Spanish Economic and Financial Outlook

The long road towards fiscal stability

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Letter from the Editors

The November SEFO highlights a turning point for the Spanish economy, as the country came out of recession in the third quarter of 2013 with growth of 0.1% – the first quarter of growth after nine consecutive quarters of contraction. The process of adjustment and correction of imbalances has progressed sufficiently to allow for domestic demand to stabilize and the economy to emerge from recession, with the help of the external sector´s positive contribution. However, given the low growth rate, and the remaining need for adjustment, we cannot yet say that the crisis is over nor that we have started a new economic cycle that is capable of job creation.

In the financial sector, the last two reviews by the European Commission, European Central Bank, and International Monetary Fund concluded that Spain´s financial sector assistance program remains on track, with all of the conditions established by the MoU already in place. In general, the financial sector continues to advance in the restructuring and recapitalization process. In addition, there have been some recent positive developments in terms of boosting supervisory powers at the Bank of Spain and the FROB, Spain´s financial sector restructuring fund. Finally, the Bank of Spain has also increased transparency through its forward looking assessment of the Spanish banking system, ahead of the ECB´s planned comprehensive assessment in November 2014. As regards the ECB stress tests, there are several issues yet to be resolved related to treatment of Spanish banks´ assets. The results of the Bank of Spain´s assessment reveal that Spain´s loss absorption capacity and Common Equity Tier 1 capital ratio would be adequate even under an adverse scenario.

On a related note, in this issue, we examine Spain´s new Alternative Fixed Income Market (MARF), launched in October 2013, in line with the MoU commitments to develop alternatives for non-bank funding. Given the experiences of similar markets in other countries, MARF could improve Spanish companies´ access to finance given the current context of financial disintermediation in the wake of the crisis. Nevertheless, it remains to be seen if MARF is compatible with the composition of Spain´s corporate structure. The results of leading new issuers will also play an instrumental role in setting the tone for investor confidence, and thus, to some degree, the ultimate success of the MARF.

Economic activity has stabilized and the financial assistance program remains on track. However, the Government still faces a long road towards fiscal stability. The last few years of weak economic conditions and structural problems of the Spanish economy have made fiscal consolidation harder than initially expected. In this context, the November SEFO takes a closer look at Spain´s public finances. Spain is currently in the midst of a notable fiscal rebalancing process. These efforts have been reflected in the easing of sovereign spreads. Nevertheless, consolidation has been uneven across the different levels of the public administration, with the greatest difficulty for meeting deficit targets in 2014 for the autonomous regions and social security. As our analysis of the 2014 Budget reveals, while improved economic conditions and extension of 2012/2013 tax measures into 2014 should help fiscal accounts, limited discretionary power to cut spending will make fiscal consolidation one of Spain´s key challenges over the coming years.

Finally, we examine the international expansion of Spanish firms. While the crisis has resulted in Spanish firms reducing their net investment abroad (as a result of divestments or geographic refocusing), exporting activity quickly recovered after the crisis, returning to maximum historical levels and resuming its pre-crisis growth track. Despite progress, Spain´s corporate internationalization remains concentrated in a handful of companies and industries. Geographic diversification beyond Europe and Latin America could also be increased, in particular in the case of outward FDI. Only time will tell if internationalization will successfully spread throughout the rest of Spain´s corporate sector.

FEATURES

The Spanish economy in the third quarter of 2013

Ángel Laborda and María Jesús Fernández[1]

Spain´s positive third quarter growth figures technically mark the end of the country´s recession. However, work remains to be done to correct the macroeconomic and fiscal imbalances built up in the years preceding the crisis in order for meaningful growth to begin.

Global growth picked up in the third quarter. Developed economies´ growth rates improved, albeit remaining modest, while the growth outlook for the emerging markets is still sluggish. Spain´s third quarter growth technically marks the end of recession, but the adjustment process continues and growth capacity remains limited. Overall, the fall in domestic demand has moderated, allowing for it to be offset by the external sector´s positive contribution. External and financial imbalances are correcting, with the current account entering into surplus for the first time since 1997 and both households and non-financial corporates continue to deleverage. The government has also yet to complete the fiscal consolidation underway.

Technically, the Spanish economy came out of recession in the third quarter of 2013, with reported growth of 0.1%. However, this does not mean that the crisis is over. As is clear from the current low inflation rate, continuing fall in real estate asset values and wages, credit squeeze, and faster generation of financial surpluses by households and firms to pay down their debts, the adjustment process is still on-going. Similarly, the general government also has yet to complete the major budgetary adjustment it has embarked upon.

The process of adjustment and correction of imbalances has progressed sufficiently to allow domestic demand to stabilise and the economy to emerge from recession, but insufficiently to put the crisis behind us and start a new cycle of solid growth that is able to create jobs.

Although minimal, the progress observed in the third quarter was made possible by slight growth in private consumption, and in particular, by investments in capital goods. However, construction investment continues to contract, as is also likely to be the case of public consumption. The overall outcome has been a moderation in the rate at which domestic demand is falling, such that its negative contribution to GDP growth could be offset by the external sector's positive contribution. Thus, it could be said that the process of adjustment and correction of imbalances has progressed sufficiently to allow domestic demand to stabilise and the economy to emerge from recession, but insufficiently to put

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the crisis behind us and start a new cycle of solid growth that is able to create jobs.

Weak external context

World economic growth may have picked up speed in the third quarter, but it remains modest. The composite global PMI rose from an average of 52 in April-June to 54.2 in the third quarter, its highest level in six quarters. The outlook for the developed economies has improved, but growth rates look set to remain moderate, while growth in the emerging economies remains sluggish, particularly compared to the past years' figures.

In the United States the ISM index for July to September showed a marked improvement, rising to 55.8 from an average of 50.2 in the previous quarter. However, employment has performed disappointingly, with fewer jobs being created than in previous quarters. Political obstacles to extending the budget and raising the debt ceiling led to a two-week partial shutdown of the Federal Government, although the impact on the economy seems to have been limited and government debt yields did not seem to come under any particular pressure. Although this issue remains unresolved (the budgetary extension expires in mid-January and the debt ceiling in early February), it is not causing concern in international financial markets, which seem to take for granted that an agreement will be reached at the last moment.

China's rate of quarter-on-quarter growth gained speed in the third quarter, rising to 2.2%, its fastest pace since the second quarter of 2012, although in year-on-year terms China's growth rate still remains below 8%, and no return to double-digit growth is foreseen. There has also been a general improvement in Latin America, although starting from growth rates that are modest compared to those in past years.

As regards the euro zone, the composite PMI was 51.4 in the third quarter, taking it over the 50 threshold for the first time in nine quarters, while the economic sentiment index rose to 94.9, the highest it has been since 2012. All the signs therefore indicate that the recovery begun in the second quarter continued into the third, largely thanks to the reduction of sovereign-debt crisis tensions, allowing confidence to return to the peripheral economies. Nevertheless, the unemployment rate rose slightly from 12.1% to 12.2%.

The Spanish economy emerged from recession in the third quarter

Spain's GDP grew by 0.1% in the third quarter of the year, its first quarter of growth after nine consecutive quarters of contraction. This means that technically the recession is over, but given the small growth rate, and bearing in mind that GDP figures should always be taken as approximations rather than exact measures, it would be more correct to talk of stabilisation than emergence from recession. In any event, the trends suggested by the indicators seem to confirm that the economy is on track for a mild recovery, but that the start of a fresh cycle of expansion is still a long way off.

There is as of yet no information on the composition of the growth observed in the third quarter, but one could hazard a guess that domestic demand made a slightly less negative contribution than in the previous quarter, while the external sector made a similar contribution as in the preceding period.

In general, the consumption indicators, many of which already showed positive quarter-on-quarter growth rates in the second quarter, continued to grow in the third. These indicators include new vehicle registrations (although the change was influenced by the government's scrappage scheme, known as PIVE), overnight stays in hotels by Spanish residents, and retail sales, whose growth even accelerated. The consumer confidence indicator also improved markedly in the third quarter, while the retail trade confidence indicator rose to its highest level since the third quarter of 2006 (Exhibits 1.1 and 1.2). All the signs are that the favourable trend in consumption in the first half of the year, where there was a rapid levelling off after the sharp drop at the end of 2012, has been maintained in the third quarter, when consumption may have grown slightly.

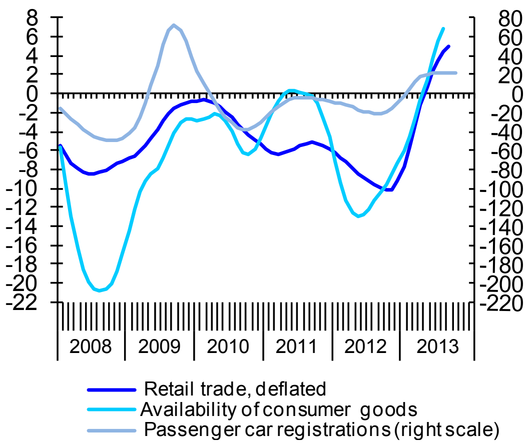
In the case of capital goods investments, the positive trend in the first two quarters of the year seems to have continued into the third. Although the indicators for this variable are highly erratic, their trend is clearly upward, with positive growth

Exhibit 1

Consumption and capital goods investment indicators

1.1 - Consumption indicators (I)

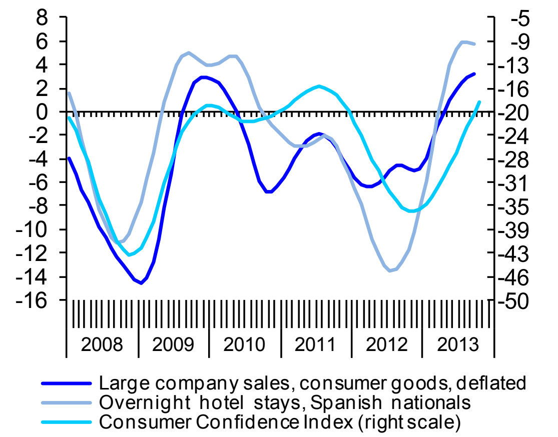
Annualised moving quarterly change in %, smoothed series



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

1.2 - Consumption indicators (II)

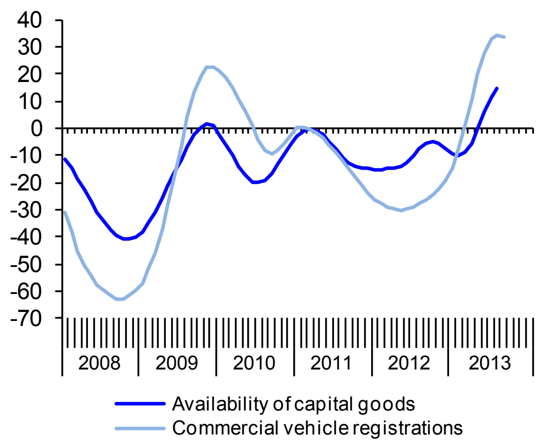
Annualised moving quarterly change in % and index (CCI), smoothed series



Sources: European Commission, INE, AEAT and FUNCAS.

1.3 - Capital goods GFCF indicators (I)

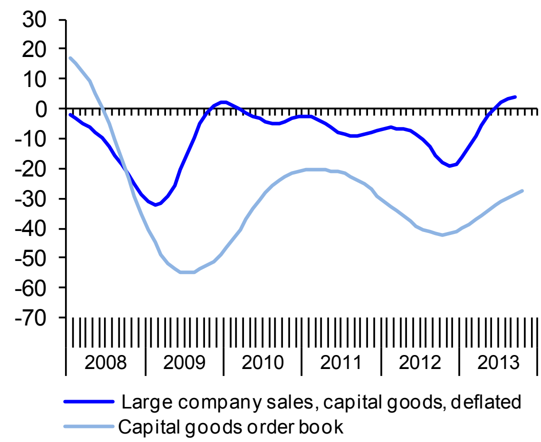
Annualised moving quarterly change in %, smoothed series



Sources: Ministry of Economy, DGT and FUNCAS.

