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Fixing EU financial market fragmentation for Spain to grow again

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Letter from the Editors

Further European integration towards a genuine banking union will be a necessary condition for economic growth, both for the EU and for Spain. As noted by Mario Draghi during a recent March conference on European financial integration, “effective financial integration is essential to make Europe stronger and the European Central Bank (ECB) is committed to making it happen, at a time when the fragmentation of the financial market has led to the improper transmission of the monetary policy.” It is in this context that the May issue of SEFO examines the fragmentation of the European financial market and the cost of bank financing.

The reversal of the financial integration process since the onset of the crisis has led to divergent interest rates across European countries for various types of financing, with distressed countries-those hardest hit by the sovereign debt crisis- facing much higher borrowing costs. This trend has been worrisome for European SMEs, and Spanish SMEs in particular, as they are paying on average 35% and 77% above Euro area and German SMEs, respectively.

We also examine the role of exports in the Spanish economic recovery and their limitations. Exports are expected to play a key role in the Spanish economic recovery. Indeed, the Spanish external sector has registered positive performance throughout the years of the economic crisis. While favorable export growth has helped to underpin the external sector’s positive contribution to GDP, the fall in imports as a result of falling domestic demand has had an even larger impact. Looking into the future, exports can be expected to maintain their positive performance. However, given the reduced relative size of the Spanish export sector, the high degree of re-exports resulting in modest value added, and the current economic environment in Europe and elsewhere, exports alone do not seem enough to drive a recovery in Spain. A significant pick up in domestic demand and further internal market reforms are also needed to foster growth.

Furthermore, we provide an update on developments in the financial sector, such as progress under the Memorandum of Understanding (MoU) with the EU for aid to the Spanish financial sector. We focus on the area of bank restructuring and recapitalizations, complete with burden-sharing requirements, where haircuts for Group 1 and Group 2 banks range from 13%-60%. On a related note, loans have also been reclassified, potentially resulting in additional provisions for doubtful loans.

Finally, we take a look at the Government's recently announced National Reform Program for 2013, which aims to strike a balance between stimulating growth and remaining on track with new, relaxed fiscal adjustment targets. One of the most outstanding elements of the new program is the more adverse scenario for the 2013-2016 period, aligning the Government's forecasts with those of the main international organizations. The overall guidelines of the program are understood to be in the context of an economic policy strategy defined by Europe. Nevertheless, delays in the implementation of some reforms, such as those related to rationalizing the public administration, and the need to further develop the details of other policies already in force, such as public pensions or labor reform, mean that the key elements of the 2013 Program are an extension of those from last year.

FEATURES

Fragmentation of the European financial market and the cost of bank financing

Joaquín Maudos[1]

European market fragmentation following the crisis has resulted in a widening of borrowing costs across Euro area countries, with interest rates in countries hardest hit by the sovereign debt crisis rising well above those in the rest of the Euro area. The rapid construction of a banking union is the only way to reduce these large cross country interest rate differentials and help promote recovery, particularly in the distressed countries[2].

The impact of the crisis has halted the process of interest rate convergence, which had been taking place following the creation of the European Monetary Union (EMU), and ushered in a new period in which the interest rate differences between countries have widened. This trend has been exacerbated further in distressed countries after the sovereign debt crisis broke out, and in particular in the case of borrowing costs for SMEs. Currently, the cost of financing for SMEs in distressed countries is twice that in other countries, with Spanish SMEs paying 35% and 77% above Euro area and German SMEs, respectively. Deposit rate convergence has also been reversed, as banks' reliance on retail deposits for funding has driven up financing costs, again particularly for the distressed countries. These higher costs, ultimately passed on to consumers, are adding an additional drag on growth. Examining the case of Spain, we can clearly observe the additional burden of this market fragmentation on businesses and households. In this context, a genuine banking union is the only way to reduce the huge differences currently existing between the borrowing costs paid in different countries of the Euro area.

Until the crisis broke out in mid-2007, the creation of the European Monetary Union (EMU) had enabled the level of integration of European financial markets to progress rapidly. The nominal convergence that took place brought down interest rates in countries where they had started off high, lowering their cost of capital, and so boosting investment. By the same token, when financial integration subsequently went into reverse, the differences in borrowing costs between countries widened, with interest rates in countries hardest hit by the impact of the sovereign debt crisis (referred to here as "distressed countries") rising well above those in other EMU countries. Consequently, distressed countries have seen a bigger drop

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[2] The group of distressed countries consists of Greece, Ireland, Portugal, Cyprus, Italy, Spain and Slovenia.

in investment, which in conjunction with the austerity programmes implemented to meet their deficit and government debt targets, is placing a drag on their possibilities of recovery.

Against this backdrop, it is SMEs that are suffering the worst of the credit squeeze. The rate of bank credit growth has fallen dramatically, with rates turning negative in several EMU countries.

Interest rates on bank loans to businesses and households in the distressed countries are currently much higher than those elsewhere in the Euro area. As the European Central Bank (ECB) acknowledges, bank interest rates respond much more to each country's sovereign risk premium than to the ECB's benchmark rates.

However, the problem is not just the quantity of credit but also the price. The interest rates on bank loans to businesses and households in the distressed countries are currently much higher than those elsewhere in the Euro area. As the European Central Bank (ECB) acknowledges, bank interest rates respond much more to each country's sovereign risk premium than to the ECB's benchmark rates. The effects of monetary policy decisions consequently vary from country to country. The monetary policy transmission mechanism has therefore broken down. Thus, the calls for fresh monetary stimulus frequently heard from various corners may be ineffective and have only marginal effects in the distressed countries. Similarly, the high interest rates on loans in peripheral countries are a damper on otherwise sound investment projects, hindering these countries' recovery.

Against this backdrop, this article aims to analyse how bank interest rates have evolved in the EMU since 2003. As well as analysing how inequalities have evolved between countries, it focuses in particular on a comparison between those countries hardest hit by the sovereign debt crisis and other countries, both in terms of the borrowing costs households and firms face, and bank deposit interest rates. The article analyses the Spanish case in detail, comparing the interest rates set by Spanish monetary financial institutions (MFIs) and those in other Euro area countries. The significant differences in interest rates between the distressed countries and other EMU countries highlight the urgent need to make progress on achieving a genuine banking union. Doing so would be of enormous benefit to Spanish businesses and households, which would be able to borrow much more cheaply than they are able to at the moment.

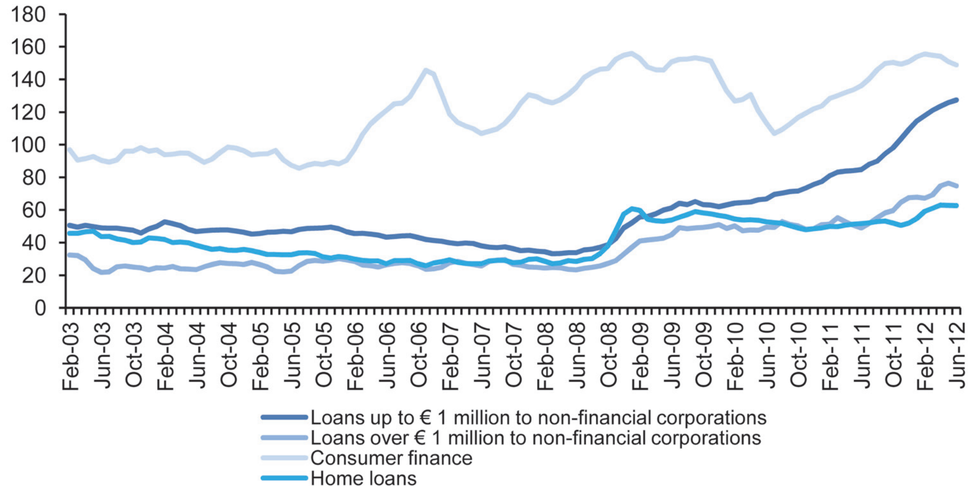
From convergence to divergence in bank interest rates

Using the data reported to the ECB each month since 2003 for EMU MFIs on interest rates on new credit operations, Exhibit 1 shows how cross-country standard deviation of interest rates has varied across the Euro area countries. In the case of credit to non-financial corporations, the bankruptcy of Lehman Brothers in September 2008 represented a turning point in the interest rate convergence prevailing in the preceding years. From this point on, the differences between countries began to widen, with the difference being much more marked in the case of loans of less than a million euros. In mid-2012, the standard deviation of the interest rates on these loans was almost twice that of larger loans.

In the case of residential mortgages to households, since 2008 the differences in interest rates between the countries of the Euro area have also widened. Although they have since stabilised, since that time the level has remained much higher. By contrast, the way the standard deviation of consumer finance has varied over time has been much more erratic, reaching levels in 2012 that were 40% higher than at the start of the period.

Exhibit 1

Cross-country standard deviation of interest rates across the Euro area countries



Source: ECB.

The cost of the bank financing: The impact of the sovereign debt crisis

The creation of the EMU made it possible to bring down nominal interest rates and firms' and households' real borrowing costs. The drop was much more pronounced in countries that started off from higher interest rates, which explains the interest rate convergence between Euro area countries that took place.

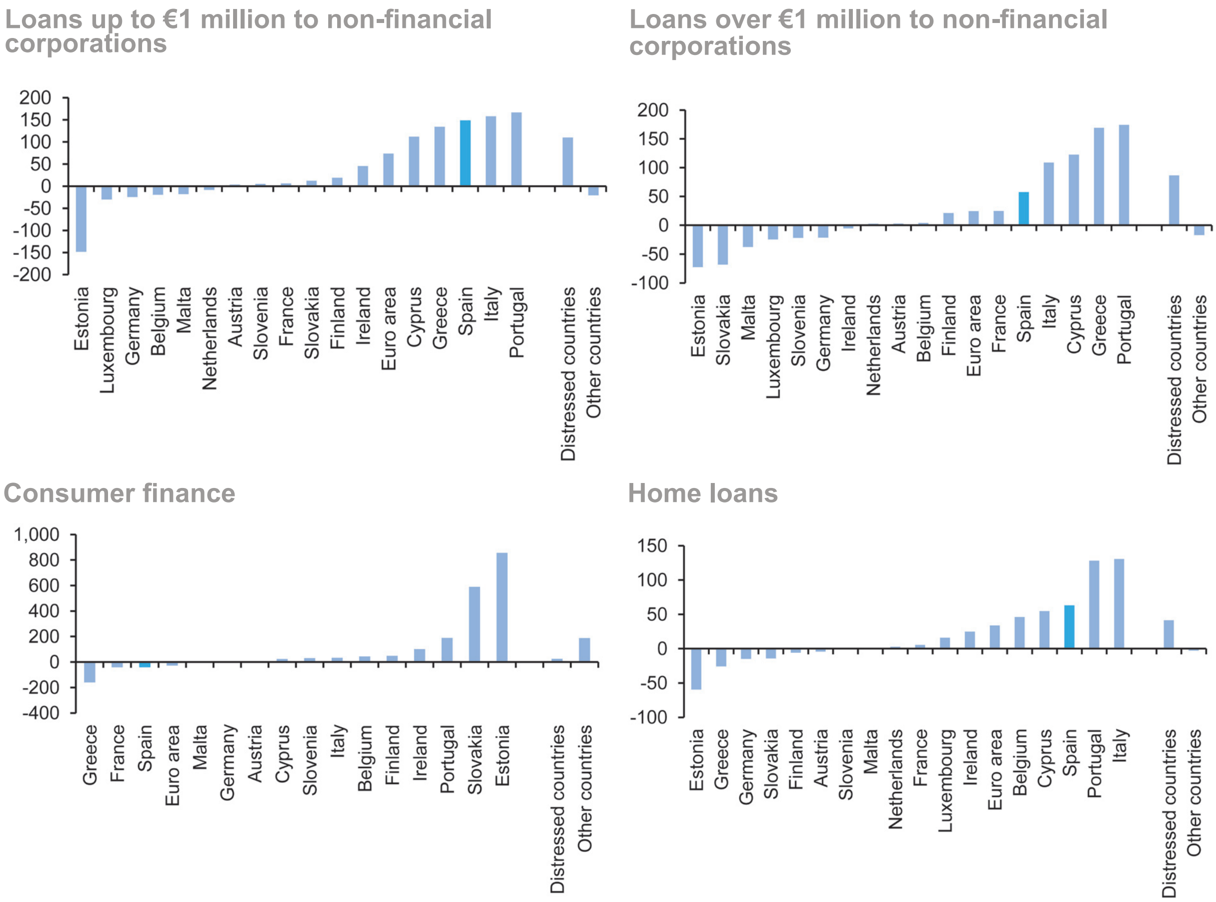
However, the impact of the crisis has halted the process of convergence and ushered in a new period in which the interest rate differences between countries have widened, and this was exacerbated further after the sovereign debt crisis broke out. Thus, as Exhibit 2 shows, whereas average interest rates on loans to non-financial corporations of less than 1 million euros in distressed countries increased by 110 basis points (bp) between 2010 and 2012, rates fell by 20 bp in other Euro area countries. With the exception of Slovenia, interest rates have risen by over 100 bp in Cyprus, Greece, Spain, Italy and Portugal, whereas rates have fallen in 6 of the 17 Euro area countries. In the case of larger loans (over 1 million euros) to businesses, the rise observed in the distressed countries also contrasts with the drop seen elsewhere. From 2010 to 2012 the average rate in the first group of countries rose by 86 bp, whereas in the second group it fell by 17 bp. Again with the exception of Slovenia, interest rates rose in all the distressed countries, particularly in Italy, Cyprus, Greece and Portugal, with an increase of more than 100 bp.

A difference in interest rates between distressed vs. other countries has also emerged in the case of home loans since the outbreak of the sovereign debt crisis. Thus, whereas interest rates have risen by an average of 41 bp in the distressed countries, they have fallen by 3 bp in the others. Nevertheless, the interest rate rise was smaller in comparison with that affecting business loans, with the biggest increases in Italy and Portugal.

Interest on household consumer finance, however, increased less in the distressed countries after

Exhibit 2

Variation (basis points) of interest rates (new credit operations) from 2010 to 2012



Source: ECB and own elaboration.

2010, although this was affected by the anomalous behaviour of Estonia and Slovakia, where interest rates rose by 856 bp and 590 bp, respectively.

Loan interest rates in 2012

What is the current situation of the cost of bank financing paid by firms and households in the various countries of the Euro area? Exhibit 3 shows the ranking of rates from lowest to highest for the four types of loan considered based on average monthly data for 2012. In the case of Euro area non-financial corporations' borrowing costs, the interest rate on loans of less than a million euros is 164 bp higher than that on larger loans, reflecting the penalty SMEs face. In both cases, the distressed countries pay higher interest rates, with a surcharge of 269 bp on smaller loans and 208 bp on larger ones. In other words, firms in the distressed countries face a cost of bank financing that is 85% higher than in the other countries, regardless of their size. This fact alone is, without

Firms in the distressed countries face a cost of bank financing that is 85% higher than in the other countries, regardless of their size.

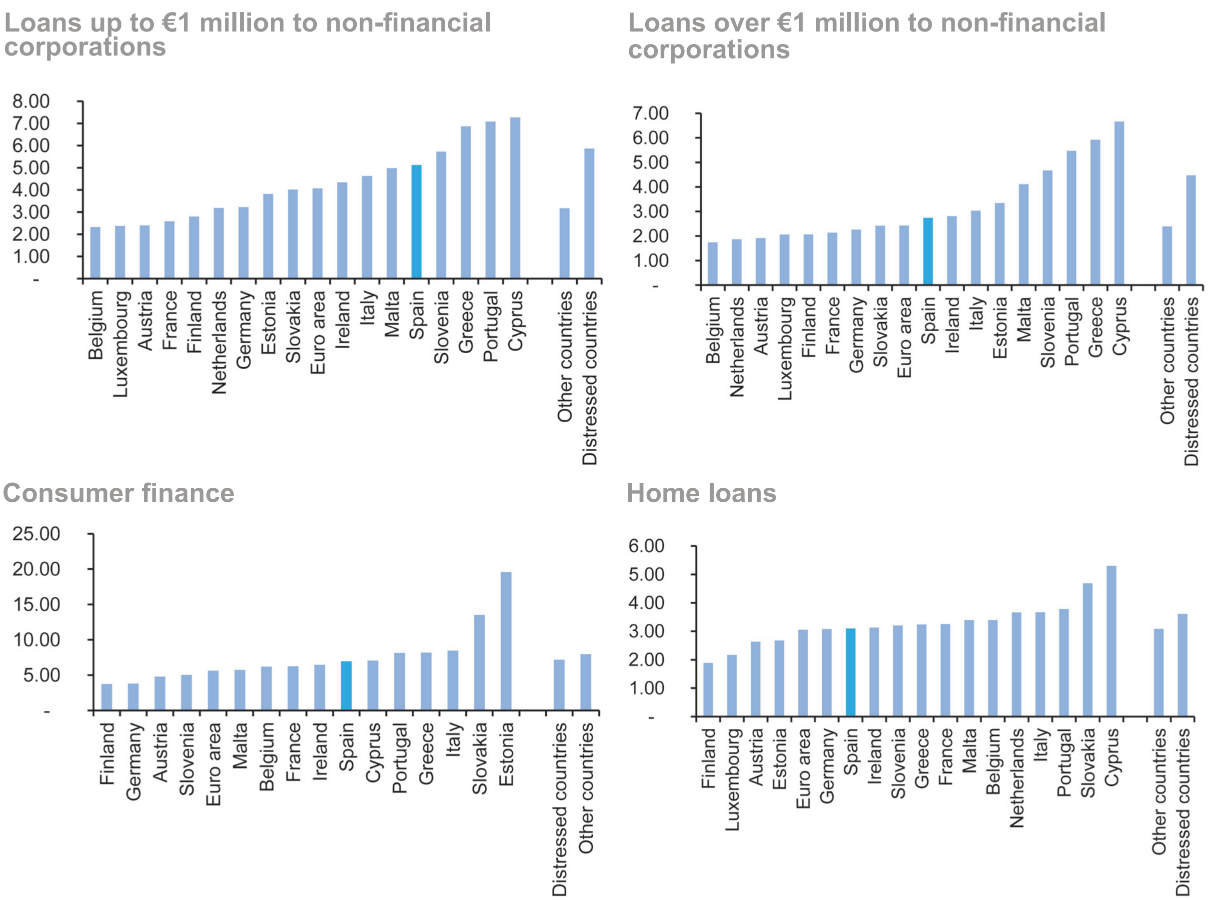
a doubt, sufficient reason to call urgently for the creation of banking union.

The breakdown of the information by countries reveals the wide range of variation within the Euro area. Thus, for loans of less than a million euros, countries paying more than 50% over the European average (the case of Greece, Portugal and Cyprus) exist alongside others in which loans are more than 40% lower than the average (Belgium, Luxembourg and Austria). And the range of variation is similar for larger loans, with a difference of 494 bp between rates in the countries paying the highest interest (6.66% in Cyprus) and those paying the lowest (Belgium, 1.74%). In countries such as Portugal, Greece and Cyprus the cost of finance is more than twice the European average, whereas in Belgium, the Netherlands and Austria it is 20% lower.

For households, the biggest differences in interest rates are in the case of consumer finance loans, where the range of variation between the maximum value in Estonia (19.6%) and the minimum in Finland (3.7%) is almost 16 percentage points. By contrast, the differences are much smaller in the case of residential mortgages, with a range of 3.4 percentage points. The distressed countries pay

Exhibit 3

Loan interest rates (new credit operations) in the Euro area countries 2012 (percentage)



Source: ECB and own elaboration.

Table 1

Loan interest rates (new credit operations) in the Euro area: Distressed vs. other countries

	Distressed countries (%)	Other countries (%)	Distressed-other countries (bp)
a) Loans up to € 1 million to non-financial corporations			
2003	4.8	3.9	86.9
2004	4.4	3.7	68.3
2005	4.4	4.4	-0.2
2006	5.1	6.0	-94.7
2007	6.2	5.5	62.0
2008	8.0	6.0	208.1
2009	4.9	3.7	123.1
2010	4.8	3.4	138.7
2011	5.7	3.6	205.7
2012	5.9	3.2	269.3
b) Loans over € 1 million to non-financial corporations			
	Distressed countries (%)	Other countries (%)	Distressed-other countries (bp)
2003	3.7	3.2	43.9
2004	3.4	3.0	39.1
2005	3.4	3.0	43.6
2006	4.2	3.8	35.2
2007	5.2	4.9	27.4
2008	5.8	5.3	50.8
2009	3.7	2.8	96.2
2010	3.6	2.6	104.8
2011	4.5	2.9	157.5
2012	4.5	2.4	208.2
c) Cosumer finance			
	Distressed countries (%)	Other countries (%)	Distressed-other countries (bp)
2003	8.3	7.7	61.1
2004	7.7	7.1	68.4
2005	7.5	8.0	-46.0
2006	7.8	8.3	-41.4
2007	8.3	7.8	48.8
2008	8.7	7.3	135.3
2009	7.6	6.1	146.5
2010	6.9	6.1	83.0
2011	7.0	7.6	-51.1
2012	7.2	8.0	-78.9
d) Home loans			
	Distressed countries (%)	Other countries (%)	Distressed-other countries (bp)
2003	4.1	4.0	12.2
2004	3.9	3.6	22.4
2005	3.8	3.5	24.1
2006	4.5	4.2	21.7
2007	5.3	5.2	2.5
2008	5.6	5.4	19.3
2009	3.6	3.5	10.7
2010	3.2	3.1	8.2
2011	3.8	3.4	43.0
2012	3.6	3.1	52.3

Source: ECB and own elaboration.

somewhat higher interest rates (52 bp more), with Cyprus (5.3%) being the country with the most expensive home loans.

The fragmentation of the European financial market since 2007: Distressed *vs.* non-distressed countries

The current fragmentation of the European financial market, which is forcing firms to pay very different borrowing costs, is a relatively recent phenomenon. In fact, as Table 1 shows, for smaller loans the difference stayed under 100 bp until 2007 and in the case of loans over a million euros it did so until 2010. However, in the last few years the interest rate charged by banks in the distressed countries was more than 100 bp higher than that in other Euro area countries. This difference peaked in 2012 in the case of both loans of less than a million euros (where the difference is 269 bp) and those of more than a million euros (with a difference of 208 bp).

In the case of loans to households for home purchases, the differences between interest rates across the Euro area have always been relatively small. However, since the outbreak of the sovereign debt crisis the difference between the interest rates in the distressed and other countries has widened. Specifically, it was in 2012 that the gap was widest (52 bp). By contrast, in the case of consumer finance loans, there have been years in the past (2005 and 2006) when distressed countries benefited from low interest rates, a situation which was repeated in 2011 and 2012.

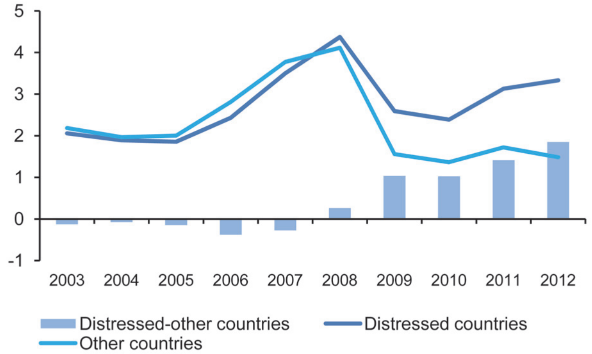
The cost of bank deposits

As the latest ECB report (April 2013) on the integration of European financial markets shows, the convergence in interest rates on bank deposits that prevailed up until 2007 came to a halt with the crisis and has given way to a completely different situation in which the differences have increased. Indeed, the standard deviation of interest on time deposits of up to one year offered to households across Euro area countries was multiplied by a factor of 3.2 between December 2007 and December 2012, while that on deposits from businesses was multiplied by 5.1.

What this widening divergence in interest rates on deposits implies is that the fragmentation of banks' sources of funding (interbank and debt markets) has forced MFIs to make extensive use of retail deposits as their source of finance. In the distressed countries this has meant banks have raised their interest rates and are offering rates well over the market interest rate, with all the repercussions this has on their bottom line. As Exhibit 4 clearly shows, while from 2003 to 2007 the interest rate on deposits in distressed countries was below that in other countries, subsequently the situation was inverted and a gap opened up, first appearing in 2009 after the bankruptcy of Lehman Brothers in September 2008 (which put huge strains on the financing markets), and then again in 2011 and 2012, albeit to a lesser extent, in the context of the sovereign debt crisis. In particular, in 2012 the interest rate on time deposits of up to a year in the distressed countries was almost twice that in other countries.

Exhibit 4

Deposit interest rates (new deposit operations with maturity up to 1 year) from households in the Euro area countries (percentage)



Source: ECB and own elaboration.

Obviously, these higher financing costs were passed on in the interest charged on loans to customers, with the inevitable negative impact on investment.

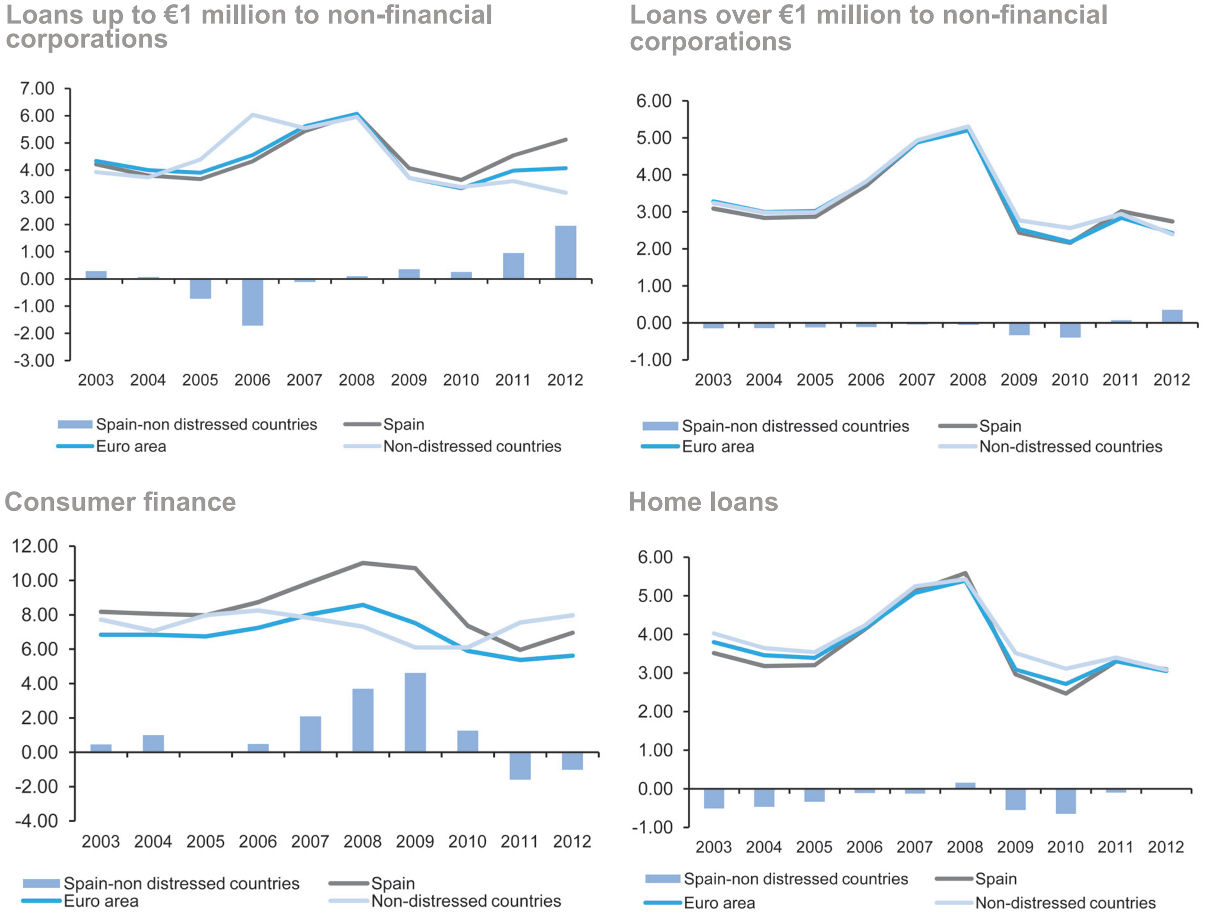
The cost of bank financing in Spain

In the specific case of the cost of bank financing in Spain, Exhibit 5 shows how interest rates on loans to businesses and households have varied since 2003, compared to the Euro area average, and that of non-distressed countries. What is interesting about this comparison is to analyse the extra costs Spanish businesses and households face, and thus the potential savings they would make if they paid rates similar to those that have not suffered the effect of the sovereign debt crisis on their interest rates.

In the case of business loans of less than a million euros, in the years prior to the crisis, Spanish SMEs had a cost of bank financing somewhat below the average for both the Euro area average and

Exhibit 5

Loan interest rates (new credit operations): Spain and Euro area (percentage)



Source: ECB and own elaboration.

non-distressed countries. However, since 2008 the situation has been the reverse, particularly in 2011, and more intensely in 2012, with the interest rate on loans in Spain 195 bp higher than in non-distressed countries and 105 bp higher than the Euro area average.

In the case of larger loans, Spanish businesses began to pay higher rates than their peers in either the Euro area or non-distressed countries in 2011, with a difference of around 35 bp. Therefore, it was Spanish SMEs that suffered the restrictions on access to finance more acutely, paying an average interest rate 238 bp higher than that paid by large firms in 2012. In the Euro area as a whole, banks also set higher average interest rates on business loans of less than a million euros. However, the difference compared with rates on larger loans is narrower than in Spain (164 vs 238 bp).

These higher interest rates Spanish SMEs pay are consistent with the results of the recent ECB survey on SMEs' conditions of access to finance. According to the survey, 47% of Spanish SMEs said that banks had become less willing to lend over the last six months, the highest rate in the Euro area, jointly with Greece. Similarly, 73% of Spanish SMEs reported that banks were charging higher interest rates, compared with a figure of 39% of SMEs in the Euro area as a whole.

In the case of home loans, interest rates in Spain have always been at levels similar to the Euro area average, the difference never exceeding 30 bp. In 2011 and 2012 the difference was negligible, compared to both the European average and non-distressed countries.

In the case of consumer finance loans, on the other hand, interest rates in Spain have always been above the Euro area average, reaching a maximum difference in 2009, the year in which Spanish banks set an interest rate 43% higher (320 bp) than EMU banks and 75% (462 bp) higher than banks in the non-distressed countries.

What impact has the fragmentation of the financial system had on deposits rates in Spain?

The previous sections of this article have described how, since the start of the crisis, and more markedly in the context of the sovereign-debt crisis, a gap has opened up between interest rates on bank deposits in distressed countries and the rest of the Euro area. The loss of confidence in the interbank

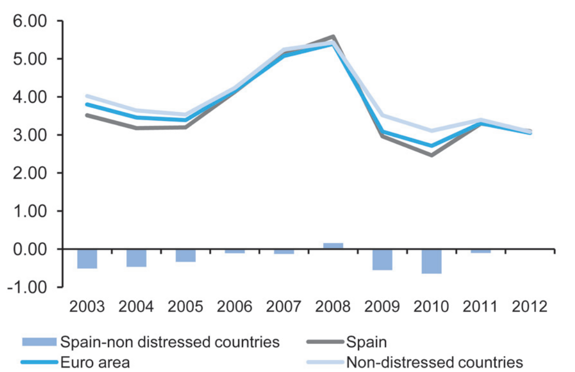
In Spain, the restrictions on access to wholesale markets have at times triggered a battle to attract deposits, with a negative impact on banks' bottom lines.

market and closure of the wholesale funding markets have forced banks in distressed countries to turn to retail deposits to meet their financing needs. In Spain, the restrictions on access to wholesale markets have at times triggered a battle to attract deposits, with a negative impact on banks' bottom lines. As Exhibit 6 shows, the

Exhibit 6

Interest rate (new deposit operations) of time deposits: Spain and the Euro area (percentage)

Household deposits up to 1 year



Source: ECB and own elaboration.

interest rate on time deposits in Spain in 2012 was 116 bp higher than the average for non-distressed countries, equivalent to paying financial charges that were 80% higher. This situation is completely the opposite of that in the years prior to the crisis, when Spanish banks set interest rates on deposits that were similar to those of other European banks.

The need to restore financial integration: The importance of banking union

Lowering the cost of capital is crucial to reactivating economic growth. The drop in the cost of access to finance that took place with the convergence in interest rates following the launch of the euro enabled countries starting out with high interest rates to benefit from a convergence towards the lower levels existing in other countries. This was one of the main routes along which financial integration drove their growth.

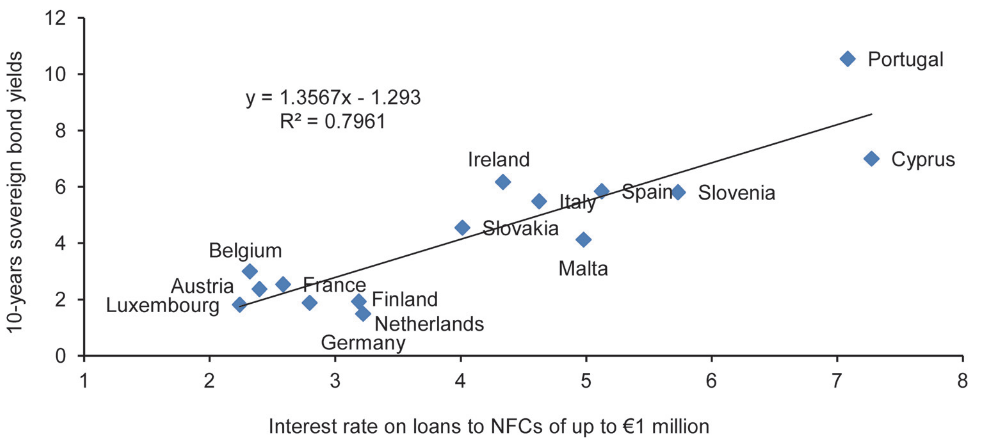
However, over almost six years of crisis the process of financial integration has gone into reverse. The fragmentation of the banking market has meant a widening of the difference in the cost of finance between countries, such that a gap has opened up between the countries worst affected by the sovereign debt crisis and the rest. Thus, in 2012 businesses in the distressed countries paid interest rates on loans of up to a million euros –the predominant form of financing among SMEs– that were 85% higher than those paid by companies elsewhere in the Euro area.

In a scenario of financial fragmentation such as that currently existing in Europe, the extent to which bank lending rates respond to the ECB's benchmark rate varies widely from one country to the next and is very limited in the distressed countries. Thus, the interest rates set by the

The interest rates set by the banks are powerfully influenced by the country's sovereign risk premium, such that the main channel of monetary policy transmission has broken down.

Exhibit 7

Relationship between loan (new credit operations) and sovereign debt interest rates for the Euro area countries 2012 (percentage)



Note: Greece is excluded as the high interest rate on 10-year government bonds (22.5%) distorts the graph.
Source: ECB and own elaboration.

banks are powerfully influenced by the country's sovereign risk premium, such that the main channel of monetary policy transmission has broken down. As Exhibit 7 shows, using 2012 data for the countries of the Euro area, there is a powerful correlation between interest rates on bank loans to businesses (taking those of less than a million euros as the reference) and sovereign debt (ten-year government bond yields).

