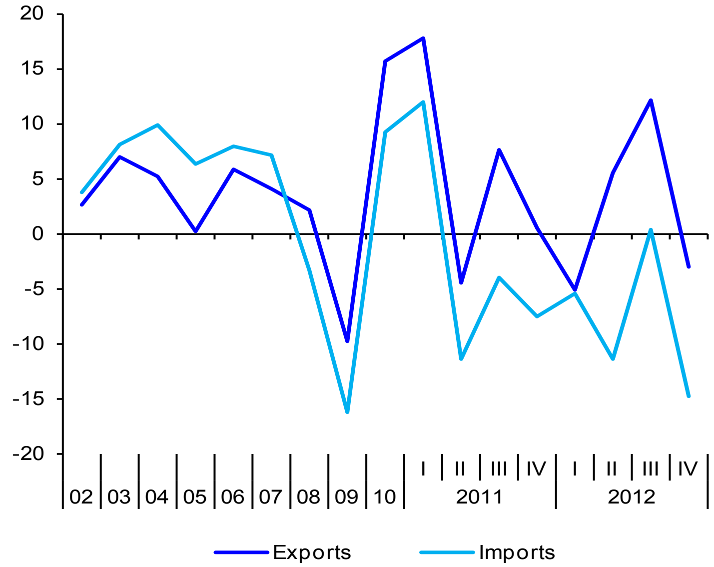


Chart 2.- Trade balance
EUR Billions, moving sum of 4 quarters

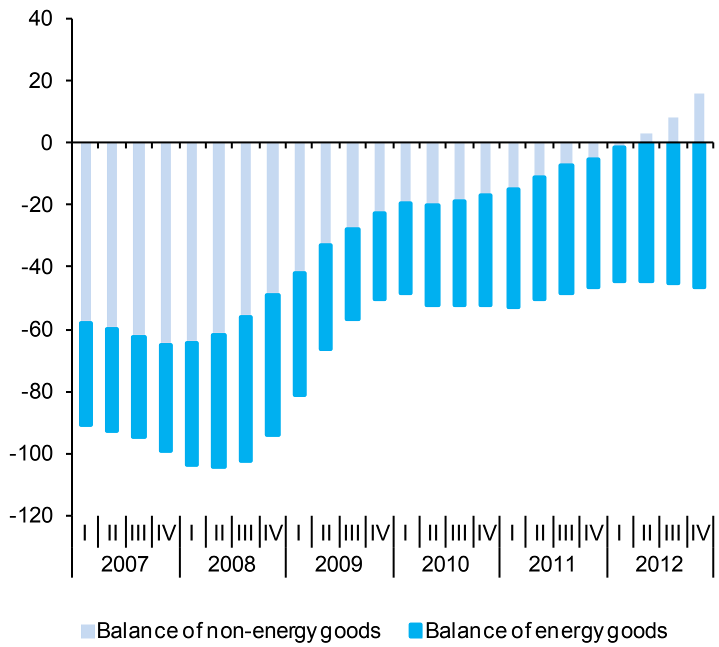


Table 17
Balance of Payments (according to IMF manual)
(Net transactions)

		Current account					Capital account	Current and capital accounts	Financial account							Errors and omissions
									Financial account, excluding Bank of Spain						Bank of Spain	
		Total	Goods	Services	Income	Tansfers			Total	Direct investment	Porfolio investment	Other invest-ment	Financial derivatives			
		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 billions																
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		-8.26	-24.93	39.57	-18.45	-4.46	6.57	-1.69	-179.22	13.70	-51.41	-151.39	9.88		173.52	-7.39
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
	II	-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
	III	-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	-15.03	-9.11	5.27	-6.70	-4.48	0.68	-14.34	-94.91	7.71	-37.18	-68.19	2.75		105.57	-3.68
	II	-2.68	-6.63	9.96	-4.65	-1.36	1.73	-0.96	-127.34	-3.22	-45.50	-78.49	-0.13		131.22	2.92
	III	1.93	-6.51	15.17	-4.32	-2.40	1.51	3.44	-0.91	1.32	6.61	-12.42	3.57		-3.27	-0.74
	IV	7.52	-2.67	9.18	-2.78	3.79	2.65	10.17	43.94	7.88	24.65	7.72	3.69		-60.00	-5.89
2012	Oct	0.87	-0.96	4.20	-1.85	-0.52	1.01	1.87	12.09	0.83	15.29	-5.64	1.61		-18.00	-4.04
	Nov	1.78	-0.78	2.40	-1.75	1.90	0.88	2.66	13.18	0.87	32.32	-22.43	2.42		-14.61	1.23
	Dec	4.87	-0.94	2.58	0.82	2.41	0.76	5.64	18.68	6.18	-22.96	35.79	-0.34		-27.39	-3.08
Percentage of GDP																
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	-4.6	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	-2.5	-0.6	0.5	-3.0	-6.9	-0.5	-2.2	-4.2	0.0		10.3	0.4
2012		-0.8	-2.4	3.8	-1.8	-0.4	0.6	-0.2	-17.0	1.3	-4.9	-14.4	0.9		16.5	-0.7
2011	I	-6.5	-4.3	1.6	-2.3	-1.6	0.6	-5.9	8.0	-1.4	8.8	-0.4	1.1		-4.2	-2.1
	II	-2.8	-3.6	3.5	-2.2	-0.6	0.5	-2.3	0.6	-2.8	-7.3	11.4	-0.8		2.2	0.4
	III	-2.2	-3.9	5.1	-2.9	-0.5	0.5	-1.7	-12.0	0.8	-5.7	-6.8	-0.4		15.3	1.5
	IV	-2.6	-3.2	2.7	-2.5	0.3	0.5	-2.1	-23.7	1.2	-4.2	-20.9	0.2		27.4	1.6
2012	I	-5.8	-3.5	2.0	-2.6	-1.7	0.3	-5.5	-36.7	3.0	-14.4	-26.3	1.1		40.8	-1.4
	II	-1.0	-2.5	3.7	-1.7	-0.5	0.6	-0.4	-47.2	-1.2	-16.9	-29.1	0.0		48.6	1.1
	III	0.8	-2.6	6.0	-1.7	-1.0	0.6	1.4	-0.4	0.5	2.6	-4.9	1.4		-1.3	-0.3
	IV	2.8	-1.0	3.4	-1.0	1.4	1.0	3.8	16.3	2.9	9.1	2.9	1.4		-22.3	-2.2

Source: Bank of Spain.