1.4 - Capital goods GFCF indicators (II)

Annualised moving quarterly change in %,smoothed series



Sources: Ministry of Industry, AEAT and FUNCAS.

rates in both registrations of goods vehicles and the indices of availability of capital goods and sales by large capital goods companies, although the data for the quarter as a whole is incomplete (Exhibits 1.3 and 1.4).

In the case of construction investment, the official public contracting figures registered a clear deceleration in the year-on-year decline seen in the first half of the year, and even year-on-year growth in the third quarter. Moreover, the fall in new housing starts has also slowed, which could be a sign of less negative developments in residential construction in the future. Activity in the property sector remains depressed, however, with no sign of a moderation in the slump in housing sales or in prices, which have still not bottomed out (Exhibit 2.6). Since the peak, prices have fallen by almost 37% according to the National Statistics Institute (INE) data, and 29% according to the Ministry of Public Works.

In short, in the third quarter, domestic demand growth was still negative, but less so than in the previous quarter, as a result of the slight growth in private consumption and equipment investments, slowed by the drop in construction investment, and possibly also public consumption, although there is no data for the latter.

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Goods exports at constant prices in July and August (taking the two-month average) dropped relative to the average for the previous quarter, in which there was a marked upturn. If the erratic characteristic of this indicator is eliminated correctly, we obtain a trend growth signal that was 5.5% in July and August, relative to the April-June period.

Goods imports (also at constant prices) rebounded strongly in the first two quarters of the year in quarter-on-quarter terms, outpacing export growth. They subsequently dropped back again in the July-August average, but smoothing out the irregularities shows the trend to be upward. Moreover, in the July-August average the trend rate of growth was 6.2%, outpacing exports, something that has not happened since the end of 2007 (Exhibit 3.1). This is explained by the stabilisation of domestic demand, which, on slowing its decline, also slowed the contraction in imports, given how exports drive imports due to the close links between them. Nevertheless, it is still too early to say whether this is a permanent trend change in the relative progression of these two variables.

The picture given by various industrial activity indices is also mixed, although the trend is positive overall: the industrial production index registered almost no change in July-August compared to the second quarter, while sales by large industrial enterprises dropped, although at a more moderate rate than in the preceding quarter, and the deflated turnover figure grew for the first time in several quarters. Employment in the sector, measured in terms of the number of people registered in the social security system, moderated its decline. And the average PMI for the period July-September rose to just above 50, the level which indicates an increase in activity. The improvement in the industrial confidence index over the same period was also significant. Activity in the sector, therefore, may have experienced modest growth (Exhibits 2.1 and 2.2).

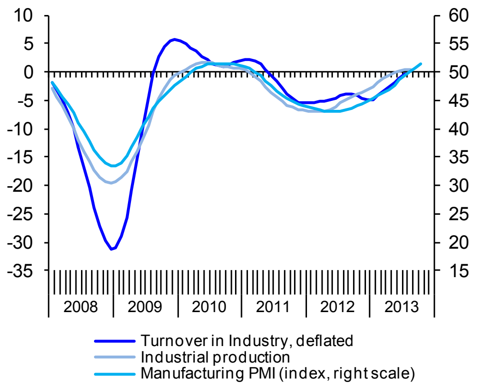
In the construction industry, indicators of activity such as cement consumption or output of construction materials tended to slow their decline, as has the number of people registered in the social security system, although the confidence index worsened over the third quarter as a whole (Exhibit 2.5).

Exhibit 2

Industrial activity, services and construction indicators

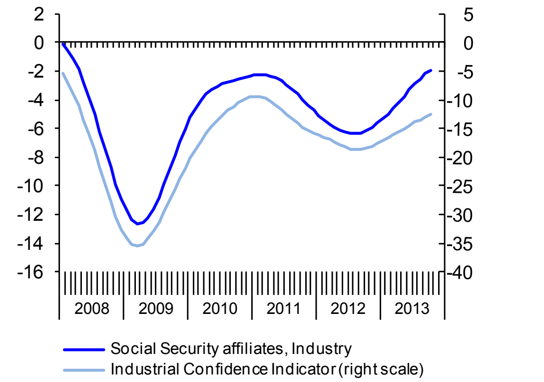
2.1 - Industrial sector indicators (I)

Annualised moving quarterly change in % and index, smoothed series



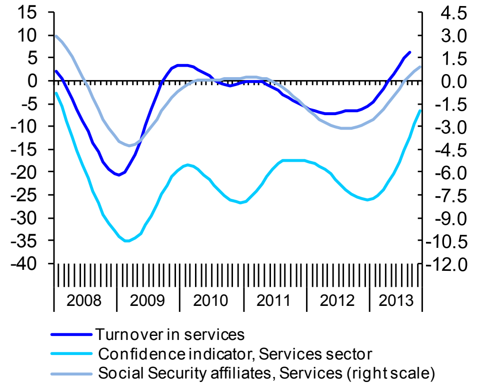
2.2 - Industrial sector indicators (II)

Annualised moving quarterly change in % and index, smoothed series



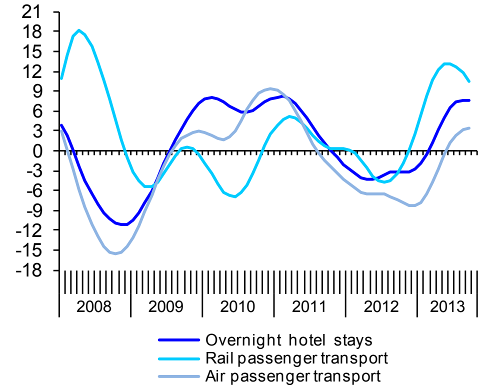
2.3 - Services indicators (I)

Annualised moving quarterly change in % and index, smoothed series



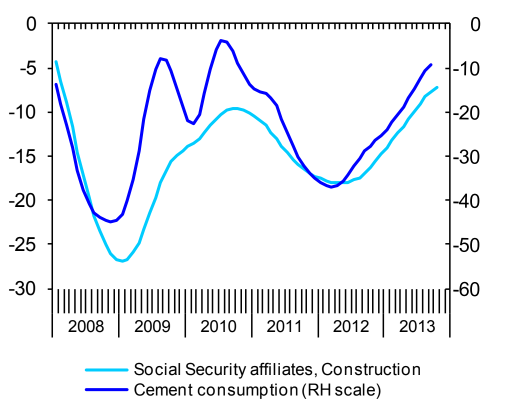
2.4 - Services indicators (II)

Annualised moving quarterly change in %, smoothed series



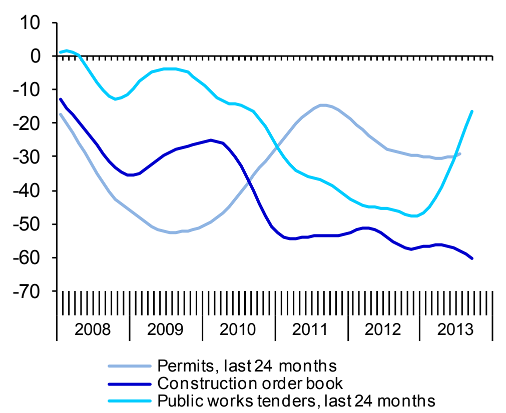
2.5 - Construction sector indicators (I)

Annualised moving quarterly change in %, smoothed series



2.6 - Construction sector indicators (II)

Annualised moving quarterly change in % and index, smoothed series



Sources: European Commission, Ministry of Labour, Ministry of Industry, Ministry of Fomento, INE, AENA, Markit Economics Ltd., RENFE, SEOPAN, OFICEMEN and FUNCAS.

As regards services, most indicators, such as the sector's activity indicator, passenger transport, overnight stays in hotels, inflows of tourists, or tourist spending, generally point towards growth in the third quarter, largely explained by the excellent tourist season. The confidence index rose over the period as a whole to reach its highest value since the start of the crisis, and there was even a slight quarter-on-quarter increase in the number of people registered in the social security system (Exhibits 2.3 and 2.4).

The trend towards a slowing of the contraction in employment (Exhibits 4.1 to 4.4) continued in the third quarter. According to the Labour Force Survey's figures, employment fell by 1.1% (on an annualised basis) with respect to the previous quarter. Nevertheless, this result is somewhat skewed by the highly uneven behaviour of farming employment, despite its representing only 4% of total employment. If we exclude farming to obtain a more representative indication of the real trend, the result is a fall in employment of just 8,500 people, implying a much slower rate than in the second quarter, in which the reduction in employment, in these same terms, came to 76,000 jobs. If, moreover, we exclude public sector employment, which is currently undergoing its own adjustment process, the final outcome is a slight increase in private-sector non-farm employment. It is worth noting that the types of jobs being lost are mainly permanent salaried posts, whereas the number of temporary contracts has grown in the last two quarters. This suggests that the labour reform has thus far not succeeded in its attempt to overcome one of the most damaging features of the Spanish labour market, namely the segmentation deriving from the high level of temporary employment.

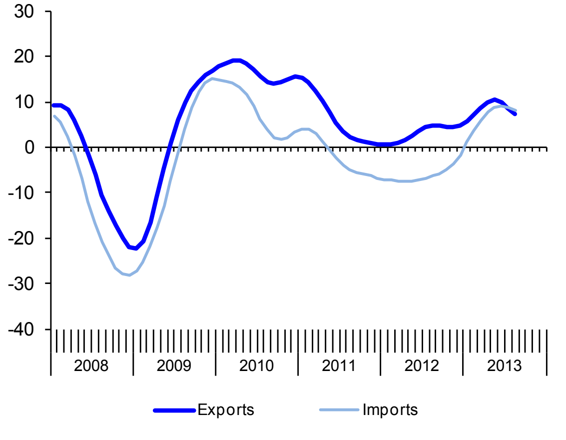
The increase in unemployment has slowed markedly, such that for several quarters it has been less than the contraction in employment. The explanation is not a decline in the labour-force participation rate, which rose in the first quarter of the year, but the shrinking of the active population, which is in turn due to the diminishing working-age population. The seasonally adjusted unemployment rate rose by a tenth of a percentage point in the third quarter to 26.5%.

Exhibit 3

External sector

3.1 - Exports/Imports at constant prices (Customs)

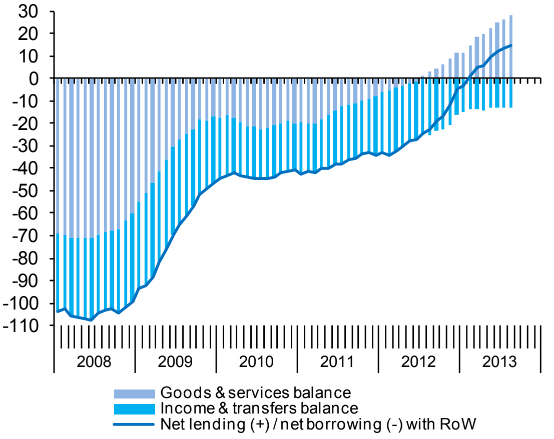
Annualised moving quarterly change in %, smoothed series



Source: Ministry of Economy.

3.2 - Balance of payments

Euro billion, cumulative last 12 months



Source: Bank of Spain.