In this context, implementation of a banking union needs to be accelerated in order to restore the effectiveness of monetary policy. The roadmap endorsed by the European Council in December 2012 represents a serious commitment to construction of a banking union, although the priority has been given to setting up a European banking supervisory mechanism, putting the creation of the banking crisis resolution fund and authority, and the European deposit guarantee fund second. This two stage strategy is pragmatic in that it means building a banking union from the pillar around which there is greatest consensus. It should be borne in mind that creating a genuine banking union demands that all three pillars be put in place, as the IMF urged in its latest financial stability report.

Until banking union is achieved, major differences between countries in terms of borrowing costs will persist. It is therefore necessary to create mechanisms to enable credit to reach businesses and households in the necessary quantity at affordable prices. This is a view both the ECB and IMF have backed recently. The ECB has announced new unconventional monetary policy measures and, in its *Global Financial Stability Report,* the IMF called for non-bank financing mechanisms and that any supply constraints to SME financing should be addressed as a priority to ensure that the financial system is able to play its role in facilitating economic recovery. In any event, the priority needs to be for rapid construction of a genuine banking union, as it is the only way to reduce the huge differences currently existing between the interest rates paid by businesses and households in different countries of the Euro area.

The roadmap endorsed by the European Council in December 2012 represents a serious commitment to construction of a banking union. As the Spanish government has rightly argued, the rapid implementation of a banking union will speed up the economic recovery Spain so badly needs.

As the Spanish government has rightly argued, the rapid implementation of a banking union will speed up the economic recovery Spain so badly needs. The most recent information available, dating from February 2012, shows that Spanish firms are paying interest rates on bank loans of less than a million euros that are 35% higher than the Euro area average, 79% than in non-distressed countries, and 77% higher than in Germany. Consequently, it is necessary to continue making progress on structural reforms so that the economy gains competitiveness, and to eliminate the current fragmentation in the bank lending market.

Recent progress on bank restructuring and recapitalization in Spain

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

Spain has made recent progress in implementation of key actions, such as restructuring, recapitalization, loan reclassification, and bank balance sheet clean up, as required by the Memorandum of Understanding (MoU) signed with the EU for aid to the financial sector. These actions may have potential consequences on provisioning requirements, and subsequently credit to the private sector, and in the case of Spain's bad bank, the SAREB, the ultimate ability of the country to resolve its banking crisis.

Over the period from March to May 2013, Spain has taken key actions in several areas as stipulated by the MoU with the EU, including: i) the restructuring and recapitalization of nationalized banks, complete with burden-sharing mechanisms for Group 1 and Group 2 banks; ii) the establishment of guidelines for reclassification of loans; and, iii) the approval of an updated business plan for the SAREB, which aims at selling almost half of the assets transferred by banks in 5 years. As for the burden-sharing mechanisms, the Steering Committee of the FROB has approved haircuts on preferred stock and subordinated debt of Group 1 and Group 2 banks with a range from 13% to 60%. In the case of loan reclassifications, the actions are expected to have potential impact on provisioning requirements, and as a consequence, credit conditions. The Bank of Spain has informed that there are 208.21 billion euros in refinanced and rescheduled loans and 45.7 billion euros correspond to doubtful loans, which are not covered by provisions. In the case of actions related to the SAREB, these will likely influence housing prices, banks' real estate exposure, as well as their general balance sheet health. The success of the SAREB will be a large determinant of whether or not the government will be able to resolve the banking crisis overall.

Recent recapitalization and burden-sharing actions

One of the main challenges in the process of resolution of the banking crisis in Spain and other EU countries is how to deal with nationalized banks. This is a task that goes beyond the financial crisis as it frequently takes many years for the public sector to dispose of acquired stakes in these banks. The Memorandum of Understanding (MoU) signed by Spain with the EU authorities includes a number of important milestones to be

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

completed in 2013, mainly affecting nationalized banks. Some of these actions have already taken place from March to May 2013 and they mainly referred to restructuring, recapitalization and burden-sharing measures.

On March 22nd, 2013, the Steering Committee of the Fund for the Orderly Restructuring of the Banking Sector (FROB) took various important decisions regarding the restructuring and winding up of some nationalized Spanish banks: BFA-Bankia, NCG Banco and Calalunya Banc.

In the case of Bankia, the first step in the process of recapitalization required a reduction of the nominal value of the equity of this bank. The value of Bankia was set at -4.14 billion euros. The MoU required that shareholders should be the first to absorb losses with practically their entire shareholding value. In particular, as part of the burden-sharing mechanism, Bankia shareholders have had to face a reduction of the nominal value of the existing shares from 2 euros down to 1 euro-cent. Following the capital reduction, in order to reduce the number of shares outstanding and to make the trading of the shares operatively more tractable, the FROB also decided that a reverse-split or bundling of shares was to be carried out in the proportion 100x1. The split was effective on April 22nd. This made it possible to return the nominal value of the shares to a figure of around 1 euro.

The second step in the recapitalization of Bankia was to inject the necessary capital as to comply with regulatory capital adequacy ratios. This has been done with two simultaneous transactions: i) a capital increase with pre-emptive subscription rights for 10.7 billion euros; and, ii) a second capital increase for 4.5 billion euros, with exclusion of pre–emptive subscription rights, to bring the holders of preferred stock and subordinated debt of Bankia into the new Bankia capital structure. As for the 10.7 billion euros injection, this was virtually subscribed by BFA, an institution fully-owned by the FROB. As for bondholders, they become Bankia shareholders with some haircuts that we specify below.

Following the MoU, the mandatory measures or the management of hybrid instruments in the BFA-Bankia Group assume that FROB will make “the entity buy back its preferred securities and perpetual subordinated debt instruments from holders at discounts against the nominal value resulting from application of the methodology contained in the Plans approved by the FROB and the Bank of Spain, and in the European Commission decisions.” In the case of Bankia, the average haircut for holders of perpetual subordinated debt has been 36%. As required by the European Commission, the proceeds of the buyback will be reinvested in Bankia shares following the principles mentioned above. As for the holders of subordinated debt with a maturity date, they will have the option of exchanging it either for shares at the subscription price after application of the corresponding haircut or for bank deposits or bonds with the same maturity (also with a haircut). The average haircut in this case is estimated at 13%.

Also on March 22nd, 2013, the Steering Committee of the FROB approved the average haircuts applicable to the different classes of financial instruments of the other banks classified as Group 1 following the MoU principles. As for NCG Banco, the FROB has required this bank to buy back its preferred stock and perpetual subordinated debt instruments from holders with a haircut. The average haircut estimated for preferred stock holders will be 43%. The average haircut for holders of perpetual subordinated debt will be 40%. As in the case of Bankia, holders of subordinated debt with a maturity date in NGC Banco will have the option of exchanging the bonds for NCG shares or for bank deposits with an average haircut of 13%. In the case of Catalunya Banc, the FROB also required it to buy back its preferred securities and perpetual subordinated debt instruments from holders with a haircut against the nominal value. In this case, the average haircut is estimated at 61% for holders of preferred stock. The average haircut for holders of perpetual subordinated debt will be 40%. As in the previous cases, the holders of subordinated debt with a maturity date will have the option of exchanging it for shares or for bank deposits or bonds with the same maturity, after application of an average haircut of 15%.

Importantly, even if the losses assumed by bondholders are considered as part of the burden -sharing mechanisms under the MoU, these bondholders also have the possibility to apply for an arbitration process if they consider that there were dishonorable selling practices affecting preferred stock and subordinated debt.

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It is also important to note that FROB has to set some burden-sharing processes for Group 2 banks. In particular, for Banco Mare Nostrum, Liberbank and Cajatres. Banco Mare Nostrum received a capital injection from the FROB in the form of shares for 0.7 billion euros, while the aid received by Liberbank (0.12 billion euros) and Cajatres (0.40 billion euros) was made in the form of contingent capital (CoCos). As for the other Group 2 bank, Banco Ceiss, this bank approved a restructuring plan –including salary and workforce adjustments– as of May 10th, 2013 and will merge with Unicaja.

A somehow different case is Banco Gallego. The FROB also required this bank to buy back its preferred stock and perpetual subordinated debt instruments from holders with an average haircut of 50% estimated for preferred stock and 39% for perpetual subordinated debt. However, the FROB initiated an auction process for the sale of this bank. In April 2013, the Steering Committee of FROB announced that Banco Sabadell was acquiring Banco Gallego for 0.24 billion euros with the transfer of all the shares of Banco Gallego to Banco Sabadell for one euro.

Loan refinancing transactions: A new regulatory treatment

One of the most controversial issues surrounding the different assessments on the status of Spanish banks –and, in particular, those of the various stress test undertaken– has been the extent that the reported quality of the bank loans may be affected by classification practices. Specifically, the main concern is that the true quality of some loans may not be observed as these loans are refinanced.

At the beginning of 2013, an Internal Committee of the Bank of Spain issued a report with recommendations on bank supervision procedures. This was one of the requirements of the MoU. The report includes the establishment of a standardized framework for the adaptation of supervisory measures based on the risk profile of credit institutions. The plan mentioned the need to refocus the on-site supervision and the recommendations made on bank information disclosure. In part, as a result of these efforts, the Executive Committee of the Bank of Spain issued a note on April 30th, 2013, with recommendations on the reporting of loan refinancing transactions and loan rescheduling. The recommendations are expected to effectively force banks to recognise as “substandard” some loans currently classified as “normal”. Substandard loans are those that have a risk of default –because of the economic environment or problems in a specific business sector– even if the borrower has not missed its payments. As banks must partially provision for losses on substandard loans, the recommendations may imply more provisions. Given the possibility that differences across banks in refinanced and rescheduled loans “are due to accounting practices”, the supervisor issued the abovementioned note to detail the criteria on loan refinancing and rescheduling. Following the note, the banks will be bound to review the accounting classification of refinanced or rescheduled loans to ensure compliance with these criteria. The banks will have to inform the Bank of Spain of the outcome of this review and of the related accounting effects before September 30th, 2013.

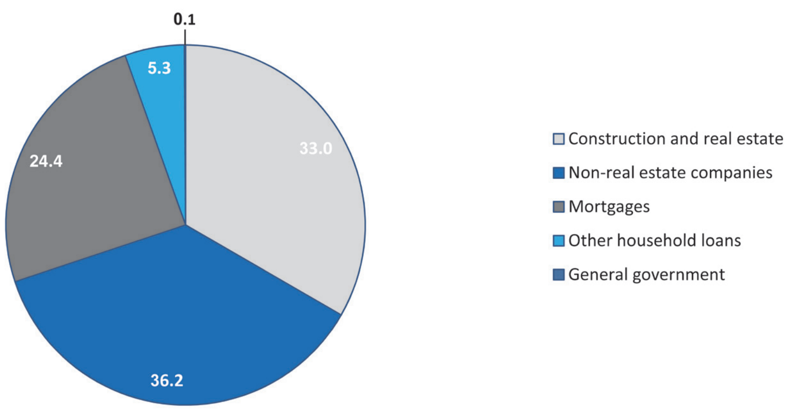
The Bank of Spain issued recommendations on the reporting of loan refinancing and rescheduling expected to effectively force banks to recognise as "substandard" some loans currently classified as "normal". As banks must partially provision for losses on substandard loans, the recommendations may imply more provisions.

The latest Financial Stability Report (FSR) of the Bank of Spain (May 2013 edition) provides some interesting information on the magnitude and potential impact of loan refinancing and rescheduling. Moreover, the Bank of Spain issued a specific note on May 9th, 2013, with some excerpts from the FSR to highlight "loan refinancing and contrasting of the stress test conducted by Oliver Wyman in 2012". Importantly, the Bank of Spain acknowledged that "with regard to refinanced and rescheduled loans, this is the first time detailed information has been published on them". The FSR shows that refinanced and rescheduled loans amount to 208.21 billion euros, which is 13.6% of total credit to the resident private sector. The breakdown by sector is shown in Exhibit 1. 33% corresponds to construction and real estate development (68.7 billion euros); 36.2% to other companies (75.4 billion euros); 24.4% to mortgages (50.8 billion euros); 5.3% to other household loans (11 billion euros); and 1.1% corresponds to general government (0.2 billion euros). The Bank of Spain points out that "there is some dispersion across banks, which may be indicative of different business and risk-management models, but also of differences in accounting practices".

Notably, 42.4% of the refinancing and rescheduling operations are classified as performing by banks, whereas 20.6% are classified as substandard and 37% as doubtful. Substandard refinanced and rescheduled loans are covered by 18.4%, whereas in the doubtful category the coverage is 40.6%. This implies that there are at least 45.7 billion euros in doubtful loans, which are not covered

Exhibit 1

Restructured and rescheduled loans in the Spanish banking sector as of December 2012. Breakdown by sector (%)



Source: Bank of Spain and own elaboration.

by bank provisions. The fact that a significant share of the refinanced transactions are loans to individuals (including mortgages and other loans) is challenging for banks in the current context of very high unemployment. In particular,

Refinanced and rescheduled loans amount to 208.21 billion euros. Substandard refinanced and rescheduled loans are covered by 18.4%, whereas in the doubtful category the coverage is 40.6%. This implies there are at least 45.7 billion euros in doubtful loans, which are not covered by bank provisions.

the FSR shows that the non-performing loans to individuals have increased by 31.7% year-on-year in December 2012, as compared to 12.2% in 2011.

As for the evaluation of the projections made in the stress test conducted by Oliver Wyman (OW) in 2012, it is observed that the defaults in the Spanish banking sector in 2012 have been lower than the probabilities estimated by OW, both in the baseline and in the adverse scenario. However,

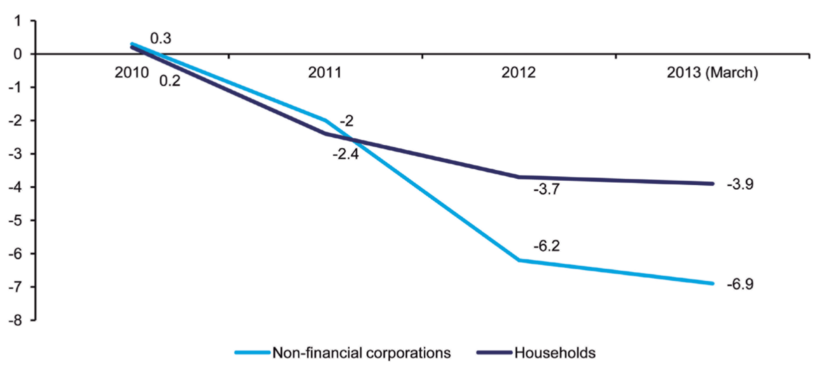
The evolution of the economy and the regulatory pressure on loan reclassifications will impose new challenges for Spanish banks in the near future and may make it even more difficult for these banks to foster lending to the private sector.

there is one exception: in large corporations and public works portfolios, actual defaults in 2012 are higher than the probability of default estimated for the baseline scenario. Additionally, it is worth noting that the profit before provisions of the banking sector for 2012 was larger than the one estimated by OW.

As for the macro scenario, the evolution of the unemployment rate, and the fall in house prices in 2012 ended up being very close to the estimates of OW under the adverse scenario. The evolution of the economy and the regulatory pressure on loan reclassifications will impose new challenges for Spanish banks in the near future and may make it even more difficult for these banks to foster lending to the private sector. The annual growth rate in lending to resident sectors keeps declining.

Exhibit 2

Lending to the private sector in Spain. Annual growth rates (%)



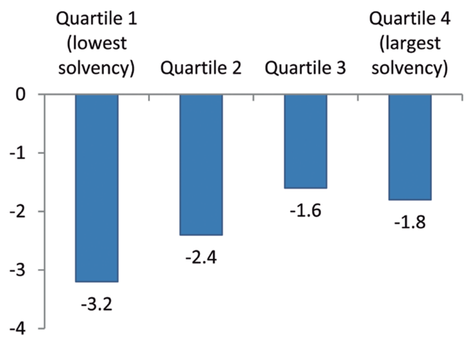
Source: Bank of Spain and own elaboration.

In March 2013, the annual growth rate of lending to non-financial corporations was -6.9% (it was -6.2% in December 2012) and the annual change in lending to households was -3.9% (-3.7% in December 2012).

The FSR of the Bank of Spain offers some interesting information on the relationship between the effort that the banks are making to reinforce their solvency levels and the evolution of lending to the private sector. The average annual change in lending in 2012 for the banks with the lowest level of solvency (8.8% average Tier 1 ratio according to the Bank of Spain) is -3.2% and then the fall is less intense for the banks in the second quartile (-2.4%), the third quartile (-1.6%) and the fourth quartile (-1.8%). Exhibit 3 suggests that the relationship between bank solvency and lending is not linear. The banks in the third solvency quartile have reduced their lending to the private sector to a lesser extent than those in the highest solvency quartile. This can be explained because some banks may be seeking to create solvency buffers to improve their credibility in the market by signaling higher loss absorption capacity.

Exhibit 3

Annual growth rate in lending. Breakdown by bank solvency levels (2012)



Source: Bank of Spain and own elaboration.

SAREB's new business plan and initial steps

The Spanish asset management company SAREB, Spain's "bad bank," which has absorbed a great deal of the impaired assets of the Spanish banking sector, is a key factor for the success of the resolution of the banking crisis in Spain. This is not just because of the role of SAREB as a vehicle to deal with asset impairment but also because it will likely influence house prices in Spain and, therefore, contribute to the remaining adjustment of real estate asset prices to equilibrium levels. SAREB manages 197,474 assets and loans worth 50.7 billion euros. 107,000 of the assets are real estate properties and 90,474 are loans. Hence, its capacity to influence market prices is potentially significant.

Table 1

Transfer of assets to SAREB by Group 1 and Group 2 banks (million euros)

	Group 1 banks (December 2012)	Group 2 banks (February 2013)	Total
Loans			
Gross	54,250	20,071	74,591
Net	39,313	11,056	39,369
Assets			
Gross	24,358	7,172	31,530
Net	8,397	2,967	11,364
Total			
Gross	78,878	27,243	106,121
Net	36,710	14,023	50,733

Source: Bank of Spain and own elaboration.

From January to April 2013, SAREB has been defining its corporate structure and refining its business plan for once market conditions and interest of investors in the assets in SAREB's portfolio have been calibrated. However, even before SAREB had started to manage and sell those assets, its most immediate effect has been on the health of Spanish banks' portfolios. Table 1 shows the gross and net (after the discount is applied) transfer of assets from Group 1 and Group 2 banks (according to the MoU classification) to SAREB.

The exposure to real-estate activities of Spanish banks over 2012 and 2013 –taking into consideration both loans and foreclosed assets and net of provisions– fell by 50%. Around 60% of the reduction is estimated to be due the transfers to the SAREB, while 40% of the reduction has been explained by the provisions made by banks. As for non-performing loans (NPLs), the impact of SAREB has also been significant. Taking the latest data, corresponding to February 2013, the NPL ratio was 10.7%. When both Group 1 and Group 2 banks are excluded from the computations, the doubtful assets ratio is 10.1% in February 2013.

As for the management of SAREB, an updated business plan was presented on March 21st, 2013. The business plan acknowledges the influence of the recommendations of the IMF and the European Commission requiring a "sound and credible" business plan for SAREB as one of the most important requirements to recover financial stability in Spain. The main features of the business plan are as follows:

- Two thirds of the revenues of SAREB are expected to be generated by the sale of assets and one third by the sale of loans.
- SAREB expects to sell almost half of its asset portfolio over the first 5 years of the 15 years life horizon of the asset management company. In particular, 42,500 assets.
- SAREB expects to payback 49.9% of the senior debt received in 5 years.
- The expected profitability for investors is estimated at 13-14%.
- SAREB has now approved internal rules to avoid conflict of interest in the transactions. In particular, those potentially affecting the board members and investors with interest in similar markets as those where SAREB operates.

Overall, the management of SAREB will be one of the critical factors behind the degree of success in the resolution of the banking crisis in Spain. The dynamics of the economy may affect the future scope of the SAREB. There could be, for example, other assets being transferred to the SAREB if the macroeconomic situation deteriorates and not necessarily coming from the banking sector. Overall, SAREB will largely determine the ultimate costs assumed by taxpayers for the bailout of banks in Spain.

The management of SAREB will be one of the critical factors behind the degree of success in the resolution of the banking crisis in Spain and will largely determine the ultimate costs assumed by taxpayers for the bailout of banks.

Significance and characteristics of burden-sharing in the recapitalization of Spanish banks

Daniel Manzano[1]

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The burden-sharing process being implemented in the recapitalization of the Spanish banking system under the Memorandum of Understanding (MoU) signed with the EU for aid to the financial sector is unique and the first of this order of magnitude within the EU. The main objective of this exercise is to reduce the ultimate cost borne by taxpayers of the financial restructuring process and it will have a notable impact on holders of hybrid equity and debt instruments, such as preferred shares and subordinated debt.

One of Spain's commitments under the MoU signed with the EU for aid to the financial sector was to carry out a so-called burden-sharing exercise. Current estimates for the impact of the exercise point to a private sector contribution of nearly 13 billion euros, i.e., one fourth of the capital needs identified in the stress test performed under the MoU. Aside from its large scale, the process is also unique and technically complex, as a good deal of the affected hybrid instruments were placed among the retail customers of the institutions which need assistance. The FROB has set up burden-sharing guidelines for Group 1 and Group 2 banks. The ultimate impact of these measures on the nominal value of instruments for the holders of the securities in question will presumably be even greater than the stipulated haircuts, due to the mechanisms for exchange put in place to recapitalize banking institutions and the price levels to be set for the shares of the banks that are, or will be listed.

Introduction

The road map for the process of restructuring and recapitalization of the Spanish banking system set out in the *Memorandum of Understanding* (MoU) -signed by the Spanish authorities in order to receive European assistance- is being completed reasonably on schedule, as highlighted by recent progress reports published by the European Commission and by the International Monetary Fund. By virtue of the MoU, Spain committed itself to implementing burden-sharing in the restructuring and recapitalization process. This is understood to mean that all holders of subordinated debt (in addition to shareholders) issued by the banks that now need assistance should partially absorb the losses arising in these banks and thus contribute to their recapitalization. Holders would be forced to accept a portion of the burden of recapitalization in order to minimize the cost to taxpayers entailed by an injection of public funds. To this end, applicable legislation was changed in order to make the burden-sharing exercise especially coercive for holders of such

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securities (affected institutions have begun the burden-sharing process in recent weeks). Specifically, the exercise is being carried out under **Law 9/2012 of November 14th on credit institution restructuring and resolution**, which transposed some MoU commitments in law.

Absorption of losses is distributed between capital and investors in hybrids (subordinated instruments) **without strict adherence to seniority**. For example, seniority would have required preferred security holders' funds to have been depleted before holders of subordinated debt could take losses. Nevertheless, former shareholders do take prior losses on their full investment, except in some cases (namely, in listed institutions) in which they remain present with small amounts for technical reasons.

The purpose of this article is to analyze the actions being carried out in the framework of the MoU for institutions that have received public funds (Groups 1 and 2). First, we will evaluate the significance of these actions in the recapitalization process of Spanish banks. Then, we will review the characteristics of the mandatory exchanges that will be implemented in Group 1 institutions, and of the sole voluntary exchange offer that has been made to date (in Liberbank), which was combined with a subsequent mandatory exchange. Lastly, we will set forth the main conclusions of the analysis.

The role of burden-sharing in Spanish bank recapitalization

In recent weeks, both the Ministry of Economy and Competitiveness and the FROB have released more information on the conditions of exchange of hybrid instruments –preferred shares and subordinated debt– that banks which received public assistance are obligated to carry out. At the time this article was written, some of the exchanges had already been completed (in Banco de Valencia and Liberbank), while others are under way.

The basic procedure is to apply a haircut to the nominal value of subordinated securities. The size of the haircut will depend on the characteristics and nature of the securities, and holders are forced to exchange the corresponding amount for capital instruments[2], usually bank shares, but also bonds convertible into shares in some cases. The aim of these mandatory buybacks and exchange for shares is to force bondholders to take some of the banks' losses and, thus, minimize the bill for taxpayers.

The procedure is to apply a haircut to the nominal value of subordinated securities. Holders are then forced to exchange the corresponding amount for capital instruments. The aim of these mandatory buybacks and exchange for shares is to force bondholders to take some of the banks' losses and, thus, minimize the bill for taxpayers.

The FROB has set up a hybrid management exercise through mandatory exchanges (coercive action) in Group 1 institutions Bankia, Novagalicia Banco, Catalunya Banc and Banco de Valencia and in CEISS. In Group 2 institutions –Liberbank, BMN and Cajatres–, although the possibility was envisaged of voluntary exchanges under less onerous conditions for investors or more alternatives than a mandatory exchange, only Liberbank ultimately made use of this option. In any case, it was obliged to supplement this with coercive action for holders who did not participate in the voluntary exchange.

[2] Except in those which are not perpetual, where holders may opt for deposits or senior bonds of institutions with the same maturity as the subordinated security.

Table 1

Expected capital increase through hybrid management exercises (billion euros)

	billion euros	Oliver Wyman capital shortfall	Capital augmentation through SLEs*	SLEs management (%)
Group 1	BFA-Bankia	24.743	6.593	26.6%
	Catalunya Banc	10.824	1.553	14.3%
	Novagalicia Banco	7.175	2.027	28.3%
	Banco de Valencia	3.462	0.426	12.3%
		46.204	**10.599**	**22.9%**
Group 2	BMN	2.208	0.182	8.2%
	Liberbank	1.197	0.714	59.6%
	CEISS	2.062	1.196	58.0%
	Caja3	0.779	0.036	4.6%
		6.246	**2.128**	**34.1%**
Group 3	Banco Popular	3.223	0	0.0%
	Ibercaja	0.225	0	0.0%
		3.448		**0.0%**
	TOTAL	**55.898**	**12.727**	**22.8%**

**SLEs – subordinated liability exercises.*

Source:Afi, "Spain: Financial Sector Reform: Second Progress Report" of the IMF.

One may wonder, firstly, about the significance of these hybrid management exercises in the recapitalization process. It is estimated that such actions will contribute to Spanish banks the sum of nearly 13 billion euros, which is more than 1% of Spain's GDP and one fourth of the banks' estimated total capital needs, as shown in Table 1. This exercise has no parallel in Europe, both because of its scale and especially because of its characteristics, as it affects not only institutional investors, but also a majority of retail investors who are these banks' customers. It should also be noted that the recapitalization under way will require a further capital contribution of nearly 40 billion euros in public funds, over and above sums injected at previous stages, a total that is triple the amount contributed by holders of subordinated and preferred debt.

A second matter of interest is related to whether it would have been possible to reduce even further the aforementioned injection of public funds if larger haircuts had been applied to securities holders prior to the exchange for capital instruments. The answer is no, although it would have given the State a larger relative stake in the affected banks and, consequently, a larger share in future profits if the banks returned to profitability.

Would it have been possible to reduce even further the injection of public funds if larger haircuts had been applied prior to the exchange for capital instruments? The answer is no, although it would have given the State a larger relative stake in the affected banks and, consequently, a larger share in potential future profits.

While one might assume that this would reduce the net cost borne by taxpayers in the form of public assistance, certain adverse effects have been noted. In particular, against such a view, arguments have been made based on the adverse commercial impact of larger haircuts on customers, given a significant number of affected banks' dual role as deposit institution/customer and retail investor. This could negatively affect the future profitability of the bank and, hence, ultimately prevent any reduction in the net bill for taxpayers of State aid. In short, as the IMF report acknowledged, it is not clear what the actual final balance sheet for public coffers would have been if large haircuts had been applied. As pointed out in the following sections, the effective haircuts will, in general, be quite substantial[3].

Mandatory exchanges

As published in the Restructuring Plans submitted by the banks and approved by the European Commission, the standard methodology defined for calculating haircuts is as follows:

- Calculation of the net present value (NPV) of hybrid instruments through discount factors arising from yields ranging from 10% to 20%, depending on the instrument and assuming that there will be no coupon payments in those securities whose specific conditions allow for it (e.g., no coupon payment in preferred shares when the institution is not expected to yield a profit).
- The NPV could be increased by an additional premium of up to 30% for those instruments which will be exchanged into shares.
- In any event, a global restriction would apply: the conversion rate into shares or another capital instrument will not exceed 90% of the nominal value.
- For the specific case of dated subordinated debt, holders may choose between an exchange for: (i) bonds or deposits with the same maturity with a discount on the principal of 1.5% per month from December 1st, 2012, until maturity of the issue and; (ii) shares, at the highest conversion value between the value obtained through point (i) of this paragraph, and the methodology used for preferred shares and perpetual subordinated debt.

The FROB released the average haircuts on the nominal value it will apply in these mandatory exchanges of Group 1 with application of the described methodology. They will be 28% on average, with a 42% haircut for preferred shares and 38% for perpetual subordinated debt.

It should be borne in mind that, in share exchanges, the adverse impact of such haircuts for the holder of hybrid instruments may be amplified. This is especially true in cases where the economic valuation of banks is still negative after the absorption of losses by the original shareholders through a capital decrease. The injection of capital from both the exchange of hybrids under the aforementioned terms and from the contribution made by the FROB should, in practice, absorb the remaining negative economic value (not covered by the original shareholders) with a final effect in the share price if it is listed. We will now analyze each case:

- Related to Bankia, with an economic valuation of -4.148 billion euros, in addition to the announced haircuts on the notional value of the preferred shares and subordinated debt to be taken by investors in buybacks, the shares from the exchange must absorb the remaining negative economic valuation –that is not covered by the capital reduction that affects the original shareholders- in proportion to their stake

[3] We will leave aside herein the final outcome of ongoing claims in arbitration or judicial proceedings filed by retail holders affected by the improper sales practices of hybrid instruments.

Table 2

Preferred share and subordinated debt buyback and exchange: Bankia *

(billion euros).

billion euros	Preferred shares	Undated subordinated	Dated subordinated	Total	FROB injection
Pre-haircut balance	3.246	0.394	3.271	6.911	
Average haircut (%)	**38%**	**36%**	**13%**	**26%**	
Post-haircut balance	2.013	0.252	2.846	5.110	10.700
Economic valuation	**-4.148**				
Shares received after absorption of losses	1.485	0.186	2.099	3.770	7.893
Effective haircut	54%	53%	36%	45%	

** Assuming that all subordinated issues with a maturity are exchanged for shares. In fact, the FROB initially estimates an exchange for shares of 4.84 billion euros and not the 5.11 billion euros shown in the table.*

Source: Afi, FROB, restructuring plans of institution.

in the recapitalized bank, through an issue premium.

Two capital increases have been planned: (i) the first one, amounting to 10.7 billion euros, would be subscribed almost totally by the FROB, while (ii) the second one, for 4.84 billion euros, would allocate capital to holders of hybrid instruments. In both cases the nominal price is 1 euro per share, a price to which an issue Premium is added to cover the negative value. Obviously, a price lower than this reference would imply an effective loss greater than these percentages (at the time this article was written the shares were trading at 0.65 euros per share).

Based on a similar analysis, the losses for hybrid debt bondholders in the cases of Novagalicia Banco and Catalunya Caixa would be greater than the published haircuts. Our estimates for effective haircuts at these banks are shown in Tables 3 and 4.

Unlike other Group 1 institutions, management actions of hybrid instruments and subordinated debt carried out in Banco de Valencia involved substantially higher haircuts (85% for subordinated debt and 90% for preferred shares). In this case, the exchanges were into mandatory convertible bonds (CoCos) or ordinary shares, depending on whether the investor profile was retail or institutional, respectively. These haircuts, which are substantially larger than the previous ones, were justified by the following:

– The unique features of BVA.

– The attempt to appropriately distribute the costs of resolution.

– The minimization of public support.

Voluntary exchanges

Liberbank is the first and only Group 2 institution so far to have made an exchange offer in this sense within the policy framework for managing hybrids. Retail investors had exchanged their preferred shares and subordinated debt for either new Liberbank shares or for a combination of new Liberbank shares (between 20%-30%, depending on the debt security held) and different issues of mandatory convertible bonds CoCos- (between 70-80%). Institutional investors could only exchange them for new Liberbank shares.

The average haircuts on the nominal value applied by Liberbank in the voluntary hybrid management

Table 3

Preferred share and subordinated debt buyback and exchange: Novagalicia Banco *

(billion euros).

billion euros	Preferred shares	Undated subordinated	Dated subordinated	Total	FROB injection
Pre-haircut balance	1.174	0.211	992	2.377	
Average haircut (%)	**43%**	**41%**	**22%**	**34%**	
Post-haircut balance	0.669	0.124	0.774	1.568	5.425
Economic valuation	**-3.091**				
Shares received after absorption of losses	0.374	0.069	0.432	0.875	3.027
Effective haircut	68%	67%	56%	63%	

** Assuming that all subordinated issues with maturity are exchanged for shares.*

Source: Afi, FROB, restructuring plans of institutions.

Table 4

Preferred share and subordinated debt buyback and exchange: Catalunya Caixa*

(billion euros).

billion euros	Preferred shares	Undated subordinated	Dated subordinated	Total	FROB injection
Pre-haircut balance	0.510	0.102	1.327	1.939	
Average haircut (%)	**61%**	**40%**	**15%**	**28%**	
Post-haircut balance	0.199	0.061	1.128	1.388	9.080
Economic valuation	**-6.674**				
Shares received after absorption of losses	0.072	0.022	0.409	0.503	3.291
Effective haircut	86%	78%	69%	74%	

** Assuming that all subordinated issues with maturity are exchanged for shares.*

Sources: Afi, FROB, restructuring plans of institutions.

offer have been between 7% and 10%, depending on the choice investors made. The offer was accepted by 87.3% of bondholders (below the 90% set by the FROB as a minimum level) so the FROB ordered a mandatory loss assumption exercise for the remaining 12.7% under more onerous conditions for investors, with haircuts ranging between 10% and 54%, depending on the instrument type and the exchange type chosen with the same methodology described above for mandatory exchanges.

Liberbank shares have been valued at 1.11 euros per share, in line with the valuation of the FROB performed on Liberbank. Nevertheless, following the bank's float on May 16th, the entity's shares have fallen to levels near 0.50 euros per share, resulting in significantly greater effective losses than previously mentioned. However, the three shareholder savings banks of the bank (obviously not Liberbank) have agreed on a mechanism, charged against their own capital base, to compensate retail holder customers if the share price falls below the benchmark used for the exchange within a two-year time horizon.

Conclusion

Although large haircuts, in theory, are to be applied to hybrids prior to their exchange for shares or other capital instruments, the final impact on holders will presumably be far greater because of the mechanisms put in place to recapitalize banking institutions (especially banks with a

Although large haircuts, in theory, are to be applied to hybrids prior to their exchange for shares or other capital instruments, the final impact on holders will presumably be far greater because of the mechanisms put in place to recapitalize banking institutions.

negative economic valuation). In fact, holders of hybrid instrument will likely end up taking a global net loss of more than 50% of their investment. This will largely depend on the price levels eventually set for the shares of banks that are now or will be listed: such prices will very likely be a benchmark for setting the price of unlisted banks, for which the Deposit Guarantee Fund (FGD) is expected to be a supplier of liquidity[4].

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National Reform Program for 2013: Fiscal consolidation and stimulating growth

Sara Baliña[1]

New measures seek to strike a balance between stimulating economic growth and cleaning up public accounts.

The Spanish government unveiled, within the framework of the Stability and Growth Program for 2013-2016, the National Reform Program for the current year. The main policy lines were mostly already known, as they were included in the previous version or they had been announced beforehand. Delays in the implementation of some reforms, such as those related to rationalizing the public administration, and the need to further develop the details of other policies already in force, such as public pensions or labor reform, mean that the key elements of the 2013 Program are an extension of those from last year.