Chart 1.- Balance of payments: Current and capital accounts
EUR Billions, 12-month cumulated

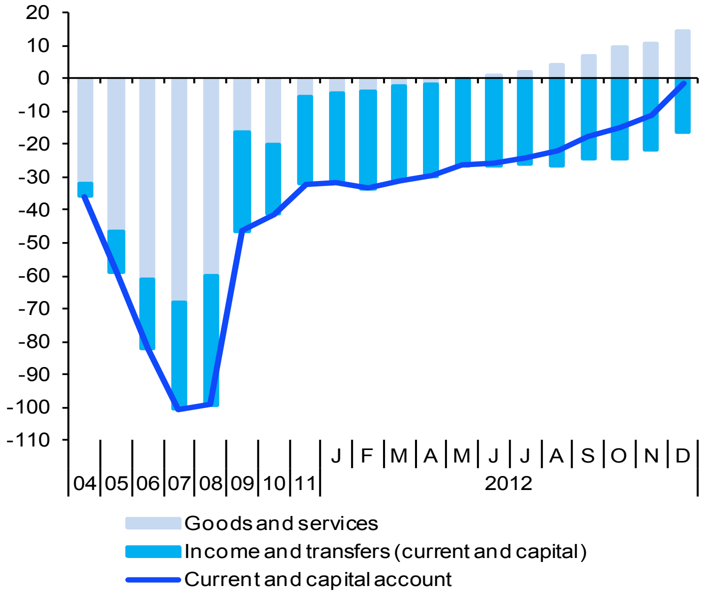


Chart 2.- Balance of payments: financial account
EUR Billions, 12-month cumulated

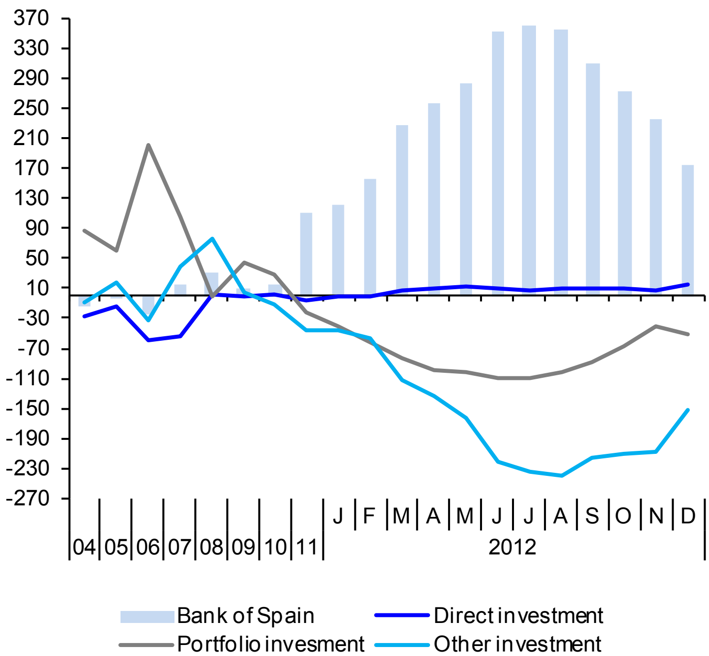


Table 18

State and Social Security System budget

	State							Social Security System				
	National accounts basis			Revenue, cash basis (a)				Surplus or deficit	Accrued income		Expenditure	
	Surplus or deficit	Revenue	Expenditure	Total	Direct taxes	Indirect taxes	Others		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 billions, 12-month cumulated												
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	-33.2	132.6	165.8	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	-51.6	141.9	193.5	175.0	86.9	71.9	16.3	2.4	122.5	105.5	120.1	97.7
2011	-31.6	137.5	169.1	177.0	89.6	71.2	16.1	-0.5	121.7	105.4	122.1	101.5
2012	-40.3	126.1	166.4	215.4	96.2	71.6	47.7	-5.8	118.6	101.1	124.4	105.5
2013 (b)	-43.7	123.4	167.1	212.1	94.1	71.0	47.0	-5.5	119.3	101.0	124.7	105.8
2012 Nov	-25.7	142.4	168.1	208.0	92.9	69.6	45.5	-4.2	120.9	102.9	125.1	105.3
Dec	-40.3	126.1	166.4	215.4	96.2	71.6	47.7	-5.8	118.6	101.1	124.4	105.5
2013 Jan	-43.7	123.4	167.1	212.1	94.1	71.0	47.0	-5.5	119.3	101.0	124.7	105.8
Annual percentage changes												
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	--	34.2	-5.5	7.7	-0.7	29.1	-15.7	--	-1.0	-1.7	4.5	6.2
2011	--	-3.1	-12.6	1.1	3.1	-0.9	-0.8	--	-0.7	-0.1	1.7	3.9
2012	--	-8.3	-1.6	21.7	7.3	0.5	195.9	--	-2.5	-4.0	1.9	3.9
2013 (b)		-9.8	-3.4	20.3	6.4	0.5	170.9		-3.0	-4.3	1.8	3.9
2012 Nov	--	14.5	-2.4	18.1	6.7	-3.8	170.7	--	0.5	-1.3	2.1	3.5
Dec	--	-8.3	-1.6	21.7	7.3	0.5	195.9	--	-2.5	-4.0	1.9	3.9
2013 Jan	--	-9.8	-3.4	20.3	6.4	0.5	170.9	--	-3.0	-4.3	1.8	3.9
Percentage of GDP, 12-month cumulated												
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	19.5	15.5	8.4	5.3	1.8	0.8	11.8	10.2	11.0	8.8
2010	-4.9	13.5	18.5	16.7	8.3	6.9	1.5	0.2	11.7	10.1	11.5	9.3
2011	-3.0	12.9	15.9	16.6	8.4	6.7	1.5	0.0	11.4	9.9	11.5	9.5
2012	-3.8	12.0	15.8	20.5	9.1	6.8	4.5	-0.6	11.3	9.6	11.8	10.0
2012 Nov	-2.4	13.5	16.0	19.8	8.8	6.6	4.3	-0.4	11.5	9.8	11.9	10.0
Dec	-3.8	12.0	15.8	20.5	9.1	6.8	4.5	-0.6	11.3	9.6	11.8	10.0
2013 Jan	-4.1	11.6	15.7	20.0	8.9	6.7	4.4	-0.5	11.2	9.5	11.7	10.0

(a) Including the regional and local administrations share in direct and indirect taxes. (b) Cummulated since January.
Sources: M. of Economy and M. of Labour.