In conclusion, the trend towards the stabilisation of the economy observed since the first quarter of the year has continued in the third quarter, in which activity even began to rise, supported by the services sector (which was mainly driven by tourism) and a timid recovery in industrial activity.

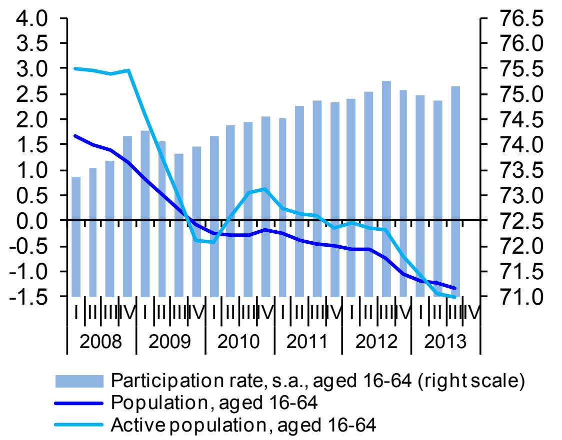
Consumer price inflation has remained on a steep downward trend since June, with a rate of 2.1% to October, when the result was -0.1%. There are several reasons for this drop: the cancelling out of a number of step effects stemming from the introduction last year of a range of measures to contain the public deficit that had an impact on final

Exhibit 4

Labour market indicators

4.1 - Labour supply

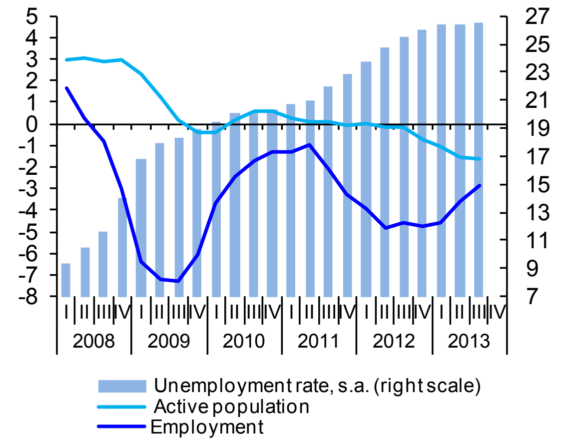
Change y-o-y in % and percentage of population aged 16-64



Source: INE (LFS).

4.2 - Employment and unemployment (LFS)

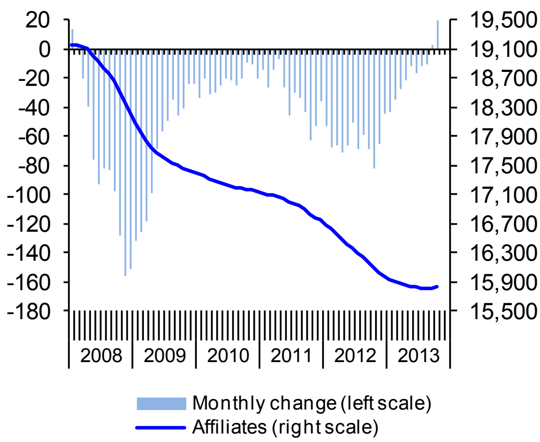
Change y-o-y in % and percentage of working age population



Source: INE (LFS).

4.3 - Social Security affiliates

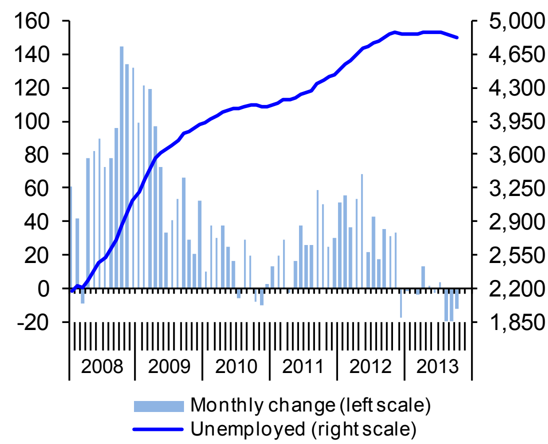
Thousands, seasonally-adjusted data



Sources: Ministry of Labour and FUNCAS.

4.4 - Registered unemployment

Thousands, seasonally-adjusted data



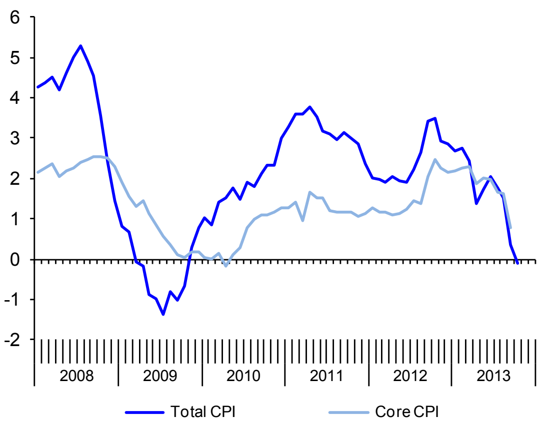
Sources: Ministry of Labour and FUNCAS.

Exhibit 5

Price indicators

5.1 - Consumer prices index

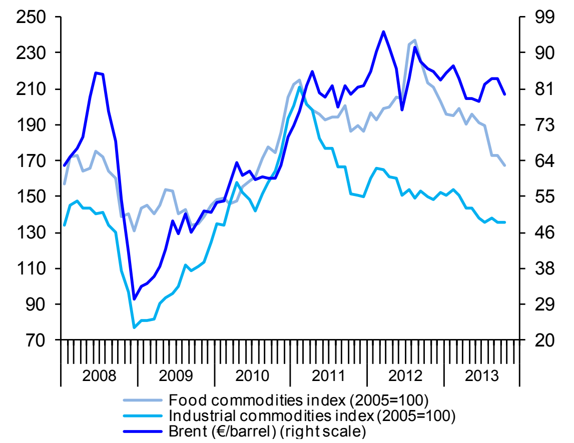
Change y-o-y in %



Source: INE (CPI).

5.2 - Commodities prices in €

Euros and index



Sources: Ministry of Economy and The Economist.

consumer prices, such as the VAT rate increase, the strong drop in the price of certain unprepared foodstuffs in September and October of this year, and the absence of structural inflationary pressures on both the demand and supply sides. The main factor on the demand side was the weaknesses of demand, as despite improving it is still a long way from exerting upward pressure on prices, and on the supply side the main factor was falling unit labour costs (Exhibits 5.1 and 5.2).

The correction of the external and financial imbalances continues

The current account balance of payments has changed sign, moving into surplus for the first time since 1997. The accumulated balance between January and August came to a surplus of 2.6 billion euros, compared with a deficit of 15.3 billion euros in the same period the previous year. This is due to the surplus on the trade balance in goods and services (thanks to the reduction in the goods deficit and the increase in the services surplus), and the smaller income balance deficit. The sum of the current account and capital balance surpluses yields a net lending position of 7.7 billion euros up to August, compared with net borrowing of 12.2 billion euros for the same period in 2012.

There has also been a major shift in the financial balance sheet. Foreign direct investment to August doubled compared to the same period the previous year. Nevertheless, portfolio investment inflows, after an upturn in late 2012 and early 2013, have once again turned negative. Something similar has happened with flows under the “other investments” heading, although in this case the net balance is in surplus due to the return of Spanish investments abroad. As a result of the foregoing, the overall balance on the financial account, excluding the Bank of Spain, was a surplus of 36.8 billion euros, compared with a deficit of 254 billion euros from January to August 2012.

The Spanish economy seems to no longer be in the predicament in which it found itself during the external credit squeeze at the height of the foreign debt crisis. This is clear both from the figures on the financial account of the balance of payments and the continued reduction of yields and spreads

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on Spanish debt (Exhibits 6.1 and 6.2).In terms of the savings-investment balance, the Spanish economy's net lending position is the result of the increased national savings rate, which came to 19.5% of GDP in the second quarter of 2013 (moving average over four quarters), and the drop in the investment rate to 18.8% of GDP. In late 2012 these rates were 18.5% and 19.8%, respectively (Exhibit 7.1).

Household savings rose in the first two quarters of this year, implying a change in trend from the decline in savings up to the fourth quarter of 2012. This rise resulted from a drop in gross disposable income that was less than that registered for consumption. If declining investment is subtracted from these increased household savings, the result is a rise in households' net lending position to 3% of GDP.

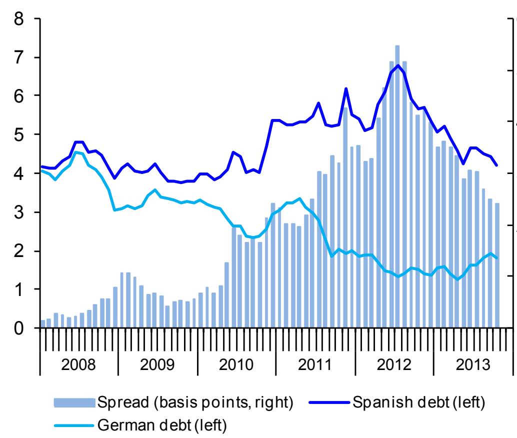
This financial surplus has made it possible to further reduce household debt levels, and therefore helped correct one of the biggest imbalances that built up during the growth phase. In the case of households, this adjustment did not really get underway until mid-2010, but since then it has gained strength. Thus, in the second quarter of 2012 household debt came to 79.9% of GDP, compared with a peak of 87.4% reached in mid-2010.

In the case of non-financial corporations, the growth in their savings gained pace considerably in the first two quarters of the year, reaching 14.7% of GDP (the moving average over four quarters), two percentage points above the level registered at the end of 2012. This progress was basically made possible by the reduction in wages and interests paid by companies. In conjunction with a faster

Exhibit 6
Financial indicators

6.1 - Government 10 years bonds rate

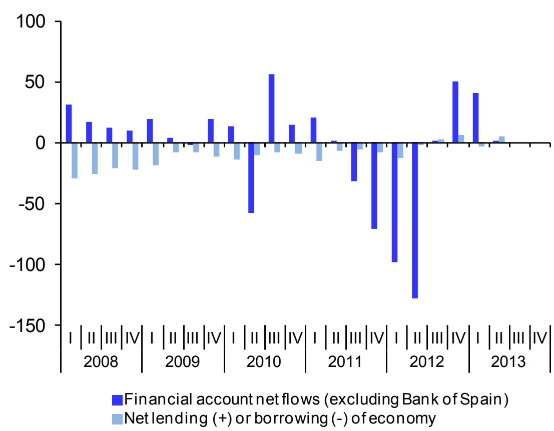
Percentage and basis points



Sources: ECB and Bank of Spain.

6.2 - Balance of payments

Euro billions



Source: Bank of Spain.

drop in nominal gross fixed capital formation (which reflects a sharp drop in its deflator, as in real terms the year-on-year drop in this variable softened in the first two quarters of the year) this has given a strong boost to non-financial corporations' net lending position, rising to 3.9% of GDP.

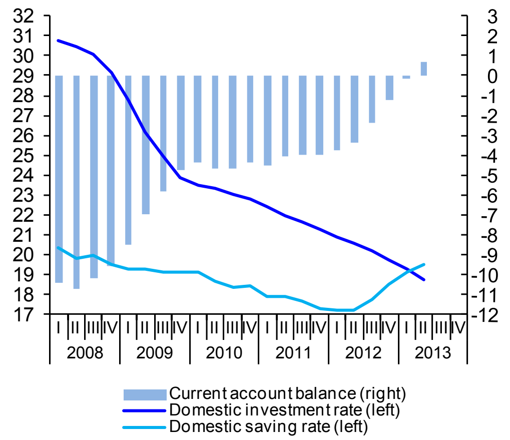
Like households, non-financial corporations utilised this surplus to speed up the deleveraging process already underway. In the second quarter their indebtedness stood at 128.3% of GDP, 16 percentage points below the peak reached in mid-2010 (Exhibits 7.2 and 7.3).