Introduction

The recommendations made by the European Commission in its review of Spain's compliance with the excessive deficit procedure criteria are reflected in the main components of the National Reform Program (henceforth, the NRP). The fact is that, even more than in previous years, the nature of the NRP should be understood in the context of an economic policy strategy defined by Europe. Since they were decided in mid-2012 to prioritize the implementation of structural reforms in economies with sizable macroeconomic disequilibria and weak growth perspectives in exchange for flexibility in public deficit targets, national reform programs began to acquire greater relative weight in the economic policy road map of peripheral euro area countries.

In the case of Spain, the upward revision of the public deficit targets of the next three years, which means putting off until 2016 the objective of 3% of GDP, does not lighten the burden of the fiscal consolidation measures in the NRP, although it does ease potential impact on the economic cycle of the reduction in current public expenditure and acknowledges the need to introduce changes in the fiscal structure. Further planned modifications in the labor law and the pension system are postponed –with no timetable yet available– until the completion of an assessment report on the impact of the 2012 labor law reform in the former case, and until the announcement of conclusions by an independent committee of experts in the latter case.

With regard to stimulating economic activity, the NRP tackles two main aspects: improving financing channels to the private sector and strengthening support for entrepreneurs, in addition to the liberalization of some services, the simplification of administrative procedures and the guarantee of a unified market.

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Given that the NRP for 2013 is unfolding in a context of fiscal consolidation that is less aggressive than in 2012 and within a substantially more adverse scenario of economic forecasts envisaged in the Stability Program, this article shall be structured as follows. First, it will set forth the new growth scenario for the 2013-16 period, emphasizing aspects that may impact the NRP, as well as the main implications of the revised public deficit path for the same period. Second, the NRP's more substantive measures will be analyzed and, specifically, those where implementation is planned for within the next 12 months. Lastly, the article will conclude with the estimated impact of the NRP in terms of economic growth and job creation, and it will identify the focal points of risk that may limit its impact.

Macroeconomic scenario and fiscal consolidation path for 2013-16

One of the most outstanding elements of the updated Stability Program was the sharp downward revision of growth forecasts, not only for 2013 (-1.3%) but also going forward. GDP will grow by barely 0.5% in 2014 and will stay below 1.5% until 2016, according to the government's scenario. The 2013-14 Budget Plan issued last summer and used as the basis for the General State Budget of this year, envisaged a drop in GDP of 0.5% for 2013 and growth of 1.2% for 2014.

The downward revision of the government's growth forecasts, which are now in line with the forecasts of leading international organizations and the private consensus of Spanish analysts, is accompanied by a substantial change in the composition of GDP. Slippage of internal demand may last until 2015, weighed down by the practical stagnation of household consumption and the persistent contraction of public consumption (less intense in the latter case in 2013 and 2014 than in the previous scenario but still present and elevated in both years). The expected delay in the recovery of investment in capital expenditure is symptomatic of the extent to which the fiscal consolidation can neutralize, in the short term,

Table 1

Macroeconomic forecasts of the Spanish government and of the European Commission for the Spanish economy

			Government		European Commission	
Annual average (%)	2011	2012	2013	2014	2013	2014
GDP	**0.4**	**-1.4**	**-1.3**	**0.5**	**-1.5**	**0.9**
Households consumption	-0.8	-2.2	-2.5	0.0	-3.1	-0.1
Public consumption	-0.5	-3.7	-4.4	-3.1	-3.7	-0.4
Gross fixed capital investment	-5.3	-9.2	-7.1	-0.9	-5.8	0.1
Domestic demand[1]	**-1.9**	**-4.0**	**-3.7**	**-0.8**	**-4.0**	**-0.4**
Exports	7.7	3.1	4.1	5.9	0.0	4.7
Imports	-0.8	-5.0	-3.7	2.6	-4.0	2.0
External demand[1]	**2.3**	**2.6**	**2.4**	**1.3**	**2.6**	**0.0**
Employment growth	-1.9	-4.5	-3.4	-0.4	0.0	0.0
Unemployment rate, %	21.6	25.0	27.1	26.7	27.0	26.4
Public deficit (%GDP)	-9.4	-10.6	-6.3	-5.5	-6.5	-7.0

[1] Contribution to GDP growth.

Sources: Afi, Ministry of Economy and European Commission.

the positive effects on growth of the structural reforms. After accumulating an adjustment of more than 40% since the onset of the crisis, capital expenditures are not expected to grow until 2015, and then at barely 2%.

The persistent tightening of internal spending is reflected in labor market numbers. We must add the employment loss that may take place in the first quarter of 2014 to the job destruction anticipated for 2013 –approximately 400,000 people. With a pace of job creation below 1% year on year until 2016, the unemployment rate will stay above 25% until then. The structural component of unemployment may then represent 60% of the total.

The recessive nature of the scenario of domestic demand forecast for the period explains the need to adjust the fiscal consolidation path to the cyclical conjuncture of the economy. The public deficit ended 2012 at 7.1% of GDP, excluding state aid for the banking sector, in which case the deficit would be 10.6%. In spite of the failure to meet the target of 6.3% of GDP, it does represent a reduction of 1.8% of GDP on 2011, with a cut in the structural component of the deficit of approximately 2.5 points.

For 2013, the flexible fiscal strategy carries a deficit target for Spain of 6.3% of GDP, which is the same as for 2012 and nearly two points above that stipulated in the previous Stability Program. Therefore, this year, the deficit is to be reined in by barely eight decimal points, and distributed among the administrations as follows: the central administration must reduce its imbalance by four decimal points, to 3.8% of GDP; the regions must reduce by six decimal points to 1.2%; local authorities must achieve balanced budgets and the Social Security system's expected imbalance will increase from 1% of GDP at 2012 year end to 1.4% in 2013.

In the case of the regions, it remains to be seen how the aggregate target will be distributed among them, as individual deficit targets for regions will be set in accordance with past adjustments and with the capacity to continue making adjustments going forward. If the aggregate deficit target of 1.2% were equally applied to all the regions, as has been the case to date, Valencia and Murcia would have to reduce their deficit by two points, while six regions could increase it relative to the 2012 year-end result.

The fact that both the central administration and the regions have to make smaller consolidation efforts than in 2012 reduces, for now, the risks of further hikes in the two taxes with the greatest revenue-generating power: VAT and income tax.

The fact is that both the central administration and the regions have to make smaller consolidation efforts than in 2012.

Further adjustments to avoid deviation from the 6.3% deficit target in 2013 should, in principle, be more limited, bearing in mind that 38 billion euros of fiscal consolidation measures have already been approved pursuant to the Stability Program, and pending regions' restating of their budgets with new deficit targets.

Indeed, the updated Stability Program makes practically no change in the total amount of fiscal adjustments for 2013 that had been established prior to the easing of the deficit targets and the revision of the government's growth forecasts (in total, measures amounting to nearly 4% of GDP to reduce the deficit by eight decimal points). The new items in the program are found mainly in two aspects:

- The bleaker growth forecast has not resulted in a reduction in the estimated volume of tax revenue for the year. The gross impact of the tax measures in force and those that may be adopted on environmental taxation is estimated at nearly 17 billion euros, or 1.6% of GDP. The cyclical downturn and, specifically, the slide in domestic demand, leaves the net increase in revenue at approximately 7 billion euros. The extension to 2015 of the hikes in corporate income tax, income tax and property tax that were to be temporary for 2012 and 2013 reveals the need to consolidate the increased revenue, as their repeal in 2014-15 could seriously jeopardize the fiscal consolidation path from 2013. For 2014, the public deficit target is 5.5% of GDP and, for 2015, 4.1%.

- The planned cutback in wage-earner remuneration is reduced by half. The difference with the cutback in the previous plan of roughly 2 billion euros will be covered by larger reductions in general ministry expenditures and by improving management of active and passive employment policies, according to the Stability Program.

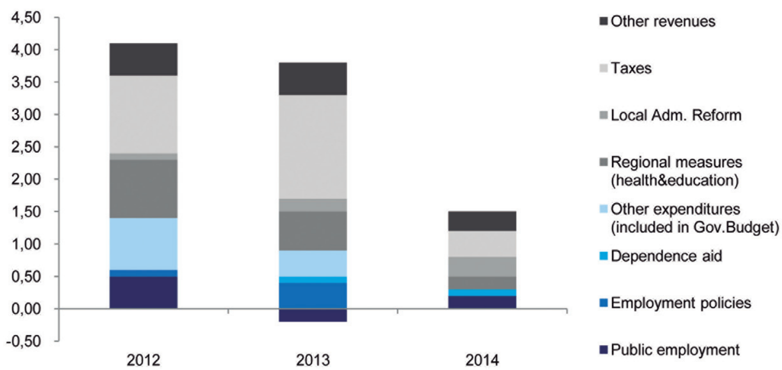
With regard to revenue forecasts, tax collection data up to March of this year disclose the difficulties for meeting the forecasts in the Stability Program, excluding the effect of tax refunds. In spite of the tax hikes in effect in the early months of the year that did not exist a year ago, total tax collections have recorded a minimal increase of 800 million euros; moreover, the increase is accounted for in full by the VAT.

The revision of environmental taxation, with the possible creation of new taxes ("green taxes"), the modification of special taxes (likely those levied on alcohol and tobacco), both in the fiscal

The revision of environmental taxation and the modification of special taxes, though yet to be detailed, may help bolster revenues in the final stretch of the year and respond to one of the European Commission's main recommendations on taxes: a shift of taxation from labor towards consumption with the largest negative externalities.

Exhibit 1

Impact of fiscal consolidation measures in 2013-16 Stability Program of Spain (% GDP). Differential effects relative to the previous year



% GDP	2012	2013	2014
Consolidation measures	4.2	3.6	1.6
Deficit reduction	1.8	0.7	0.8
Difference	2.4	2.9	0.8

Sources: Afi, Ministry of Economy and Competitiveness (2013-16 Stability Program).

discipline chapter of the NRP but yet to be detailed, may help bolster revenues in the final stretch of the year and respond to one of the European Commission's main recommendations on taxes: a shift of taxation from labor towards consumption with the largest negative externalities. It should be noted that Spain is among the countries with the lowest environmental tax burden. According to EUROSTAT data for 2011, environmental tax collection[2] in Spain amounts to 1.6% of GDP, far from Denmark's 4.1% (Denmark is a pioneer in such taxes) or the average of 2.4% for the EU-27.

Another of the planned, yet unspecified tax changes in the NRP is the modification of the corporate income tax for large enterprises, i.e., those with an annual turnover greater than 20 million euros, which is oriented towards increasing the base of the tax. The primary reason the main corporate income tax rate of small enterprises is substantially higher than of large enterprises lies, above all, in the tax adjustments applied to the book result and not so much to deductions (for R+D, reinvestment of profits, donations, etc.) that apply to the payable tax. In fact, the budget for tax benefits of corporate income tax for 2013 amounts to only 3 billion euros.

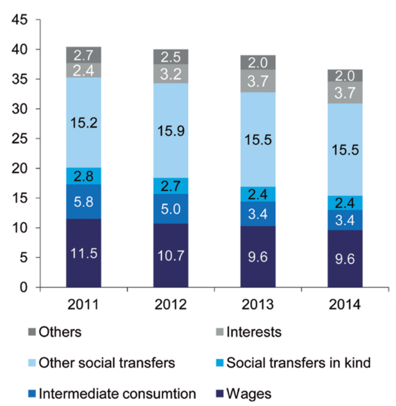
On the expenditure side, the upward revision of wage-earner remuneration as against the previous version of the Stability Program should, in theory, rein in the pace of destruction of public employment anticipated for 2013 and 2014. Then, this component of public consumption should fall from 10.7% of GDP in 2012 to 9.6% in 2014 (-1.1 points). Lastly, and in spite of the elimination of the December bonus payment for civil servants, in 2012 such remuneration amounted to 11.1% of GDP. For 2014, the new program envisages a correction to 10.4% of GDP, which in 2013 should amount to barely two decimal points.

Bearing in mind the distribution of public employees by monthly salary ranking and assuming no further wage reductions, if the Stability Program's forecast comes true, job destruction in 2013 could be lower than or similar to that of 2012 (-220,000 people). It must be recalled that only in the first quarter of

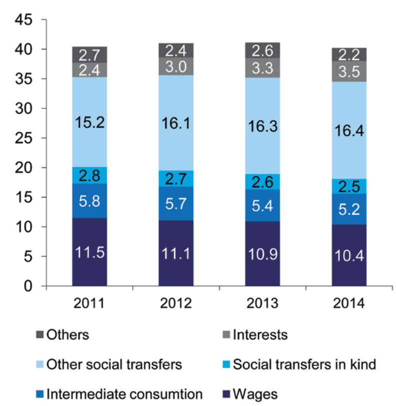
Exhibits 2 and 3

Current public expenditure in Spain. Breakdown by main items (% of GDP)

Updated 2013-16 Stability Program



Prior to easing of public deficit targets



Sources: Afi, Ministry of Economy and Competitiveness (2013-16 Stability Program).

[2] Environmental taxation in Spain includes the following: (i) energy taxes (special tax and hydrocarbons and special tax on electricity), ii) taxes on transport (special tax on certain modes of transport and tax on mechanical traction vehicles) and iii) regional taxes on pollution, waste deposits and sea emissions.

this year, the number of public wage earners fell by 70,000. Equally significant is the upward revision in expenditure in intermediate consumption.

Therefore, aggregate current public expenditure of public administrations will amount to 40% of GDP in 2014, as against the 36.6% set in the plan prior to the updating of the deficit targets. This is why public consumption may lose ground more persistently yet more moderately until 2015.

Principal structural reforms: Growth stimulus and fiscal consolidation

Table 2 summarizes the main components of the NRP for 2013. Given that each encompasses a broad spectrum of decisions, herein we shall address those which affect key areas of public finance and which may be decisive for a medium-term recovery of the Spanish economy. The benchmark will be decisions whose implementation is to occur within a horizon of approximately twelve months.

- **Bolstering of budgetary supervision, transparency and discipline.** An independent fiscal responsibility authority will be responsible for analyzing, advising and controlling the budgetary policy of all administrations; approval of a law for transparency, public information access and good governance, and development of a plan to eradicate late payments in the public sector. The latter issue is highly significant in the present, for even though the supplier payment fund and the regional liquidity fund have helped reduce the volume of administrations' commercial debt, there is a risk that delays in payments to suppliers will generate significant liquidity pressures in enterprise sectors most reliant on public services. The NRP envisages a third phase of the supplier payment plan to clear away the full volume of outstanding invoices in regional administrations.

- **Development of reform of public administrations** (a law for local administration rationalization and sustainability), with the objective of reducing the number of local authorities, clarify their powers and order their organizational structure, with a view to eliminating redundancies. Work on this reform began in 2012, but difficulties in expediting its implementation shifts to 2014-15 the bulk of the public savings it might generate. Specifically, the NRP estimates the cumulative savings in the two years at 8 billion euros.

- **Definition and regulation of the sustainability factor of the public sector pensions system.** The reform that came into force on January 1st, 2013 introduced a sustainability factor based on life expectancy trends, in order to maintain proportionality between contributions and benefits. Hence, from 2027, the fundamental parameters of the system will be revised every five years to detect differences between trends in life expectancy at the age of 67 of the population in the year of revision, and life expectancy at the age of 67 in 2027. However, the reform does not define how the sustainability factor will function, and the European Commission has urged Spain to specify the factor as soon as possible and to significantly bring forward its coming into force.

The government has created an experts' committee to prepare a report on the sustainability factor to be submitted to parliament by May 31st, and, thus, allow the Toledo Pact Commission to prepare recommendations in June and July for a regulation of the factor. Its approval is envisaged for the third quarter of this year.

The experts' committee will have to specify which system parameters will be automatically adjusted in accordance with life expectancy: retirement age (the longer the life expectancy, the later the legal retirement age); the number of years to pay into the system (the longer the

Table 2
Main components of National Reform Program of 2013 for Spain

2013 National Reform Program
1. Public accounts reorganization: fiscal consolidation and Social Security
* Creation of an independent fiscal responsibility authority
* Transparency law, access to public information and good governance
* Measures against public NPL
* Review of taxation with european convergence criteria, especially environmental taxation
* Sustainability factor adjustment
2. Public Administration Reform
* Streamlining law and Local Government sustainability
* Public Administration Reform Report, before June 30
3. New Annual Plan for Employment Policy 2013 and Multi-Year Strategy for employment activation 2014-2016
* Promotion of public/private partnerships to facilitate the placement of jobseekers
* Entrepreneurship and youth employment strategy: 3,500 euro million (2013 to 2016)
4. Entrepreneur Support Law and Internalization
* Special VAT regime , tax incentives
* Development of alternative financing arrangements to bank (Alternative Market of Fixed Income)
* Support to entrepreneurial initiative : training measures, risk and costs reduction, streamlining of procedures
5. De indexation Spanish Economy Law
* Replacing the CPI by another index when updating rates, fees and other concepts in General Government contracts
6. Market Unit Warranty and Rationalization Plan Regulations
* Elimination of red tape, freedom of establishment and free movement
7. Services Law and professional associations
* Expansion of the list of municipal license exempt activities
* Restrictions on access to a profession by professional qualification criteria, only by law
* The access to a professional activity will enable to exercise throughout all territory (no additional requirements)
8. Good Corporate Governance and Corporate Social Responsibility
* Strenghthening the role of the shareholder in the company
* Code of Practice, remuneration policies, access conditions for governing bodies

Sources: Afi, Ministry of Economy and Competitiveness.

life expectancy, the more years of payments will be required to accede to retirement or receive 100% of the base pension), and the amount of the initial pension (the longer the life expectancy, the lower the retirement pension).

It cannot be ruled out that the sustainability factor will be applied to the initial pension of newly retired people from the entry into force of the reform, and not from 2027 as initially anticipated. The factor may be linked not only to demographic factors, but also to economic variables to narrow the gap between payments into the system and benefits in recessive phases of the economic cycle.

- **Labor law reform and employment policies**. In the NRP, further changes in labor law will depend on a prior assessment of the impact of the 2012 reform on key variables of the labor market. The assessment report to be prepared by the Ministry of Labor will be reviewed by an independent body by July of this year. Hence, any other modifications in terms of dismissal costs, access to unemployment benefits and so on may arise from this study's conclusions. The essence of the new active employment strategy lies in the following: promotion of active employment policies, improvement of collaboration between regional public employment services, enhancement of public-private partnerships and stronger links with passive policies. These general policy outlines have been present in employment policy practically since the onset of the crisis, with unsatisfactory results so far in terms of the placement percentage of public employment services and the low probability of a transition from unemployment to a job for many long-term unemployed. This is, without a doubt, one of the aspects that needs greater support in employment and which constitutes the focal point for the recommendations made by leading international organizations.

- **Creation of a favorable environment for entrepreneurship** (a law for entrepreneur support and internationalization, with the objective of enactment by 2014), based largely on the strengthening of tax incentives. The most significant are the following:

  i. A 20% income tax deduction for individual cash contributions to company start-ups. The private investor (or business angel) will be entitled to an exemption for capital gains from the sale of the stake if the proceeds are reinvested in another start-up.

  ii. A deduction of up to 10% of reinvested earnings from corporate income tax for enterprises with turnover of less than 10 million euros. They will also be allowed to recover deductions for R+D they had not been entitled to in previous years (in the present context of losses or very small profits, many enterprises would not be entitled to them).

  iii. From January 1st, 2014, SMEs and the self-employed with a business volume of less than 2 million euros could apply the cash criteria to the VAT to relieve possible cash flow problems.

Other measures would seek to strengthen lines of financing for small and medium-sized enterprises, provide greater liquidity to ICO (Spain's official credit institute) lines, issue securities in an alternative stock exchange, etc., as an alternative to traditional bank financing.

Impact of planned structural reforms on growth and employment

The impact of the foregoing structural reforms on growth and employment will be highly reliant on the response of internal spending to the fiscal adjustment yet to be tackled, and which, in view of the phase of the cycle in which the Spanish economy now stands, means deeper cutbacks of current public expenditure and more thorough rationalization of the system's public entitlements and services. The NRP quantifies the short and long-term effects of the main components of the reform. Specifically, the largest impacts result from the reforms within the process of fiscal consolidation, the supply of liquidity to territorial authorities, the labor law reform now in force and the law for a guaranteed unified market.

The contractionary effects of the fiscal consolidation measures are significant in the short term (i.e., one year). The NRP itself estimates that it may slice somewhat more than 2.5 points from growth, and nearly 2% of employment. In the long term —and over a horizon of ten years— the positive impact would be felt, mainly, in the labor market, with an increase of 9% in employment (somewhat less than half the employment destroyed since the start of the crisis). The improvement in the funding instruments for regions and local authorities would have an equivalent impact on GDP and employment in the short and long term of roughly one point of growth in both cases.

With regard to the labor law reform, the transfer of impacts is defined in terms of “less deterioration”: that is, if the labor law reform had not taken place, the fall in GDP and employment would be greater in the short term, but most of all in the long term. This is because, looking ahead one year and, in the absence of expectations of recovery in demand, broader labor market flexibility would facilitate dismissals, particularly in certain sectors. In the long term, in contrast, it should lay the basis for improving hiring and provide enterprises greater room for maneuver in adjusting labor conditions to the economic cycle. However, in so far as these initial assumptions need not come to fruition and the labor law reform may be subject to further modifications, the amount of the estimated impact should be taken with caution (in the long term, employment would increase by 10% compared to a scenario in which the reform had not been undertaken).

Lastly, the law for a guaranteed unified market, which seeks to ensure the free movement of goods and provision of services throughout Spanish territory by reducing administrative red tape, could increase GDP by between 1% and 1.5% in both the short and long term. The expected impact of the measures to stimulate entrepreneurship would fall short of 0.5% in both GDP and employment.

Exports as a driver of Spain's economic recovery?

María Jesús Fernández[1]

The external sector's contribution to GDP has been positive since the start of the crisis in 2008 due to the growth of exports, but to an even greater degree, to the fall in imports. In this article, we analyze the factors that limit the capacity of the external sector alone to drive the Spanish economic recovery.

The Spanish export sector has registered positive performance throughout the years of the economic crisis. Nevertheless, the general perceptions of Spanish export performance in recent years may be overly optimistic. The orientation of many Spanish firms towards external markets in reaction to falling internal demand may be merely cyclical. At the same time, the relative weight of the export sector in the Spanish economy, although having increased during the crisis, is still below that of other countries. Finally, given the high proportion of imports in Spanish exports, the generation of value added remains modest. In previous crises, the export sector led the recovery, but on those occasions, devaluations were more intense and the external context more favourable, circumstances not present in the current environment.

The role of exports in recent trends in the Spanish economy

Since 2008, the Spanish economy has been undergoing a process of profound adjustment as the imbalances that built up over the long preceding growth phase are corrected. This has been reflected in a drop in domestic demand of 12.1% in real terms between 2008 and 2012. Nevertheless, at 5% the drop in GDP has been significantly smaller than that in demand. This is explained by the relatively strong performance of the external sector, in the form of both growing exports and falling imports.

Since 2009, Spanish exports of goods and services have risen by 23.4% in real terms, a rate somewhat higher (although not significantly) than the euro area average of 21.4%. As a share of GDP, exports rose from in the order of 26% in the pre-crisis years to 32.2% in 2012. In parallel, imports of goods and services fell by 14.8%. This is a sharper drop than that in total domestic demand, a fact which can be explained by the way the drop in demand has been concentrated in goods with high income elasticity, as these are more often imported than are basic goods, for which demand has contracted less sharply.

Consequently, the combination of export growth and a fall in imports has meant that the external sector's contribution to GDP growth has been positive in all years since 2008, whereas during the growth phase its contribution was always negative. Moreover, in 2012 the trade balance in

[1] Fundación de las Cajas de Ahorros (Funcas).

goods and services was positive for the first time since 1997.

The vibrancy of Spanish exports since the start of the crisis in 2008 has often been mentioned. However, the change in sign of the export sector's contribution to GDP growth is attributed as well to the fall in imports over the period, which has been even greater than the increase in exports.

As can be seen in Table 1, the average contribution of exports to GDP growth between 1996 and 2007 was 1.7 percentage points, whereas their average contribution between 2010 and 2012 was 1.9 percentage points (excluding the anomalous years of 2008 and 2009 from the analysis, given the collapse in global trade in the wake of the bankruptcy of Lehman Brothers). Between 1996 and 2007 imports subtracted an average of 2.6 percentage points from GDP growth, compared with an average of 0.2 percentage points between 2010 and 2012. In other words, the variation in the external sector's overall contribution to growth, which was -0.8 pp between 1996 and 2007 and 1.7 pp between 2010 and 2012, has been due more to the fall in imports than the rise in exports.

The change in sign of the export sector's contribution to GDP growth is attributed as well to the fall in imports over the period, which has been even greater than the increase in exports.

Thus, 65% of the turnaround in the trade balance in goods and services between 2007 and 2012, was due to export growth –a quarter of which was in the form of services– and the remainder was due

Table 1

Contribution of exports and imports to GDP growth

(percentage points)

	Contribution of exports	Contribution of imports
1996	2.3	-2.0
1997	3.5	-3.1
1998	2.1	-3.8
1999	2.0	-3.7
2000	2.7	-3.1
2001	1.2	-1.5
2002	0.6	-1.2
2003	1.0	-1.8
2004	1.1	-2.8
2005	0.7	-2.3
2006	1.7	-3.2
2007	1.8	-2.6
2008	-0.3	1.7
2009	-2.7	5.6
2010	2.7	-2.4
2011	2.1	0.3
2012	0.9	1.5
Average 2001-2007	1.7	-2.6
Average 2010-2012	1.9	-0.2

Source: INE (National Accounts).

to shrinking imports. However, the worsening of the terms of trade in this period needs to be taken into account. In the case of trade in goods, the price of exports rose by 3% over the period, while the price of imports rose by 9%. In real terms, the increase in the volume of exports was 18% and that of imports was -17.8%. In constant prices, 42% of the reduction in the goods deficit between 2007 and 2012 was due to increased exports and 58% due to falling imports.

Table 2
Short-term elasticities of exports

Growth of foreign markets	1.39
Price-competitiveness of exports (1)	-0.88
Growth in domestic demand	-0.82

(1) Real effective exchange rate with developed countries; an increase to this indicator means a loss of competitiveness and a decrease means a competitiveness gain.

Source: Own elaboration.

Factors explaining recent trends in exports

In order to analyse the factors underlying export performance in recent years, we have estimated the Spanish economy's goods export function using data from 1981 to 2012. This has enabled us to obtain their short-term elasticities with respect to their explanatory variables (Table 2). The first of these variables is growth of the external market, measured as weighted average growth of imports by countries to which Spanish goods are exported. The second explanatory variable is the price-competitiveness of Spanish exports, measured in terms of the real effective exchange rate with developed countries, calculated with the industrial producer price index. Finally, the export function reveals domestic demand growth to be a statistically significant variable, with a negative sign, indicating that Spanish businesses react to a slump in the domestic market by reorienting their business towards export markets. In other words, this could lead us to believe that a part of the export growth could be merely cyclical, in response to a contraction in domestic demand. Therefore, in the moment that domestic demand recovers, we could see a negative impact on the external sector.

This observation is backed by the fact that of Spain's 3.5 million businesses, only 130,000 exported in 2012, and only 38,000 do so regularly. And this figure has barely changed over the last ten years[2]. This confirms that most of the companies that export at present only do so in response to economic circumstances. Moreover, exports are concentrated in a handful of companies: only 1,000 firms are responsible for two thirds of all Spain's exports. This highlights the fact that Spain's economy is not truly export driven. While this is a characteristic which could be changing, it is still too early to tell whether the change will be consolidated in the future.

Based on elasticities, Exhibit 1 shows the contribution of each explanatory variable to goods exports growth since the start of the crisis. The main factor shaping the growth observed in the last three years has been the recovery in external demand in 2010 and 2011, and the fall in domestic demand in 2012. Price-competitiveness gains have barely influenced the performance of foreign sales. Indeed, in 2011 the effect was moderately negative. In fact, despite the significant cost-competitiveness gains, with Spain's unit labour costs falling since 2009 –a drop of 15.3% in manufacturing industry– export prices have not fallen, but have continued to rise.

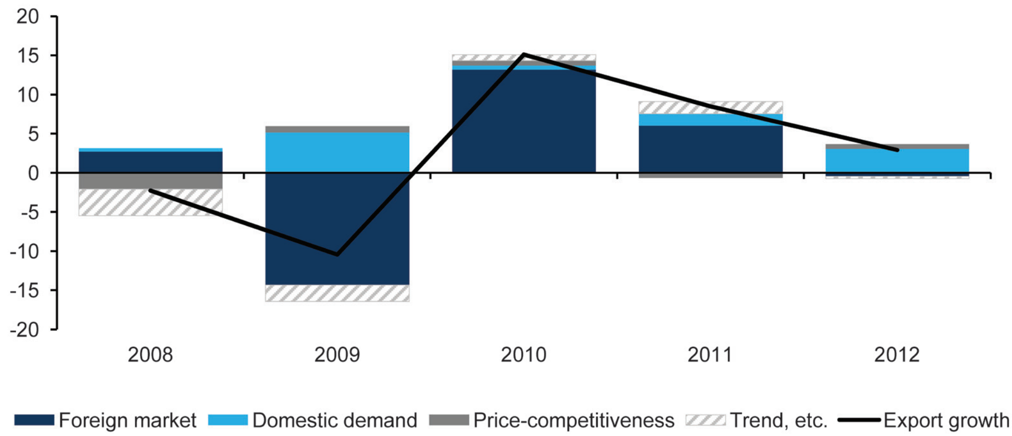
Thus, for example, since 2009 export prices, measured in terms of unit value indices, have risen 2.2% more than the developed-country average, while Spanish industrial prices rose by 2.5% more. The slight gains registered in the real effective exchange rate over this period, whether

[2] Data from the Spanish Institute for Foreign Trade (ICEX).

Exhibit 1

Determinants of export growth

Contribution to growth in percentage points



Source: Own elaboration.

calculated using relative industrial prices or relative export prices, have been entirely driven by the depreciation of the euro[3].

In other words, Spanish export businesses have not needed to reduce prices to remain competitive in international markets. In this way, they have been able to capitalise on the drop in labour costs to increase profit margins and improve the health of their balance sheets. This

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contradicts the general perception that Spanish exports have grown in recent years thanks to the improvement in competitiveness brought about by the drop in unit labour costs. Thus, the exporting sectors' improved capacity to generate profits will encourage productive resources to be reallocated to them, helping the necessary restructuring of the productive system. Moreover, this leads to an increase in the competitive advantage of Spain, which is reflected in an improved capacity to retain or attract foreign investment –as demonstrated recently in the case of various automotive plants.

Reasons for the limited capacity of exports to stimulate economic recovery

The capacity of Spanish exports to pull along the rest of the economy and stimulate a recovery is limited for two reasons. The first is the relatively low share of GDP that exports represent. Despite the increase in the last few years, exports still account for a much smaller share of GDP than the EU average, which was 44.7% in 2012, compared with Spain's 32.2%. Considering only goods

[3] According to Bank of Spain data.

exports, these figures are 22% for Spain against 33.8% for the EU.

The second reason for the limited capacity of exports to stimulate economic growth lies in the fact that Spain's exports embody a large portion of imported goods. This means that the value added external demand is able to generate for the domestic economy is relatively modest. Using data for 1981-2012, we have estimated the goods import function for the Spanish economy, enabling us to obtain the short-term elasticity of imports relative to a number of explanatory variables (Table 3). The results confirm that the performance of purchases abroad is related not only to the growth of domestic demand and price competitiveness of national production –calculated as the deflator of goods and services with respect to the industrial production price index– but also to the variation in the volume of exports.

Table 3

Short-term elasticities of imports

Contribution of exports	0.55
Growth in domestic demand	2.40
Price-competitiveness of national production (1)	-0.41

(1) Deflator of imports in relation to the industrial price index; an increase to this indicator means a gain of competitiveness and a decrease means a competitiveness loss.

Source: Own elaboration.

Exhibit 2, which shows the contribution of each of the above variables to Spanish import growth based on these elasticities, highlights how the main factors influencing the trend in recent years have been the drop in domestic demand (negatively) and growth in exports (positively). As in the case of sales abroad, the price-competitiveness gains have hardly had any influence on the drop in imports since 2008. According to the indicator used to represent price-competitiveness, this is because it has hardly grown in recent years, demonstrating, in a similar way to what has happened to the price-competitiveness of exports, that the drop in unit labour costs has not been utilised to reduce domestic prices in relation to imports.

Using the elasticities calculated based on the import and export functions it is possible to simulate the conditions which, broadly speaking, would be needed for Spain's external sector to induce sufficient growth in the domestic economy to produce a significant reduction in unemployment, i.e. of between 2.5% and 3%, which gives a view of the feasibility of a purely export-led recovery.

Bearing in mind the relationships between the variables expressed in the elasticities, and assuming that imports and exports of services move in parallel with those of goods –which is consistent with their behaviour in the past– if domestic demand growth is zero –given domestic conditions it is not plausible to expect growth in domestic demand in the next few years– and there are no price-competitiveness gains, exports would have to grow at a rate of between 17% and 20% for GDP to grow at the indicated rate, which would require a growth in Spain's export markets of more than 12% a year. This is a figure higher than that registered even in the years when global economic growth was at its fastest.

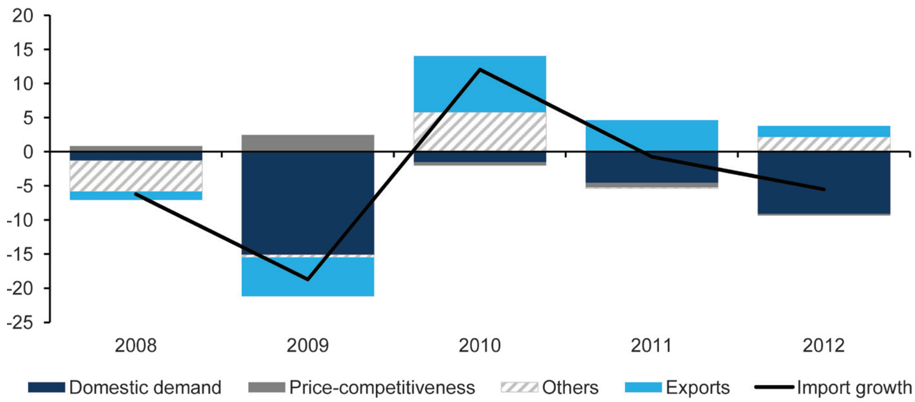
Starting from the more realistic assumption –but even so, optimistic given the current state of the main destination markets for Spanish exports– that Spain's export markets will grow by 4%, and assuming zero growth in domestic demand, the price-competitiveness of Spanish exports and national production need to improve, by around 5% year-on-year, to enable increased imports and exports to produce GDP growth rates of over 2.5% a year.

There are very few instances of competitiveness gains on this scale in the historical series of data for the indicator used to calculate the export function. Those that do exist were the result of currency devaluations. Given that a devaluation

Exhibit 2

Determinants of import growth

Contribution to growth in percentage points



Source: Own elaboration.

is no longer possible, the inflation differential –whether measured in terms of industrial prices or any other indicator– necessary to achieve price-competitiveness gains on this scale would be unachievable.

In past economic crises, it has been export growth that lifted Spain out of crisis, but on those occasions the external environment was much more favourable and the devaluations were more intense.