Chart 1.- State: Revenue, expenditure and deficit
EUR Billions, 12-month cumulated

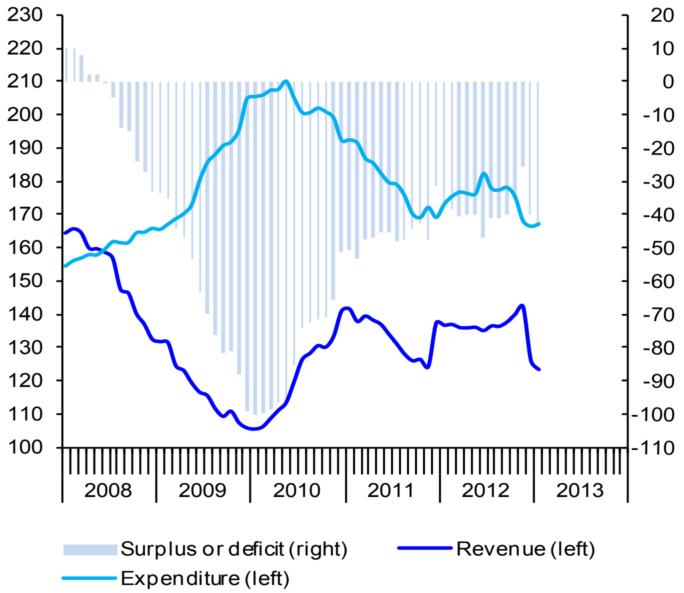
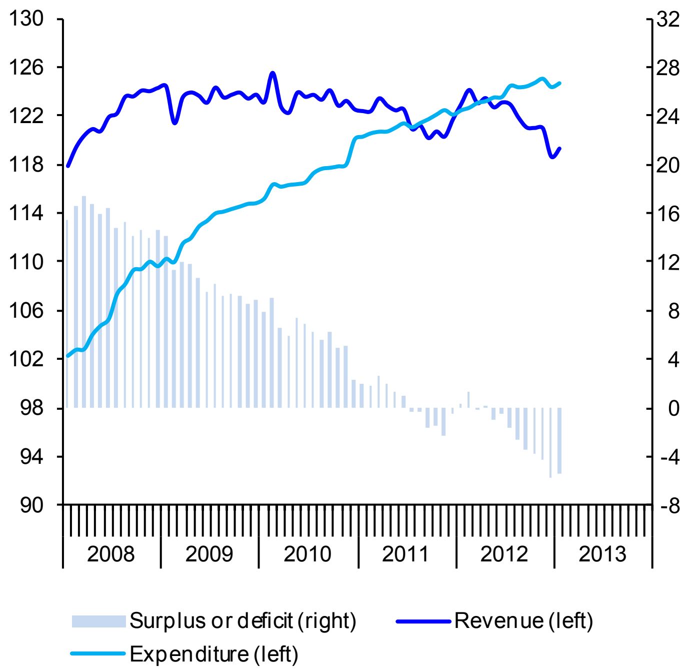


Chart 2.- Social Security System: Revenue, expenditure and deficit
EUR Billions, 12-month cumulated



SEFO - Spanish Economic and Financial Outlook Vol. 2, N.º 2 (March 2013)

Table 19

Monetary and financial indicators

		Interest rates (percentage rates)					Credit stock (EUR billion)				Contribution of Spanish MFI to M3	Stock market (IBEX-35)
		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		
		Average of period data					**End of period data**					
2007		4.3	7.4	5.3	9.8	5.8	2,470.5	382.3	1,213.8	874.4	--	15,182.3
2008		4.4	36.0	5.8	10.9	6.4	2,655.3	437.0	1,307.0	911.3	--	9,195.8
2009		4.0	70.5	3.4	10.5	4.7	2,767.0	565.1	1,298.6	903.3	--	11,940.0
2010		4.2	146.5	2.6	8.6	4.3	2,844.5	644.7	1,301.6	898.1	--	9,859.1
2011		5.4	277.4	3.5	8.6	5.1	2,862.7	736.5	1,255.3	871.0	--	8,563.3
2012		5.8	427.9	3.4	9.1	5.6	2,873.0	882.3	1,150.8	834.3	--	8,167.5
2013 (a)		5.1	355.1	3.2	9.4	5.7	--	--	1,140.5	829.6	--	8,230.3
2011	I	5.3	212.0	3.0	8.4	4.8	2,860.3	685.7	1,286.7	887.9	--	10,576.5
	II	5.4	222.3	3.4	8.2	5.1	2,867.5	705.5	1,272.8	889.2	--	10,359.9
	III	5.4	311.6	3.6	8.7	5.2	2,853.2	708.6	1,267.0	877.6	--	8,546.6
	IV	5.7	365.1	3.7	9.1	5.4	2,862.7	736.5	1,255.3	871.0	--	8,563.3
2012	I	5.2	334.7	3.8	9.7	5.5	2,886.3	774.9	1,252.6	858.7	--	8,008.0
	II	6.2	462.8	3.5	8.7	5.7	2,893.1	804.6	1,232.8	855.7	--	7,102.2
	III	6.4	500.5	3.3	9.2	5.7	2,870.6	817.2	1,212.7	840.8	--	7,708.5
	IV	5.6	413.6	3.1	8.8	5.5	2,873.0	882.3	1,150.8	834.3	--	8,167.5
2013	I (a)	5.1	355.1	3.2	9.4	5.7	--	--	1,140.5	829.6	--	8,230.3
2012	Dec	5.3	398.0	2.9	8.3	5.4	2,873.0	882.3	1,150.8	834.3	--	8,167.5
2013	Jan	5.1	349.3	3.2	9.4	5.7	--	--	1,140.5	829.6	--	8,362.3
	Feb	5.2	360.9	--	--	--	--	--	--	--	--	8,230.3
							Percentage change from same period previous year					**(b)**
2007		--	--	--	--	--	12.3	-2.2	17.7	12.5	15.1	7.3
2008		--	--	--	--	--	7.8	14.3	8.2	4.4	7.7	-39.4
2009		--	--	--	--	--	4.0	29.3	-1.4	-0.3	-0.8	29.8
2010		--	--	--	--	--	3.2	14.1	0.6	0.2	-2.2	-17.4
2011		--	--	--	--	--	1.6	14.2	-2.0	-2.4	-1.6	-13.1
2012		--	--	--	--	--	1.7	19.8	-5.9	-3.7	0.1	-4.6
2013		--	--	--	--	--	--	--	--	--	--	--
2011	I	--	--	--	--	--	3.6	17.7	0.1	-0.5	0.9	7.3
	II	--	--	--	--	--	2.7	16.7	-0.7	-1.6	2.5	-1.7
	III	--	--	--	--	--	2.1	15.0	-1.5	-1.6	0.1	-17.8
	IV	--	--	--	--	--	1.6	14.2	-2.0	-2.4	-1.6	0.2
2012	I	--	--	--	--	--	1.6	13.0	-1.5	-2.7	-0.9	-6.5
	II	--	--	--	--	--	1.2	14.0	-2.8	-3.1	-2.6	-11.3
	III	--	--	--	--	--	1.1	15.3	-3.7	-3.6	-3.6	8.5
	IV						1.7	19.8	-5.9	-3.7	-0.8	6.0
2012	Dec	--	--	--	--	--	1.7	19.8	-5.9	-3.7	0.1	2.9
2013	Jan	--	--	--	--	--	--	--	-6.3	-3.7	0.3	2.4
	Feb	--	--	--	--	--	--	--	--	--	--	-1.6

(a) Period with available data. (b) Percent change from preceeding period.
Source: Bank of Spain.