Exhibit 7

Financial imbalances

7.1 - Domestic saving, investment and current account balance

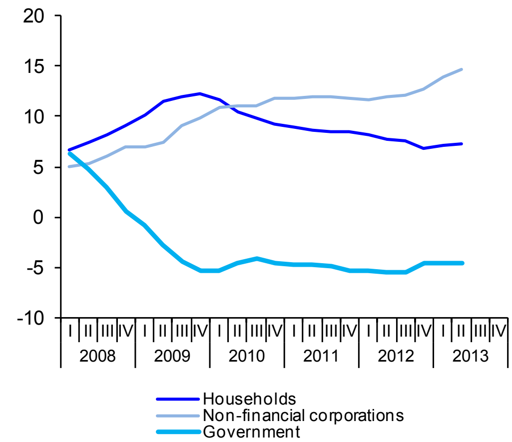
Percentage of GDP, 4-quarter moving average



Source: INE.

7.2 - Saving rates

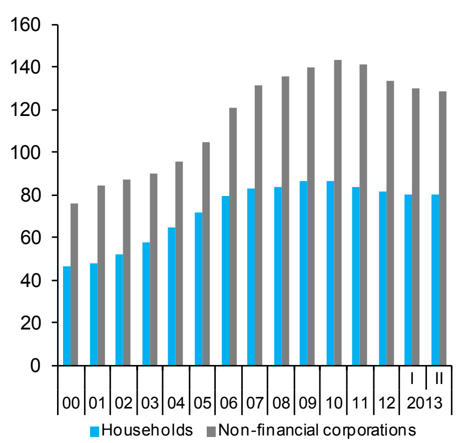
Percentage of GDP, 4-quarter moving average



Sources: INE and IGAE.

7.3 - Gross debt

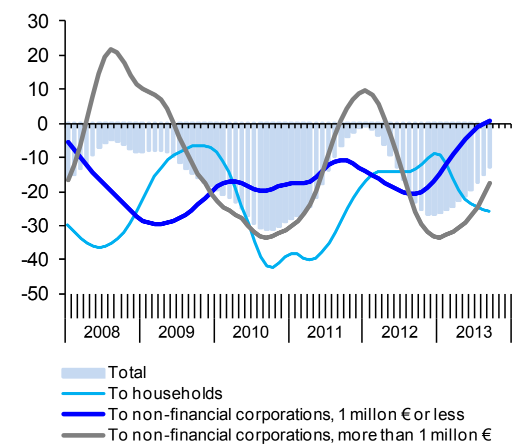
Percentage of GDP, 4-quarter moving average



Sources: Bank of Spain (Financial Accounts).

7.4 - New business loans

Annualised moving quaterly change in %, smoothed and s.a. series



Sources: Bank of Spain and FUNCAS.

The general government reduced its net borrowing from 6.8% of GDP (excluding losses deriving from the bail-out of financial institutions) in 2012, to 6.7% in the second quarter of 2013 (measured as a four-month moving average). This was the result of an increase in total resources and a decrease in total expenditure. However, current resources fell, and current expenditures rose, such that the general government savings rate became more negative: -4.6% of GDP in the second quarter of this year, one percentage point below its level in 2012. According to the Excessive Deficit Procedure, general government debt rose in the second quarter of 2013 to 92.3% of GDP, an increase of 6.3 percentage points since the end of 2012.

The stock of private sector credit continued to contract, although the rate is tending to slow: in August it fell at a year-on-year rate of 5.1% compared with a drop of 5.9% in May. This trend is more clearly visible in new credit to businesses and households, which fell by 13% in the third quarter at an annualised quarter-on-quarter rate, compared with a drop of 20.5% in the previous quarter. Indeed, in the case of new credit of less than 1 million euros to non-financial corporations, there was even a quarter-on-quarter rise of 4.9%, although it is too early to say if this progress will continue in the coming quarters. In any event, this suggests that the credit squeeze, although still persisting, is beginning to moderate (Exhibit 7.4).

In conclusion, the adjustment processes continue. Internal demand remains weak and the economy's growth capacity will continue to be limited for some time to come, despite the favourable progress of exports.

The Spanish banking system: Recent developments and prospects for 2014

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

Recent assessments of the Spanish banking sector show that all the conditions established by the MoU are already in place. Also, the latest efforts at increased transparency are an ideal starting point ahead of the ECB´s comprehensive evaluation next year and reveal that the Spanish banking sector´s loss-absorption capacity and Common Equity Tier 1 (CET 1) capital ratio would be adequate to face even an adverse scenario.

In this article, we examine the most significant developments in restructuring, recapitalization, supervision and transparency of the Spanish banking sector from May to early November 2013. We begin by taking a look at the outcome of the last two external reviews conducted by the European Commission (EC), the International Monetary Fund (IMF) and the European Central Bank (ECB) on the status of implementation of agreed upon conditions under Spain´s Memorandum of Understanding with the European Union for financial assistance to the Spanish banking sector. It is important to note that while the reviews concluded that the programme remains on track, with implementation ahead of schedule, the importance of monitoring remains crucial, as many of the effects of the measures adopted can only fully be appreciated in the long-run. Additionally, we analyze some of the recent figures of the restructuring and recapitalization process. We then consider key issues regarding supervision, paying special attention to the improvement of certain supervisory and disciplinary powers at both the Bank of Spain and the Fund for the Orderly Restructuring of the Banking Sector (FROB). Finally, as regards asset quality disclosure, we provide some details on the first Forward-Looking Exercise on Spanish Banks (FLESB) and the methodology behind the comprehensive assessment of banks' balance sheets to be conducted by the ECB in November next year.

External reviews of Spain´s financial sector assistance programme

The third review of the financial sector assistance programme for Spain was conducted by the EC, the ECB and the IMF from May 21st to May 31st, 2013. At that time, implementation of the MoU measures, originally expected for July 2013, was close to completion. The EC and the ECB concluded that the programme remained on track. The Spanish financial markets had stabilized considerably during the first months of 2013 and the liquidity situation of the Spanish banking sector

[1] Bangor Business School and FUNCAS.

[2] University of Granada and FUNCAS.

had also considerably improved. As the ECB and the EC noted, this allowed Spanish banks to further regain access to funding markets and to reduce reliance on central bank financing. One of the main achievements according to the analysis was the recapitalization of parts of the banking sector and the transfer of assets to the asset management company (SAREB). It was noted, however, that SAREB was still facing the big challenge of successfully managing and eventually divesting its portfolio of assets.

The EC and the ECB also considered as "nearly completed" the efforts (required by the MoU) to strengthen the governance, regulatory and supervisory framework of the Spanish banking sector. As we will discuss later on in this note, this has involved the reorganization and reinforcement of some supervisory and disciplinary powers of the Bank of Spain and FROB.

Even if the EC and the ECB acknowledged adequate fulfillment of the MoU conditions, they also highlighted some remaining challenges. In particular, and in line with previous external reviews, the deleveraging needs of the Spanish non-financial sector and the adjustment in the real estate market were considered as still far from complete and to "severely affect" lending volumes and, potentially, the asset quality of the Spanish banking sector. Thus, close monitoring of the system should continue in order to guarantee the final stabilization of credit institutions. Two main recommendations were issued. First, caution is required to help ensure that "the positive trends in the stabilization of the Spanish financial sector can be maintained". Second, the burden sharing measures are to be completed and finalized.

The EC and the ECB also reiterated the importance of the ongoing assessments of the evolution of asset quality, solvency and resilience of Spanish banks that were being prepared by the Bank of Spain at that time and whose results we will cover later on in this note.

As for the IMF –in its role as independent monitor of the MoU– the Fund presented its full report on the third review in July and they also acknowledged that the "vast majority of measures specified in the MoU" were completed "under its frontloaded timetable." The IMF mentioned as particularly relevant the actions aimed to recapitalize parts of the banking sector and the asset transfers to SAREB.

Importantly, as far as the recommendations for further improvement were concerned, the IMF divided the necessary improvements and efforts between the EU and the Spanish institutions. On the European side, further action included timely implementation of the Banking Union and maintenance of a sufficiently accommodative monetary stance. At the Spanish level, priorities included –in line with the EC and ECB recommendations– continued pro-active monitoring of financial sector health accompanied by strong supervision. The Fund particularly highlighted the Bank of Spain's clarification of criteria for determining the classification of refinanced and restructured loans. The IMF called for a "rigorous application of these criteria" and to ensure adequate provisioning for loan losses.

A fourth review of the Financial Assistance Program to Spain was conducted by the EC and the ECB from September 16th to September 27th, 2013, with the main conclusions being released on September 30th. The continued improvement in financing conditions in Spain was again mentioned. Given the advances made by mid-2013, the EC and the ECB acknowledged that burden-sharing exercises with banks´ shareholders and junior bond holders were already virtually completed and that compliance with the "horizontal policy requirements" (the list of conditionality measures in the MoU) was nearly complete.

However, the external reviewers expressed their concerns that lending to the economy was still contracting substantially, "in particular against the backdrop of weak demand for new lending". This was considered, to some extent, as a consequence of the deleveraging process of the private sector. As a related recommendation, supervisors and policy makers were encouraged to "continue to monitor decisively the process of stabilizing the banking sector." Part of the reinforcement of such stabilization was to conduct an assessment of the shock resilience and solvency of the Spanish banking sector under the new transparency exercises announced by the Bank of Spain, whose results were released in early November (these results are discussed later on in this article).

Importantly, the EC and the ECB noted that another review was expected to take place in December 2013.

As for the IMF, their views after their fourth independent monitoring mission were very similar to those of the EC and the ECB. Again, there were no significant changes in the evaluation and recommendations compared to the third review. The IMF insisted once more on the importance of continuing with a proactive monitoring of financial sector health, given that the recovery of the economy was still considered to be at a very early stage. Again, they recommended a "thorough implementation of the ongoing review of banks' classification of refinanced loans" to ensure "adequate provisioning for loan losses." The IMF also welcomed the Bank of Spain's adoption of new guidelines recommending that banks limit cash dividends to no more than 25% of profits. They also considered as positive converting deferred tax assets arising from timing differences in provisioning rules into tax claims in order to reinforce solvency.

Progress made on the recapitalization process

Recent public information allows us to present the main facts and figures related to the recapitalization process and burden sharing exercises in the Spanish banking sector. The main recapitalization exercises imposed by the MoU have been described in previous editions of the *Spanish Economic and Financial Outlook*. In this note, we provide a brief summary of the quantitative impact of these changes along with the evolution of some of the main business indicators of Spanish banks in 2013.

First of all, the latest edition of the Bank of Spain´s *Financial Stability Report* from November 2013, offers some interesting insights on the recent evolution of the banking business. In particular, financing to the private sector, including credit and fixed income, has decreased its relative weight in banks' balance sheets to 60.6% in June 2013 (61.5% in the previous year). Financing to the private sector fell as a consequence of the year-on-year reduction in credit to the private sector. In particular, it fell by 11% in June 2013. The weight of financing to the private sector in banks' balance sheets decreased from 58.8% in June 2012 to 56.1% in June 2013. This reduction is due, to a large extent, to a one-off change in the composition of banks' assets after the transfer of assets of Group 1 and 2 banks –according to MoU definitions– to SAREB. It is important to note that Group 1 and 2 banks account for 6.3 percentage points of the 11% aggregate fall in credit for the sector as a whole as of June 2013. Some recent updates of these figures show that the year-on-year rate of change of credit to the private sector in Spain was -12.8% as of August 2013. All these figures suggest that the credit crunch is still intense in Spain.