In past economic crises, it has been export growth that lifted Spain out of crisis, but on those occasions the external environment was much more favourable and the devaluations were more intense, with sales abroad consequently growing even more vigorously than at present. Additionally, export growth stimulated a recovery in domestic demand through the boost to investment, which subsequently fed through into employment and consumption. However, the presence of a number of limiting factors on the components of domestic demand growth over the medium-term make it look unlikely that this will take place to a similar extent today.

Conclusions

It is true that the Spanish export sector has registered positive performance throughout the economic crisis. Nevertheless, the usual assessment of the recent performance of Spanish exports may be overly optimistic. In this article, we analyze several elements that help to provide a more realistic assessment of the sector.

In absolute terms, Spanish exports have not grown significantly faster than European exports. Given the difficulties facing the Spanish economy, it is understandable that there is an overly optimistic assessment of the positive performance of export data, but we highlight that the performance has not been so extraordinary. This leads us to our second more realistic point: the improved contribution of the external balance to GDP can be explained to a greater degree by the reduction of imports derived from the fall in domestic demand, than by the increase in exports. As a consequence, the correction of Spain's external imbalances has been achieved, incorporating circumstantial elements that could make this positive result only temporary.

On the other hand, the competitiveness gains derived from the reduction in unit labour costs are helping the necessary restructuring of Spanish companies –both exporting and non-exporting businesses– but this has not been the determining factor in the boost of sales abroad. The increase in profit margins has allowed Spanish companies to strengthen their external competitiveness as well as improve performance in domestic markets.

The final element where over-optimism must be subdued is regarding the export sector's capacity to bring about a solid and sustainable recovery of the Spanish economy. As we have seen, the relative size of the export sector continues to be reduced. Moreover, there is a high degree of imported goods that are incorporated into the export process, resulting in the fact that the level of value added generated by exports is modest.

In conclusion, unlike on past occasions, the Spanish economy recovery cannot be driven solely by a boost in exports, unless it is accompanied by the reactivation of domestic demand. Moreover, in order for the pick-up in domestic demand not to immediately generate new external imbalances (because imports would be more competitive than local products), it will be necessary, in addition to the benefits derived from the drop in unit labour costs, to improve other aspects of Spanish companies' competitiveness through reforms in the market for goods and services that would help to stimulate the restructuring process already underway.

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 the protection of the holders of certain savings and investment products and other financial measures (Royal Decree-Law 6/2013, published in the BOE on March 23rd, 2013)

The main objectives of Royal Decree-Law 6/2013 are: i) to establish the monitoring committee for hybrid capital instruments and subordinated debt; and ii) to endow the Deposit Guarantee Fund with legal capacity to buy unquoted shares resulting from the conversion of hybrid capital instruments and subordinated debt. The RDL's additional and final provisions also introduce amendments to a series of financial regulations.

- **Measures concerning hybrid capital instruments and subordinated debt**

  - Creation of a **hybrid capital instruments and subordinated debt monitoring committee.** The Committee's main functions are:

    a) Analysis of the factors motivating complaints and submission to Congress of a quarterly report on them.

    b) Making proposals to the competent authorities in order to improve the level of protection offered to purchasers of products of this kind.

    c) Determining the criteria to be followed by institutions controlled by the Fund for Orderly Restructuring of the Banking Sector (FROB) to offer customers arbitration on disputes that arise.

  - **Amendment of Royal Decree-Law 21/2012 of July 13th, 2012 on liquidity measures for the General Government and in the financial sector.** The Credit Institution Deposit Guarantee Fund (FGDEC in its Spanish initials) may commit its assets to provide guarantees that may be required in relation to the provision of financial assistance. The measures concerned include the possibility of the subscription or purchase by the FGDEC, at a price not exceeding their market value (based on an independent expert report) of:

    a) Shares or subordinated debt instruments issued by the SAREB.

    b) Ordinary shares not admitted to trading on a regulated market issued by any of the institutions in which the FROB has a majority shareholding.

The **annual contribution** by FGDEC member institutions levied on deposits held on December 31st, 2012, **will be increased, on an exceptional one-off basis, by 3 per additional thousand.** This increment will be collected in two instalments:

a) A first instalment equal to two fifths of the total increment, which is to be paid within 20 days after December 31st, 2013. Deductions based on size and other criteria are envisaged.

b) The second instalment, equal to the remaining three fifths, is to be paid as of January 1st, 2014, in accordance with the timetable of payments laid down by the management committee, within a maximum of seven years.

- **Other measures:**

  - Measures **applying SEPA regulations** (Regulation (EU) 260/2012).

  - Law 44/2002 of November 22nd, 2002, on financial system reform measures has been amended to allow the **Bank of Spain to set different reporting thresholds for the Bank of Spain's Risk Information Centre (CIRBE) depending on the purpose of the information (supervision or recording).**

  - The consolidated text of the **Private Insurance Law** has been amended to allow Spanish insurance undertakings to use underwriting agencies to contract insurance.

  - **Law 9/2012 of November 14th, 2012, on restructuring and resolution of credit institutions** has been amended to include certain conditions in the asset transfer arrangements:

    ✓ Loans may not be classified as **subordinated** in the context of the debtor's possible bankruptcy proceedings, even if the SAREB is a shareholder in the debtor company.

    ✓ The SAREB may be the beneficiary of ***hipotecas de máximo*** (i.e. mortgages securing multiple debts or obligations up to a maximum amount).

    ✓ **Contractual netting and financial collateral arrangements** will be applicable to the SAREB.

Ministerial Order, setting out the content and structure of the annual corporate governance report, the annual compensation report, and other information mechanisms for public limited companies, savings banks and other entities issuing securities admitted to trading on official securities markets (Ministerial Order ECC/461/2013, published in the BOE on March 23rd, 2013)

The annual corporate governance report (IAGC in its Spanish initials) is to include information on the measures taken to promote the inclusion of women on the board of directors. The terms executive, proprietary and independent director are also defined. The Order also sets out the structure and content of the Annual Compensation Report.

The Order has thirteen articles, grouped into four chapters:

1. The first includes the **general provisions**, introducing the principle of **transparency**, which translates into the requirement that the information given in the annual corporate governance report must be clear, complete and accurate.

2. The **second chapter** concerns the **IAGC** for public limited companies, savings banks and other entities issuing securities admitted to trading on official markets. This is to include information on the measures taken to promote the inclusion of **women on the board of directors**.

   The Order also defines what is meant by the terms executive, proprietary and independent director.

3. Chapter III covers the **annual report on the compensation paid to the directors of public limited companies and savings banks**, which, like the corporate governance report, will be considered a **significant event and must be sent to the National Securities Market Commission (CNMV)**.

4. Chapter IV contains a provision concerning the means of information used by **public limited companies and savings banks**, stating what relevant information should be posted on their **websites**.

Savings banks that do not issues securities are to publish annual **corporate governance and compensation reports** conforming to the content and structure laid down for them in the Order. In the case of **savings banks that operate through a bank**, to which they have spun off the entirety of their financial business, the provisions will be applicable to the institutions through which this banking business is carried out. If the latter are not public limited companies, the content and structure will be adjusted according to the corresponding corrective measures as non-issuing institutions, taking into account the provisions of the Order.

Until the CNMV issues the new circulars with the **new models of IAGC**, those in Circulars 1/2004, 4/2007 and 2/2005 will remain in force.

Royal Decree incorporating the EBA's criteria of November 22nd, 2012, on the evaluation and suitability of members of the governing bodies and principal officers in the regulations on credit institutions (Royal Decree 256/2013, published in the BOE on April 13th, 2013)

The Royal Decree adapts financial regulation on the subject by introducing substantive amendments in three areas: good repute and professional standing, experience and governance.

I. Amendment of Royal Decree 1245/1995, on the creation of banks, cross-border activity and other points regarding the legal framework governing credit institutions

- The following **requirements** must be met for the suitability assessment:

  1. **All the members of the board of directors,** and of the board of the parent institution, if any, the **general manager or similar, and the officers in charge of internal control functions and other key posts for the daily running of the institution's business**, and that of its parent, must be of **good repute and professional standing and have appropriate knowledge and experience to perform their duties.**

     1.1 When **assessing business and professional repute**, the following should be considered:

     a) (i) Their **track record** in relation to the regulatory and supervisory authorities; (ii) the **reasons** for any dismissals from previous posts or offices; (iii) their **history** of personal solvency and if they have fulfilled their obligations;

(iv) their **professional conduct** if they have held positions of responsibility in credit institutions subject to a process of restructuring or resolution, (v) if they have been **disqualified** under bankruptcy law, and persons declared bankrupt under insolvency proceedings prior to the entry into force of the law whose disqualification period has not elapsed.

b) **Sentences for crimes or offences** and penalties for administrative offences, taking a series of circumstances into account.

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

1.1 To **assess the knowledge and experience requirements**, the knowledge acquired in an academic setting and professional experience in the exercise of similar functions in other undertakings.

The board of directors must have members who **collectively** have sufficient professional experience in the governance of credit institutions to ensure the effective capacity of the board of directors to make independent decisions in benefit of the institution.

2. A robust **internal governance of the institution,** a requirement applicable solely to members of the **board of directors**. This will be assessed based on the following:

a) the existence of possible **conflicts of interest** leading to undue influence of third parties.

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

- Banks must have, under conditions proportional to the nature, scale and complexity of their activities, **appropriate internal units and procedures to perform continuous selection and evaluation** of the members of the board of directors, general managers and similar, who are responsible for the functions of internal control and other key posts in the daily running of the entity.

- The entity is to **notify the Bank of Spain** of all appointments of new members to the board of directors and general managers and similar posts **within not more than fifteen working days** from the time of their appointment.

  When an individual is affected by circumstances that may affect the assessment of their good repute and professional standing, they must inform the institution. For its part, the credit institution must inform the Bank of Spain within **fifteen working days** of any situation that may affect their suitability for the exercise of the post.

- The **assessment of suitability** will be performed:

  a) **By the institution** whenever new appointments are made or circumstances arise making it advisable to reassess an individual's suitability. If the suitability assessment is **negative**, the institution must abstain from appointing the individual, or if the circumstance arises subsequent to his or her appointment, it must take the necessary measures to correct the shortcomings identified and, if necessary, suspend or dismiss the individual concerned.

  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 suited to their functions.

- In the event of **failure to comply with the suitability requirements**, the Bank of Spain may:

  a) Exceptionally, revoke the authorisation on account of the unsuitability of a shareholder.

  b) Require the suspension or dismissal of the director or general manager or similar, or the rectification of the shortcomings identified in the event of a lack of good repute, knowledge or experience or the capacity to exercise good governance.

- The Bank of Spain will create and manage a register of directors and general managers of parent institutions, on which the directors, general managers and holders of similar posts must be listed.

II. Other amendments

The Royal Decree also amends, in identical terms to those set out above, the regulations applicable to **credit unions** (Regulation implementing Law 13/1989 of May 26th, 1989, on Credit Unions, enacted by Royal Decree 84/1993, of January 22nd, 1993) and **finance companies** (Royal Decree 692/1996, April 26th, 1996, on the legal framework for finance companies), among others.

III. Adaptation period

The following periods have been set for adaptation to the new regulations:

a) **Three months** from the entry into force of the Royal Decree for the establishment of appropriate **internal units and procedures** for the continuous assessment and selection of individuals subject to the requirements of the Royal Decree.

b) **Six months** from the entry into force of the Royal Decree for the **substitution** of individuals who do not meet the requirements.

IV. Implementing authority

The Bank of Spain may specify, in particular:

a) The **information** institutions are to submit.

b) The **weighting** applicable to the various assessment criteria to determine whether the good repute and professional standing and good governance requirements have been met.

c) The **adaptation** of the knowledge and experience criteria to the area in which each type of institution conducts its business.

Spanish economic forecasts panel: May 2013[1]

Funcas Economic Trends and Statistics Department

The forecast for 2013 remains unchanged at -1.5%

According to the preliminary data published by the INE, GDP shrank by 0.5% in the first quarter, in line with the previous Forecasts Panel consensus forecast, compared with -0.8% in the last quarter of 2012. The indicators suggest that the fall in domestic demand moderated in the last few months of the year, while exports bounced back from the drop suffered in the preceding quarter.

The growth forecast for 2013 is unchanged at -1.5%. Domestic demand and the external sector are expected to contribute -4 percentage points (pp) and 2.5 pp, respectively.

The forecast for 2014 has been cut to 0.6%

The consensus forecast for 2014 has dropped by one percentage point to 0.6%, owing to the external sector's making a smaller contribution to growth than expected. There have been no substantial changes in the forecasts for the main demand components: zero growth is expected in private consumption (after a drop of 2.8% in 2013), the decline in construction investment is expected to slow slightly, and a moderate recovery in investments in capital goods and equipment is foreseen.

The quarterly profile that emerges from the consensus figures (Table 2) is similar to that of the previous Panel Forecast. GDP is still expected to fall in the middle quarters of 2013, followed by moderately positive and gradually ascending growth rates.

Industrial activity remains on a downward path

The decline in industrial activity, measured using the industrial production index, slowed considerably in the first quarter of 2013, probably thanks to the improvement in export activity. Nevertheless, the consensus forecast for this indicator has worsened to -3.7% in 2013 and 0% in 2014 (one and two tenths of a percent less than in the previous Panel Forecast, respectively).

Falling inflation

The inflation rate fell sharply in April, dropping to 1.4% (one percentage point less than in March), largely as a result of lower prices for energy-generating products. This result was somewhat better than the previous Panel Forecast had expected. Unless there are any regulatory or tax changes in 2013 that affect final consumer prices, the downward trend is expected to continue due to the step effects produced by the various regulatory measures adopted in 2012, which had an impact on consumer prices.

[1] The Spanish Economic Forecasts Panel is a survey run by FUNCAS which consults the 19 analysis departments listed in Table 1. The survey, which has been produced since 1999, is published bi-monthly in the first half of January, March, May, July, September and November. The survey responses are used to produce a "consensus" forecast, which is calculated as the aritmetic mean of the 19 individual survey responses. The forecasts of the Spanish Government, Bank of Spain, and the main international organisations are also included for comparison, but do not form part of the consensus forecast.

The average rate expected for the year as a whole has been revised downwards to 1.7%, and that for 2014 to 1.4%. The forecasts for the year-on-year rate to December of this year and next have been cut to 1.2% and 1.5%, respectively (Table 3).

The outlook for employment is negative

According to the Labour Force Survey and social security membership figures, job losses slowed in the first quarter of 2013, but remained high. A significant feature of the labour market in recent months has been the notable deceleration in the rate at which unemployment has risen. This is explained by the shrinking of the working population, partly due to the lower labour-force participation, but also because of the reduction in the working age population, mainly as a consequence of the number of immigrant workers returning to their countries of origin.

The forecast for employment this year has worsened by two tenths of a percentage point to -3.4%. The forecast for 2014 stands at -0.3%, one percentage point less than in the previous Panel. The annual average unemployment rate is forecast at 26.9% in 2013 and 26.7% in 2014. These figures are one and two tenths of a percentage point, respectively, higher than previously.

The consensus estimates for GDP, employment and salary growth can be used to deduce the implicit productivity and unit labour cost growth estimates. Thus, productivity is expected to grow by 1.9% in 2013 and 0.9% in 2014, while ULCs, which fell by 3.4% last year, are predicted to drop by -1.8% and -0.7% this year and next, respectively.

The current account balance will be positive in 2013 and 2014

The current account balance, which moved into surplus in the second half of 2012, returned to negative figures in January and February this year, although this was due to seasonal factors. In fact, the deficit was a third of that recorded in the same months of the preceding year. The trend is therefore still towards a correction. The consensus forecast for this variable has improved to 0.7% and1.5% of GDP in 2013 and 2014, respectively.

The government deficit targets will be met

The government deficit between January and March was 1.6% of GDP, while the Autonomous Regions registered a negative balance between January and February of 0.1% of GDP. Total tax revenues in cash terms (including the share represented by territorial administrations) in the first three months of the year fell by 8.3% in budgetary terms, compared with an increase of 3.8% envisaged in the State Budget. However, the first few months of the year are not very representative as they were distorted by the way tax refunds due in late 2012 were carried over into early 2013.

Moreover, the government deficit targets for this year and the next have been revised to 6.3% and 5.5% of GDP, respectively –from 4.5% and 2.8%– figures which, according to this month's consensus, will be met, as the expected results are 6.2% and 5.3%.

The external context is expected to improve

Economic conditions in the EU remained unfavourable in the first quarter of the year as a result of restrictive fiscal policies, the acute crisis in the peripheral economies, and the ongoing clean-up of the European financial system. The forecasts by the European Commission and the International Monetary Fund for the year as a whole continue to suggest growth will be negative.

Outside the EU, growth in the US economy remains sluggish, but is sufficient to bring down unemployment rates. The emerging economies are also reporting growth rates that are weaker than those before the crisis in 2008.

Panellists' opinion of the current situation in the EU remains largely negative, while the opinion on the situation outside the EU remains neutral. In both cases the trend is expected to improve over the coming months.

Interest rates on government debt are not expected to rise further

Short-term interest rates have remained on a downward trend in recent weeks, as a result of excess liquidity in the euro area, and the European Central Bank's expected cut in the monetary-policy interest rate. Long-term interest rates have accentuated their downward path, possibly as a result of the abundance of liquidity deriving from the Bank of Japan's implementing more aggressive monetary policy in an effort to end the deflation the economy has been suffering. It may also have been influenced by the European Central Bank's adopting non-conventional measures, after the realisation that monetary policy transmission mechanisms are not working, particularly in the peripheral countries.

Short-term interest rates are still viewed as 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

The euro has risen, particularly against the yen since the Bank of Japan announced its new monetary policy. There have been no changes in the valuation of the European currency. The large majority of panellists consider that it is overvalued and expect it to lose value over the coming months.

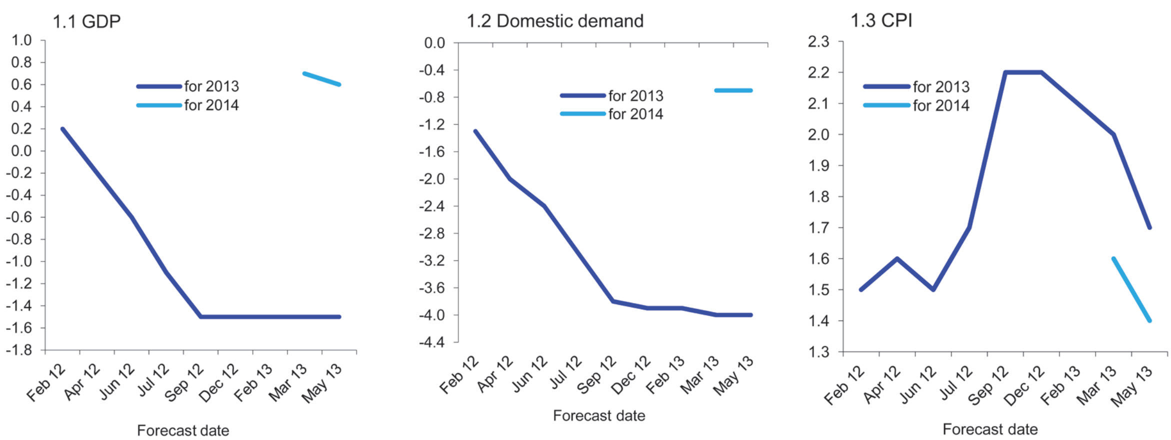
Expansionary monetary policy is warranted

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 unanimously agree that this orientation should be maintained.

Exhibit 1

Change in forecasts (Consensus values)

Percentage annual change



Source: FUNCAS Forecasts panel.

Table 1

Economic Forecasts for Spain – March 2013

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

	GDP		Household consumption		Public consumption		Gross fixed capital formation		GFCF machinery		GFCF Construction		Domestic 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)	-1.4	0.9	-3.0	-0.5	-5.1	-1.8	-8.5	1.3	-4.7	4.9	-10.9	-1.0	-4.5	-0.4
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	-1.7	0.7	-3.0	-0.2	-5.6	-2.1	-8.3	-3.8	-7.8	-3.4	-8.7	-4.1	-4.6	-1.3
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	1.0	-2.7	0.1	-4.5	-2.9	-5.5	-0.4	-3.6	0.9	-7.2	-1.4	-3.5	-0.6
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	-1.1
Instituto Complutense de Análisis Económico (ICAE-UCM)	-1.5	0.8	-2.6	0.2	-6.0	-3.0	-7.7	-1.3	-6.8	1.3	-10.0	-2.8	-4.3	-0.8
Instituto de Estudios Económicos (IEE)	-1.5	0.5	-2.5	-0.2	-6.5	-2.0	-6.5	-2.4	-3.0	2.5	-8.5	-5.3	-3.9	-1.0
Instituto de Macroeconomía y Finanzas (Universidad CJC)	-1.6	0.5	-2.4	0.1	-3.6	-2.5	-5.5	1.4	-2.2	6.0	-7.7	-0.5	-3.3	-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	-4.2	-1.3
Intermoney	-2.0	--	-3.8	--	-5.2	--	-11.4	--	-13.5	--	-11.1	--	-5.4	--
La Caixa	-1.4	0.8	-2.7	0.1	-5.1	-2.2	-6.9	-1.0	-4.6	1.8	-8.1	-2.4	-3.9	-0.6
Repsol	-1.5	0.6	-2.7	0.1	-4.1	-2.5	-7.2	-0.1	-6.5	2.4	-8.5	-2.2	-3.9	-0.5
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	-1.7	0.4	-3.1	-0.5	-4.2	-1.7	-8.1	-1.9	-5.1	1.4	-11.0	-3.5	-4.3	-1.0
CONSENSUS (AVERAGE)	-1.5	0.6	-2.8	0.0	-4.8	-2.4	-7.1	-1.1	-5.7	1.5	-9.1	-2.9	-4.0	-0.7
Maximum	-1.0	1.0	-1.0	0.5	-3.1	0.6	-0.9	1.4	-2.2	6.0	-7.2	-0.4	-1.7	-0.2
Minimum	-2.0	0.0	-3.8	-0.5	-6.5	-4.0	-11.4	-3.8	-13.5	-3.4	-11.1	-5.5	-5.4	-1.3
Change on 2 months earlier[1]	0.0	-0.1	0.0	0.0	0.3	0.0	0.1	-0.1	-0.4	-0.3	0.2	-0.2	0.0	0.0
- Rise[2]	1	1	2	1	5	2	2	3	0	2	2	3	5	3
- Drop[2]	6	5	4	3	2	3	3	3	4	3	3	2	3	4
Change on 6 months earlier[1]	0.0	--	-0.5	--	1.6	--	-1.0	--	-2.7	--	-0.7	--	-0.1	--
Memorandum items:														
Government (April 2013)	-1.3	0.5	-2.5	0.0	-4.4	-3.1	-7.1	-0.9	--	--	--	--	--	--
Bank of Spain (March 2013)	-1.5	0.6	-3.0	-0.3	-4.4	-1.5	-8.1	-0.9	-5.6[3]	1.4[3]	-10.1	-2.5	-4.2	-0.6
EC (April 2013)	-1.5	0.9	-3.1	-0.1	-3.7	-0.4	-7.6	-1.1	-5.8	0.1	--	--	-4.1	-0.4
IMF (January 2013)	-1.6	0.7	-3.4	0.5	-3.2	-1.2	-7.5	-1.7	--	--	--	--	-4.1	-0.2
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 months earlier (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 stated

	Exports goods & services 2013	Exports goods & services 2014	Imports goods & services 2013	Imports goods & services 2014	Industrial output (IPI) 2013	Industrial output (IPI) 2014	CPI (annual average) 2013	CPI (annual average) 2014	Labour costs[3] 2013	Labour costs[3] 2014	Jobs[4] 2013	Jobs[4] 2014	Unemp. (LFS) (% labour force) 2013	Unemp. (LFS) (% labour force) 2014	C/A bal. payments (% of GDP)[5] 2013	C/A bal. payments (% of GDP)[5] 2014	Gen. gov. bal. (% of GDP) 2013	Gen. gov. bal. (% of GDP) 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)	4.7	6.4	-4.9	2.8	--	--	1.7	1.2	0.3	-0.2	-3.9	-0.5	27.1	26.4	0.5	1.0	-6.5	-5.7
Bankia	3.6	4.4	-5.7	-0.5	-2.8	--	1.6	1.7	-0.3	0.3	-3.4	-0.4	26.8	26.6	1.3	2.5	--	--
CatalunyaCaixa	3.8	5.3	-4.2	2.0	--	--	1.5	1.8	--	--	-3.8	-0.6	27.1	26.7	--	--	--	--
Cemex	4.1	5.0	-3.1	3.2	--	--	1.5	1.2	--	--	-3.0	0.1	26.8	26.3	0.6	1.0	-6.5	-5.5
Centro de Estudios Economía de Madrid (CEEM-URJC)	4.3	5.9	-2.4	1.5	--	--	1.5	1.0	--	--	-2.8	0.2	26.8	26.2	1.8	2.6	-6.6	-5.1
Centro de Predicción Económica (CEPREDE-UAM)	3.2	4.9	-4.2	1.7	-3.7	-1.6	2.1	1.7	-0.7	0.7	-3.0	-0.4	26.8	27.2	0.7	1.8	-5.7	-5.8
CEOE	5.1	5.7	-3.1	0.8	-3.6	2.0	2.0	1.2	0.9	0.1	-3.2	-0.4	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	-3.4	1.6	1.5	1.2	0.7	0.5	-3.5	-0.9	26.6	26.0	1.0	1.8	-5.8	-4.6
Instituto Complutense de Análisis Económico (ICAE-UCM)	4.0	6.0	-5.0	1.5	-3.5	-0.2	1.8	1.6	--	--	-3.4	-0.1	27.0	26.7	1.4	2.0	-6.4	-6.0
Instituto de Estudios Económicos (IEE)	4.6	5.8	-3.0	1.4	--	--	2.2	1.3	1.0	0.2	-3.0	-0.4	27.1	26.9	1.0	1.7	-5.5	-4.5
Instituto de Macroeconomía y Finanzas (Universidad CJC)	3.1	3.7	-3.1	1.2	-4.0	-1.0	1.7	1.2	--	--	-3.9	-1.1	27.2	27.5	0.6	0.4	-7.0	-6.0
Instituto Flores de Lemus (IFL-UC3M)	3.2	4.3	-4.8	0.3	-4.7	-3.5	1.3	1.5	--	--	--	--	27.2	27.2	--	--	--	--
Intermoney	0.8	--	-10.4	--	--	--	1.1	--	-1.0	--	-4.2	--	27.9	--	1.0	--	-6.1	--
La Caixa	3.9	4.2	-4.1	0.4	-2.1	2.1	1.9	1.6	-0.2	0.2	-3.2	0.3	26.7	25.9	1.1	2.0	-6.3	-5.5
Repsol	4.7	5.5	-3.2	1.8	-5.6	0.5	1.7	1.3	-0.1	0.2	-3.4	-0.8	27.0	26.8	0.3	0.8	-6.5	-5.8
Santander	5.0	5.7	-4.6	1.7	--	--	1.6	1.6	0.2	0.4	-2.7	0.4	26.7	26.0	0.9	1.5	--	--
Solchaga Recio & asociados	3.5	5.7	-4.9	1.9	--	--	1.8	1.6	--	--	-3.5	-0.5	27.5	27.3	1.5	2.6	-6.3	-5.5
CONSENSUS (AVERAGE)	3.7	5.3	-4.3	1.5	-3.7	0.0	1.7	1.4	0.1	0.3	-3.4	-0.3	26.9	26.7	0.7	1.5	-6.2	-5.3
Maximum	5.1	6.4	-1.0	3.2	-2.1	2.1	2.5	1.8	1.0	0.7	-2.5	0.4	27.9	27.5	1.8	2.6	-5.5	-4.5
Minimum	0.8	3.7	-10.4	-0.5	-5.6	-3.5	1.1	1.0	-1.0	-0.2	-4.2	-1.1	24.5	25.9	-2.5	-0.4	-7.0	-6.0
Change on 2 months earlier[1]	-0.3	-0.1	-0.2	-0.2	-0.1	-0.2	-0.3	-0.2	0.0	-0.2	-0.2	-0.1	0.1	0.2	0.4	0.3	-0.5	-0.9
- Rise[2]	0	2	3	2	3	1	0	1	1	1	0	3	10	7	9	6	0	0
- Drop[2]	7	4	3	4	2	1	12	8	1	2	5	3	1	2	3	2	9	8
Change on 6 months earlier[1]	-1.0	--	-1.3	--	-0.8	--	-0.5	--	-0.5	--	-0.5	--	0.4	--	0.7	--	-0.6	--
Memorandum items:																		
Government (April 2013)	4.1	5.9	-3.7	2.6	--	--	--	--	1.1	0.4	-3.4	-0.4	27.1	26.7	1.9	2.9	-6.3	-5.5
Bank of Spain (March 2013)	3.8	5.4	-4.9	2.0	--	--	1.8	1.0	1.7	-0.1	-3.8	-0.6	27.1	26.8	2.5[6]	3.5[6]	-6.0	-5.9
EC (April 2013)	4.1	5.7	-4.0	2.0	--	--	1.5	0.8	1.4	0.1	-3.4	0.0	27.0	26.4	1.6	2.9	-6.5	-7.0
IMF (January 2013)	3.3	4.2	-4.7	1.5	--	--	1.9	1.5	--	--	-2.5	0.9	27.0	26.5	1.1	2.2	-6.6	-6.9
OECD (November 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 - May 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	0.1	0.2	0.3	0.3	0.4
Household consumption[2]	-0.5	-0.5	-0.2	-0.3	0.2	0.1	0.2	0.1

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

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

Table 3

CPI Forecasts – May 2013[1]

Monthly change (%)				Year-on-year change (%)	
March-13	Apr-13	May-13	Jun-13	Dec-13	Dec-14
0.4	0.6	0.0	0.0	1.2	1.5

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

Table 4

Opinions – May 2013

Number of replies

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

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

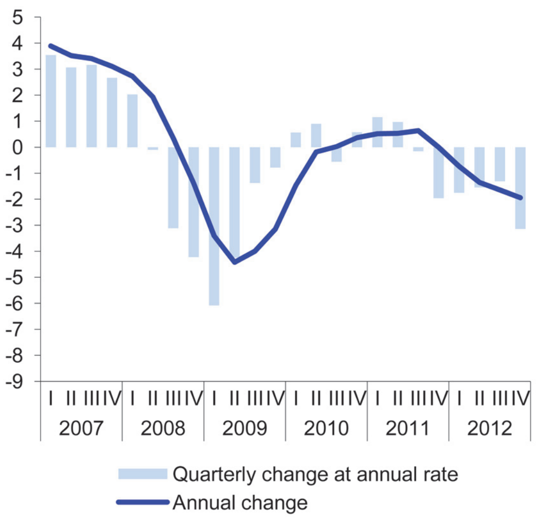


Chart 1.2.- Contribution to GDP growth
Percentage points

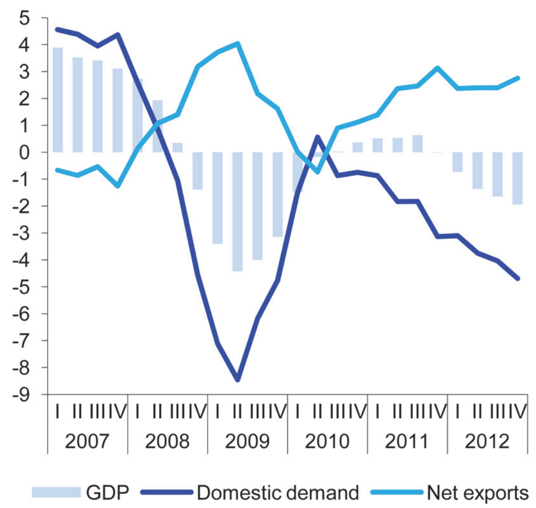


Chart 1.3.- Final consumption
Annual percentage change

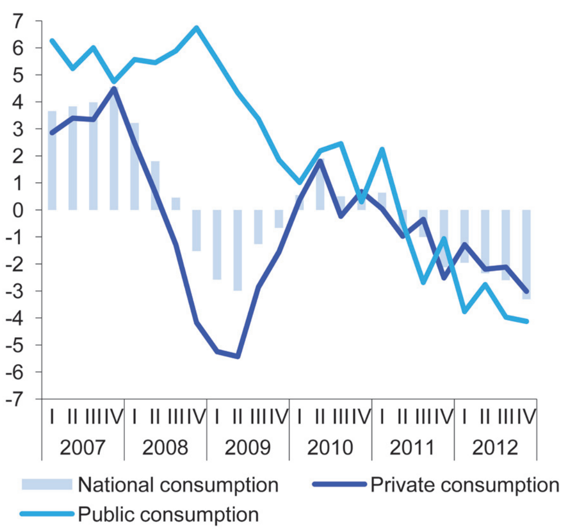


Chart 1.4.- Gross fixed capital formation
Annual percentage change

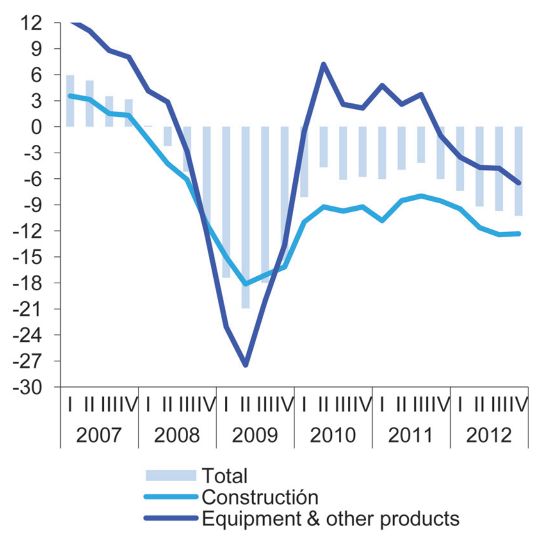


Table 2

National accounts: Gross value added by economic activity SWDA*

Forecasts in blue

	Gross value added at basic prices												Taxes less subsidies on products
					Services								
	Total	Agriculture, forestry and fishing	Manufacturing, energy and utilities	Construction	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 2.1.- GVA by sectors
Annual percentage change