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

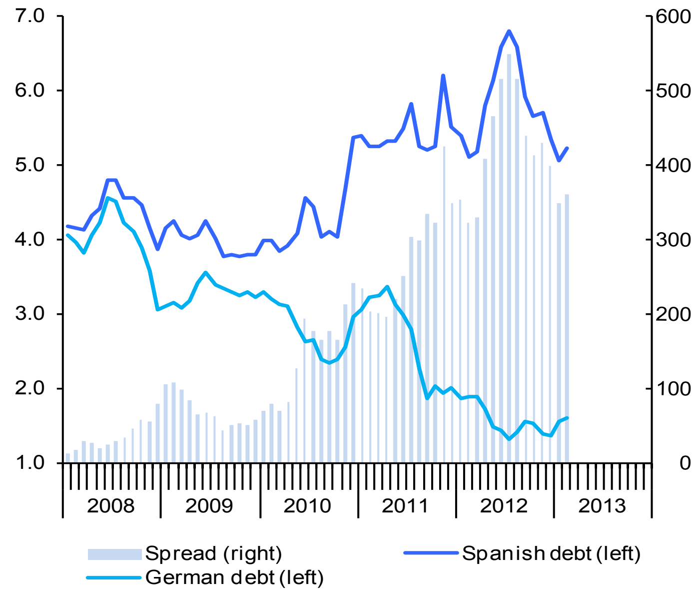


Chart 2.- Credit stock growth
Annual percentage change

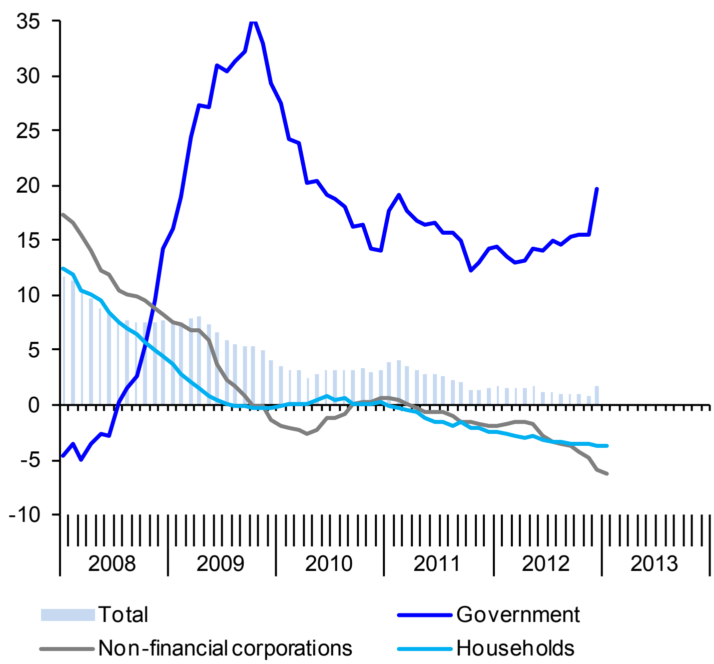


Table 20

Competitiveness indicators in relation to EMU

		Relative Unit Labour Costs in industry (Spain/EMU)			Harmonized Consumer Prices			Producer prices			Real Effective Exchange Rate in relation to developed countries
		Relative productivity	Relative wages	Relative ULC	Spain	EMU	Spain/EMU	Spain	EMU	Spain/EMU	
		1998=100			**2005=100**			**2005=100**			**1999 I =100**
2008		92.8	111.2	119.9	110.9	107.8	102.9	111.8	112.6	99.3	114.5
2009		102.5	115.3	112.5	110.6	108.1	102.4	106.6	108.1	98.6	114.0
2010		99.5	112.9	113.5	112.9	109.8	102.8	110.0	110.8	99.3	112.9
2011		99.9	109.1	109.3	116.3	112.8	103.1	116.1	117.1	99.2	113.1
2012		102.9	108.7	105.7	119.2	115.6	103.1	118.9	120.0	99.0	111.7
2013 (a)		--	--	--	119.1	115.7	102.9	119.4	120.1	99.4	112.4
2011	II	--	--	--	117.2	113.1	103.6	122.7	116.2	105.6	114.4
	III	--	--	--	116.1	112.9	102.8	123.2	116.6	105.7	112.7
	IV	--	--	--	117.6	114.1	103.1	123.4	116.9	105.6	112.8
2012	I	--	--	--	116.7	114.3	102.1	126.3	118.6	106.5	110.8
	II	--	--	--	119.4	115.9	103.1	126.2	118.7	106.3	111.8
	III	--	--	--	119.3	115.7	103.1	127.6	119.2	107.0	111.1
	IV	--	--	--	121.4	116.7	104.0	127.3	119.2	106.8	113.1
2013	I	--	--	--	119.1	115.7	102.9	128.1	119.4	107.3	112.4
2012	Nov	--	--	--	121.3	116.5	104.1	127.1	119.2	106.6	113.0
	Dec	--	--	--	121.3	116.9	103.8	127.1	118.9	106.8	113.1
2013	Jan	--	--	--	119.1	115.7	102.9	128.1	119.4	107.3	112.4
		Annual percentage changes					**Differential**	**Annual percentage changes**		**Differential**	
2008		1.8	1.9	0.2	4.1	3.3	0.9	5.0	4.7	0.3	--
2009		10.5	3.7	-6.1	-0.2	0.3	-0.5	-4.7	-4.0	-0.6	--
2010		-3.0	-2.1	0.9	2.0	1.6	0.4	3.2	2.5	0.7	--
2011		0.4	-3.4	-3.7	3.1	2.7	0.3	5.5	5.7	-0.1	--
2012		3.0	-0.4	-3.3	2.4	2.5	-0.1	2.4	2.5	-0.1	--
2013 (b)		--	--	--	2.8	2.0	0.8	2.1	1.2	0.9	
2011	II	--	--	--	3.3	2.8	0.6	6.4	5.8	0.6	--
	III	--	--	--	2.9	2.7	0.2	6.4	5.4	1.0	--
	IV	--	--	--	2.7	2.9	-0.2	5.3	4.7	0.6	--
2012	I	--	--	--	1.9	2.7	-0.8	4.1	3.4	0.7	--
	II	--	--	--	1.9	2.5	-0.6	2.9	2.1	0.8	--
	III	--	--	--	2.8	2.5	0.3	3.5	2.2	1.3	--
	IV	--	--	--	3.2	2.3	0.9	3.1	2.0	1.1	
2013	I	--	--	--	--	--	--	2.1	1.2	0.9	
2012	Nov	--	--	--	3.0	2.2	0.8	2.9	1.9	1.0	--
	Dec	--	--	--	3.0	2.2	0.8	2.9	1.7	1.1	--
2013	Jan	--	--	--	2.8	2.0	0.8	2.1	1.2	0.9	--

(a) Period with available data. (b) Growth of available period over the same period of the previous year.

Sources: Eurostat and Bank of Spain.