Even if economic growth figures have shown some improvement in the last few months, unemployment is still having a significant negative impact on the quality of outstanding loan portfolios. Specifically, total doubtful assets increased by 5.1% year-on-year in June 2013. In any event, the deterioration path has slowed compared to June 2012 (18.9%).

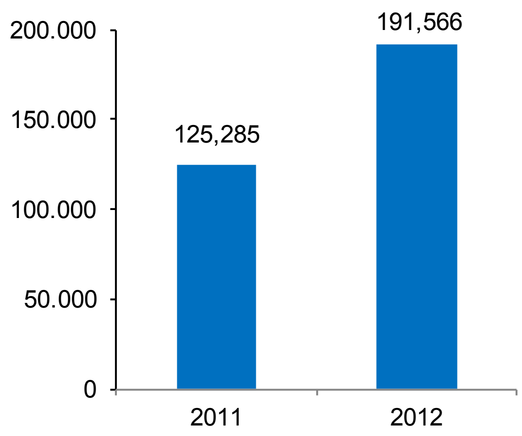
As for profitability, Spanish banks' income increased by 8.24 billion euros between January and June 2013, which represents a significant improvement from the losses of 3 billion euros registered in the same period in 2012. The return on assets (ROA) as of June 2013 was 0.45% compared to -0.17% in June 2012. The return on equity (ROE) was 7.8% in June 2013 (-3% in June 2012).

There have also been improvements in the solvency position of the banks. In particular, the tier 1 ratio for the entire sector was 10.8% in June 2013, while it was 9.7% in June 2012. As noted in the *Financial Stability Report*, there has been a composition change regarding own funds, as higher quality capital is reducing the weight of other forms of capital. Taking a longer time horizon, it is worthwhile to note that the weight of tier 1 capital as a percentage of total own funds was 72% in June 2008 and has increased to 94% in June 2013. Tier 2 capital has declined as a consequence of the reduction in subordinated debt, which fell by 43.2% in June 2013 as compared to June 2012.

Exhibit 1

Provisions and reserves applied to cover impairment losses

(million euros)



Source: Ministry of Economic Affairs and own elaboration.

As seen in Exhibit 1, the evolution of bank profits and solvency has been largely affected by the resolution tools put into action in the last years. According to the data provided by The Ministry of Economic Affairs, the considerable effort made by financial institutions in terms of provisions and reserves applied to cover impairment losses amounted to 191 billion euros by the end of 2012.

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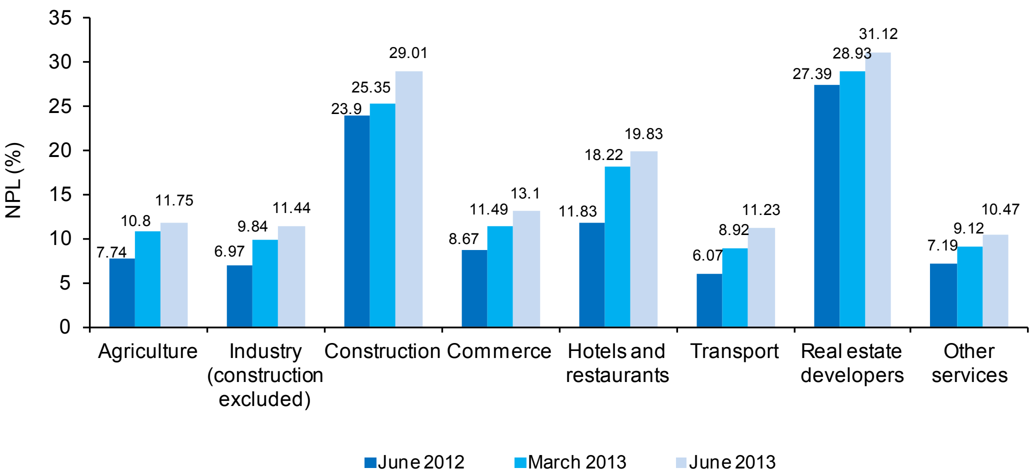
In any event, it should also be taken into account that there are some remaining downside risks given macroeconomic conditions. The potential impact of these risks are discussed later on in this note but, as shown in Exhibit 2, non-performing loans are increasing and are becoming increasingly more and more relevant in sectors not related to construction or real estate.

Another important milestone in addressing impairment losses resulting from the recent transparency measures imposed by the Bank of Spain is also shown in the latest *Financial Stability Report*. In particular, as of September 2013 and after the new reclassification rules of the Bank of Spain are applied, Spanish banks will have increased the amount of refinanced and restructured loans considered to be doubtful by 29% to 92.224 billion euros (see Exhibit 3). After a review of the quality of their refinanced loans, the country's banks categorized only 48.19 billion euros as standard loans, compared with 73.55 billion euros before the new criteria were applied. The amount of sub-standard loans was increased to 40.88 billion euros from 37.21 billion euros.

Exhibit 2

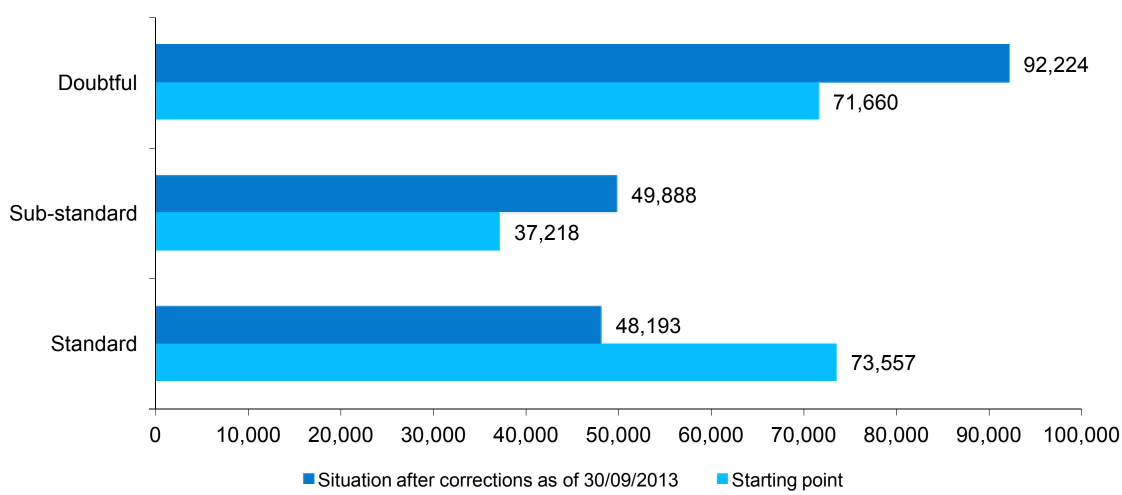
Non-performing loan ratio by sector



Source: Bank of Spain and own elaboration.

Exhibit 3

Effects of the application of the new Bank of Spain loan classification rules (millions euros)



Source: Bank of Spain and own elaboration.

Latest burden sharing exercises

Together with the improved solvency conditions and the progressive recovery of bank profits –even if there are still the abovementioned downside risks– another relevant feature in the period analyzed in this note has been the development of some burden sharing exercises. In particular, those that referred to two of the nationalized lenders, Catalunya Banc (CX) and NCG Banco (NCG). On June 7th, 2013, the FROB approved the hybrid capital and subordinated debt instrument management (burden-sharing) exercises envisaged in the resolution plans for CX and NCG. As for preference shares and perpetual subordinated debt, they were expected to be converted into shares applying a haircut to their face value. As for dated subordinated debt, a choice was permitted between shares or senior debt with the same maturity as the subordinated debt, and also different haircuts on the original face value were applied.

In accordance with the FROB calculations, these transaction also involved an illiquidity discount of 13.8% of the economic value of the shares.

Decision making tools and supervision and resolution powers for the Bank of Spain and the FROB

As previously stated, one of the latest recommendations of the MoU referred to the improvement in the decision-making and resolution powers of the Spanish supervisors. A major step in this direction was taken by the Bank of Spain in late September 2013, when the Executive Commission of the Bank of Spain approved an internal Circular of Procedures applied in the Directorate of General Banking Supervision (Internal Circular 2/2013), updating the rules that were in force at that time (Internal Circular 7/2011).

The new Circular includes a number of mandatory procedures that were supposed to be undertaken by early 2014. In any event, the Bank of Spain acknowledged that the new procedures will very probably have to be updated once the Single Supervisory Mechanism (SSM) within the European Banking Union is in place in late 2014. The most relevant changes in the approved Internal Circular were the following:

- Formal documentation of on-site continuous monitoring and remote monitoring is improved. In particular, on-site and remote monitoring are to be formally documented in a periodic report, similar to the inspection report. The intention of the Bank of Spain here is that supervisory procedures "result in letters of recommendation to or requirements for institutions, even if the institution has redressed the shortcomings detected by the inspection team."

- Greater speed of supervisory procedures. Banks will be encouraged to correct the shortcomings detected by inspection teams at a faster speed than in the past. This means that once the on-site work has been completed, a summary letter of the situations observed is sent to the bank with the eventual recommendations and requirements made by the Executive Commission.

- Greater detail in regulating the procedure of verification of compliance with requirements letters. A specific period of six-months was set as a deadline for the duration of extraordinary supervisory procedures, and within this period a specific report will be produced on the outcome of the inspection procedures.

- Simplification of tasks and improved resource allocation. A simplified system of remote monitoring is established, based on quarterly warnings highlighting potential problems detected in the confidential reports and the information submitted by the banks to the Central Credit Registry. The aim is to detect "potential future problems of liquidity, solvency and profitability."

- Formal documentation of discrepancies in the opinion-forming process. The discrepancies, if any, that might arise in the process of forming an opinion on the institution's situation (already envisaged in Circular 7/2011) will be detailed in a specific section of the report to the Executive Commission. To date, when these discrepancies arise, they are included in a separate report attached to the rest of the supervisory documentation.
- "Nature" of the inspection reports and the monitoring notes. These reports are required to bear two signatures, that of the individual responsible for the report and that of the Head of Division.

Also following the principles of the MoU – the FROB approved a "general framework for action to supplement its decision-making powers in relation to possible corporate operations". This general framework was announced in October 2013. This new framework is set to facilitate the success of corporate operations "to resolve credit institutions." The principles approved by FROB are mainly the following:

- The main aim is to avoid problems of "fairness for the creditors or shareholders" of a bank resulting from the general rules applied.
- A clear economic justification should be provided –and validated by an independent expert– to demonstrate the preservation of value for the FROB and the minimization of costs for taxpayers.
- The principles set by the FROB should comply with the European rules on State aid.

First forward-looking exercise by the Bank of Spain

A key step in increasing transparency was taken by the Bank of Spain in November 2013 with the publication –in the *Financial Stability Report*– of its own forward-looking analysis of Spanish banks. The Bank of Spain published the methodology and initial results of this exercise, which is expected to be undertaken regularly in the future.[3]

A key step in increasing transparency was taken by the Bank of Spain in November 2013 with the publication of its own forward-looking analysis of Spanish banks, the FLESB, which is expected to be undertaken regularly in the future. The aim of the FLESB is to evaluate the solvency of banks in the face of different scenarios over a specific time horizon.