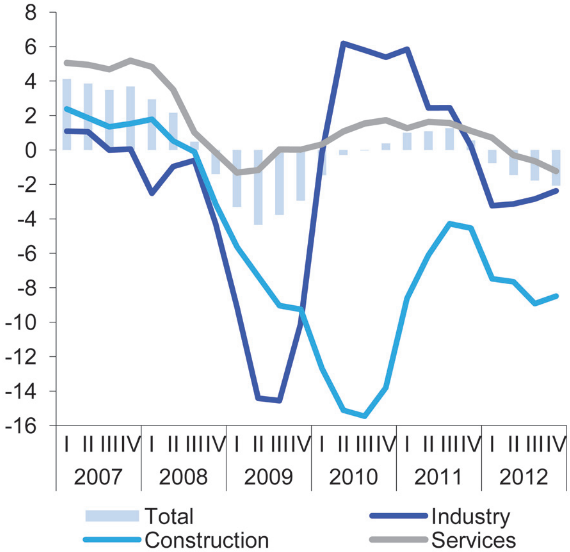


Chart 2.2.- GVA, services (I)
Annual percentage change

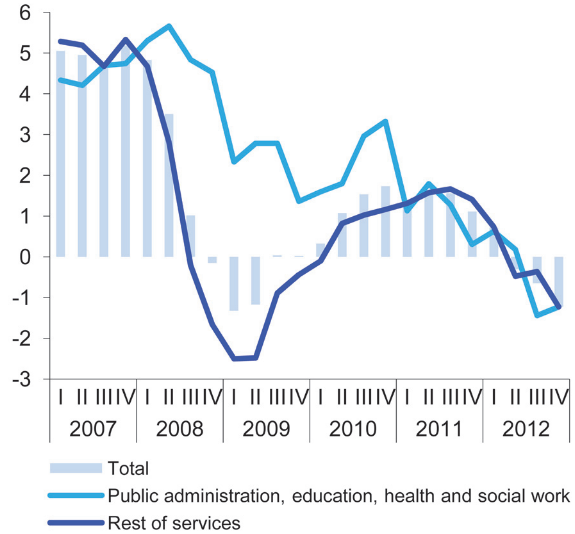


Chart 2.3.- GVA, services (II)
Annual percentage change

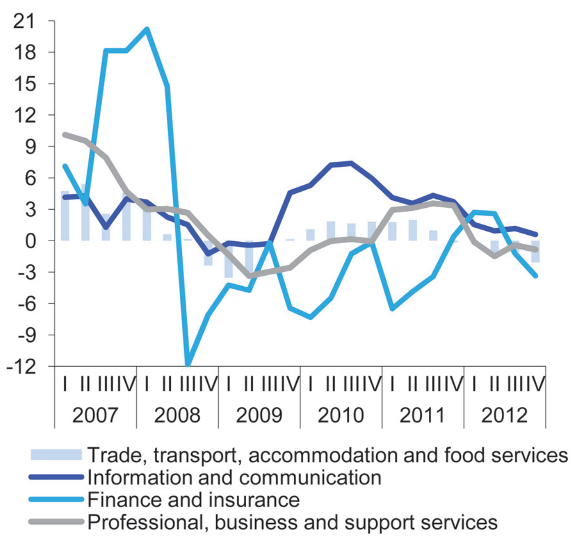


Chart 2.4.- GVA, structure by sectors
Percentage of value added at basic prices

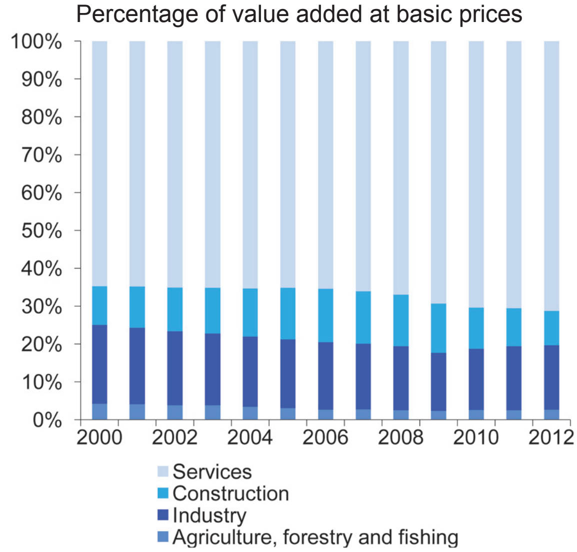


Table 3a

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	0.3	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	3.0	2.0	-1.0	-1.8
	IV	-1.9	-4.7	2.9	-3.0	-5.8	-5.9	-3.6	-6.3	2.9	1.4	-1.4	-2.6

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

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

Chart 3a.1.- Nominal ULC, total economy
Index, 2000=100

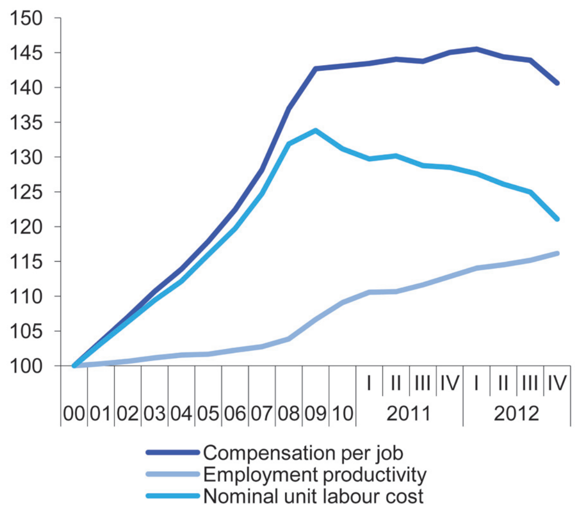
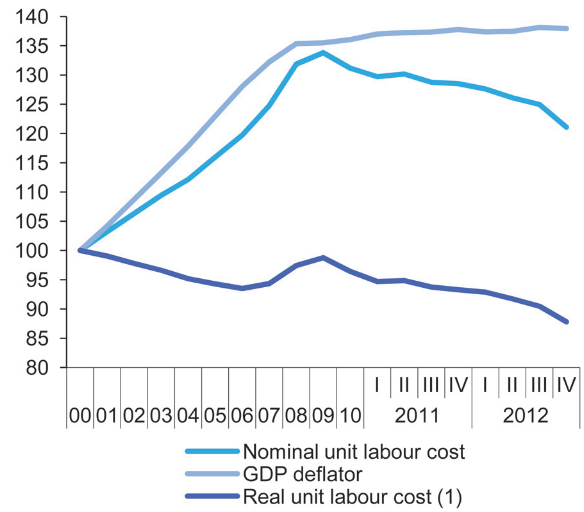


Chart 3a.2.- Real ULC, total economy
Index, 2000=100



(1) Nominal ULC deflated by GVA deflator.

Chart 3a.3.- Nominal ULC, manufacturing industry
Index, 2000=100

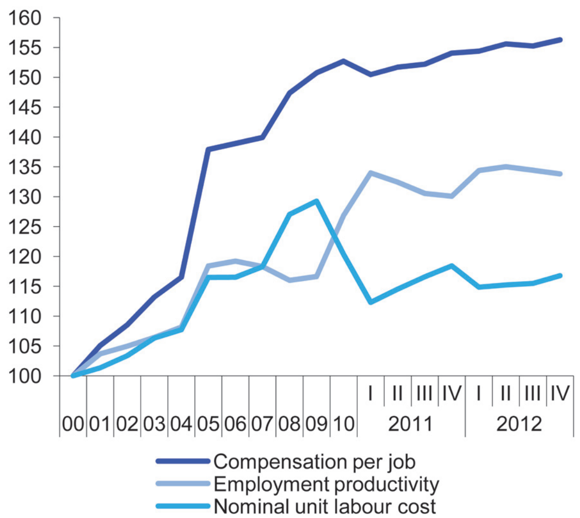
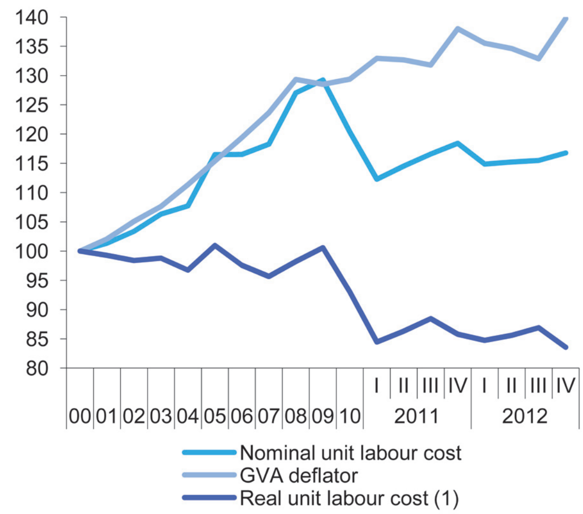


Chart 3a.4.- Real ULC, manufacturing industry
Index, 2000=100



(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 3b.1.- Nominal ULC, construction
Index, 2000=100

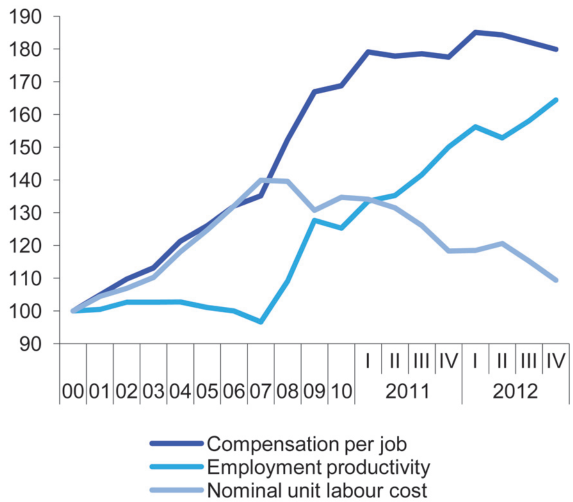
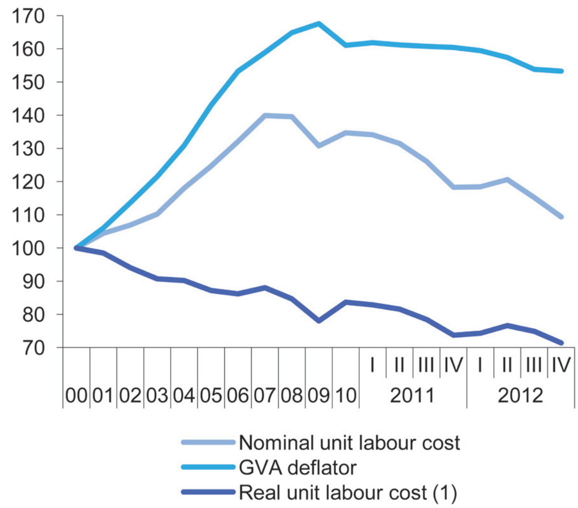


Chart 3b.2.- Real ULC, construction
Index, 2000=100



(1) Nominal ULC deflated by GVA deflator.

Chart 3b.3.- Nominal ULC, services
Index, 2000=100

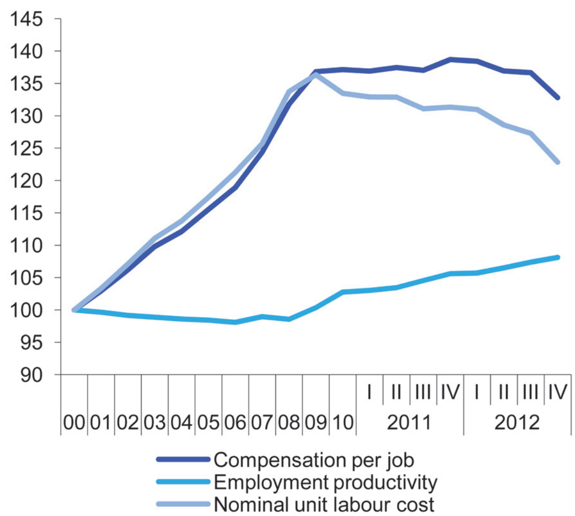
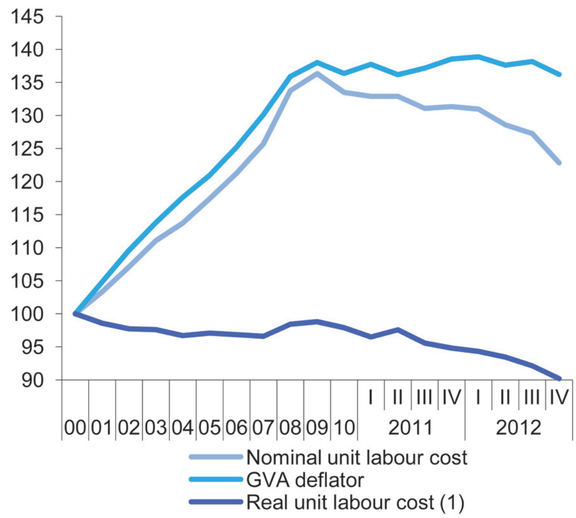


Chart 3b.4.- Real ULC, services
Index, 2000=100



(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 (a)	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	480.3	102.1	-21.0	1,025.4	-4.1	1,021.3	818.1	203.3	44.3	45.9	9.8
2014		1,062.6	460.6	497.3	104.6	-29.7	1,032.9	-4.0	1,028.9	820.2	208.7	43.3	46.8	9.8
2011	I	1,052.8	512.0	446.0	94.8	-19.0	1,033.7	-6.2	1,027.5	838.1	189.4	48.6	42.4	9.0
	II	1,058.0	511.2	452.7	94.1	-19.2	1,038.8	-6.3	1,032.5	840.4	192.1	48.3	42.8	8.9
	III	1,062.4	510.1	458.8	93.5	-21.6	1,040.7	-5.9	1,034.8	842.5	192.4	48.0	43.2	8.8
	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	1,062.3	505.3	465.9	91.1	-24.8	1,037.4	-7.2	1,030.2	843.0	187.2	47.6	43.9	8.6
	II	1,059.1	499.0	470.1	90.0	-23.2	1,035.9	-7.5	1,028.3	841.9	186.4	47.1	44.4	8.5
	III	1,056.6	492.5	473.1	91.0	-19.4	1,037.2	-6.9	1,030.3	840.3	190.0	46.6	44.8	8.6
	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	1.2	6.8	40.5	-1.0	-12.1	-1.0	-1.9	2.9	-1.4	0.8	0.7
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	0.7	-1.7	-0.1	21.4	10.0	0.5	-18.9	0.7	2.2	-5.6	-1.2	-0.3	1.5
	II	1.2	-1.4	2.2	11.1	13.9	0.9	-5.6	1.0	1.6	-1.6	-1.2	0.4	0.8
	III	1.5	-1.1	4.8	0.4	22.9	1.1	-21.5	1.3	1.6	0.2	-1.3	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	-1.3	4.5	-3.9	30.3	0.4	16.5	0.3	0.6	-1.2	-1.1	1.5	-0.4
	II	0.1	-2.4	3.8	-4.4	20.7	-0.3	20.0	-0.4	0.2	-3.0	-1.2	1.6	-0.4
	III	-0.5	-3.4	3.1	-2.7	-10.5	-0.3	16.6	-0.4	-0.3	-1.2	-1.4	1.6	-0.2
	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

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

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

Chart 4.1.- National income, consumption and saving
EUR Billions, 4-quarter cumulated

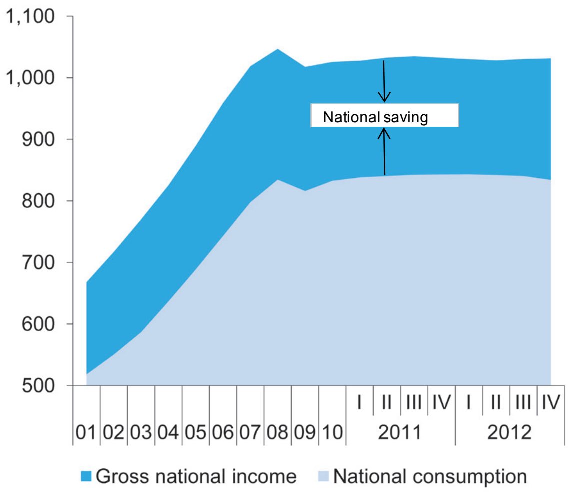


Chart 4.2.- National income, consumption and saving rate
Annual percentage change and percentage of GDP, 4-quarter moving averages

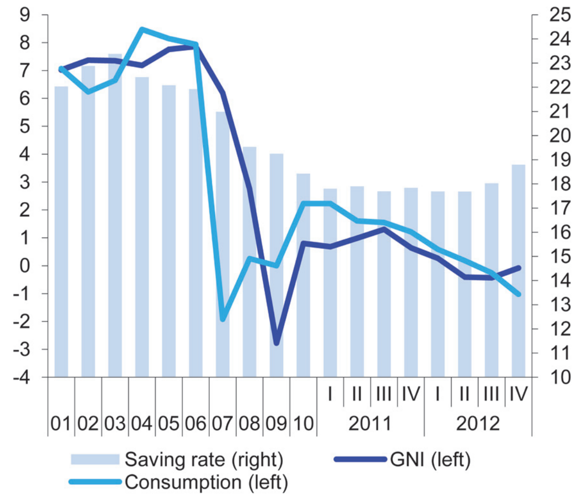


Chart 4.3.- Components of National Income (I)
Annual percentage change

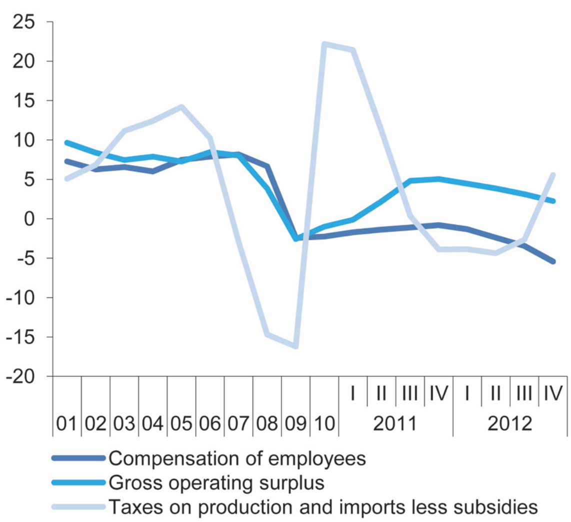


Chart 4.4.- Functional distribution of income
Percentage of GDP, 4-quarter moving averages

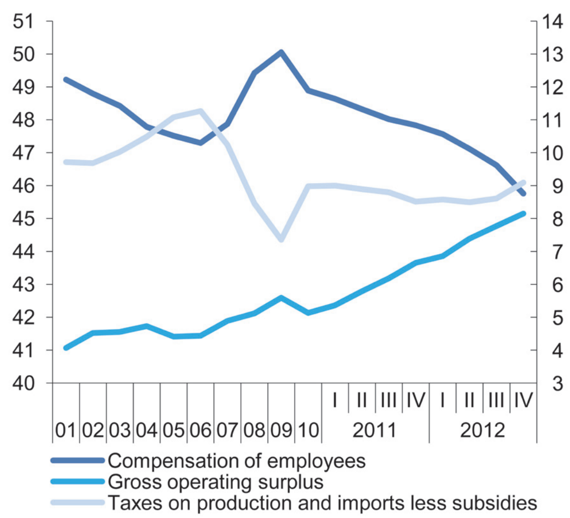


Table 5

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	-6.2	-48.0	6.6	-41.4	189.4	237.3	-47.8
	II	-18.7	-46.6	31.2	-3.3	-19.2	-6.3	-44.2	6.8	-37.4	192.1	235.0	-42.9
	III	-14.4	-43.6	32.1	-2.9	-21.6	-5.9	-42.0	6.5	-35.5	192.4	233.1	-40.7
	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	-36.7	4.6	-32.1	187.2	224.7	-37.5
	II	-1.1	-34.3	33.1	0.1	-23.2	-7.5	-31.9	4.9	-27.0	186.4	219.2	-32.8
	III	3.8	-30.9	33.5	1.2	-19.4	-6.9	-22.5	5.1	-17.5	190.0	213.1	-23.1
	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	19.6	17.5	2.1
2011	I	-2.2	-4.6	2.9	-0.4	-1.8	-0.6	-4.6	0.6	-3.9	18.0	22.5	-4.5
	II	-1.8	-4.4	3.0	-0.3	-1.8	-0.6	-4.2	0.6	-3.5	18.2	22.2	-4.1
	III	-1.4	-4.1	3.0	-0.3	-2.0	-0.6	-4.0	0.6	-3.3	18.1	21.9	-3.8
	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	-3.0	17.6	21.2	-3.5
	II	-0.1	-3.2	3.1	0.0	-2.2	-0.7	-3.0	0.5	-2.5	17.6	20.7	-3.1
	III	0.4	-2.9	3.2	0.1	-1.8	-0.7	-2.1	0.5	-1.7	18.0	20.2	-2.2
	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 5.1.- Balance of goods and services
Percentage of GDP, 4-quarter moving averages

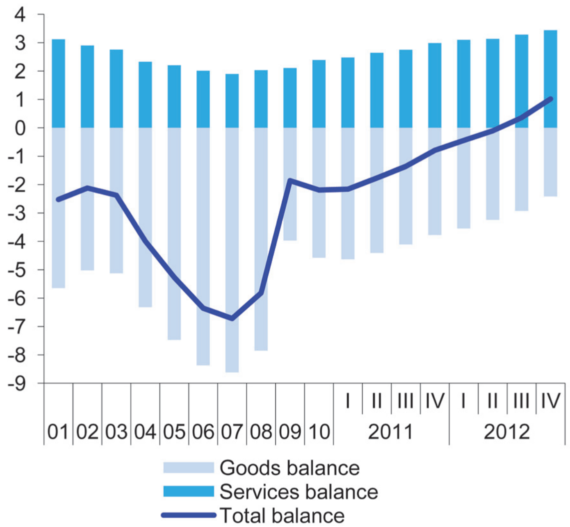


Chart 5.2.- Services balance
Percentage of GDP, 4-quarter moving averages

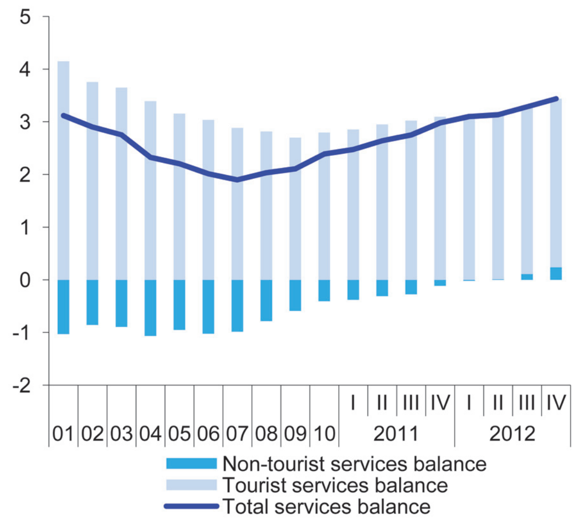


Chart 5.3.- Net lending or borrowing
Percentage of GDP, 4-quarter moving averages

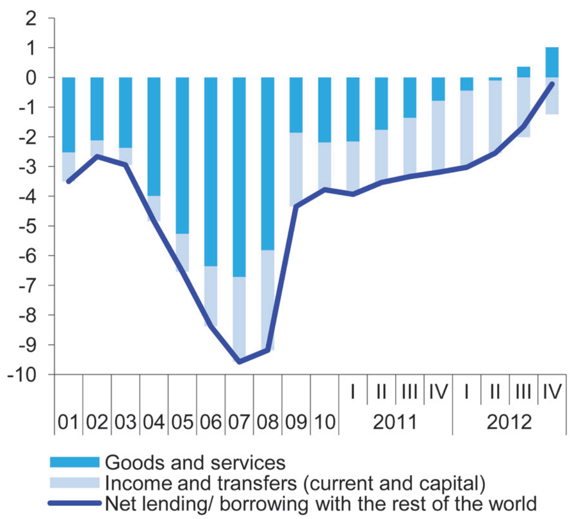


Chart 5.4.- Saving, investment and current account deficit
Percentage of GDP, 4-quarter moving averages

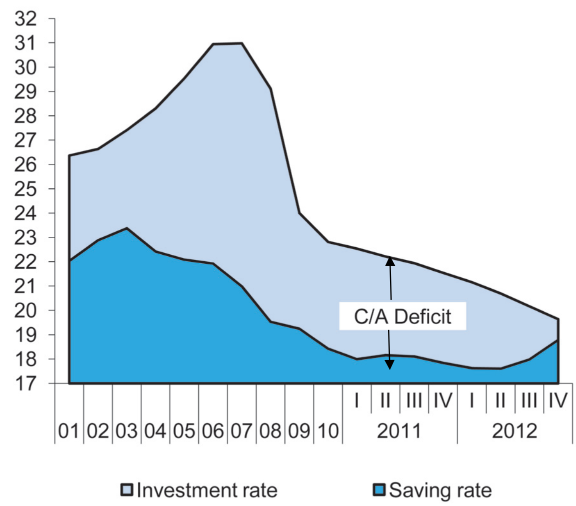


Table 6

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	70.0	10.4	3.5	101.5	-28.0	-2.7
2008		717.0	537.6	264.1	217.0	216.9	84.7	622.4	99.0	13.8	5.4	91.1	13.3	1.2
2009		720.9	524.5	248.0	233.8	209.3	76.1	592.4	128.6	17.8	5.8	65.4	69.0	6.6
2010		700.1	512.7	235.4	238.7	207.2	79.5	608.1	91.8	13.1	7.2	58.4	40.6	3.9
2011		696.6	508.5	235.5	241.0	207.1	81.3	620.0	76.7	11.0	4.9	55.6	26.0	2.4
2012		677.5	481.0	234.6	244.5	200.4	82.3	621.2	55.1	8.1	3.5	49.5	9.1	0.9
2013		668.1	464.0	238.9	245.5	196.1	84.3	613.2	53.8	8.1	2.6	44.1	12.3	1.2
2014		676.6	460.6	249.6	247.7	196.3	84.9	620.9	54.7	8.1	2.2	42.0	14.9	1.4
2011	I	698.9	511.9	234.8	239.4	207.7	79.6	612.7	86.0	12.3	7.1	57.1	35.9	3.4
	II	697.5	511.2	235.1	240.1	208.3	80.6	616.1	80.8	11.6	7.5	56.1	32.3	3.0
	III	698.1	510.0	236.1	240.9	207.8	81.2	619.1	78.3	11.2	7.6	56.1	29.8	2.8
	IV	696.6	508.5	235.5	241.0	207.1	81.3	620.0	76.7	11.0	4.9	55.6	26.0	2.4
2012	I	694.9	505.2	235.8	242.1	206.4	81.9	622.0	73.0	10.5	5.0	54.2	23.8	2.2
	II	688.9	498.9	234.4	242.2	204.4	82.3	622.1	66.9	9.7	4.7	52.7	19.0	1.8
	III	685.3	492.5	234.2	245.2	203.9	82.6	622.1	62.5	9.1	3.9	50.4	16.1	1.5
	IV	677.5	481.0	234.6	244.5	200.4	82.3	621.2	55.1	8.1	3.5	49.5	9.1	0.9
		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	41.5	3.4	55.5	-10.2	--	3.9
2009		0.6	-2.4	-6.1	7.8	-3.5	-10.2	-4.8	29.9	4.0	7.3	-28.2	--	5.4
2010		-2.9	-2.2	-5.1	2.1	-1.0	4.5	2.7	-28.6	-4.7	23.9	-10.7	--	-2.7
2011		-0.5	-0.8	0.1	1.0	-0.1	2.3	2.0	-16.4	-2.1	-31.5	-4.8	--	-1.4
2012		-2.7	-5.4	-0.4	1.4	-3.2	1.1	0.2	-28.1	-2.9	-29.8	-11.0	--	-1.6
2013		-1.4	-3.5	1.8	0.4	-2.2	2.5	-1.3	-2.3	-0.1	-25.0	-10.8	--	0.3
2014		1.3	-0.7	4.5	0.9	0.1	0.7	1.3	1.5	0.0	-15.0	-4.9	--	0.2
2011	I	-2.5	-1.7	-4.3	1.9	0.0	4.1	2.9	-29.2	-4.6	18.8	-9.3	--	-2.7
	II	-1.7	-1.4	-2.2	2.0	0.5	3.7	2.4	-25.2	-3.6	30.3	-9.1	--	-1.9
	III	-0.7	-1.1	-0.1	1.9	0.6	3.0	2.7	-21.7	-3.0	24.9	-7.2	--	-1.5
	IV	-0.5	-0.8	0.1	1.0	-0.1	2.3	2.0	-16.4	-2.1	-31.5	-4.8	--	-1.4
2012	I	-0.6	-1.3	0.4	1.2	-0.6	2.9	1.5	-15.1	-1.8	-29.2	-5.2	--	-1.2
	II	-1.2	-2.4	-0.3	0.9	-1.9	2.1	1.0	-17.2	-1.9	-37.7	-6.1	--	-1.3
	III	-1.8	-3.4	-0.8	1.8	-1.8	1.8	0.5	-20.1	-2.1	-48.1	-10.2	--	-1.3
	IV	-2.7	-5.4	-0.4	1.4	-3.2	1.1	0.2	-28.1	-2.9	-29.8	-11.0	--	-1.6

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

Chart 6.1.- Households: Gross Disposable Income
EUR Billions, 4-quarter cummulated

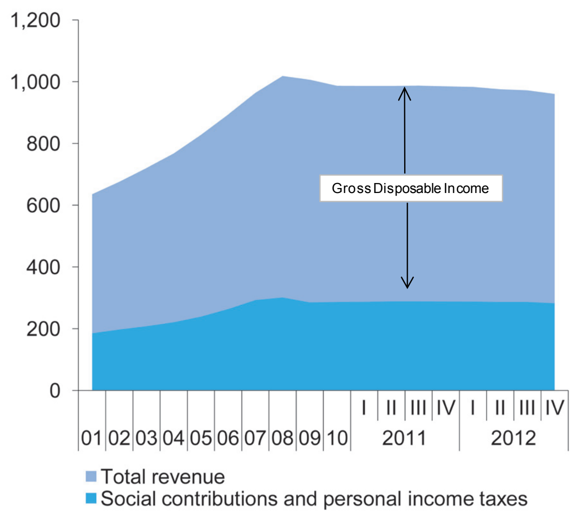
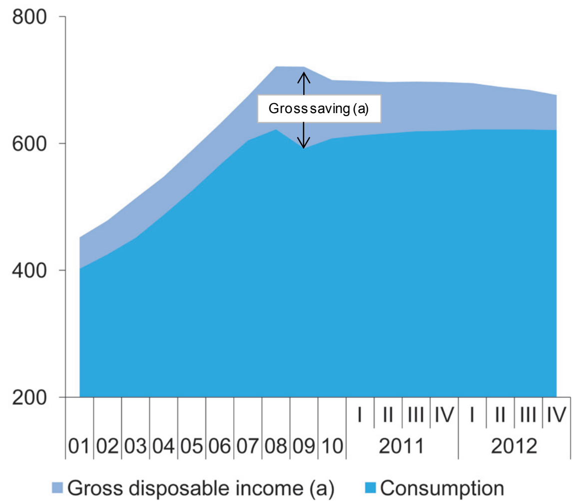


Chart 6.2.- Households: Gross Saving
EUR Billions, 4-quarter cummulated



(a) Including change in net equity of households in pension funds reserves.

Chart 6.3.- Households: Income, consumption and saving
Annual percentage change and percentage of GDI, 4-quarter moving averages

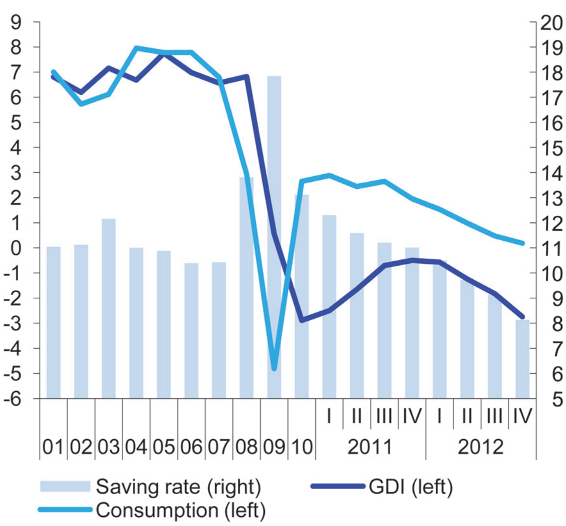
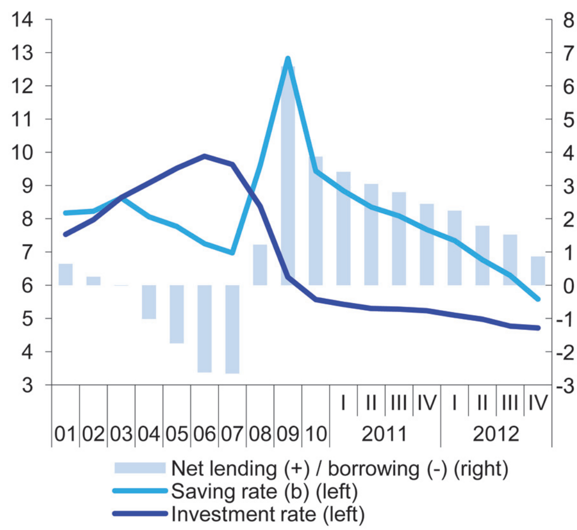


Chart 6.4.- Households: Saving, investment and deficit
Percentage of GDP, 4-quarter moving averages



(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		533.7	301.1	232.6	-45.7	-9.9	20.9	156.2	9.7	129.7	36.3	3.5	43.6	24.3
2013		524.5	288.0	236.5	-53.8	-10.0	16.9	155.9	8.3	124.6	39.6	3.8	45.1	23.7
2014		534.8	288.8	246.0	-58.6	-10.1	17.7	159.7	7.5	124.2	42.9	4.0	46.0	23.2
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	312.5	224.6	-54.7	-10.1	16.5	143.3	10.9	134.3	19.9	1.9	41.8	25.0
	II	535.6	308.3	227.2	-52.8	-9.8	17.3	147.3	11.2	135.1	23.4	2.2	42.4	25.2
	III	534.6	304.1	230.5	-52.3	-9.9	16.7	151.6	10.3	134.1	27.9	2.6	43.1	25.1
	IV	533.7	301.1	232.6	-45.7	-9.9	20.9	156.2	9.7	129.7	36.3	3.5	43.6	24.3
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		-0.6	-4.4	4.6	-14.9	-2.3	25.7	10.1	-15.5	-3.7	--	1.7	2.2	-0.8
2013		-1.7	-4.3	1.7	17.6	1.0	-19.0	-0.2	-15.0	-3.9	--	0.3	1.5	-0.5
2014		2.0	0.3	4.0	9.0	1.0	4.5	2.4	-10.0	-0.3	--	0.3	0.9	-0.5
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	13.2	-1.6	4.8	9.1	-10.5	2.1	--	0.7	2.3	-0.3
	II	1.6	-2.2	7.0	7.1	-6.6	16.3	7.1	-12.1	2.3	--	0.5	2.2	0.2
	III	0.5	-3.5	6.2	4.5	-4.8	14.1	6.8	-20.4	0.1	--	0.7	2.3	-0.1
	IV	-0.6	-4.4	4.6	-14.9	-2.3	25.7	10.1	-15.5	-3.7	--	1.7	2.2	-0.8

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

Chart 7.1.- Non-financial corporations: Gross Operating Surplus
EUR Billions, 4-quarter cummulated

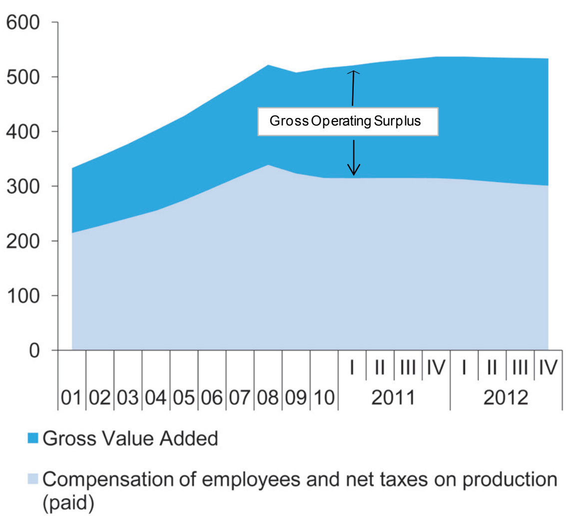


Chart 7.2.- Non-financial corporations: GVA, GOS and saving
Annual percentage change, 4-quarter moving averages

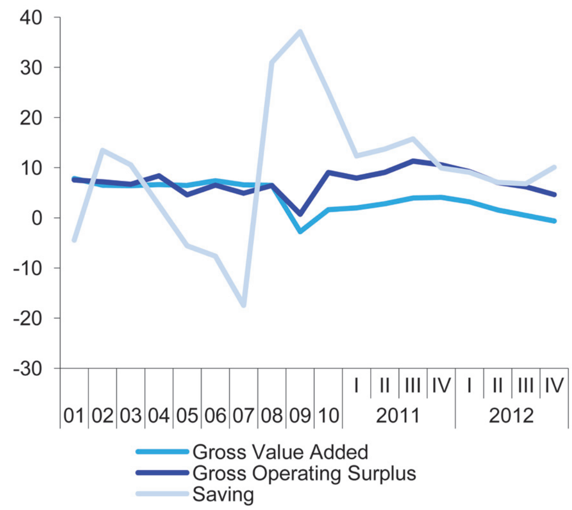
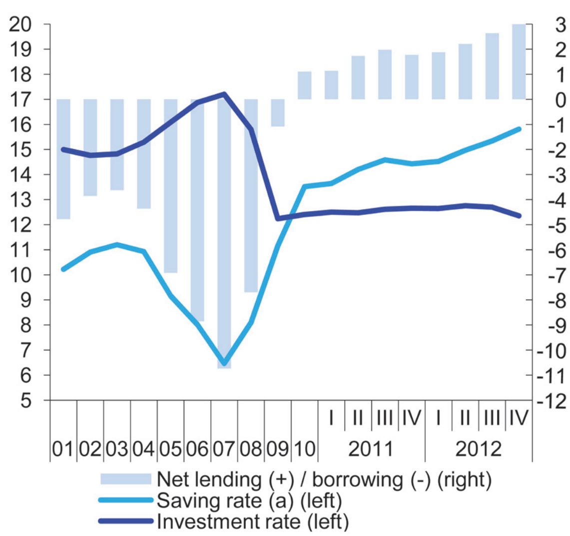


Chart 7.3.- Non-financial corporations: Saving, investment and deficit
Percentage of GDP, 4-quarter moving averages



(a) Including net capital transfers.