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

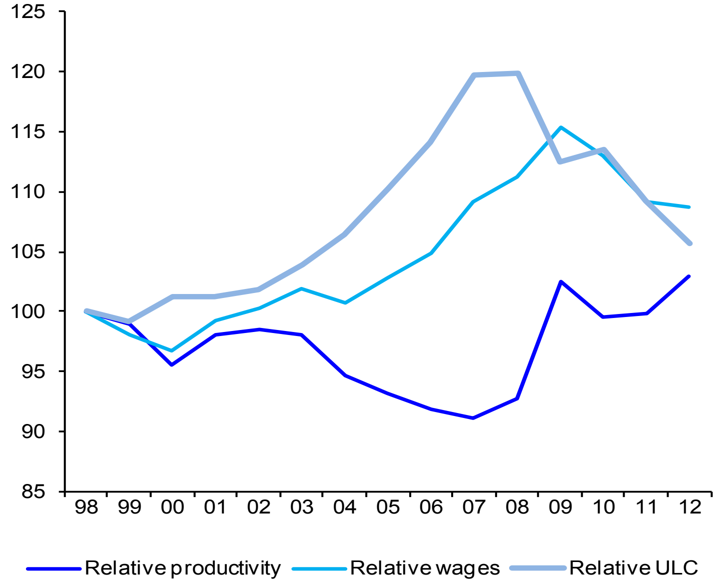


Chart 2.- Harmonized Consumer Prices
Annual growth in % and percentage points

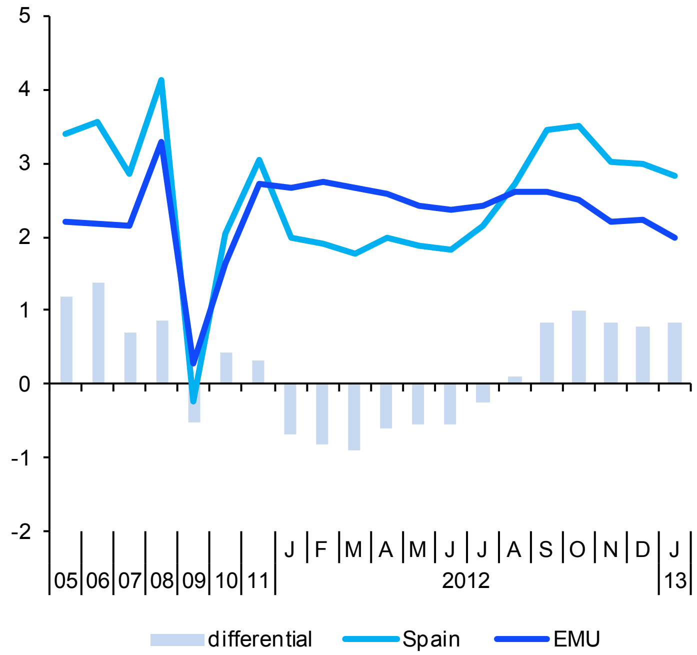
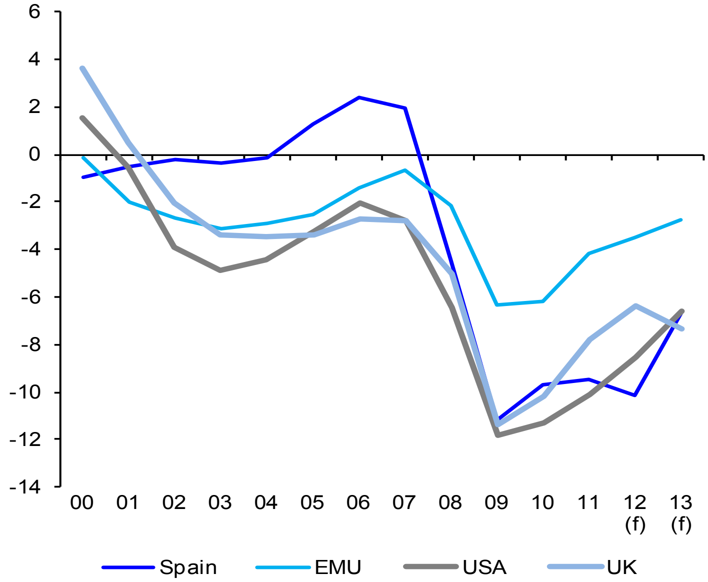


Table 21a
Imbalances: International comparison (I)
In blue: European Commission Forecasts

	Government net lending (+) or borrowing (-)				Government gross debt				Current Account Balance of Payments (National Accounts)			
	Spain	EMU	USA	UK	Spain	EMU	USA	UK	Spain	EMU	USA	UK
Billions of national currency												
2005	11.5	-207.7	-402.9	-43.1	392.5	5,729.9	8,502.9	533.2	-67.8	36.4	-645.5	-25.9
2006	23.3	-118.5	-272.8	-36.6	391.1	5,884.1	8,837.5	577.1	-88.9	42.6	-556.1	-39.1
2007	20.2	-62.5	-385.1	-39.7	382.3	5,994.3	9,328.4	624.7	-105.2	38.7	-704.0	-32.2
2008	-48.9	-197.1	-913.4	-72.6	437.0	6,490.0	10,797.1	753.6	-104.3	-64.5	-676.5	-14.4
2009	-117.1	-566.2	-1,647.4	-159.9	565.1	7,136.4	12,445.9	950.8	-49.9	5.6	-500.4	-17.7
2010	-101.5	-568.9	-1,626.6	-149.1	644.7	7,854.5	14,236.9	1,164.5	-46.0	23.7	-472.4	-37.3
2011	-100.4	-389.9	-1,517.3	-118.1	736.5	8,297.2	15,456.0	1,292.0	-39.4	23.2	-497.7	-20.4
2012	-106.5	-331.3	-1,332.5	-98.1	926.5	8,837.3	16,777.3	1,388.8	-20.1	141.5	-485.8	-57.4
2013	-70.9	-265.0	-1,069.4	-117.1	1,007.4	9,146.2	17,896.7	1,515.7	10.2	213.9	-490.1	-49.0
Percentage of GDP												
2005	1.3	-2.5	-3.2	-3.4	43.2	70.3	67.7	42.2	-7.5	0.4	-5.1	-2.1
2006	2.4	-1.4	-2.0	-2.7	39.7	68.7	66.4	43.3	-9.0	0.5	-4.2	-2.9
2007	1.9	-0.7	-2.8	-2.8	36.3	66.4	66.8	44.2	-10.0	0.4	-5.0	-2.3
2008	-4.5	-2.1	-6.4	-5.0	40.2	70.2	75.9	52.3	-9.6	-0.7	-4.8	-1.0
2009	-11.2	-6.3	-11.9	-11.4	53.9	80.0	89.5	67.8	-4.8	0.1	-3.6	-1.3
2010	-9.7	-6.2	-11.3	-10.2	61.5	85.6	98.7	79.4	-4.4	0.3	-3.3	-2.5
2011	-9.4	-4.1	-10.1	-7.8	69.3	88.1	103.1	85.2	-3.7	0.2	-3.3	-1.3
2012	-10.2	-3.5	-8.5	-6.3	88.4	93.1	107.6	89.8	-1.9	1.5	-3.1	-3.7
2013	-6.7	-2.8	-6.6	-7.4	95.8	95.1	111.0	95.4	1.0	2.2	-3.0	-3.1