The Bank of Spain considers that this methodology implies the adoption of "best international (US and UK) practices in the area, incorporating forward-looking analyses to its range of supervisory tools." One of the key issues of the analysis is that it is built from "granular" elements (that is, a bottom-up approach) at the level of individual loans with the information obtained from the Central Credit Registry. The analysis is called FLESB (Forward-Looking Exercise on Spanish Banks). The aim of the FLESB is to evaluate the solvency of banks in the face of different scenarios over a specific time horizon.

The first analysis published by the Bank of Spain takes December 2012 as the starting point and spans a three-year period from 2013 to 2015. The main target of the analysis is the resident private sector's credit portfolio and the related foreclosed assets. The credit portfolio is classified into six categories, including real estate developers, construction, corporate, SMEs, retail mortgage lending and consumer loans. As the analysis points out, "It has been borne in mind that in December 2012 and in February 2013 the Group 1

[3] The full text of the *Financial Stability Report* can be downloaded from the following link: http://www.bde.es/f/webbde/Secciones/Publicaciones/InformesBoletinesRevistas/InformesEstabilidadFinancera/13/IEF_Ing_Noviembre2013.pdf

and 2 institutions, respectively, transferred assets to SAREB, with these assets and the provisions set aside for them therefore being excluded from the scope of the analysis."

The FLESB sets a benchmark capital ratio as the Common Equity Tier 1 (CET1) defined in the CRR/CRD IV. This means a minimum regulatory capital (in terms of CET1) of 4% in 2014, and 4.5% in 2015.

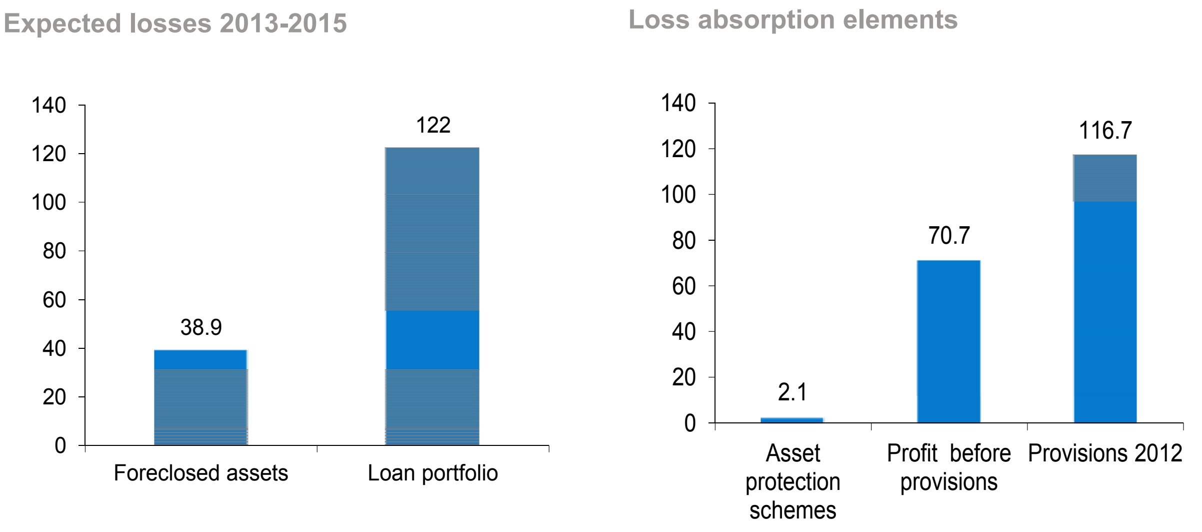
There are three macroeconomic scenarios considered. In the baseline scenario, the economy experiences "a modest recovery." In this scenario, the Spanish economy leaves the recession, although with modest GDP growth rates, as in most of the current estimations. The second scenario, is called the "unfavorable scenario" whereby the Spanish economy "would scarcely grow in the period considered." In particular, the cumulative output growth from 2013 to 2015 would be 1.7% lower than in the baseline scenario. As the technical note mentions, this gap between cumulative GDP growth in the two scenarios matches that implicit in the forecasts of the IMF's October 2013 *World Economic Outlook*. The third macroeconomic scenario is the so-called "adverse scenario," and would entail "a fresh dip in the Spanish economy." In this scenario the accumulated gap from GDP growth in the baseline scenario is 3.2%.

As for the main results of the FLESB, in the baseline scenario, the expected losses are 7.6% of total credit. This percentage increases to 8.8% in the unfavorable scenario and to 9.7% in the adverse scenario. If the expected losses associated with foreclosures are added, the percentages of total expected losses (losses on the credit portfolio plus those of the foreclosures over credit exposures plus foreclosures) increase in each one of the scenarios. As are shown in Exhibit 4 the total expected accumulated losses from the credit portfolio in the adverse scenario would amount to 122 billion euros and those from foreclosed assets would be 38.9 billion euros.

As shown also in Exhibit 4, there is a significant estimated loss-absorption capacity that would

Exhibit 4

Main results of the forward-looking analysis of the Spanish banking sector conducted by the Bank of Spain
(billion euros)



Source: Bank of Spain and own elaboration.

eventually be enough to cover potential losses, even in the most adverse scenario. The overall estimation of the Bank of Spain is that there is "a fairly comfortable solvency position at the aggregate level in 2015." In particular, in the adverse scenario, the loss-absorption capacity would exceed expected losses by 28.6 billion euros and the CET1 capital ratio would be 11.3% in the baseline scenario, 10.8% in the unfavorable scenario and 10.2% in the adverse scenario in 2015.

The overall estimation of the Bank of Spain is that there is "a fairly comfortable solvency position at the aggregate level in 2015." In particular, in the adverse scenario, the loss-absorption capacity would exceed expected losses by 28.6 billion euros and the CET1 capital ratio would be 11.3% in the baseline scenario, 10.8% in the unfavorable scenario and 10.2% in the adverse scenario in 2015.

Comprehensive assessment by the European Central Bank

The forward-looking analysis of the Bank of Spain can be seen as a key step for increased transparency. Importantly, it is also a useful tool ahead of the comprehensive assessment of banks' balance sheets that the ECB is expected to undertake in November 2014. Some general methodological aspects of this ECB analysis were published in October 2013[4] and are discussed in this note.

The ECB exercise will involve 130 banks from 18 Member States. This represents approximately 85% of the bank assets in the Eurozone. This is a first and important issue of this analysis as the previous tests that were conducted by the European Banking Authority (EBA) had much more limited coverage.

As was the case for Spain in 2012, Oliver Wyman has been chosen as the consultancy group that will give independent advice to the ECB on the methodology. The assessment will comprise three "complementary pillars."

- A supervisory risk assessment: this will address the key risks in the banks' balance sheets, including liquidity, leverage and funding risk.
- An asset quality review: this will examine the asset side of banks´ balance sheets. The ECB specifically notes that the "assessment will be broad and inclusive, comprising credit and market exposures (including a quantitative and qualitative review of hard-to-value assets), on and off-balance sheet positions and domestic and non-domestic exposures."
- A stress test, building on and complementing the asset quality review by providing a forward-looking view of banks' shock-absorption capacity under stress scenarios.

The capital benchmark for the exercise will be set at 8% Common Equity Tier 1. The threshold can be decomposed into a Common Equity Tier 1 ratio of 4.5%, and in addition, the 2.5% capital conservation buffer. An add-on of 1% will also be requested. This total Common Equity Tier 1 ratio of 8% will constitute the minimum capital requirement for all of the banks covered by the comprehensive assessment. It is calculated as a ratio to risk-weighted assets, derived from the asset quality review.

Although more details will be needed to estimate the expected effects of this evaluation, there are some good news from the Spanish perspective

[4] The technical note can be downloaded here: http://www.ecb.europa.eu/pub/pdf/other/notecomprehensiveassessment201310en.pdf?6d565e82ff67a0d842085c2b6889f010

for at least two reasons. First of all, Spanish banks have already gone through various comprehensive assessments and increased transparency exercises since 2012 following the MoU principles. Secondly, Oliver Wyman already conducted a similar exercise for Spain and the necessary recapitalization measures have already been put in place.

MARF: Perspectives and risks for Spain´s new alternative fixed income market

Pablo Guijarro and Pablo Mañueco[1]

In Europe, and in Spain in particular, bank credit has been the predominant source of financing for companies. The trend towards financial disintermediation following the crisis has therefore seriously hindered Spanish companies´ access to finance. Spain´s new Alternative Fixed Income Market (MARF, in its Spanish initials) may help provide relief in the absence of traditional bank credit channels.

This article examines the Alternative Fixed-Income Market (MARF, in its Spanish acronym), which was launched in October 2013, in comparison to similar alternative funding markets set up in European countries in recent years. MARF is one of the main mechanisms driving the process of financial disintermediation in Spain, and may help alleviate the closure of traditional bank finance channels to Spanish companies. However, it is still too early to estimate its potential capacity, given limitations related to Spain´s high proportion of SMEs and the need for positive demonstration effects from leading new issuers.

MARF in the context of financial disintermediation in Spain

A comparative analysis of financing sources for non-financial companies in the US and in Europe is a good indicator of the differential effect of the financial crisis on these companies' ability to obtain credit in some regions compared to others. Whereas companies in the US obtain 47% of their financing from non-bank channels (mainly capital markets), companies in Europe receive only 15% from such sources, a fact that illustrates the severe impact the crisis has had on the capacity to start a business, invest and innovate.

Spain is no exception when it comes to companies´ access to finance. The situation of Spanish corporates has deteriorated due to the credit crunch since 2008, given a climate of significant regulatory changes and repair of bank balance sheets.

The persistent cutoff of bank finance to business, especially for unlisted companies, has led to a search for and development of a number of initiatives for raising funds through non-bank channels. The Alternative Fixed Income Market (henceforth, MARF) represents one of the cornerstones of this process, as it not only fulfills one of the commitments undertaken in the Memorandum of Understanding signed with the EU as part of Spain's financial sector assistance program of 2012, but also clears the way for companies to obtain funding through channels other than traditional bank routes.

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

MARF is a multilateral trading facility (MTF) comprised of a trading platform of financial instruments from companies not listed on an official secondary market.

At a time in which the Spanish economy is stabilizing, following five years of economic and financial crisis, this new market – barely a month old– faces a number of challenges. We shall describe the main factors to take into account in studying MARF's potential to drive the process of financial disintermediation and economic growth in Spain.

Characteristics of MARF

MARF is a trading platform of financial instruments issued by companies not listed on secondary markets. As a multilateral trading facility, it offers fewer guarantees than a regulated market like the AIAF.[2] For this reason, MARF targets solely institutional investors. The minimum unit issue amount is 100,000 euros.

The formal issue requirements are also less strict than those of official markets, although they are stringent enough to ensure investor confidence. Such requirements include the following:

- Audited accounting information.
- Simplified, standard information document.
- Credit rating report.

Issues in this market may be short term (commercial paper) or long term (bonds).

We will now discuss the characteristics of potential MARF issuers in greater depth, as well as the capacity of this market to raise funds from the private sector.

Issuers and fundraising

Potential issuers

The following characteristics of issuers and issues will give us a clear idea of what type of companies can access this market:

- Issuer profile:
  - Internationalized companies.
  - A sufficient level of equity *vs.* short-term debt maturities, positive working capital and current in payment of debts.
  - EBITDA to debt ratio of less than 3.5 times.
  - EBITDA levels of at least 12 million euros.
  - Constant increases in turnover and in EBITDA in preceding years.
- Average issue size: 20 million euros.