Chart 7.4.- Non-financial corporations: Profit share and investment rate
Percentage of non-financial corporations GVA, 4-quarter moving averages

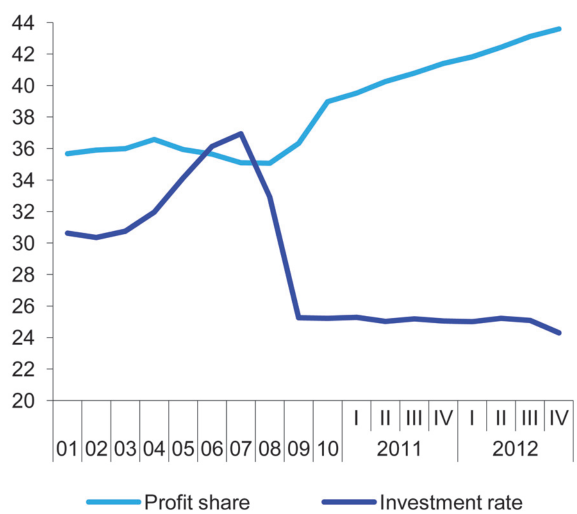


Table 8

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		137.9	107.3	106.3	135.0	116.1	21.1	168.5	17.8	163.0	211.4	-48.5	63.1	-111.6	-73.3
2013		138.1	112.9	103.8	132.4	115.5	25.8	170.0	15.6	160.3	203.5	-43.2	17.5	-60.7	-60.7
2014		135.8	114.0	105.3	132.7	112.3	27.0	171.4	13.5	163.5	197.8	-34.3	14.5	-48.8	-48.8
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	144.8	104.9	101.6	139.5	123.3	17.1	165.0	20.8	164.6	220.8	-56.2	43.3	-99.5	-94.3
	II	144.5	102.8	102.6	138.7	122.8	18.7	166.5	20.8	159.9	219.5	-59.6	44.2	-103.8	-93.2
	III	143.7	103.1	102.2	137.9	122.0	20.2	168.2	19.9	156.7	217.6	-60.8	45.0	-105.8	-90.7
	IV	137.9	107.3	106.3	135.0	116.1	21.1	168.5	17.8	163.0	211.4	-48.5	63.1	-111.6	-73.3
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		13.1	10.2	10.1	12.9	11.1	2.0	16.1	1.7	15.5	20.1	-4.6	6.0	-10.6	-7.0
2013		13.2	10.8	9.9	12.6	11.0	2.5	16.2	1.5	15.3	19.4	-4.1	1.7	-5.8	-5.8
2014		12.8	10.7	9.9	12.5	10.6	2.5	16.1	1.3	15.4	18.6	-3.2	1.4	-4.6	-4.6
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	4.1	-9.4	-8.9
	II	13.6	9.7	9.7	13.1	11.6	1.8	15.7	2.0	15.1	20.7	-5.6	4.2	-9.8	-8.8
	III	13.6	9.8	9.7	13.1	11.6	1.9	15.9	1.9	14.8	20.6	-5.8	4.3	-10.0	-8.6
	IV	13.1	10.2	10.1	12.9	11.1	2.0	16.1	1.7	15.5	20.1	-4.6	6.0	-10.6	-7.0

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

Chart 8.1.- Public sector: Income, Consumption and saving
Percentage of GDP, 4-quarter moving averages

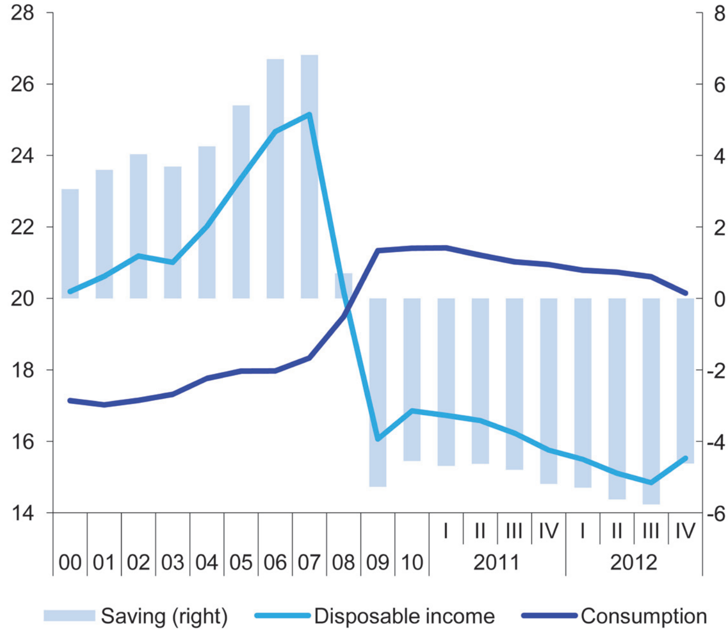
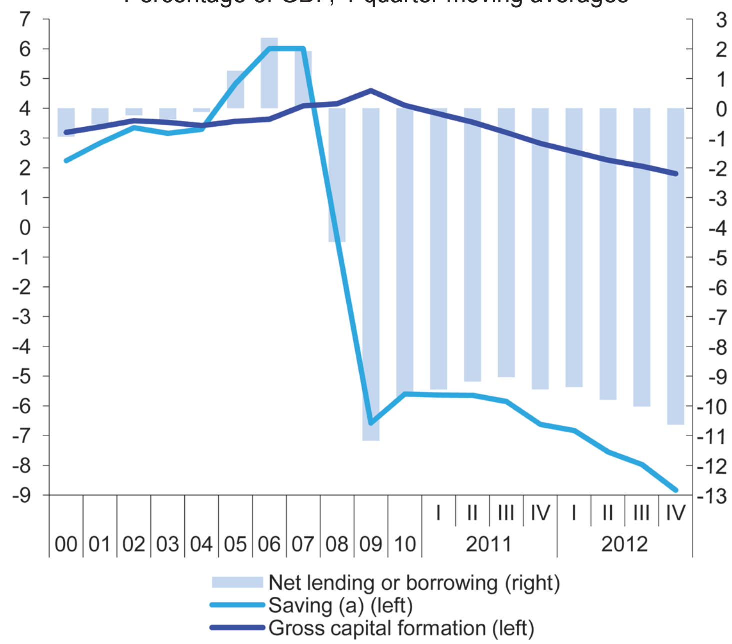


Chart 8.2.- Public sector: Saving, investment and deficit
Percentage of GDP, 4-quarter moving averages



(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 (a)	-36.6	-54.1	-9.0	-0.8	-100.4	622.3	141.4	35.4	17.2	736.5
2012 (a)	-81.5	-18.4	-1.6	-10.1	-111.6	760.3	185.0	42.0	17.2	884.4
2013	-38.9	-10.5	-1.0	-10.5	-60.8	--	--	--	--	977.2
2014	-34.0	-6.4	0.0	-8.5	-48.8	--	--	--	--	1,047.9
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	-45.0	-45.1	-9.4	0.0	-99.5	655.4	146.4	36.9	17.2	774.9
II	-56.2	-42.6	-7.7	2.7	-103.8	680.2	168.3	45.0	17.2	804.6
III	-55.3	-40.5	-6.6	-3.4	-105.8	695.5	167.5	43.8	17.2	817.2
IV	-81.5	-18.4	-1.6	-10.1	-111.6	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 (a)	-3.4	-5.1	-0.8	-0.1	-9.4	58.5	13.3	3.3	1.6	69.3
2012 (a)	-7.8	-1.8	-0.1	-1.0	-10.6	72.4	17.6	4.0	1.6	84.3
2013	-3.7	-1.0	-0.1	-1.0	-5.8	--	--	--	--	93.4
2014	-3.2	-0.6	0.0	-0.8	-4.6	--	--	--	--	98.6
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	-4.2	-4.2	-0.9	0.0	-9.4	61.7	13.8	3.5	1.6	73.0
II	-5.3	-4.0	-0.7	0.3	-9.8	64.3	15.9	4.3	1.6	76.0
III	-5.2	-3.8	-0.6	-0.3	-10.0	65.9	15.9	4.1	1.6	77.4
IV	-7.8	-1.8	-0.1	-1.0	-10.6	72.4	17.6	4.0	1.6	84.3

(a) Figures for Central Government and Total Governement are including financial entities bail-out expenditures.
Sources: Bank of Spain (Financial Accounts of the Spanish Economy) and Funcas (Forecasts).

Chart 9.1.- Government deficit
Percent of GDP, 4-quarter cumulated operations

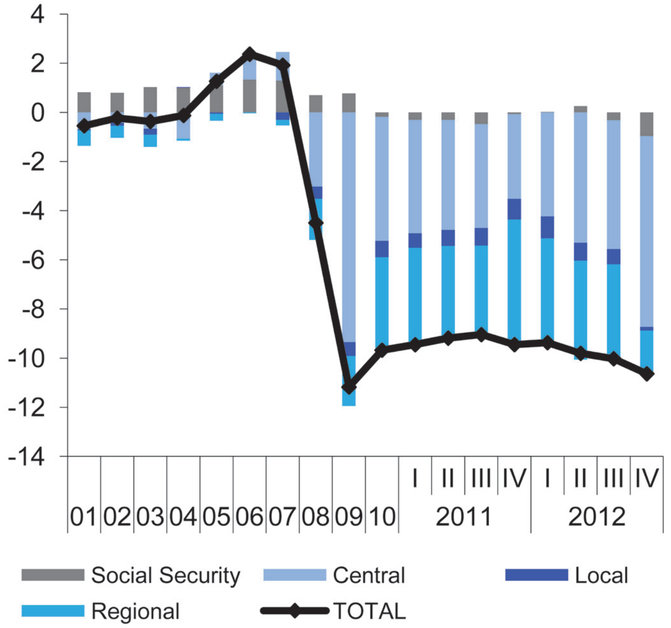


Chart 9.2.- Government debt
Percent of GDP

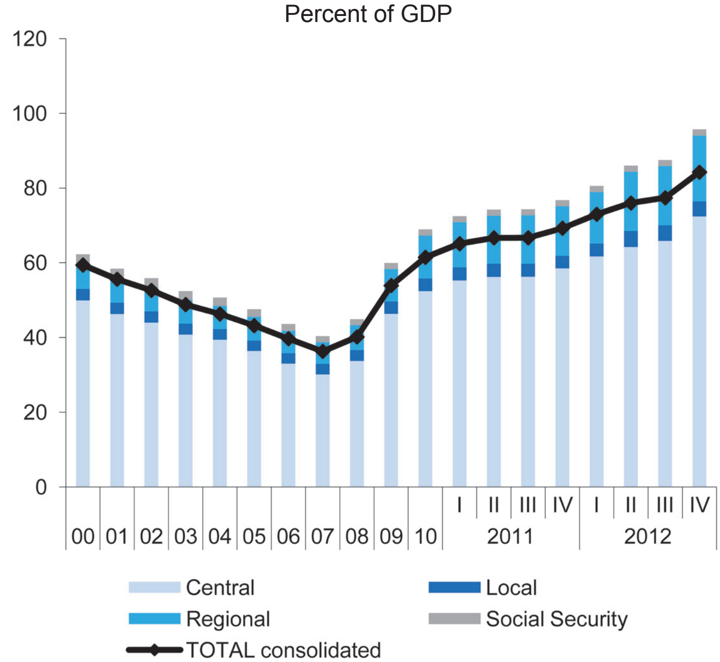


Table 10

General activity and industrial sector indicators (a)

		General activity indicators				Industrial sector indicators					
		Economic Sentiment Index	Composite PMI index	Social Security Affiliates (f)	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**
2007		104.0	54.7	18,955	267.7	106.0	2,758	53.2	0.5	105.4	3.5
2008		87.2	38.5	18,834	269.5	98.3	2,696	40.4	-17.9	96.8	-23.4
2009		83.3	40.9	17,657	256.9	82.7	2,411	40.9	-30.8	78.1	-55.3
2010		93.4	50.0	17,244	263.8	83.4	2,295	50.6	-13.8	80.4	-36.7
2011		93.4	46.6	16,970	260.5	82.2	2,232	47.3	-12.5	80.7	-30.8
2012		88.8	43.1	16,335	255.2	77.3	2,114	43.8	-17.5	76.9	-37.2
2013 (b)		89.1	45.2	15,742	88.2	77.2	2,022	45.4	-16.3	70.9	-33.4
2011	III	93.6	45.0	16,937	65.2	81.8	2,227	44.9	-14.4	80.8	-31.0
	IV	91.9	40.7	16,795	64.2	80.4	2,197	43.8	-16.5	79.6	-36.1
2012	I	92.5	45.0	16,627	64.8	79.0	2,165	44.9	-14.8	78.5	-33.8
	II	89.6	41.7	16,424	64.0	77.4	2,130	42.2	-17.4	77.7	-36.1
	III	85.8	42.6	16,236	63.3	77.3	2,096	43.6	-20.0	77.1	-40.3
	IV	87.3	42.9	16,059	63.0	75.9	2,067	44.5	-17.9	76.0	-38.6
2013	I	88.9	45.5	15,912	62.3	75.8	2,040	45.7	-15.9	75.0	-33.6
	II (b)	89.7	44.0	15,838	20.8	--	2,023	44.7	-17.4	--	-32.8
2013	Feb	89.7	45.3	15,911	20.5	74.9	2,040	46.8	-13.5	74.8	-32.1
	Mar	88.8	44.8	15,874	21.1	76.4	2,032	44.2	-15.7	--	-31.9
	Apr	89.7	44.0	15,838	20.8	--	2,023	44.7	-17.4	--	-32.8
Percentage changes (c)											
2007		--	--	3.4	4.3	2.0	0.6	--	--	1.6	--
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	--	--	2.9	--
2011		--	--	-1.6	-1.3	-1.4	-2.7	--	--	0.4	--
2012		--	--	-3.7	-2.0	-6.0	-5.3	--	--	-4.8	--
2013 (d)		--	--	-4.2	-3.7	-4.1	-5.8	--	--	-4.9	--
2011	III	--	--	-2.5	-1.1	-5.7	-3.2	--	--	-3.4	--
	IV	--	--	-3.3	-6.0	-6.6	-5.2	--	--	-5.6	--
2012	I	--	--	-3.9	3.9	-6.7	-5.7	--	--	-5.6	--
	II	--	--	-4.8	-4.9	-8.2	-6.2	--	--	-4.2	--
	III	--	--	-4.5	-4.1	-0.3	-6.2	--	--	-3.0	--
	IV	--	--	-4.3	-1.9	-7.0	-5.4	--	--	-5.3	--
2013	I	--	--	-3.6	-4.5	-0.7	-5.1	--	--	-5.1	--
	II (e)	--	--	-1.8	0.6	--	-3.4	--	--	--	--
2013	Feb	--	--	-0.3	-0.8	-1.0	-0.4	--	--	-0.5	--
	Mar	--	--	-0.2	2.7	2.4	-0.4	--	--	--	--
	Apr	--	--	-0.2	-1.4	--	-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 10.1.- General activity indicators
Percent change from previuos period and index

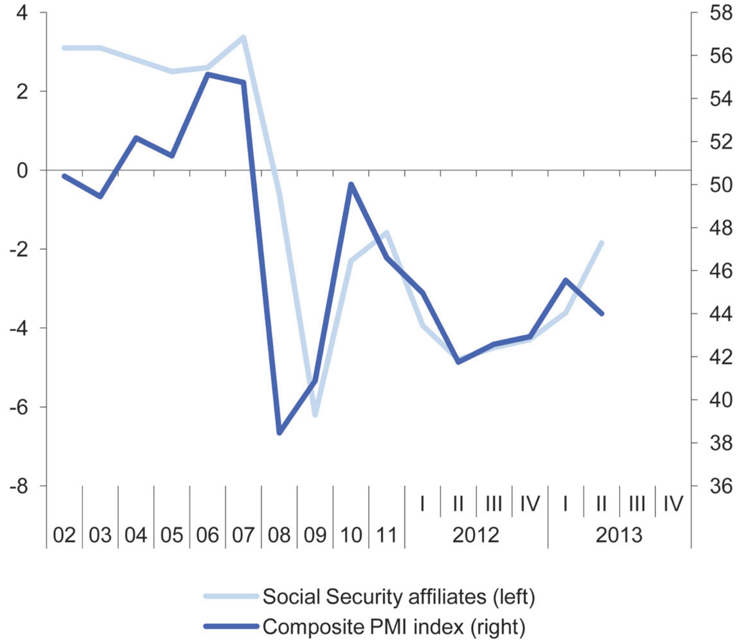


Chart 10.2.- Industrial sector indicators
Percent change from previuos period and index

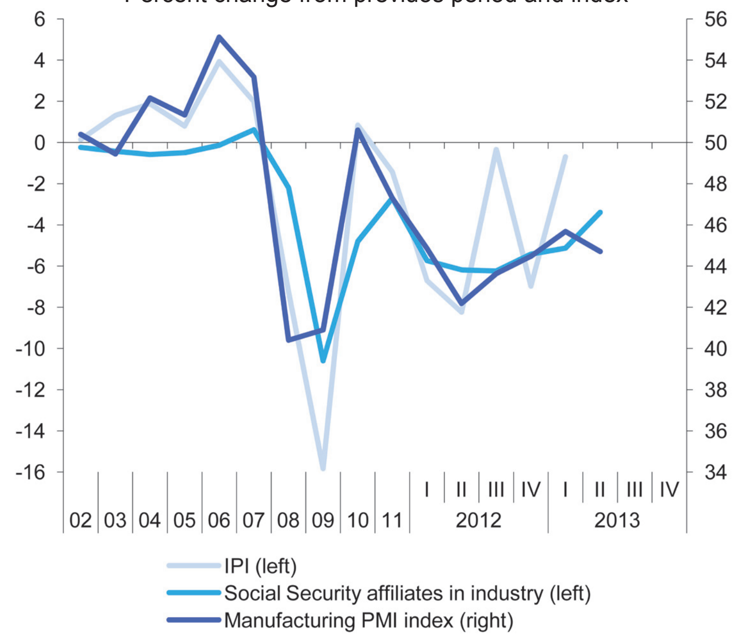


Table 11

Construction and services sector indicators (a)

	Construction indicators						Service sector indicators					
	Social Security Affiliates in construction	Consump-tion 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**	**Thou-sands**	**Million m²**	**Thousands**	**2005=100 (smoothed)**	**Index**	**Million**	**Million (smoothed)**	**Balance of res-ponses**
2007	2,601	56.0	8.8	37.4	616.0	125.2	12,457	113.4	54.4	271.7	208.6	9.6
2008	2,340	42.7	-23.8	38.5	346.0	60.0	12,644	109.3	38.2	268.6	202.9	-18.8
2009	1,800	28.9	-32.3	35.4	159.3	29.2	12,247	94.6	41.0	253.2	186.2	-29.7
2010	1,559	24.5	-29.7	21.9	123.6	24.5	12,186	95.3	49.3	269.4	191.5	-22.5
2011	1,369	20.4	-55.4	11.8	86.3	20.0	12,176	94.3	46.5	286.8	203.0	-21.0
2012 (b)	1,136	13.4	-54.9	3.7	28.6	12.5	11,907	88.5	43.1	281.3	192.3	-21.5
2013 (b)	1,004	2.5	-49.0	--	--	2.1	11,590	79.7	45.4	43.8	44.4	-25.8
2011 III	1,343	4.9	-58.6	2.7	17.9	5.0	12,180	94.2	45.5	71.8	50.7	-14.3
IV	1,278	4.4	-53.6	2.2	18.2	4.1	12,129	92.8	40.2	71.0	50.0	-22.0
2012 I	1,216	3.8	-50.4	1.6	16.7	3.8	12,054	91.0	44.8	70.1	49.3	-15.3
II	1,159	3.4	-52.2	2.1	11.9	3.1	11,952	89.5	42.4	69.9	48.9	-19.7
III	1,107	3.2	-55.5	--	--	2.8	11,859	88.2	42.6	70.3	48.0	-26.7
IV	1,063	3.0	-61.4	--	--	2.8	11,775	86.8	42.6	68.0	46.3	-24.3
2013 I	1,025	2.8	-46.7	--	--	2.1	11,717	85.8	45.7	67.6	44.4	-27.0
II (b)	1,000	--	-55.8	--	--	--	11,688	--	44.4	--	--	-22.0
2013 Feb	1,025	1.0	-49.1	--	--	1.3	11,717	85.6	44.7	22.2	14.8	-27.0
Mar	1,012	0.8	-49.4	--	--	--	11,701	--	45.3	22.7	14.6	-30.0
Apr	1,000	--	-55.8	--	--	--	11,688	--	44.4	--	--	-22.0
Percentage changes (c)												
2007	5.6	0.2	--	-15.4	-18.0	-22.3	4.0	5.7	--	1.7	8.9	
2008	-10.0	-23.8	--	2.9	-43.8	-52.1	1.5	-3.6	--	-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	-6.2	--	-1.9	-5.2	--
2013 (d)	-15.5	-21.5	--	--	--	-13.1	-2.9	-5.2	--	-0.7	-8.2	--
2011 III	-15.9	-34.2	--	-45.2	-27.6	-14.4	-0.8	-3.3	--	3.2	-1.8	--
IV	-17.8	-36.1	--	-59.8	-46.3	-28.4	-1.7	-6.0	--	-4.5	-5.4	--
2012 I	-18.0	-44.0	--	-50.6	-27.4	-30.5	-2.5	-7.3	--	-4.9	-5.5	--
II	-17.5	-36.1	--	-43.6	-56.2	-41.5	-3.3	-6.5	--	-1.0	-3.4	--
III	-17.0	-17.4	--	--	--	-44.5	-3.1	-5.5	--	2.3	-6.9	--
IV	-14.7	-30.5	--	--	--	-32.1	-2.8	-6.3	--	-12.4	-13.6	--
2013 I	-13.7	-18.1	--	--	--	-12.6	-1.9	-4.6	--	-2.7	-15.4	--
II (e)	-9.3	--	--	--	--	--	-1.0	--	--	--	--	--
2013 Feb	-1.3	-7.5	--	--	--	7.6	-0.1	-0.4	--	-1.9	-1.4	--
Mar	-1.3	-12.3	--	--	--	--	-0.1	--	--	1.9	-1.3	--
Apr	-1.1	--	--	--	--	--	-0.1	--	--	--	--	--

(a) Seasonally adjusted, except for annual data. (b) Period with available data. (c) Annualized percent change from the previous quarter for quarterly data, non-annualized percent change from the previous month for monthly data, unless otherwise indicated. (d) Growth of available period over the same period of the previous year. (e) Annualized growth of the average of available months over the monthly average of the previous quarter. (f) Percent changes are over the same period of the previous year. (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 11.1.- Construction indicators
Percentage changes

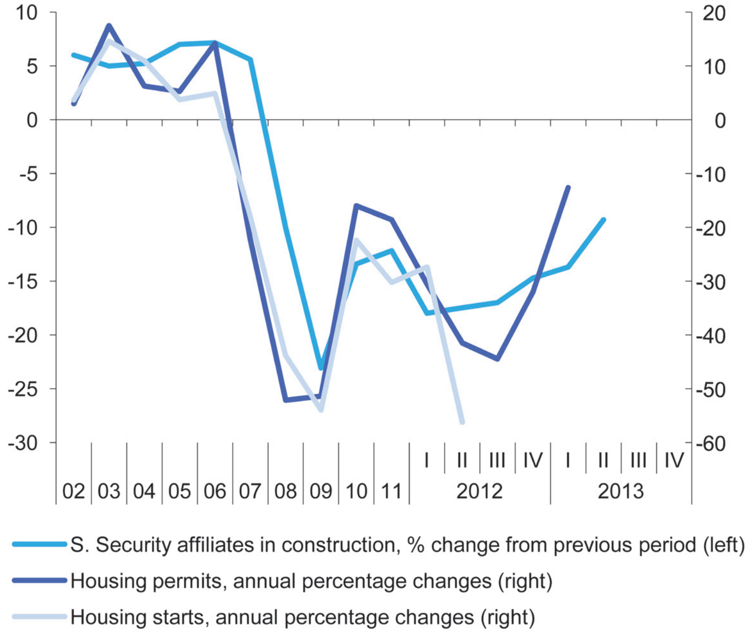


Chart 11.2.- Services indicators
Percentage changes from previous period and index

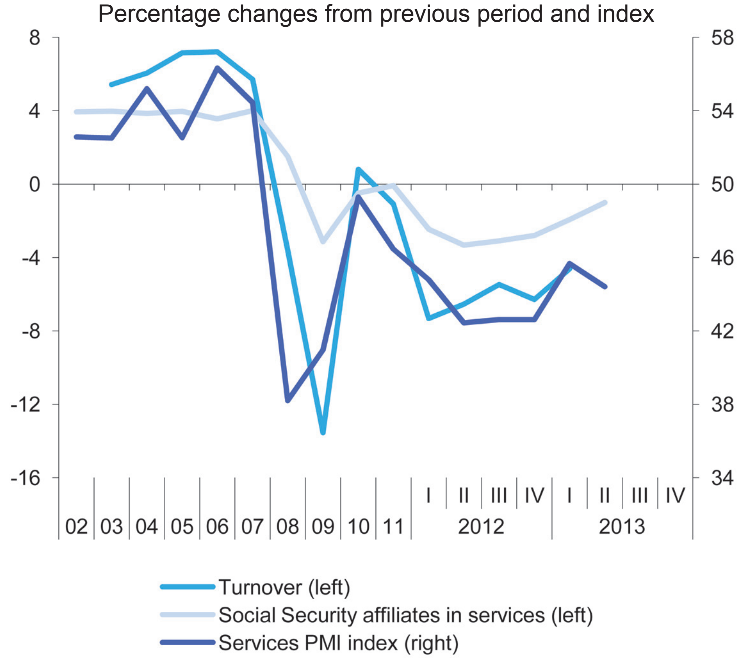


Table 12
Consumption and investment indicators (a)

	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	16.2	113.4
2008	98.2	1,185.3	-33.8	113.2	-21.0	236.9	-4.4	89.6
2009	92.9	971.2	-28.3	110.1	-40.3	142.1	-51.0	65.5
2010	91.3	1,000.1	-21.1	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	-31.8	102.2	-24.3	106.7	-38.6	48.2
2013 (b)	73.5	240.1	-31.8	18.0	-22.4	31.3	-38.5	43.6
2011 III	85.9	201.5	-15.7	28.0	-21.9	35.1	-21.9	52.0
IV	84.5	197.4	-16.7	27.3	-20.8	32.8	-26.8	50.6
2012 I	82.9	191.1	-24.7	26.8	-26.0	30.1	-31.1	49.1
II	81.2	181.6	-29.0	25.9	-21.1	27.7	-38.0	48.0
III	79.2	171.5	-35.3	25.0	-23.4	25.7	-43.5	47.6
IV	77.0	165.6	-38.0	23.9	-26.5	24.1	-41.7	46.7
2013 I	75.3	167.4	-32.7	25.0	-21.4	23.1	-38.7	45.3
II (b)	--	169.4	-29.0	21.0	-25.2	7.6	-37.9	--
2013 Feb	75.3	55.8	-33.0	7.7	-15.9	7.7	-36.3	44.9
Mar	74.8	56.1	-32.0	9.3	-21.9	7.6	-36.4	--
Apr	--	56.5	-29.0	--	-25.2	7.6	-37.9	--
				Percentage changes (c)				
2007	2.5	-1.6	--	1.3	--	0.3	--	10.8
2008	-5.9	-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	--	-10.9
2011	-5.6	-19.2	--	-1.8	--	-6.6	--	-10.0
2012	-7.4	-12.9	--	-8.4	--	-24.8	--	-8.3
2013 (d)	-8.8	-8.6	--	-4.3	--	-20.8	--	-6.4
2011 III	-5.0	-4.5	--	8.5	--	-14.7	--	-7.6
IV	-6.2	-8.0	--	-9.6	--	-23.8	--	-10.0
2012 I	-7.3	-12.1	--	-6.9	--	-28.8	--	-11.8
II	-8.1	-18.5	--	-12.6	--	-29.0	--	-8.5
III	-9.4	-20.4	--	-13.6	--	-25.7	--	-3.0
IV	-10.7	-13.1	--	-16.0	--	-22.1	--	-7.6
2013 I	-8.5	4.3	--	18.8	--	-15.4	--	-11.8
II (e)	--	5.0	--	-50.0	--	-6.5	--	--
2013 Feb	-0.7	0.7	--	-4.0	--	-1.1	--	-1.4
Mar	-0.6	0.6	--	21.4	--	-0.9	--	--
Apr	--	0.6	--	--	--	-0.7	--	--

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

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

Chart 12.1.- Consumption indicators
Percent change from previous period and balance of responses

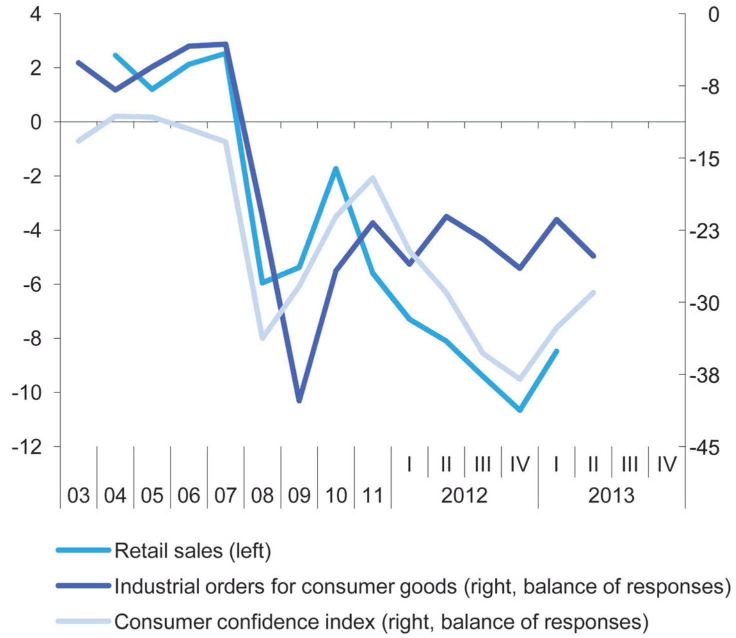


Chart 12.2.- Investment indicators
Percent change from previous period and balance of responses

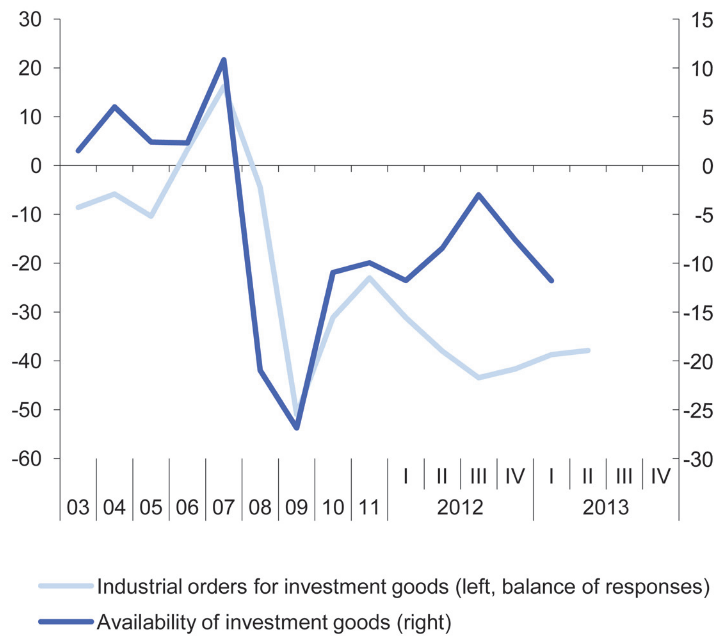


Table 13a

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	53.2	23.1	36.0
2013		30.1	22.7	--	16.6	--	6.0	--	74.8	54.8	26.6	--	--	--
2014		29.6	22.2	--	16.5	--	5.8	--	74.7	55.1	26.0	--	--	--
2011	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
2013	I	30.2	22.8	22.8	16.6	16.8	6.2	6.0	74.8	55.0	26.4	56.1	24.4	38.1
		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	6.7	3.5	3.2
2013		-1.3	-1.7	--	-3.8	--	4.6	--	-0.2	-1.4	1.6	--	--	--
2014		-1.6	-1.9	--	-1.0	--	-4.1	--	-0.2	0.3	-0.6	--	--	--
2011	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
2013	I	-1.2	-1.0	-3.1	-4.6	-4.5	10.0	0.9	0.0	-2.0	2.7	5.2	2.8	2.2

(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 13a.1.- Labour force, Employment and unemployment, SA
Annual / annualized quarterly growth rates and percentage of active population

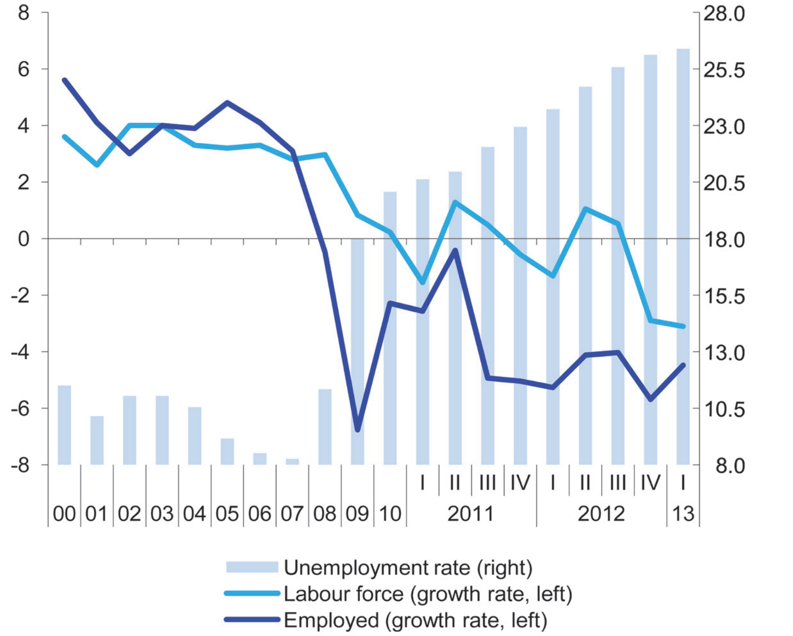


Chart 13a.2.- Unemployment rates, SA
Percentage

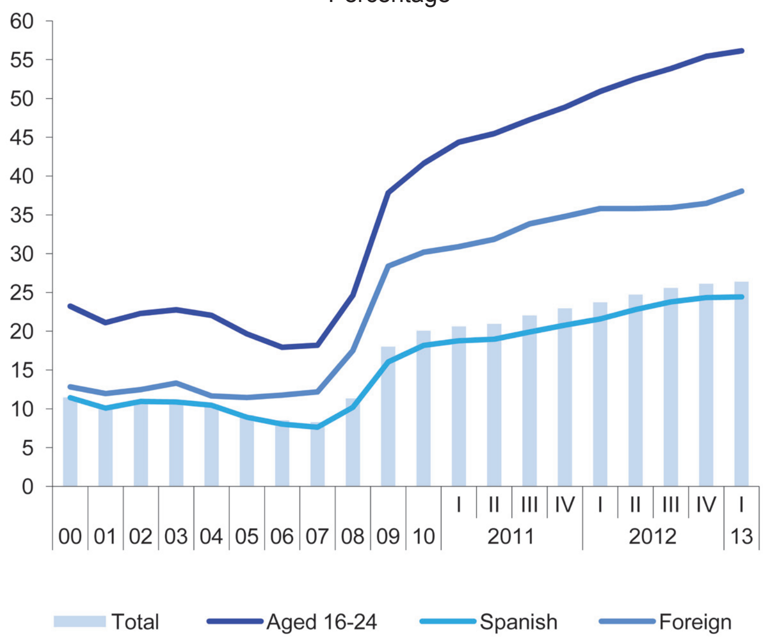


Table 13b
Labour market (II)

		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		0.75	2.43	1.15	12.95	14.24	3.36	10.88	23.6	3.04	14.73	2.55	14.75
2013 (c)		0.72	2.32	1.05	12.55	13.61	3.01	10.60	22.1	3.02	13.97	2.66	16.00
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
2013	I	0.72	2.32	1.05	12.55	13.61	3.01	10.60	22.1	3.02	13.97	2.66	16.00
		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		-0.9	-4.9	-17.6	-3.3	-5.7	-12.1	-3.6	-1.7	1.4	-5.6	1.8	0.9
2013 (d)		-6.8	-5.8	-11.5	-3.6	-5.5	-12.1	-3.5	-1.5	0.0	-6.4	6.2	1.3
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
2013	I	-6.8	-5.8	-11.5	-3.6	-5.5	-12.1	-3.5	-1.6	0.0	-6.4	6.2	1.6

(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).