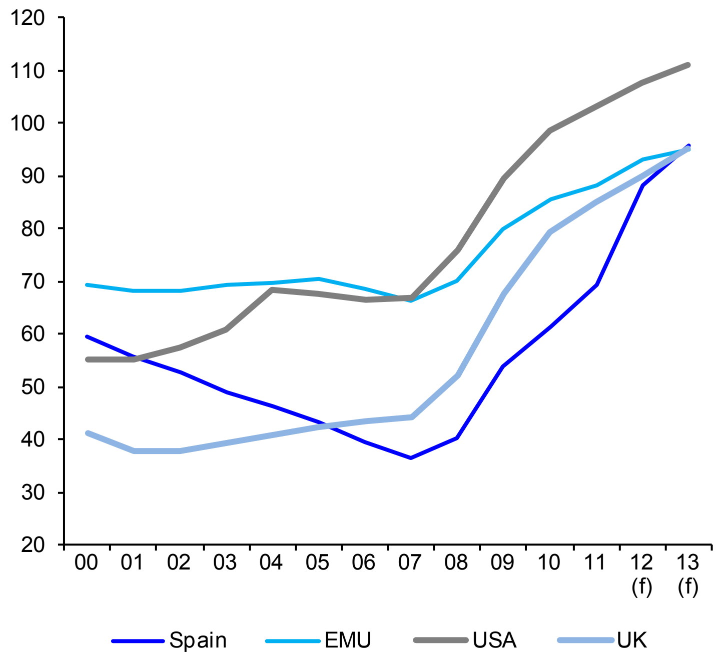
Source: European Commission.

Chart 1.- Government deficit
Percentage of GDP



(f) European Commission forecast.

Chart 2.- Government gross debt
Percentage of GDP



(f) European Commission forecast.

Table 21b

Imbalances: International comparison (II)

	Household debt (a)				Non-financial corporations debt (a)				Financial corporations debt (a)			
	Spain	EMU	USA	UK	Spain	EMU	USA	UK	Spain	EMU	USA	UK
Billions of national currency												
2005	653.5	4,767.4	11,703.9	1,163.3	949.5	6,699.8	8,652.0	1,242.6	477.0	7,076.8	12,956.9	2,115.1
2006	780.7	5,187.3	12,852.8	1,287.0	1,187.9	7,344.0	9,584.8	1,414.4	686.1	7,972.2	14,279.1	2,275.8
2007	876.6	5,555.4	13,699.1	1,398.2	1,382.0	8,216.8	10,890.8	1,457.7	881.1	9,081.3	16,224.1	2,768.9
2008	913.4	5,807.0	13,678.0	1,448.5	1,471.1	8,836.7	11,546.1	1,648.9	964.8	10,046.1	17,122.9	3,121.8
2009	905.5	5,933.3	13,403.0	1,441.5	1,459.5	8,885.3	11,195.7	1,575.2	1,054.8	10,561.9	15,708.4	3,091.2
2010	900.7	6,109.2	13,129.4	1,448.3	1,472.4	9,102.9	11,237.7	1,548.1	1,078.4	10,740.8	14,498.3	3,267.1
2011	873.7	6,206.9	12,925.6	1,446.3	1,431.9	9,272.1	11,756.3	1,586.6	1,101.2	11,016.8	14,062.1	3,270.8
Percentage of GDP												
2005	71.9	58.5	93.2	92.1	104.4	82.3	68.9	98.4	52.5	86.9	103.1	167.5
2006	79.2	60.6	96.5	96.5	120.5	85.8	72.0	106.1	69.6	93.1	107.2	170.7
2007	83.2	61.5	98.1	99.0	131.2	91.0	78.0	103.2	83.7	100.6	116.2	196.1
2008	84.0	62.8	96.2	100.5	135.2	95.6	81.2	114.4	88.7	108.7	120.4	216.7
2009	86.4	66.5	96.4	102.8	139.3	99.6	80.6	112.4	100.6	118.4	113.0	220.5
2010	85.9	66.6	91.1	98.8	140.4	99.2	77.9	105.6	102.8	117.1	100.5	222.8
2011	82.2	65.9	86.2	95.2	134.7	98.4	78.4	104.4	103.6	116.9	93.8	215.3

(a) Loans and securities other than shares.

Sources: European Central Bank and Federal Reserve.

Chart 1.- Household debt
Percentage of GDP

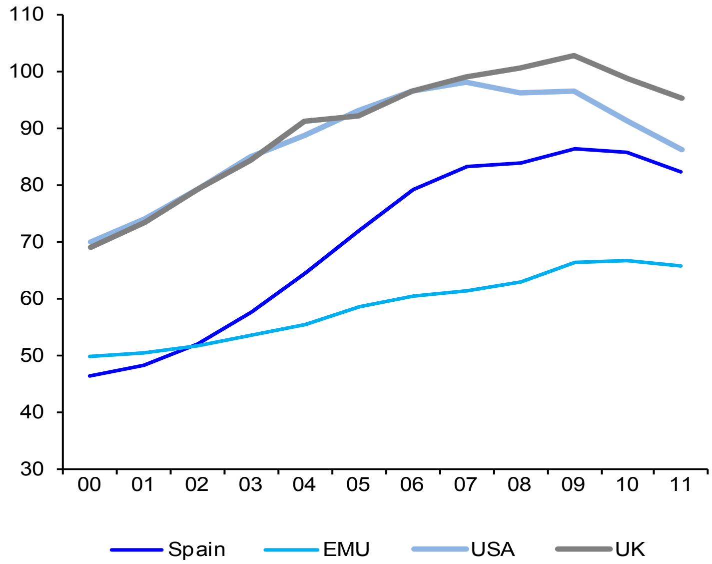
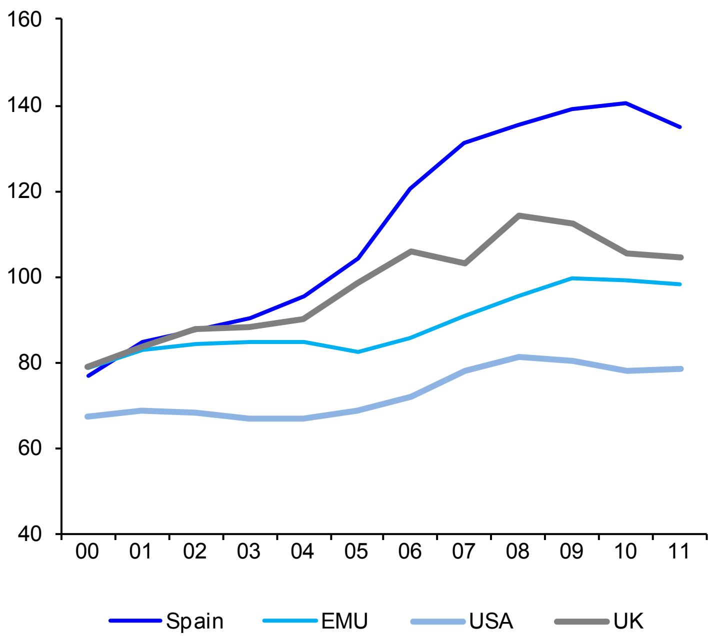