As per the aforementioned characteristics, MARF's main recipients, in terms of fund demand, are large unlisted companies. This is a significant point for situating MARF within the process of financial disintermediation in Spain. Its aim is not to cover the funding deficit of all companies, but to provide access to funding to companies that have more limited access to capital markets because they are not listed on a secondary market. Smaller SMEs, therefore, have no place in this market, and they

Due to the target size of companies with access to MARF (i.e. EBITDA levels of at least 12 million euros) a massive entry of issuers on this new market is not expected.

[2] Spain's benchmark market for Corporate Debt and Private Fixed Income.

must seek out other alternatives to compensate for the lack of bank finance.

The size of companies with access to MARF is, in turn, a determinant of the potential funds that can be raised in this market. Given the composition of the Spanish corporate sector –96% of companies may be considered small, with fewer than 10 employees– it would be incongruous to envisage a massive entry of issuers in this new market, not only due to the economic requirements, but also because of the very size of such companies.

Legislative changes and institutional support for MARF

Before analyzing the potential for raising funds in the MARF, we shall briefly describe the legislative changes that have been enacted to support it. The most significant changes are as follows:

1. The limitation preventing public limited liability companies from exceeding equity plus reserves in the latest balance sheet and the regulation and restatement accounts has been lifted. This also applies to unlisted public limited liability companies that issue debt, provided the issue is targeting institutional investors, as is the case of MARF.

2. Enterprises that issue bonds in the alternative fixed income market will not be required to notarize the issue document as a public deed nor register it in the Mercantile Registry in order to record the securities in book entries.

3. Pension plans and funds can invest up to 3% of their assets under management in MARF instruments issued by a company.[3] Insurers can invest up to 10% of the technical provisions they must cover in MARF instruments.

The following are the most significant forms of public support that have been offered to this market:

1. ENISA (Empresa Nacional de Innovación, S.A.) [the "National Innovation Company"] will allocate part of its budget to funding companies' listings in MARF in order to mitigate issue costs and lend the market greater depth (ENISA Mercados Alternativos).[4]

2. The ICO has launched a new credit facility for the acquisition of commercial paper and bonds in this market by financial institutions, for an initial amount of 1 billion euros.[5]

Potential fund raising

As noted previously, MARF is not a platform for all SMEs, but rather for medium-sized enterprises with a large scale, a fact that may limit the total funds available through the mechanism.

Bearing in mind this requisite, we have undertaken an analysis of potential issue volume based on the investment capacity of financial institutions and institutional investors. Experience in other countries tells us that such actors would be more likely to invest in this type of asset.

Conservatively, the following scenarios are considered:

- Funds are raised only under support from the ICO facility: 1 billion.

- Funds raised amount to half of total allowed investment of pension funds and insurers:

  - Pension funds and plans: Legislative developments allow up to 3% of assets under

[3] For further information, see Law 14/2013, of 27 September, of support for entrepreneurs and their internationalization.

[4] For further information, see http://www.enisa.es/es/financiacion/info/consolidacion/enisa-mercados-alternativos

[5] For further information, see http://www.ico.es/webcomercial/portal/productos/adjuntos/ICO_PAGARES_y_bonos.pdf

Table 1
Potential fund raising through MARF

Category		Total amount (1)
ICO facility		
Approved amount		1,000
Institutional investment		
(A) Pension funds		
Assets managed (2)		87,067
% of maximum investment in MARF issues (3)	3%	
% investment considered in analysis	3%	
Amount of investment in MARF		1,306
(B) Insurance		
Balance of technical provisions to cover (2)		189,700
% of maximum investment in MARF issues (3)	10%	
% investment considered in analysis	5%	
Amount of investment in MARF		9,485

Notes: (1) Amounts in millions of EUR.
(2) Data at December 31st, 2012.
(3) Set in Law 14/2013, of September 27th, of support for entrepreneurs and their internationalization.
Sources: Dirección General de Seguros y Pensiones, AFI.

management to be invested in MARF. We shall assume a maximum investment of 1.5% of such assets, which represents 1.306 billion euros of the total funds managed by pension funds at year-end 2012.

- Insurers: Legislative changes allow investment in MARF of up to 10% of the total balance of technical provisions. We will assume a maximum investment of 5% in such assets, which amounts to 9.485 billion euros of total technical provisions at year-end 2012.

Our calculations estimate the maximum amount that could be captured through MARF (not cumulative figures). We believe that the market could generate a rather small volume of funding in the first phase. Hence, the range between 1 billion euros and 1.3 billion euros set by the ICO credit facility and the amount that may be invested by pension funds would appear to be most reasonable.

This amount is equal to 0.10% of Spanish GDP, a figure that is similar to that found when analyzing the volume of funds raised in Germany (see below), which amounts to 0.13% of German GDP. Higher amounts would not be consistent with the characteristics of the composition of the Spanish corporate sector.

The experience in other countries

Launching an alternative fixed income market is not an unknown endeavor. The experiences of Germany, Norway and France allow us to formulate a more accurate diagnostic of the capacity to raise funds through such a market.

This section describes the characteristics of each of these markets, and their main differences from the model that has been implemented in Spain.

Germany. Mittelstand Bond Market (MBM)

The German Mittelstand Bond Market developed between 2010 and 2011, the year in which unlisted medium-sized enterprises began to make issues. At present, there are five markets with a fixed-income division for such enterprises: Stuttgart, Düsseldorf, Frankfurt, Munich and Hamburg-Hannover.

The main difference from the Spanish market is that it targets not only professional investors, but also retail investors, with a nominal issue minimum per unit of 1,000 euros.

The requirements for issuing companies are as follows:

- Sales of between 25 and 40 million euros.
- Interest cover ratio of 3x (EBIT/financial expenses).
- Rating assigned by one of the three credit rating agencies approved by BaFin: Creditreform, Euler Hermes and Scope.
- No minimum rating, although 80% of issues have had a credit rating at the time of issue of BB or BBB.
- Minimum issue volume of 10 million euros.

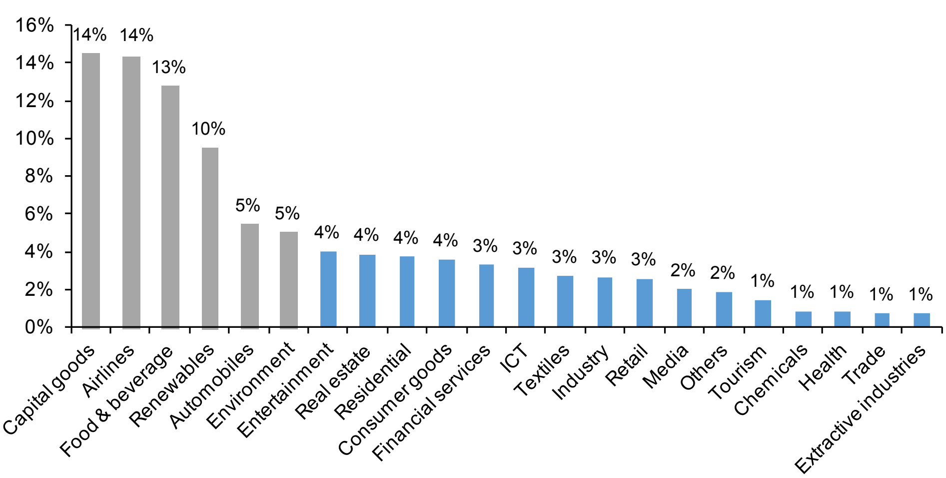
The information requirements are as follows: (i) prospectus with details of the issue; (ii) audited annual financial statements; (iii) quarterly earnings reports and, lastly (iv) credit rating report.

A total of 3.5 billion euros has been raised in the German MBM, which represents 0.13% of the economy's GDP.

Although the sector profile is quite mixed, it is concentrated in capital goods, airlines, food & beverage, renewable energies and automobiles.

Exhibit 1

Sector distribution of issues in Mittelstand Bond Market of Germany



Sources: MBM Germany, AFI.

Norway. Oslo ABM

The alternative fixed income market in Norway is the most long standing of all those analyzed herein. The market was established in 2005 as a self-regulated market that was to operate independently of EU directives.

The characteristics of the Oslo ABM are as follows:

- The inclusion process is simpler than being admitted for listing in the stock market, as is the case in Spain and Germany.

- There is greater flexibility for the issuer in selecting the accounting standards to apply (as opposed to the IFRS format they would have to adopt if the issues were made in an official market).

Exhibit 2

Nominal amount in circulation in Oslo ABM
(milllions of euros)

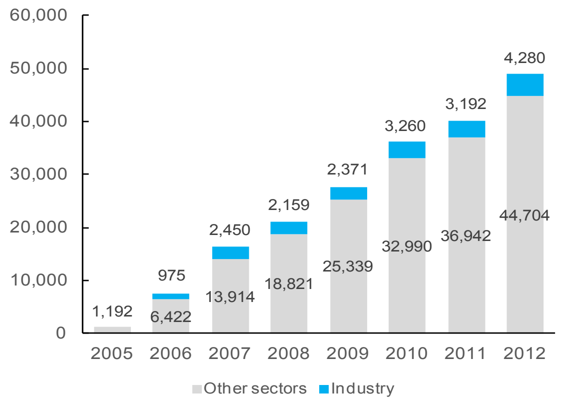


Exhibit 3

Number of issuers in Oslo ABM

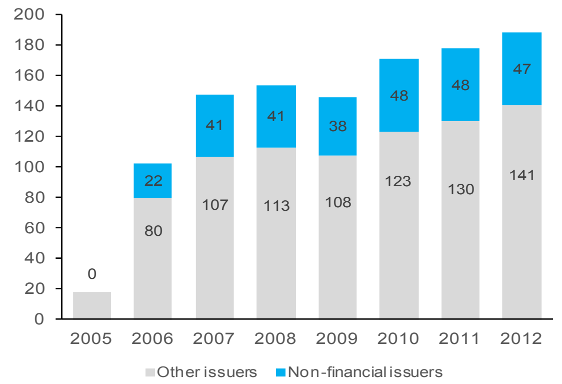


Exhibit 4

Investment by sector

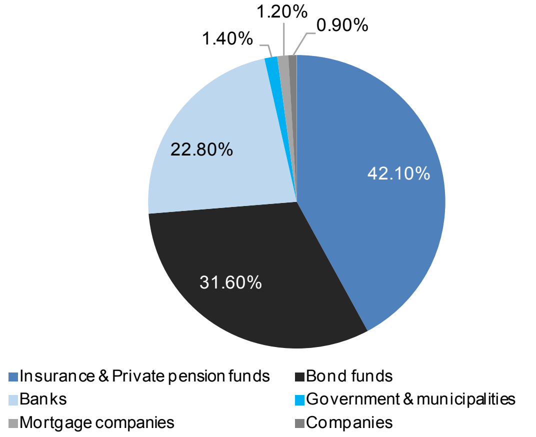
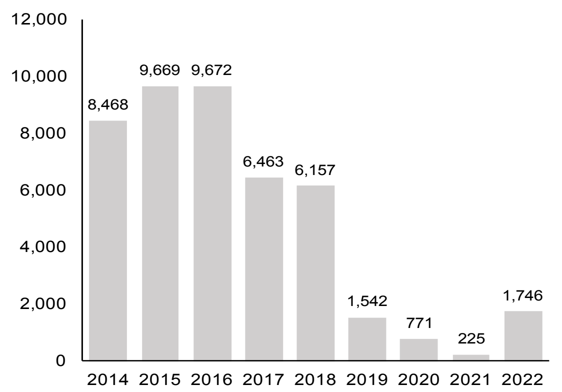


Exhibit 5

Total issues by maturity (all sectors)
(milllions of euros)



Sources: Oslo ABM, AFI.