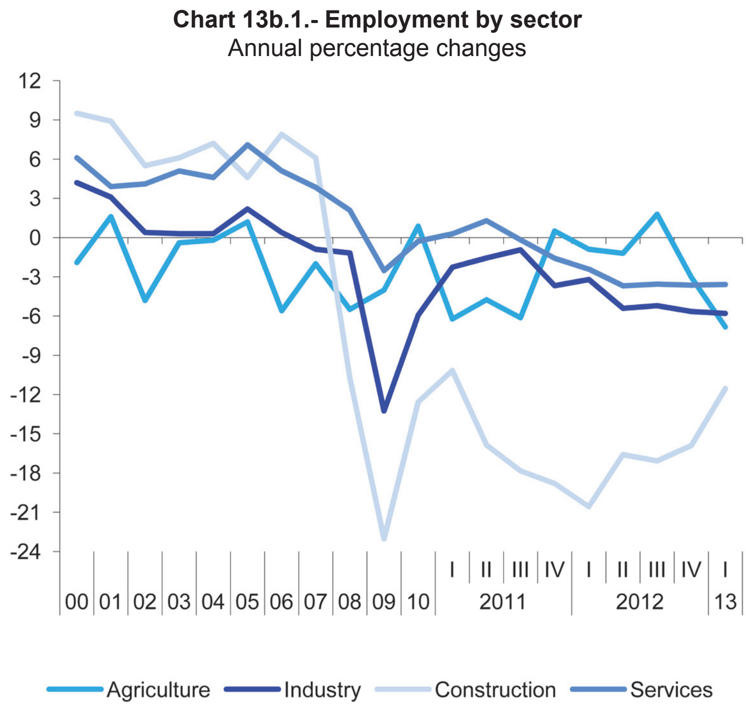


Chart 13b.1.- Employment by sector
Annual percentage changes
12
9
6
3
0
-3
-6
-9
-12
-15
-18
-21
-24
I
II
III
IV
I
II
III
IV
I
00
01
02
03
04
05
06
07
08
09
10
2011
2012
13
Agriculture
Industry
Construction
Services

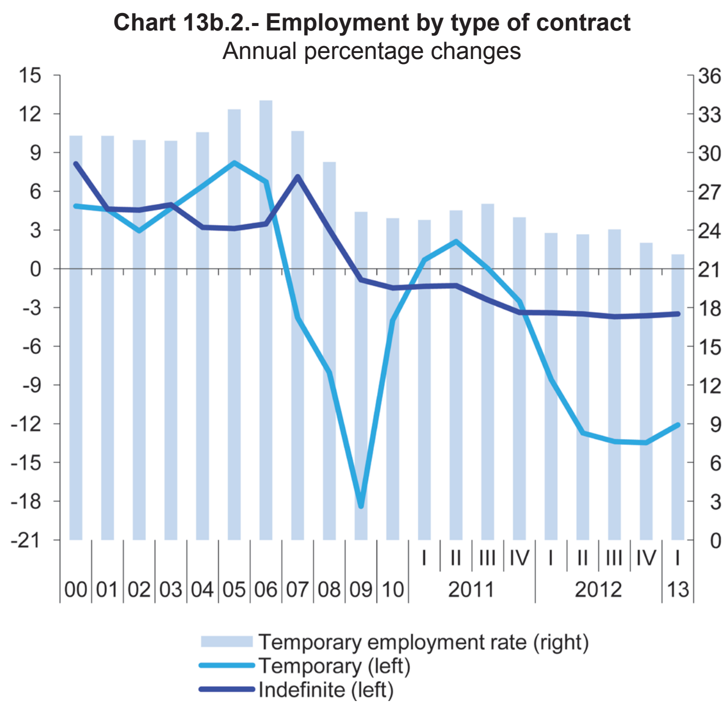


Chart 13b.2.- Employment by type of contract
Annual percentage changes
15
12
9
6
3
0
-3
-6
-9
-12
-15
-18
-21
36
33
30
27
24
21
18
15
12
9
6
3
0
I
II
III
IV
I
II
III
IV
I
00
01
02
03
04
05
06
07
08
09
10
2011
2012
13
Temporary employment rate (right)
Temporary (left)
Indefinite (left)

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	66.73	81.41	26.99	39.74	14.67	6.41	12.18	21.09
Indexes, 2011 = 100										
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	100.8	101.5	103.1	102.3	108.9	102.8
2013		103.9	102.7	103.3	101.7	103.3	106.0	105.4	107.8	105.8
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		1.4	1.4	1.7	0.9	1.8	2.8	3.0	-1.0	2.9
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	2.4	2.0	2.3	1.4	2.4	3.6	2.5	3.2	3.3
	Apr	1.4	1.6	1.9	1.5	1.7	3.1	2.7	-2.5	3.0
	May	1.6	1.7	1.9	1.5	1.8	2.8	3.4	-1.7	3.0
	Jun	1.8	1.7	1.9	1.5	1.8	2.9	2.6	0.6	2.8
	Jul	1.4	1.4	1.7	0.6	1.9	2.9	3.3	-1.8	3.0
	Aug	1.1	1.6	1.8	0.9	2.0	2.9	3.0	-4.7	2.9
	Sep	0.2	0.8	1.1	-0.1	1.4	2.5	3.1	-6.7	2.7
	Oct	0.4	0.7	1.0	0.0	1.2	2.2	3.1	-4.6	2.4
	Nov	0.8	0.9	1.1	0.3	1.3	2.0	2.7	-1.9	2.2
	Dec	0.9	0.9	1.1	0.3	1.3	2.0	2.6	-1.6	2.2

Sources: INE and Funcas (Forecasts).

Chart 14.1.- Inflation rate (I)
Annual percentage changes

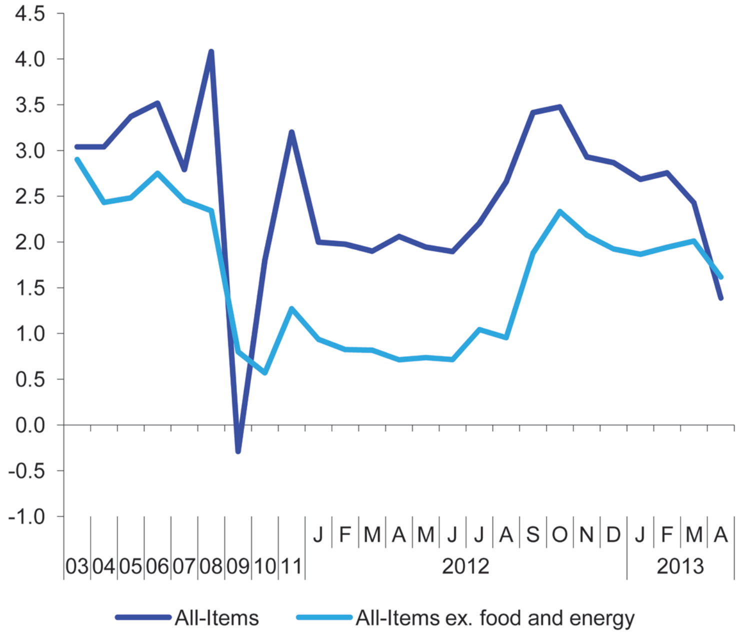


Chart 14.2.- Inflation rate (II)
Annual percentage changes

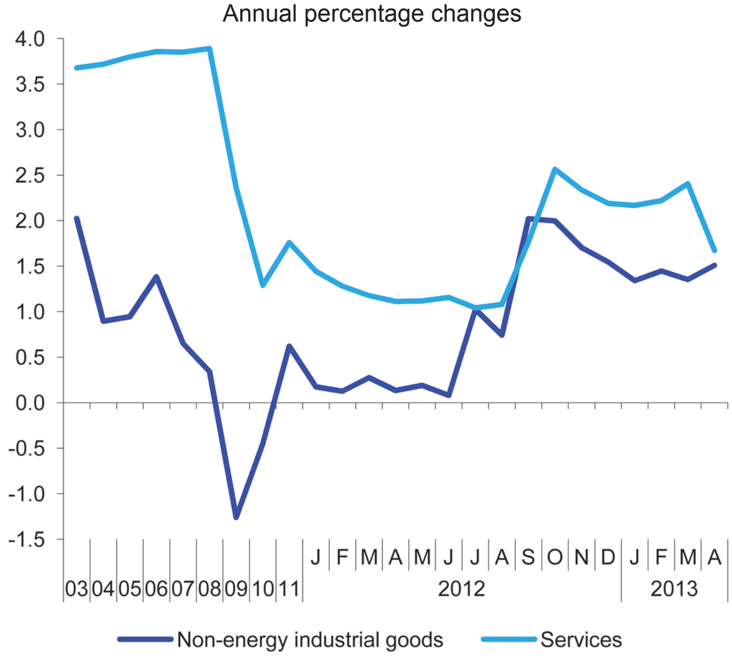


Table 15

Other prices and costs indicators

		GDP deflator (a)	Industrial producer prices		Housing prices		Urban land prices (M. Public Works)	Labour Costs Survey				Wage increases agreed in collective bargaining
			Total	excluding energy	Housing Price Index (INE)	m² average price (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	109.8	100.0	100.0	100.0	131.1	128.3	139.9	136.2	--
2008		135.4	116.3	114.7	98.5	100.7	91.1	137.5	134.8	145.6	142.5	--
2009		135.5	112.4	112.1	91.9	93.2	85.8	142.3	139.2	151.8	150.5	--
2010		136.0	116.5	114.1	90.1	89.6	74.8	142.8	140.4	150.2	151.4	--
2011		137.3	124.6	118.8	83.4	84.6	69.8	144.5	141.9	152.5	154.8	--
2012		137.7	129.3	120.9	72.0	77.2	65.4	143.6	141.1	151.3	154.7	--
2013 (b)		--	131.0	121.2	--	--	--	--	--	--	--	--
2011	II	137.3	124.6	118.0	85.2	85.2	76.8	146.9	145.2	152.3	153.0	--
	III	137.3	125.2	118.2	82.9	84.1	60.9	138.9	134.9	151.2	159.8	--
	IV	137.8	125.5	117.8	79.4	82.8	65.5	151.7	151.3	152.9	163.6	--
2012	I	137.4	128.7	118.5	75.4	80.2	63.7	142.2	137.9	155.1	144.7	--
	II	137.5	128.4	119.4	73.0	78.1	70.2	146.5	145.3	150.2	154.1	--
	III	138.1	130.2	120.2	70.2	76.1	60.4	138.8	135.2	149.7	159.8	--
	IV	137.9	129.9	120.7	69.2	74.5	67.3	146.9	145.8	150.2	160.0	--
2013	I	--	131.0	121.2	--	--	--	--	--	--	--	--
2013	Jan	--	131.2	121.1	--	--	--	--	--	--	--	--
	Feb	--	131.5	121.3	--	--	--	--	--	--	--	--
	Mar	--	130.3	121.2	--	--	--	--	--	--	--	--
Annual percent changes												
2007		3.3	3.6	4.1	--	5.8	3.8	4.0	4.0	4.1	4.6	3.1
2008		2.4	6.5	4.5	-1.5	0.7	-8.9	4.8	5.1	4.1	4.6	3.6
2009		0.1	-3.4	-2.3	-6.7	-7.4	-5.8	3.5	3.2	4.3	5.6	2.3
2010		0.4	3.7	1.8	-2.0	-3.9	-12.8	0.4	0.9	-1.1	0.6	1.5
2011		1.0	6.9	4.2	-7.4	-5.6	-6.7	1.2	1.0	1.6	2.2	2.1
2012		0.3	3.8	1.7	-13.7	-8.7	-6.4	-0.6	-0.6	-0.8	-0.1	1.3
2013 (c)		--	1.8	2.3	--	--	--	--	--	--	--	--
2011	II	1.2	6.9	4.7	-6.8	-5.2	1.5	0.8	0.6	1.5	1.5	2.7
	III	0.8	7.1	4.3	-7.4	-5.6	-11.1	1.5	1.2	2.2	4.8	2.6
	IV	0.8	5.9	2.9	-11.2	-6.8	-19.9	1.6	1.4	2.2	2.5	2.1
2012	I	0.3	4.6	1.4	-12.6	-7.2	-16.4	1.1	1.2	0.9	1.4	2.2
	II	0.1	3.1	1.2	-14.4	-8.3	-8.6	-0.3	0.0	-1.4	0.7	1.7
	III	0.6	3.9	1.7	-15.2	-9.5	-0.7	-0.1	0.3	-0.9	0.0	1.3
	IV	0.1	3.5	2.5	-12.8	-10.0	2.7	-3.2	-3.6	-1.8	-2.2	1.3
2013	I	--	1.8	2.3	--	--	--	--	--	--	--	--
2013	Jan	--	2.7	2.6	--	--	--	--	--	--	--	0.4
	Feb	--	2.2	2.3	--	--	--	--	--	--	--	0.6
	Mar	--	0.5	1.9	--	--	--	--	--	--	--	0.6

(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 15.1.- Housing and urban land prices
Index (2007=100)

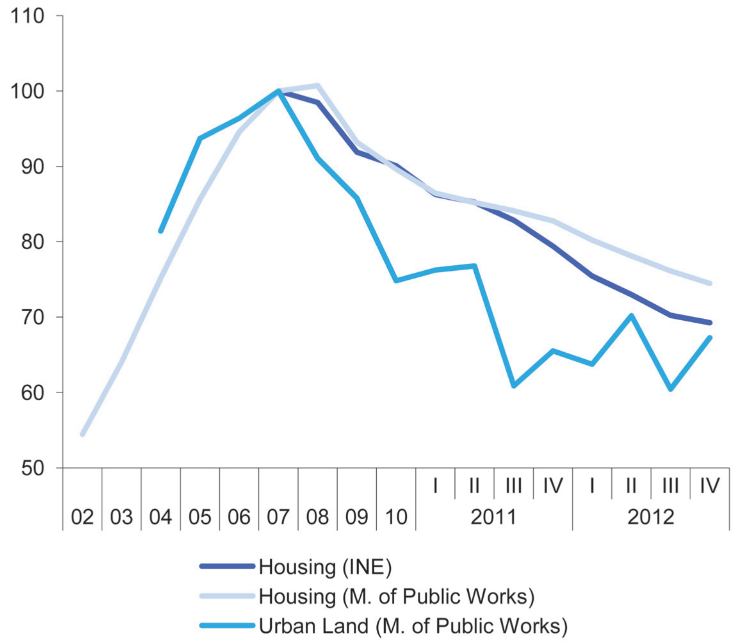


Chart 15.2.- Wage costs
Annual percent change

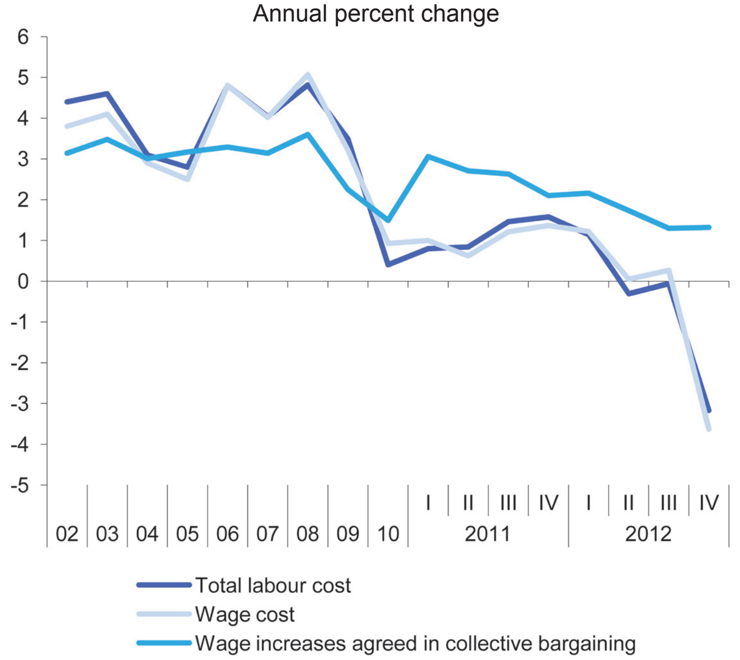


Table 16

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	107.2	111.3	285.0	104.8	116.7	130.9	54.2	-100.0	-65.5	-40.2
2008		189.2	109.0	112.0	283.4	109.1	111.5	130.8	58.5	-94.2	-50.7	-26.3
2009		159.9	101.6	101.5	206.1	96.2	92.0	110.5	49.4	-46.2	-18.8	-9.1
2010		186.8	103.2	116.7	240.1	100.6	102.4	126.3	60.5	-53.3	-17.9	-5.0
2011		215.2	108.2	128.4	263.1	109.1	103.5	142.4	72.9	-47.9	-4.0	3.4
2012		222.6	110.4	131.4	253.4	114.2	95.9	139.9	82.8	-30.8	15.8	12.6
2013 (b)		36.3	109.9	135.7	41.0	111.3	100.1	22.9	13.4	-4.7	3.5	2.8
2011	II	53.5	107.5	128.8	64.5	107.2	103.9	34.9	18.6	-11.0	-0.8	1.4
	III	54.6	108.7	130.0	65.1	110.4	101.9	35.6	18.9	-10.5	0.2	1.8
	IV	55.7	110.1	130.9	65.2	112.3	100.2	36.4	19.3	-9.5	-0.2	1.4
2012	I	55.0	110.1	129.3	65.9	114.8	99.1	35.1	19.9	-10.9	1.5	1.9
	II	55.0	108.3	131.5	63.0	112.8	96.6	34.5	20.5	-8.1	3.8	2.9
	III	57.1	110.6	133.7	63.6	114.9	95.6	34.7	22.5	-6.4	5.5	2.9
	IV	58.1	112.5	133.7	61.1	114.5	92.1	35.7	22.4	-3.0	7.3	4.9
2013	I (b)	38.4	109.9	135.7	43.0	111.2	100.1	23.7	14.7	-4.6	3.6	2.5
2012	Dec	19.0	113.4	129.8	19.4	115.0	87.3	11.9	7.0	-0.4	2.7	2.1
2013	Jan	19.6	111.0	137.5	22.6	112.3	104.3	11.9	7.7	-3.0	1.5	1.0
	Feb	18.8	108.8	133.9	20.4	110.2	95.9	11.8	7.0	-1.6	2.1	1.5
		Percentage changes (b)								**Percentage of GDP**		
2007		8.6	2.6	5.8	8.5	0.9	7.6	8.0	10.0	-9.5	-6.2	-3.8
2008		2.3	1.6	0.7	-0.6	4.1	-4.5	-0.1	8.0	-8.7	-4.7	-2.4
2009		-15.5	-6.7	-9.4	-27.3	-11.8	-17.5	-15.5	-15.5	-4.4	-1.8	-0.9
2010		16.8	1.6	15.0	16.5	4.6	11.3	14.3	22.5	-5.1	-1.7	-0.5
2011		15.2	4.8	10.0	9.6	8.5	1.1	12.7	20.5	-4.5	-0.4	0.3
2012		3.4	2.0	1.7	-3.7	4.6	-7.1	-1.8	13.6	-2.9	1.5	1.2
2013 (d)		5.0	-0.1	5.1	-2.4	-2.4	0.0	1.5	11.7	--	--	--
2011	II	0.9	4.2	-3.2	-10.1	0.7	-10.5	0.9	0.8	-4.1	-0.3	0.5
	III	8.4	4.7	3.6	3.6	12.3	-7.8	9.0	7.3	-4.0	0.1	0.7
	IV	8.6	5.4	2.9	0.4	7.3	-6.4	8.8	8.1	-3.6	-0.1	0.5
2012	I	-4.9	0.1	-5.0	4.5	9.1	-4.2	-13.3	12.5	-4.1	0.6	0.7
	II	-0.2	-6.7	7.0	-16.1	-6.9	-9.9	-6.5	11.9	-3.1	1.5	1.1
	III	16.5	9.0	7.1	3.2	7.7	-4.0	1.6	45.1	-2.4	2.1	1.1
	IV	7.2	7.1	-0.1	-14.7	-1.3	-13.7	12.1	-0.1	-1.1	2.8	1.9
2013	I (d)	-3.4	-9.1	6.1	24.4	-10.9	39.4	-0.9	-7.3	--	--	--
2012	Dec	-1.7	0.9	-2.5	-5.3	2.4	-7.6	-0.4	-3.7	--	--	--
2013	Jan	3.7	-2.2	6.0	16.7	-2.3	19.5	-0.1	10.1	--	--	--
	Feb	-4.6	-2.0	-2.6	-9.8	-1.9	-8.1	-1.2	-9.7	--	--	--

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

Chart 16.1.- External trade (real)
Percent change from previous period

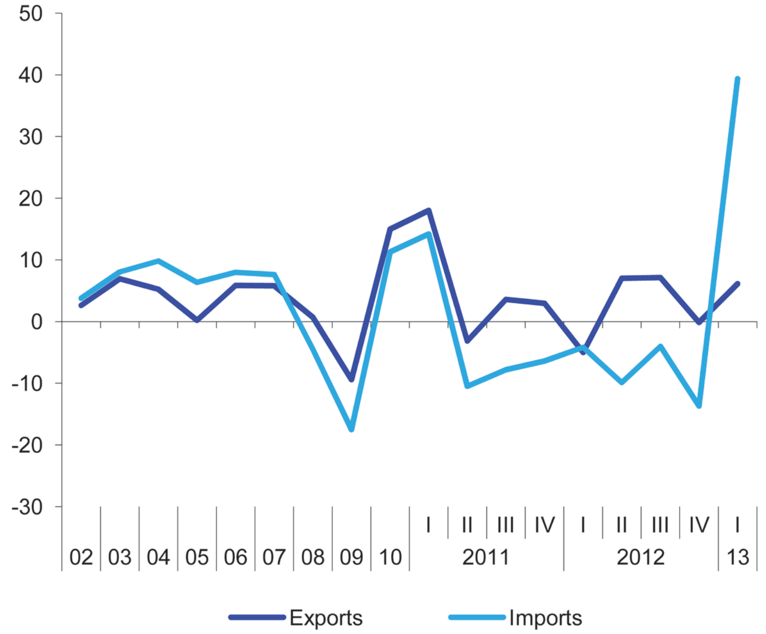


Chart 16.2.- Trade balance
EUR Billions, moving sum of 4 quarters

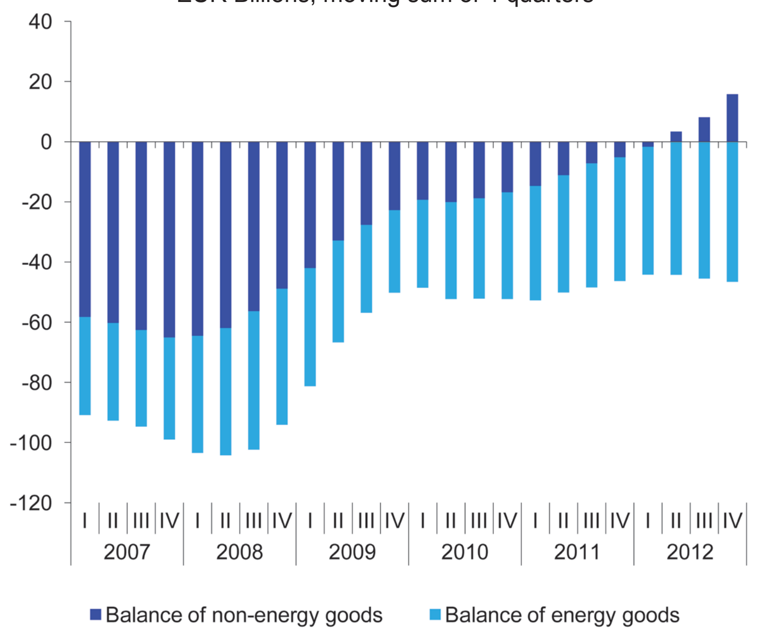


Table 17

Balance of Payments (according to IMF manual)

(Net transactions)

		Current account					Capital account	Current and capital accounts	Financial account						
									Financial account, excluding Bank of Spain					Bank of Spain	Errors and omissions
		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		-46.96	-48.17	28.04	-19.93	-6.90	6.29	-40.67	27.63	1.53	28.73	-11.23	8.61	15.70	2.66
2011		-39.79	-42.33	34.63	-25.71	-6.37	5.47	-34.32	-80.46	-7.02	-27.55	-43.92	-1.97	109.14	-5.63
2012		-11.27	-25.80	37.11	-18.59	-3.99	6.59	-4.68	-173.08	25.39	-53.63	-153.28	8.44	173.52	-4.25
2013 (a)		-3.95	-3.46	5.05	-2.48	-3.07	1.04	-2.91	41.19	3.98	10.06	23.41	3.75	-39.50	-1.21
2011	I	-16.72	-11.50	4.70	-5.86	-4.06	1.56	-15.16	20.45	-3.14	23.25	-2.09	2.43	-11.04	-5.75
	II	-7.67	-9.40	9.38	-6.11	-1.54	1.35	-6.32	0.82	-7.99	-20.15	31.81	-2.85	5.87	0.37
	III	-6.80	-10.87	13.18	-7.80	-1.31	1.25	-5.55	-31.46	1.73	-14.22	-17.68	-1.29	39.02	2.01
	IV	-8.59	-10.56	7.37	-5.94	0.53	1.31	-7.29	-70.27	2.38	-16.43	-55.97	-0.26	75.29	-2.27
2012	I	-13.82	-9.06	5.80	-6.28	-4.28	0.67	-13.15	-97.65	6.82	-39.85	-67.41	2.78	105.57	-5.23
	II	-3.16	-6.59	9.39	-4.70	-1.25	1.72	-1.44	-127.47	-2.55	-46.64	-77.87	-0.40	131.22	2.31
	III	1.28	-6.51	14.51	-4.45	-2.26	1.52	2.79	0.77	2.98	4.16	-11.09	4.72	-3.27	0.29
	IV	4.43	-3.64	7.42	-3.15	3.80	2.68	7.11	51.28	18.14	28.71	3.10	1.33	-60.01	-1.62
2012	Dec	3.20	-1.31	1.88	0.27	2.36	0.75	3.96	19.59	7.68	-23.12	35.50	-0.47	-27.39	-3.85
2013	Jan	-2.64	-2.86	2.75	-1.66	-0.87	0.30	-2.35	30.37	2.37	11.26	14.42	2.32	-28.07	-0.04
	Feb	-1.30	-0.60	2.31	-0.81	-2.20	0.74	-0.56	10.82	1.60	-1.20	8.99	1.43	-11.43	-1.17
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	2.7	-1.9	-0.7	0.6	-3.9	2.6	0.1	2.7	-1.1	0.8	1.5	0.3
2011		-3.7	-4.0	3.3	-2.4	-0.6	0.5	-3.2	-7.6	-0.7	-2.6	-4.1	-0.2	10.3	-0.5
2012		-1.1	-2.5	3.5	-1.8	-0.4	0.6	-0.4	-16.5	2.4	-5.1	-14.6	0.8	16.5	-0.4
2011	I	-6.4	-4.4	1.8	-2.3	-1.6	0.6	-5.8	7.9	-1.2	8.9	-0.8	0.9	-4.2	-2.2
	II	-2.8	-3.4	3.4	-2.2	-0.6	0.5	-2.3	0.3	-2.9	-7.4	11.6	-1.0	2.2	0.1
	III	-2.7	-4.3	5.2	-3.1	-0.5	0.5	-2.2	-12.3	0.7	-5.6	-6.9	-0.5	15.3	0.8
	IV	-3.1	-3.8	2.7	-2.2	0.2	0.5	-2.6	-25.6	0.9	-6.0	-20.4	-0.1	27.4	-0.8
2012	I	-5.3	-3.5	2.2	-2.4	-1.7	0.3	-5.1	-37.7	2.6	-15.4	-26.0	1.1	40.8	-2.0
	II	-1.2	-2.4	3.5	-1.7	-0.5	0.6	-0.5	-47.2	-0.9	-17.3	-28.9	-0.1	48.6	0.9
	III	0.5	-2.6	5.7	-1.8	-0.9	0.6	1.1	0.3	1.2	1.6	-4.4	1.9	-1.3	0.1
	IV	1.6	-1.3	2.8	-1.2	1.4	1.0	2.6	19.0	6.7	10.6	1.1	0.5	-22.3	-0.6

(a) Period with available data.

Source: Bank of Spain.

Chart 17.1.- Balance of payments: Current and capital accounts
EUR Billions, 12-month cumulated

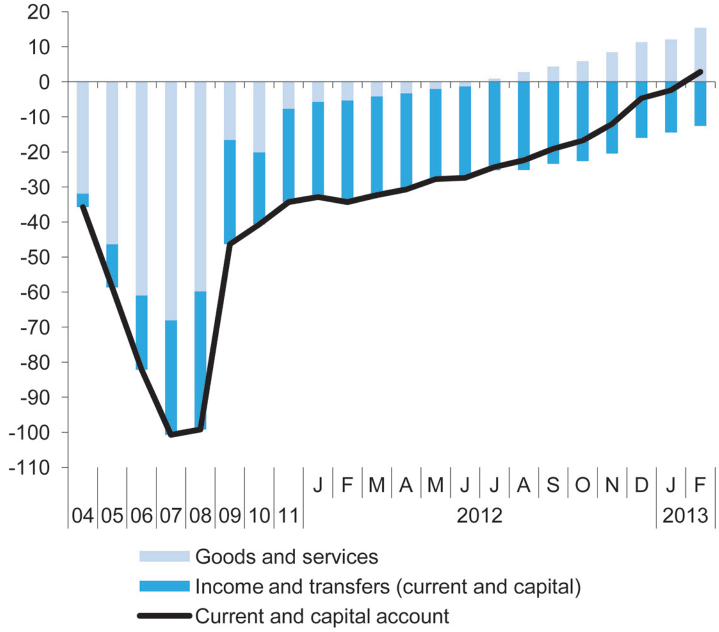


Chart 17.2.- Balance of payments: financial account
EUR Billions, 12-month cumulated

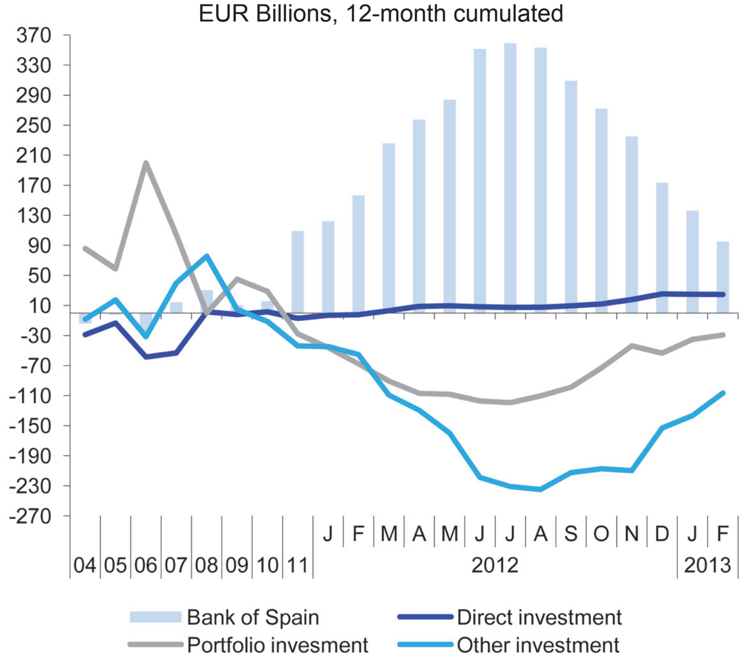


Table 18

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 (b)		-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 (b)		-43.7	122.7	166.4	215.4	96.2	71.6	47.7	-5.8	118.6	101.1	124.4	105.5
2013 (c)		-17.1	24.0	41.1	211.3	93.4	71.1	46.8	-5.5	119.6	100.2	125.1	106.6
2013	Jan	-47.1	120.2	167.2	212.1	94.1	71.0	47.0	-5.5	119.3	101.0	124.7	105.8
	Feb	-46.8	118.9	165.7	210.0	93.5	70.8	45.8	-5.2	119.9	100.7	125.1	106.2
	Mar	-40.3	124.1	164.4	211.3	93.4	71.1	46.8	-5.5	119.6	100.2	125.1	106.6
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 (b)		--	-3.1	-12.6	1.1	3.1	-0.9	-0.8	--	-0.7	-0.1	1.7	3.9
2012 (b)		--	-10.8	-1.6	21.7	7.3	0.5	195.9	--	-2.5	-4.0	1.9	3.9
2013 (c)		--	6.1	-4.7	19.2	5.1	2.0	150.8	--	-2.7	-4.7	1.6	4.0
2013	Jan	--	-12.0	-3.3	20.3	6.4	0.5	170.9	--	-3.0	-4.3	1.8	3.9
	Feb	--	-13.1	-5.4	19.0	5.7	1.5	149.7	--	-3.3	-4.4	1.9	3.9
	Mar	--	-8.7	-7.0	19.2	5.1	2.0	150.8	--	-2.7	-4.7	1.6	4.0
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 (b)		-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 (b)		-4.2	11.7	15.9	20.5	9.2	6.8	4.5	-0.6	11.3	9.6	11.9	10.1
2013 (c)		-1.6	2.3	3.9	20.1	8.9	6.8	4.5	-0.5	11.4	9.5	11.9	10.1
2013	Jan	-4.5	11.5	15.9	20.2	9.0	6.8	4.5	-0.5	11.4	9.6	11.9	10.1
	Feb	-4.5	11.3	15.8	20.0	8.9	6.7	4.4	-0.5	11.4	9.6	11.9	10.1
	Mar	-3.8	11.8	15.6	20.1	8.9	6.8	4.5	-0.5	11.4	9.5	11.9	10.1

(a) Including the regional and local administrations share in direct and indirect taxes. (b) State figures doesn't include financial entities bail-out expenditures. (c) Cummulated since January.