Chart 2.- Non-financial corporations debt
Percentage of GDP



KEY FACTS: 50 FINANCIAL SYSTEM INDICATORS

Updated: March 15th, 2013

Highlights

Indicator	Last value available	Corresponding to:
Bank lending to other resident sectors (monthly average % var.)	-5.0	December 2012
Other resident sectors' deposits in credit institutions (monthly average % var.)	1.2	December 2012
Doubtful loans (monthly % var.)	-13.0	December 2012
Recourse to the Eurosystem (Eurozone financial institutions, million euros)	850,148	February 2013
Recourse to the Eurosystem (Spanish financial institutions, million euros)	271,840	February 2013
Recourse to the Eurosystem (Spanish financial institutions million euros)- Main L/T refinancing operations	24,077	February 2013
Operating expenses/gross operating income ratio (%)	44.15	September 2012
Customer deposits/employees ratio (thousand euros)	4,579.13	September 2012
Customer deposits/branches ratio (thousand euros)	28,446.84	September 2012
Branches/institutions ratio	215.87	September 2012

A. Money and interest rates

Indicator	Source:	Average 1996-2009	2011	2012	2013 February	2013 March 15th	Definition and calculation
1. Monetary Supply (% chg.)	ECB	6.9	2.2	3.5	3.5(a)	-	M3 aggregate change (non-stationary
2. Three-month interbank interest rate	Bank of Spain	3.4	1.4	0.18	0.25	0.21	Daily data average
3. One-year Euribor interest rate (from 1994)	Bank of Spain	3.3	2.0	0.54	0.57	0.54	End-of-month data
4. Ten-year Treasury bonds interest rate (from 1998)	Bank of Spain	4.9	5.4	5.3	5.2	4.90	Market interest rate (not exclusively between account holders)
5. Corporate bonds average interest rate	Bank of Spain	5.0	5.0	4.8(a)	4.3	-	End-of-month straight bonds average interest rate (> 2 years) in the AIAF market

(a) Last data published: January 31st, 2013.

Comment on "Money and Interest Rates": The 3-month and 1-year Euribor rates have registered a decrease in the last month and they are 0.21% and 0.54%, respectively as of March 15th, 2013. The Spanish 10-year bond yield has declined and it stands at 4.9% in a context of a relatively calmer situation in the markets in which the spread with the Italian bond has been reduced to around 20 basis points.

B. Financial markets

Indicator	Source:	Average 1996-2009	2010	2011	2012	2013 January	Definition and calculation
6. Outright spot treasury bills transactions trade ratio	Bank of Spain	18.3	40.5	81.6	88.8	124.2	(Traded amount/ outstanding balance) x100 in the market (not exclusively between account holders)
7. Outright spot government bonds transactions trade ratio	Bank of Spain	77.8	88.9	112.6	42.2	68.0	(Traded amount/ outstanding balance) x100 in the market (not exclusively between account holders)
8. Outright forward treasury bills transactions trade ratio	Bank of Spain	0.3	1.7	2.2	2.4	1.2	(Traded amount/ outstanding balance) x100 in the market (not exclusively between account holders)
9. Outright forward government bonds transactions trade ratio	Bank of Spain	4.6	2.9	3.3	1.9	1.3	(Traded amount/ outstanding balance) in the market (not exclusively between account holders)
10. Three-month maturity treasury bills interest rate	Bank of Spain	3.4	0.7	1.6	0.8	0.3	Outright transactions in the market (not exclusively between account holders)
11. Government bonds yield index (Dec1987=100)	Bank of Spain	490.2	647.8	684.4	751.1	762.4	Outright transactions in the market (not exclusively between account holders)
12. Madrid Stock Exchange Capitalization (monthly average % chg.)	Bank of Spain and Madrid Stock Exchange	1.1	12.1	-0.8	4.2	4.1	Change in the total number of resident companies
13. Stock market trading volume. Stock trading volume (monthly average % var.)	Bank of Spain and Madrid Stock Exchange	5.1	4.3	1.6	35,1	18,7	Stock market trading volume. Stock trading volume: change in total trading volume
14. Madrid Stock Exchange general index (Dec1985=100)	Bank of Spain and Madrid Stock Exchange	973.6	1,003.7	857.7	824.7	872.1(a)	Base 1985=100
15. Ibex-35 (Dec1989=3000)	Bank of Spain and Madrid Stock Exchange	9,319.2	10,200.7	8,566.7	8,167.5	8,619.1(a)	Base dec1989=3000
16. Madrid Stock Exchange PER ratio (share value/ profitability)	Bank of Spain and Madrid Stock Exchange	17.1	9.8	9.7	18.6	29.7(a)	Madrid Stock Exchange Ratio “share value/ capital profitability”

B. Financial markets (continued)

Indicator	Source:	Average 1996-2009	2010	2011	2012	2013 January	Definition and calculation
17. Long-term bonds. Stock trading volume (% chg.)	Bank of Spain and Madrid Stock Exchange	2.8	-29.2	15.1	-48.0	-7.7	Variation for all stocks
18. Commercial paper. Trading balance (% chg.)	Bank of Spain and AIAF	45.2	-43.9	59.24	-5.9	-6.4	AIAF fixed-income market
19. Commercial paper. Three-month interest rate	Bank of Spain and AIAF	3.6	0.8	1.9	3.0	2.7	AIAF fixed-income market
20. IBEX-35 financial futures concluded transactions (% chg.)	Bank of Spain	2.1	15.42	-15.8	-8.7	24.6	IBEX-35 shares concluded transactions
21. IBEX-35 financial options concluded transactions (% chg.)	Bank of Spain	-2.7	-31.88	-25.9	35.7	-29.8	IBEX-35 shares concluded transactions

(a) Last data published: March 15th 2013.

Comment on "Financial Markets": During the last month there has been an increase in transactions with outright spot and forward T-bills, as well as government bonds and debenture transactions. The stock market continues to follow an upward trend as evidenced during the last three months. As of March 15th, the IBEX-35 stands at 8,619.1 points and the General Index of the Madrid Stock Exchange at 871.1 points. On the other hand, there was a 24.6% increase regarding financial IBEX-35 future transactions, while there was a 29.8% reduction regarding transactions with IBEX-35 financial options.

C. Financial Savings and Debt

Indicator	Source:	Average 2003-2009	2010	2011	2012 Q II	2012 III Q	Definition and calculation
22. Net Financial Savings/GDP (National Economy)	Bank of Spain	-6.6	1.9	-3.4	-2.6	-1.9	Difference between financial assets and financial liabilities flows over GDP
23. Net Financial Savings/GDP (Households and non-profit institutions)	Bank of Spain	0.1	4.2	3.1	3.5	1.1	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	243.2	294.2	293.3	296.5	297.6	Public debt, non-financial companies debt and households and non-profit institutions debt over GDP

C. Financial Savings and Debt (continued)

Indicator	Source:	Average 2003-2009	2010	2011	2012 II Q	2012 III Q	Definition and calculation
25. Debt in securities (other than shares) and loans/GDP (Households and non-profit institutions)	Bank of Spain	75.2	85.9	82.2	81.2	80.0	Households and non-profit institutions debt over GDP
26. Households and non-profit institutions balance: financial assets (quarterly average % chg.)	Bank of Spain	6.1	3.1	-0.1	-3.1	1.2	Total assets percentage change (financial balance)
27. Households and non-profit institutions balance: financial liabilities (quarterly average % chg.)	Bank of Spain	11.4	-0.3	-0.5	0.6	-2.2	Total liabilities percentage change (financial balance)

Comment on "Financial Savings and Debt": During the third quarter of 2012, there was a 1.9% reduction in financial savings to GDP in the overall economy, relatively smaller compared to the 2.6% decrease registered in the previous quarter. On the other hand, household financial savings have experienced a significant slowdown, changing from 3.5% in the previous quarter to 1.1%. There was also a slight reduction in households´ financial deleveraging, registering a debt to GDP ratio of 80.0%. Finally, the stock of financial assets on households' balance sheet registered a slight increase of 1.2%, while there was a 2.2% drop in the stock of financial liabilities

D. Credit institutions. Business Development

Indicator	Source:	Average 1996-2009	2010	2011	2012 November	2012 December	Definition and calculation
28. Bank lending to other resident sectors (monthly average % var.)	Bank of Spain	14.7	0.3	-3.8	-0.1	-5.0(a)	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	1.3	1.2	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	-2.9	19.0	Asset-side debt securities percentage change for the sum of banks, savings banks and credit unions
31. Shares and equity (monthly average % var.)	Bank of Spain	16.0	-2.0	41.0	-1.0	1.2	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	-0.5	-1.5	-4.3	-10.1	-9.0	Difference between the asset-side and liability-side "Credit System" item as a proxy of the net position in the interbank market (month-end)

D. Credit institutions. Business Development (continued)

Indicator	Source:	Average 1996-2009	2010	2011	2012 November	2012 December	Definition and calculation
33. Doubtful loans (monthly average % var.)	Bank of Spain	28.3	16.2	28.3	1.1	-13.0(a)	Doubtful loans. Percentage change for the sum of banks, savings banks and credit unions.
34. Assets sold under repurchase (monthly average % var.)	Bank of Spain	-0.3	2.5	-15.7	-0.5	0.7	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	-4.2	-4.5	Equity percentage change for the sum of banks, savings banks and credit unions.

(a) Variation after financial institutions´ transfer of assets to Sareb.

Comment on "Credit institutions. Business Development": The latest available data as of December 2012 show a 5.0% reduction in bank credit to the private sector and a 1.2% increase in financial institutions deposit-taking from the previous month. Also, there was a 13.0% reduction in doubtful loans compared to the previous month. It is worth mentioning that both variations are driven by changes in the series due to the transfer of assets from nationalized financial institutions to Sareb.

E. Credit institutions. Market Structure and Eurosystem Refinancing

Indicator	Source:	Average 1996-2009	2010	2011	2012 June	2012 September	Definition and calculation
36. Number of Spanish credit institutions	Bank of Spain	207	188	189	186	181	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	64	88	86	87	85	Total number of foreign credit institutions operating in Spanish territory
38. Number of employees	Bank of Spain	247,916	257,578	243,041	-	-	Total number of employees in the banking sector
39. Number of branches	Bank of Spain	40,572	42,894	39,843	39,521	39,317	Total number of branches in the banking sector
40. Recourse to the Eurosystem (total Eurozone financial institutions) (Euro millions)	Bank of Spain	365,832	473,173	394,459	437,789	850,148(a)	Open market operations and ECB standing facilities. Eurozone total
41. Recourse to the Eurosystem (total Spanish financial institutions) (Euro millions)	Bank of Spain	30,953	66,986	118,861	337,206	271,840(a)	Open market operations and ECB standing facilities. Spain total

E. Credit institutions. Market Structure and Eurosystem Refinancing (continued)

Indicator	Source:	Average 1996-2009	2010	2011	2012 June	2012 September	Definition and calculation
42. Recourse to the Eurosystem (total Spanish financial institutions): main long term refinancing operations (Euro millions)	Bank of Spain	18,500	22,196	47,109	44,961	24,077(a)	Open market operations: main long term refinancing operations. Spain total

(a) Last data published: January 2013.

Comment on “Credit institutions. Market Structure and Eurosystem Refinancing”: In February 2013, the recourse to Eurosystem funding by Spanish credit institutions accounted for 31.97% of net total funds borrowed from the ECB by the Eurozone. This represents a progressive reduction from the 32.91% registered in January 2013.

F. Credit institutions. Efficiency and Productivity, Risk and Profitability

Indicator	Source:	Average 1996-2009	2010	2011	2012 June	2012 September	Definition and calculation
43. “Operating expenses/gross operating income” ratio	Bank of Spain	55.73	46.53	49.85	47.04	44.15	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	3,074.38	4,605.69	4,512.30	5,426.71	4,579.13	Productivity indicator (business by employee)
45. “Customer deposits/ branches” ratio (Euro thousands)	Bank of Spain	18,620.11	16,554.20	29,171.23	33,619.98	28,446.84	Productivity indicator (business by branch)
46. “Branches/ institutions" ratio	Bank of Spain	187.24	155.41	205.38	210.91	215.87	Network expansion indicator
47. “Employees/ branches” ratio	Bank of Spain	6.1	3.6	6.5	6.2	6.2	Branch size indicator
48. Equity capital (monthly average % var.)	Bank of Spain	0.10	0.86	0.40	-0.39	-0.36	Credit institutions equity capital variation indicator
49. ROA	Bank of Spain	0.83	0.31	0.06	-1.10	-1.20	Profitability indicator, defined as the “pre-tax profit/average total assets”
50. ROE	Bank of Spain	13.54	5.73	3.28	-16.17	-17.98	Profitability indicator, defined as the “pre-tax profit/equity capital”

Comment on “Credit institutions. Efficiency and Productivity, Risk and Profitability”: During the third quarter of 2012 the Spanish banking sector faced a tough business and macroeconomic environment, in line with the generalized difficulties experienced by European Union banking sectors. Productivity indicators have improved due to the restructuring process of the Spanish banking sector.