Sources: M. of Economy and M. of Labour.

Chart 18.1.- State: Revenue, expenditure and deficit
EUR Billions, 12-month cumulated

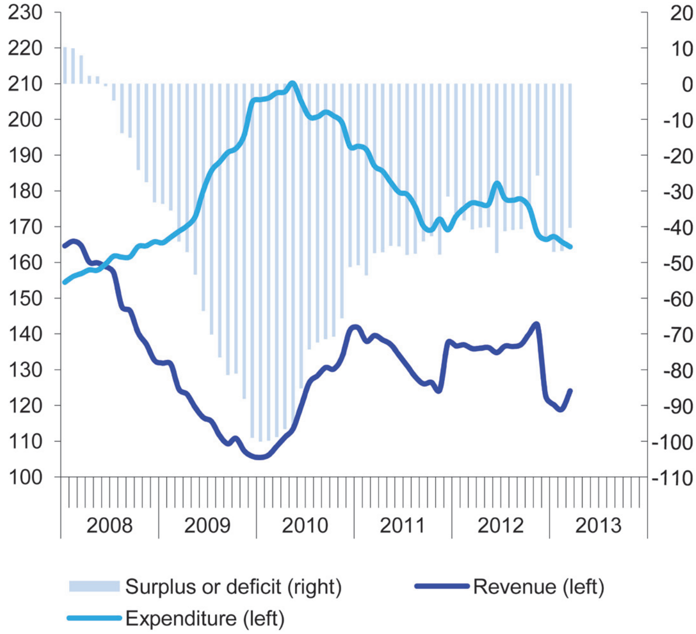


Chart 18.2.- Social Security System: Revenue, expenditure and deficit
EUR Billions, 12-month cumulated

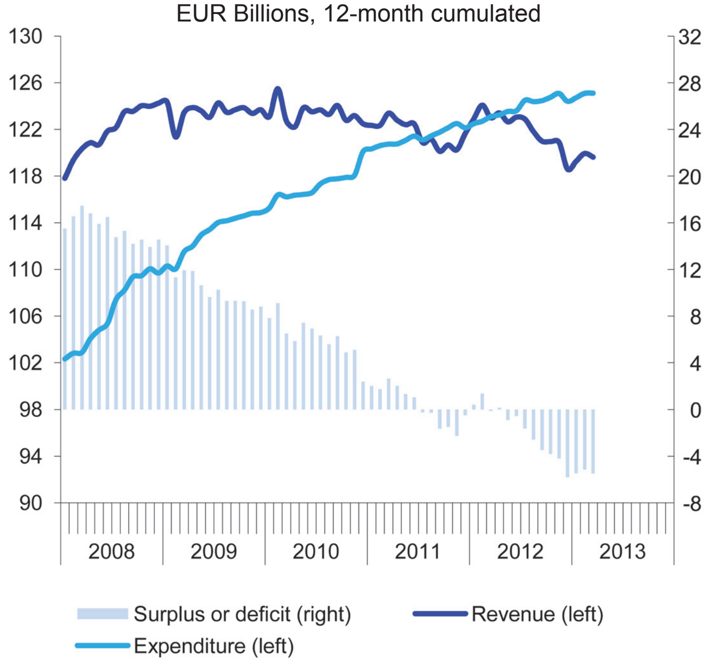


Table 19

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	2,862.5	883.9	1,144.3	834.3	--	8,167.5
2013 (a)	5.1	355.1	3.2	9.5	5.6	2,858.0	913.6	1,120.2	820.2	--	8,419.0
2011 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	2,868.0	817.2	1,210.0	840.8	--	7,708.5
IV	5.6	413.6	3.1	8.8	5.5	2,862.5	883.9	1,144.3	834.3	--	8,167.5
2013 I (a)	5.1	353.5	3.2	9.5	5.6	2,858.0	913.6	1,120.2	820.2	--	7,920.0
II (a)	4.6	335.4	--	--	--	--	--	--	--	--	8,419.0
2013 Feb	5.2	360.9	3.3	9.6	5.7	2,858.0	913.6	1,124.5	823.5	--	8,230.3
Mar	4.9	350.4	3.2	9.6	5.6	--	--	1,120.2	820.2	--	7,920.0
Apr	4.6	335.4	--	--	--	--	--	--	--	--	8,419.0
						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	--	--	--	--	--	1.3	20.0	-6.2	-3.7	0.1	-4.6
2013 (c)	--	--	--	--	--	0.9	19.6	-6.9	-3.9	-0.5	--
2011 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	--	--	--	--	--	0.9	15.3	-4.1	-3.6	-3.6	8.5
IV	--	--	--	--	--	1.3	20.0	-6.2	-3.7	0.1	6.0
2013 I (c)	--	--	--	--	--	0.9	19.6	-6.9	-3.9	-0.5	-3.8
2013 Feb	--	--	--	--	--	0.9	19.6	-6.8	-3.9	-0.8	-1.6
Mar	--	--	--	--	--	--	--	-6.9	-3.9	-0.5	-3.8
Apr	--	--	--	--	--	--	--	--	--	--	6.3

(a) Period with available data. (b) Percent change from preceeding period. (c) Growth of available period over the same period of the previous year.
Source: Bank of Spain.

Chart 19.1.- 10 year bond yield
Percentage rates and basis points

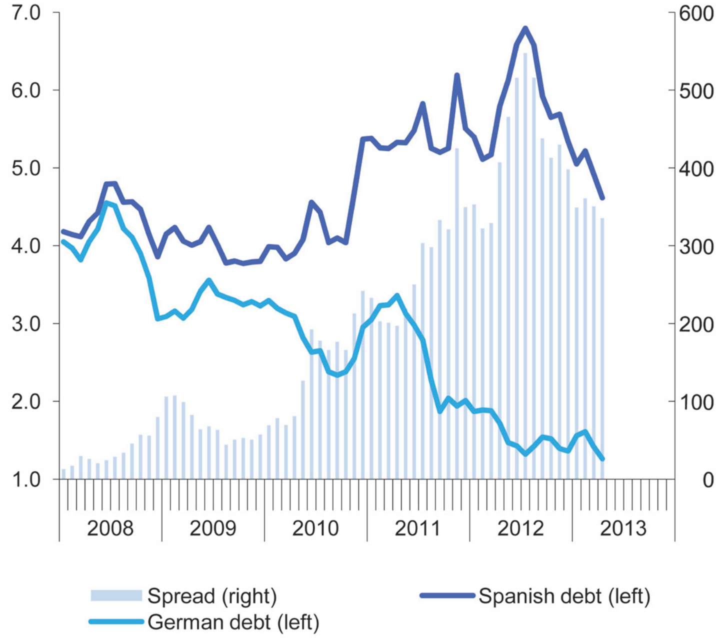


Chart 19.2.- Credit stock growth
Annual percentage change

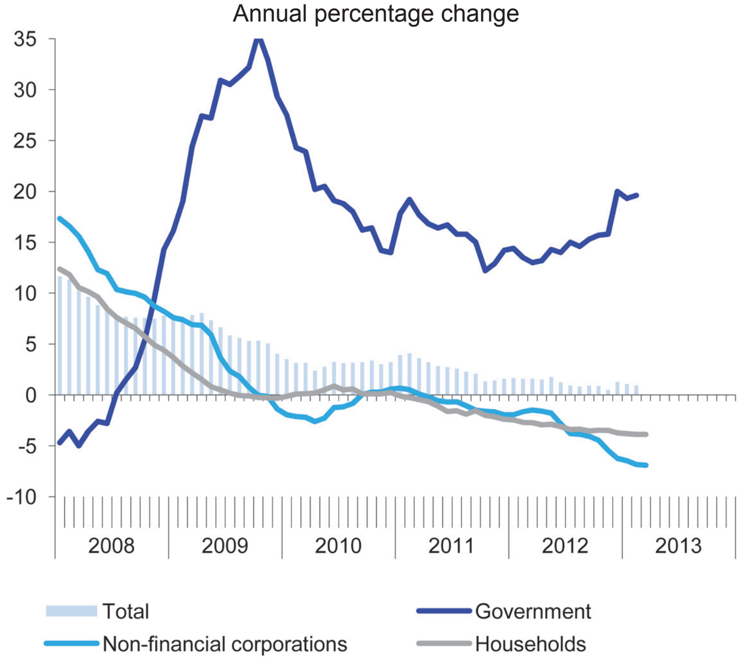


Table 20

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**
2007		91.2	109.1	119.7	106.5	104.4	102.0	108.4	106.5	101.8	111.9
2008		92.8	111.2	119.9	110.9	107.8	102.9	114.7	111.7	102.6	114.5
2009		102.5	115.3	112.5	110.6	108.1	102.3	110.9	106.7	103.9	114.0
2010		99.5	112.9	113.5	112.9	109.9	102.7	115.2	110.0	104.7	112.9
2011		99.9	109.1	109.3	116.3	112.9	103.1	122.7	116.0	105.8	113.1
2012		102.9	108.7	105.7	119.2	115.7	103.0	126.8	119.0	106.6	111.7
2013 (a)		--	--	--	120.3	116.7	103.1	128.0	119.5	107.1	112.7
2011	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	114.4	102.0	126.3	118.5	106.6	110.8
	II	--	--	--	119.4	115.9	103.0	126.2	118.8	106.2	111.8
	III	--	--	--	119.3	115.8	103.0	127.6	119.4	106.9	111.1
	IV	--	--	--	121.4	116.8	104.0	127.3	119.3	106.7	113.1
2013	I	--	--	--	119.9	116.5	102.9	128.0	119.5	107.1	112.7
	II (a)	--	--	--	121.5	117.5	103.4	--	--	--	--
2013	Feb	--	--	--	119.2	116.2	102.6	128.5	119.6	107.4	112.5
	Mar	--	--	--	121.4	117.5	103.3	127.4	119.5	106.6	113.2
	Apr	--	--	--	121.5	117.5	103.4	--	--	--	--
		Annual percentage changes					**Differential**	**Annual percentage changes**		**Differential**	
2007		-0.8	4.1	4.9	2.8	2.1	0.7	3.2	2.1	1.1	--
2008		1.8	1.9	0.2	4.1	3.3	0.8	5.7	4.9	0.8	--
2009		10.5	3.7	-6.1	-0.2	0.3	-0.5	-3.3	-4.5	1.2	--
2010		-3.0	-2.1	0.9	2.0	1.6	0.4	3.9	3.1	0.8	--
2011		0.4	-3.4	-3.7	3.1	2.7	0.3	6.5	5.4	1.0	--
2012		3.0	-0.4	-3.3	2.4	2.5	-0.1	3.4	2.6	0.8	--
2013 (b)		--	--	--	2.4	1.7	0.7	0.8	1.4	-0.5	
2011	III	--	--	--	2.9	2.7	0.2	6.4	5.3	1.1	--
	IV	--	--	--	2.7	2.9	-0.2	5.3	4.7	0.6	--
2012	I	--	--	--	1.9	2.7	-0.8	4.1	3.6	0.5	--
	II	--	--	--	1.9	2.5	-0.6	2.9	2.4	0.5	--
	III	--	--	--	2.8	2.5	0.2	3.5	2.4	1.2	--
	IV	--	--	--	3.2	2.3	0.9	3.1	2.1	1.0	--
2013	I	--	--	--	2.8	1.9	0.9	1.4	0.8	0.5	--
	II (b)	--	--	--	1.5	1.2	0.3	--	--	--	--
2013	Feb	--	--	--	2.9	1.9	1.1	1.7	0.9	0.8	--
	Mar	--	--	--	2.6	1.7	0.8	0.3	0.3	-0.1	--
	Apr	--	--	--	1.5	1.2	0.3	--	--	--	--

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

Sources: Eurostat and Bank of Spain.

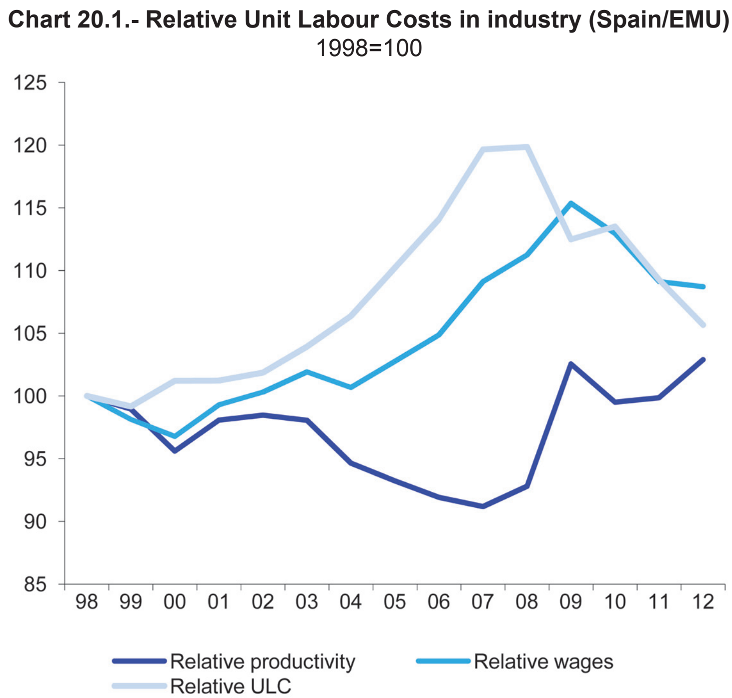


Chart 20.1.- Relative Unit Labour Costs in industry (Spain/EMU)
1998=100
125
120
115
110
105
100
95
90
85
98 99 00 01 02 03 04 05 06 07 08 09 10 11 12
Relative productivity
Relative wages
Relative ULC

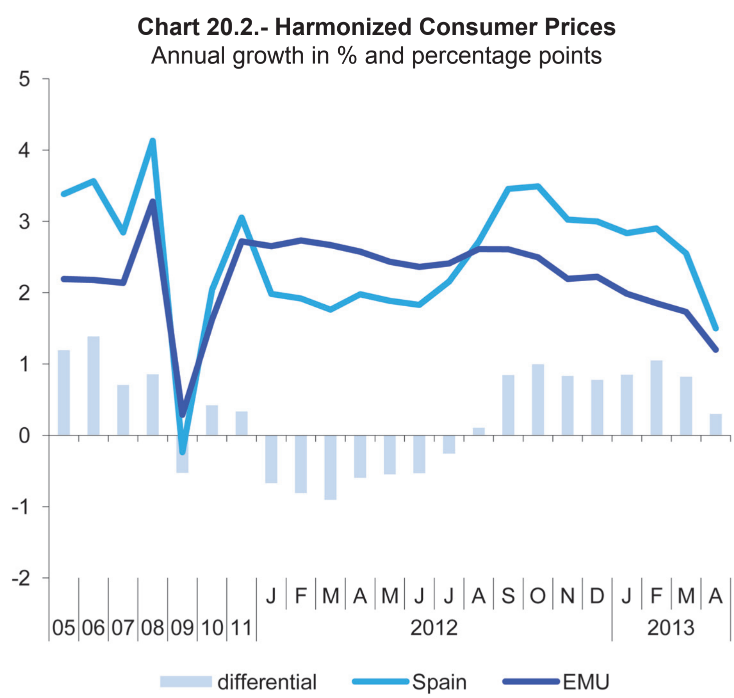


Chart 20.2.- Harmonized Consumer Prices
Annual growth in % and percentage points
5
4
3
2
1
0
-1
-2
J F M A M J J A S O N D J F M A
05 06 07 08 09 10 11
2012
2013
differential
Spain
EMU

Table 21a

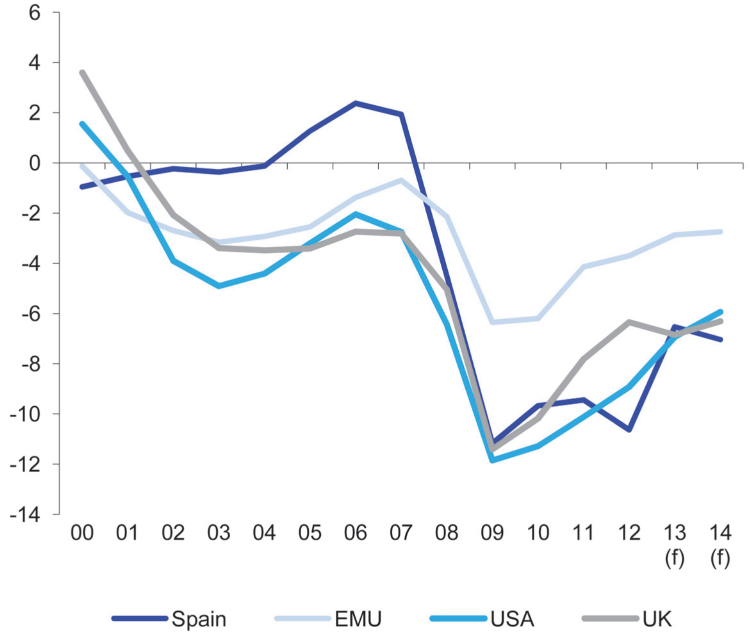
Imbalances: International comparison (I)

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	42.4	-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	-64.2	-676.5	-14.4
2009	-117.1	-567.1	-1,647.4	-159.9	565.1	7,137.4	12,445.9	950.8	-49.9	5.5	-500.4	-17.7
2010	-101.5	-569.0	-1,626.6	-149.3	644.7	7,852.6	14,236.9	1,164.8	-46.0	22.8	-472.4	-37.3
2011	-100.4	-390.2	-1,517.3	-118.4	736.5	8,295.2	15,456.0	1,295.4	-39.4	29.3	-497.7	-20.2
2012	-111.6	-351.8	-1,392.3	-97.8	883.9	8,794.6	16,777.3	1,387.4	-8.9	173.0	-473.3	-57.7
2013	-68.7	-275.2	-1,119.9	-108.0	960.0	9,157.3	17,873.2	1,505.0	16.9	240.6	-447.2	-42.3
2014	-75.5	-271.0	-1,005.7	-102.9	1,037.9	9,466.0	18,866.3	1,607.9	31.0	261.2	-504.6	-33.0
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	-6.4	-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	0.2	-3.3	-2.5
2011	-9.4	-4.1	-10.1	-7.8	69.3	88.0	103.1	85.5	-3.7	0.3	-3.3	-1.3
2012	-10.6	-3.7	-8.9	-6.3	84.2	92.7	107.6	90.0	-0.9	1.8	-3.0	-3.7
2013	-6.5	-2.9	-6.9	-6.8	91.3	95.5	110.6	95.5	1.6	2.5	-2.8	-2.7
2014	-7.0	-2.7	-5.9	-6.3	96.8	96.0	111.3	98.7	2.9	2.7	-3.0	-2.0

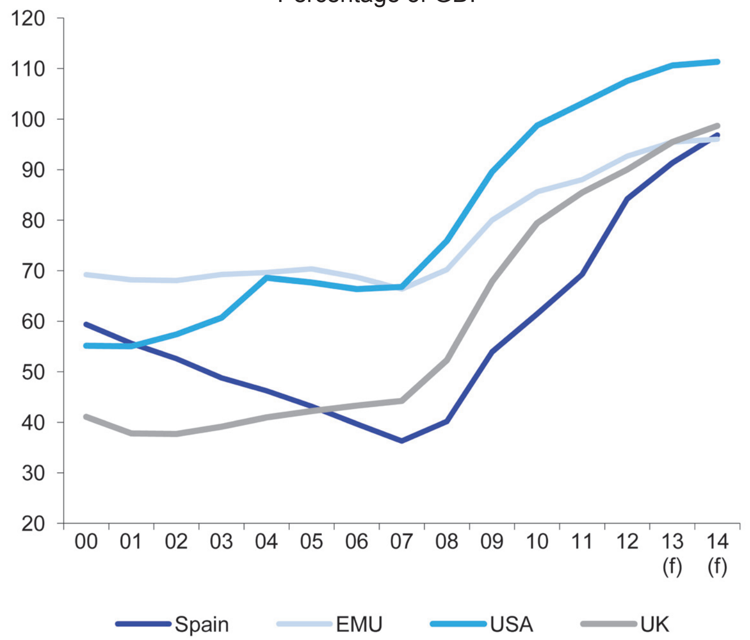
Source: European Commission.

Chart 21a.1.- Government deficit
Percentage of GDP



(f) European Commission forecast.

Chart 21a.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	4,769.3	11,716.4	1,163.3	951.5	6,795.0	8,681.5	1,266.3	528.3	7,720.8	12,957.3	2,418.5
2006	780.7	5,187.5	12,856.0	1,287.0	1,191.4	7,434.9	9,627.5	1,436.0	753.9	8,726.0	14,279.6	2,616.5
2007	876.6	5,555.1	13,711.5	1,398.2	1,385.3	8,255.9	10,949.6	1,479.9	980.4	10,125.2	16,224.9	3,130.0
2008	913.4	5,806.0	13,688.0	1,448.5	1,474.7	8,913.7	11,623.3	1,680.0	1,042.5	11,099.8	17,123.8	3,494.2
2009	906.1	5,935.2	13,410.1	1,441.5	1,461.1	8,930.9	11,294.6	1,597.7	1,121.1	11,491.9	15,709.3	3,461.5
2010	901.7	6,120.9	13,073.7	1,448.3	1,494.8	9,174.9	11,415.5	1,575.8	1,115.6	11,570.8	14,498.4	3,555.9
2011	874.3	6,218.6	12,869.4	1,446.1	1,476.1	9,337.1	11,961.0	1,625.7	1,134.5	11,906.9	14,053.9	3,468.1
2012 (b)	837.6	6,214.1	12,830.8	1,458.8	1,372.0	9,495.5	12,694.2	1,653.2	1,132.7	12,141.4	13,852.2	3,571.6
Percentage of GDP												
2005	71.9	58.6	93.3	92.1	104.6	83.4	69.1	100.3	58.1	94.8	103.1	191.5
2006	79.2	60.6	96.6	96.5	120.9	86.8	72.3	107.7	76.5	101.9	107.2	196.3
2007	83.2	61.5	98.2	99.0	131.5	91.4	78.4	104.8	93.1	112.1	116.2	221.7
2008	84.0	62.8	96.3	100.5	135.6	96.5	81.7	116.6	95.8	120.1	120.4	242.5
2009	86.5	66.5	96.5	102.8	139.4	100.1	81.3	114.0	107.0	128.8	113.0	246.9
2010	86.0	66.7	90.7	98.8	142.5	100.0	79.2	107.5	106.4	126.1	100.5	242.5
2011	82.2	66.0	85.8	95.4	138.8	99.1	79.8	107.2	106.7	126.4	93.7	228.8
2012 (b)	79.8	65.5	82.3	94.6	130.7	100.1	81.4	107.2	107.9	128.0	88.8	231.7

(a) Loans and securities other than shares. (b) EMU y UK: until Q3.
Sources: European Central Bank and Federal Reserve.

Chart 21b.1.- Household debt
Percentage of GDP

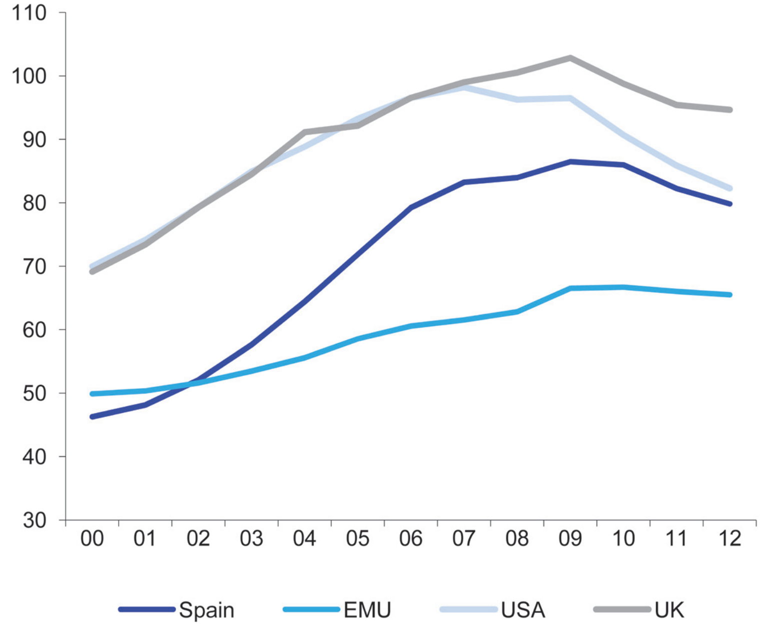
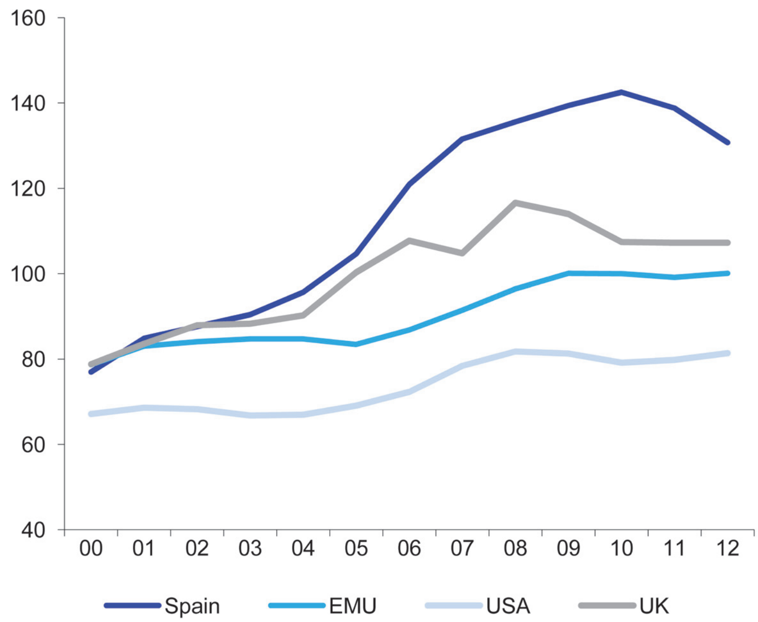


Chart 21b.2.- Non-financial corporations debt
Percentage of GDP



KEY FACTS: 50 FINANCIAL SYSTEM INDICATORS

Updated: May 15th, 2013

Highlights

Indicator	Last value available	Corresponding to:
Bank lending to other resident sectors (monthly average % var.)	-1.6	February 2013
Other resident sectors' deposits in credit institutions (monthly average % var.)	0.3	February 2013
Doubtful loans (monthly % var.)	-5.2	February 2013
Recourse to the Eurosystem (Eurozone financial institutions, million euros)	758,155	April 2013
Recourse to the Eurosystem (Spanish financial institutions, million euros)	257,215	April 2013
Recourse to the Eurosystem (Spanish financial institutions million euros)- Main L/T refinancing operations	26,747	February 2013
Operating expenses/gross operating income ratio (%)	47.18	December 2012
Customer deposits/employees ratio (thousand euros)	4,701.87	December 2012
Customer deposits/branches ratio (thousand euros)	30,110.18	December 2012
Branches/institutions ratio	219.09	December 2012

A. Money and interest rates

Indicator	Source:	Average 1996-2009	2011	2012	2013 April	2013 May 15th	Definition and calculation
1. Monetary Supply (% chg.)	ECB	6.9	2.2	3.5	2.6	-	M3 aggregate change (non-stationary
2. Three-month interbank interest rate	Bank of Spain	3.4	1.4	0.18	0.21	0.20	Daily data average
3. One-year Euribor interest rate (from 1994)	Bank of Spain	3.3	2.0	0.54	0.21	0.49	End-of-month data
4. Ten-year Treasury bonds interest rate (from 1998)	Bank of Spain	4.9	5.4	5.3	4.1	4.3	Market interest rate (not exclusively between account holders)
5. Corporate bonds average interest rate	Bank of Spain	5.0	5.0	4.8(a)	3.8	-	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 historical minimum on record and they are 0.20% and 0.49% respectively as of May 15th, 2013. The Spanish 10-year bond yield has relatively increased as compared to April and it stands at 4.3% but still this seems a relatively low level for the yield as compared to the levels shown at the beginning of the year.

B. Financial markets

Indicator	Source:	Average 1996-2009	2011	2012	2013 February	2013 March	Definition and calculation
6. Outright spot treasury bills transactions trade ratio	Bank of Spain	18.3	81.6	84.7	91.3	89.1	(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	112.6	64.8	54.1	58.3	(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	2.2	1.7	0.5	3.3	(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	3.3	2.2	2.9	2.0	(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	1.6	0.6	0.3	0.2	Outright transactions in the market (not exclusively between account holders)
11. Government bonds yield index (Dec1987=100)	Bank of Spain	490.2	684.4	751.1	765.9	776.3	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	-0.8	3.9	-1.5	-	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	1.6	-24.8	-37.9	-	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	857.7	824.7	833.6	852.5(a)	Base 1985=100
15. Ibex-35 (Dec1989=3000)	Bank of Spain and Madrid Stock Exchange	9,319.2	8,566.7	7,583.2	8,230.3	8,552.5(a)	Base dec1989=3000
16. Madrid Stock Exchange PER ratio (share value/ profitability)	Bank of Spain and Madrid Stock Exchange	17.1	9.7	18.2	27.7	29.1(a)	Madrid Stock Exchange Ratio “share value/ capital profitability”

B. Financial markets (continued)

Indicator	Source:	Average 1996-2009	2011	2012	2013 February	2013 March	Definition and calculation
17. Long-term bonds. Stock trading volume (% chg.)	Bank of Spain and Madrid Stock Exchange	2.8	15.1	-15.1	42.9	-	Variation for all stocks
18. Commercial paper. Trading balance (% chg.)	Bank of Spain and AIAF	45.2	59.24	73.9	-15.5	-6.9	AIAF fixed-income market
19. Commercial paper. Three-month interest rate	Bank of Spain and AIAF	3.6	1.9	2.3	2.4	2.2	AIAF fixed-income market
20. IBEX-35 financial futures concluded transactions (% chg.)	Bank of Spain	2.1	-15.8	-10.8	44.9	0.6	IBEX-35 shares concluded transactions
21. IBEX-35 financial options concluded transactions (% chg.)	Bank of Spain	-2.7	-25.9	54.1	20.0	-18.8	IBEX-35 shares concluded transactions

(a) Last data published: March 15th 2013.
Comment on “Financial Markets”: During the last month there has been a decrease in transactions with outright spot and forward T-bills, and a small increase in government bonds and debentur transactions. The stock market continues to follow an upward trend and, as of May 15th, the IBEX-35 stands at 8,552.5 points and the General Index of the Madrid Stock Exchange at 852.5 points. On the other hand, there was a 0.6% increase regarding financial IBEX-35 future transactions, while there was a 18.8% 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	2011	2012	2013 January	2013 February	Definition and calculation
28. Bank lending to other resident sectors (monthly average % var.)	Bank of Spain	14.7	-3.8	-10.4	-1.3	-1.6(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	-5.3	-1.8	-0.1	0.3	Deposits percentage change for the sum of banks, savings banks and credit unions
30. Debt securities (monthly average % var.)	Bank of Spain	10.2	5.2	23.2	0.6	4.1	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	41.0	3.1	0.4	-0.5	Asset-side equity and shares percentage change for the sum of banks, savings banks and credit unions
32. Credit institutions. Net position (difference between assets from credit institutions and liabilities with credit institutions) (% of total assets)	Bank of Spain	-0.5	-4.3	-9.0	-8.3	-7.9	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	2011	2012	2013 January	2013 February	Definition and calculation
33. Doubtful loans (monthly average % var.)	Bank of Spain	28.3	28.3	20.0	2.0	-5.2(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	-15.7	0.3	-5.7	1.8	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	37.9	-10.6	1.4	0.6	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 February 2013 show a 1.6% reduction in bank credit to the private sector and a 0.3% increase in financial institutions deposit-taking, from the previous month. Also, there was a -5.2% 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 institution´s to Sareb.

E. Credit institutions. Market Structure and Eurosystem Refinancing

Indicator	Source:	Average 1996-2009	2010	2011	2012 September	2012 December	Definition and calculation
36. Number of Spanish credit institutions	Bank of Spain	207	188	189	181	173	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	85	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	39,317	37,903	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	758,155(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	257,215(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 September	2012 December	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	26,747(a)	Open market operations: main long term refinancing operations. Spain total

(a) Last data published: April 2013.

Comment on “Credit institutions. Market Structure and Eurosystem Refinancing”: In April 2013, the recourse to Eurosystem funding by Spanish credit institutions accounted for 33.92% of net total funds borrowed from the ECB by the Eurozone. This represents a continuous reduction since March 2012.

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

Indicator	Source:	Average 1996-2009	2010	2011	2012 September	2012 December	Definition and calculation
43. “Operating expenses/gross operating income” ratio	Bank of Spain	55.73	46.53	49.85	44.15	47.18	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	4,579.13	4,701.87	Productivity indicator (business by employee)
45. “Customer deposits/ branches” ratio (Euro thousands)	Bank of Spain	18,620.11	16,554.20	29,171.23	28,446.84	30,110.18	Productivity indicator (business by branch)
46. “Branches/ institutions" ratio	Bank of Spain	187.24	155.41	205.38	215.87	219.09	Network expansion indicator
47. “Employees/ branches” ratio	Bank of Spain	6.1	3.6	6.5	6.2	6.9	Branch size indicator
48. Equity capital (monthly average % var.)	Bank of Spain	0.10	0.86	0.40	-0.36	-0.12	Credit institutions equity capital variation indicator
49. ROA	Bank of Spain	0.83	0.31	0.06	-1.20	-1.93	Profitability indicator, defined as the “pre-tax profit/average total assets”
50. ROE	Bank of Spain	13.54	5.73	3.28	-17.98	-18.74	Profitability indicator, defined as the “pre-tax profit/equity capital”

Comment on “Credit institutions. Efficiency and Productivity, Risk and Profitability”: In December 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.