- Nevertheless, rules on the disclosure of information and trading are largely the same as in the stock market, so as to facilitate comparison of information and to avert problems of investor confidence.

With regard to fund supply and demand:

- Industrial companies have raised some 4.28 billion euros, which is equivalent to 1% of Norwegian GDP. The greater volume of fund raising is of lesser importance when considering the number of years the Oslo ABM has been in operation, but it is a good example of the potential of such an infrastructure.

- The actors leading the way in investment in this market are insurers (42% of the total), fixed income funds (31% of the total) and financial institutions (22% of the total).

The main distinctive characteristic of the Oslo ABM as against the Spanish model is that it is segmented into two different markets:

- Oslo ABM Retail (nominal issue value of less than 68,000 euros), which is oriented to trading by the general public.

- Oslo ABM Professional (unit nominal issue value of greater than 68,000 euros), which is intended for trading by professional investors.

France. Alternext

Alternext is one of the most recent markets set up as an alternative fixed-income segment for SMEs. As in Spain, Alternext was launched as a market aimed at enabling companies to raise capital (similar to MAB). In January 2012, Alternext created the fixed-income segment for SMEs.

The main characteristics of this market are as follows:

- Bonds are not allowed in an EU-regulated stock market; this eases the transparency requirements for protection of investors, as is the case in Germany, Norway and Spain.

- In contrast to Germany, the issuer does not need a rating to be listed, but it must have a registered sponsor that has been approved by NYSE Euronext to support the issuer during the admission process and throughout the period of listing.

- Historic financial information must be periodically disclosed by the issuer.

Table 2
Summary of main characteristics of European alternative fixed-income markets

Market	Start date	Target investor	Rating	Issue volume (millions of EUR)	Issue volume (as % of GDP)
Germany	2010	Institutional and retail	Mandatory	3,500	0.131%
Norway	2005	Institutional and retail	Non-mandatory	4,280	1.079%
France	2012	Institutional	Non-mandatory	360	0.018%

Sources: AFI, alternative fixed-income markets of Germany, Norway and France.

- The minimum amount of the first issue admitted to trading is 200,000 euros.

The fixed income segment of Alternext has enabled the raising of 360 million euros since its rollout in early 2012, which is 0.018% of French GDP, ranking this as the market with the lowest level of activity of the three infrastructures analyzed herein, in both absolute and relative terms.

Main challenges faced by MARF

The value of MARF as part of financial disintermediation in Spain cannot be analyzed without discussing the challenges entailed by its establishment, and which are associated with its development. Such risks are related to three variables: solvency risk, yields and liquidity risk.

As in any market in the development phase, investor confidence plays a key role in defining the market's potential. This is why leading new issuers in this market must be companies whose repayment capacity is unquestionable, to the extent that they will not only determine spreads in fund raising, but will also open the way for other issuers to enter without suffering excessive penalties.

Issuers leading offerings in this market must be solid companies because they open the way for other issuers to enter without suffering excessive penalties.

The credit profile of a MARF issuer will be that of a high-yield company. Hence, investors will be offered higher returns to compensate for the greater risk they are assuming. We should not be misled by this credit classification - high-yield companies have a greater likelihood of default than investment grade companies, but this does not mean they are less solvent. As market leaders respond to players' expectations, it will be easier to reduce the additional risk premium imposed on new participants in the fixed-income market, thus gradually easing the cost for companies to gain funding through this channel.

Lastly, issue liquidity will play an important role in the development of the market. One must not expect a deep and liquid market like the continuous market or like major international markets, especially in the initial phases. Hence, actors who make investment bets on the market's initial issues must be aware that keeping their positions in the issues until maturity may be better than deciding to sell at some point midway. As the market gains depth and new funds joint, the illiquidity premium will begin to slacken, but it cannot be ruled out that this factor will penalize the first issues in the market.

Conclusion

MARF is one of the main mechanisms driving the process of financial disintermediation in Spain. Having opened quite recently, it is too soon to gain clear visibility of the infrastructure's potential given the high percentage of SME´s in Spain, but our analysis of comparable experiences shows that such markets have resulted in significant advances in improving companies´ access to finance.

The examples of Norway and Germany, with markets raising volumes of funds that represent 1% and 0.13% of GDP (that is, 4.3 and 3.5 billion euros, respectively), are significant precedents for MARF's potential capacity. Nevertheless, any comparison with other countries must take into account that the composition of the corporate sector in Spain (96% of companies have less than 10 employees) may place a ceiling on the total funds that can be raised through MARF compared to other European economies, especially Germany.

It must be emphasized that, for MARF to realize its full potential, the companies leading the first issues must win investor confidence. It is advisable, therefore, for institutions responsible for supervising the market's functioning and transparency to place a premium on issue quality over quantity. Such a dynamic will deepen the market and strengthen its capacity to rationally determine the cost of a company´s financing through channels other than the traditional bank route.

Spain´s public finances: Present situation and future outlook

Carmen López and Salvador Jiménez[1]

Spain is currently in the midst of a fiscal rebalancing process as part of its efforts to minimize the negative effects of the economic crisis. The greatest challenges for meeting deficit targets in 2014 will be for the autonomous regions and social security.

In response to the economic crisis affecting Spain since 2008, authorities have been forced to carry out a fiscal rebalancing in order to ensure the sustainability of public finances over the medium and long term. Although this process of fiscal consolidation has been uneven across the different levels of the public administration, major consolidation efforts are being made to bring the overall deficit below 3% by 2016. This fiscal effort is being directly reflected in the improved access of the State and of the autonomous regions to financial markets in 2013.

Determinants of the present situation

Spanish public finances are in the midst of a rebalancing process in an effort to alleviate the deep economic crisis Spain has been facing since 2008. The deteriorating position of public accounts, which posted a deficit of 11.2% of GDP in 2009, and the increase of public debt from 42% of GDP in 2008 to 90% of GDP as of June 2013, has forced authorities to undertake major fiscal consolidation efforts to ensure the sustainability of public finances in the medium and long term.

Since 2010, when the previous government adopted a harsh package of measures to reduce expenditures (freezing the largest pensions and cutting the wages of civil servants, among others), the introduction of new measures aimed at curtailing the public deficit has been constant.

However, weak macroeconomic conditions, which directly impact tax revenues, coupled with structural problems of the Spanish economy, such as the aging of the population and the elevated level of structural unemployment, have prevented these fiscal measures from accomplishing the same degree of fiscal consolidation.

The macroeconomic situation is reflected in public accounts mainly in the following four ways:

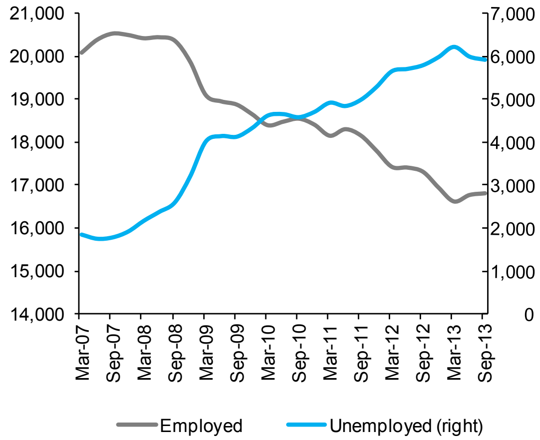
- Steep decline in non-financial revenue of all public authorities (-13.4% in 2012 from 2007), as regulatory changes have been insufficient to increase revenue in recent years.
- Constant increase in non-financial expenses.[2] Expenditure in 2012 was 19.2% greater than the aggregate volume spent by public authorities in 2007.

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

[2] Total expenditure, excluding financial assets and liabilities (Chapters 8 and 9 of the budget's economic classification). These are excluded because they are no longer part of the deficit calculation under the European System of Accounts (SEC 95).

Exhibit 1

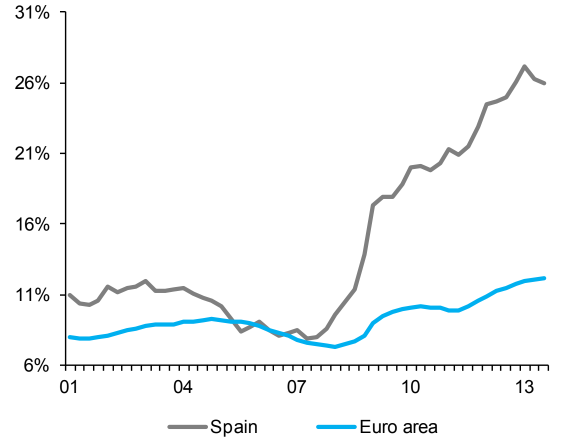
Social security registration and registered unemployment in Spain (thousands of people)



Sources: Social Security and AFI.

Exhibit 2

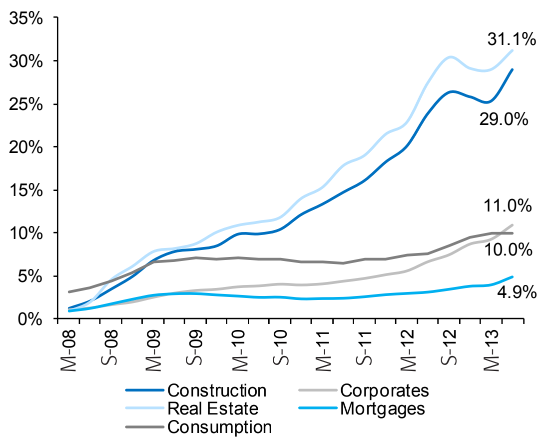
Unemployment in Spain and in the eurozone



Sources: Eurostat, INE, AFI.

Exhibit 3

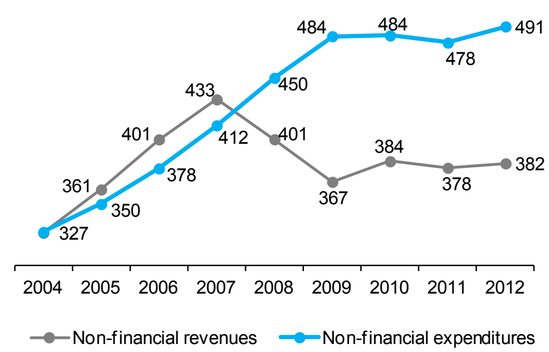
Non-performing loan rate by business segment in Spain



Sources: Bank of Spain and AFI.

Exhibit 4

Aggregate non-financial revenue and expenditure of all Spanish public authorities (billions of euros)



Source: General Comptroller of the State Administration (IGAE).

- Deterioration in solvency and non performing loan rates. The economic recession and the heavy presence of financial institutions in the development and construction sector led to a significant impairment in their levels of solvency and non-performing loan rates. These acute systemic risks forced the Spanish state to channel European financial aid to institutions in the weakest position.

Table 1

Cyclical and structural balance of Spanish public authorities (percentage of GDP)[3]

	2012	2013	2014	2015	2016
Total Balance Public Administration	-6.85	-6.50	-5.80	-4.20	-2.80
Cyclical Balance	-2.58	-2.80	-2.24	-1.55	-0.73
Structural Balance	-4.27	-3.71	-3.56	-2.65	-2.07

Source: Bank of Spain and own elaboration.

Such aid, as of August 2013, has amounted to a public deficit of 47.05 billion euros, which is 4.7% of Spanish GDP.

- Furthermore, as a result of the shortage of equity and difficulties in gaining access to financing, the period of payment to suppliers was considerably increased. With the aim of solving this problem, the government created the supplier payment funding mechanism, which has allowed for the refinancing of 28.5 billion euros of commercial debt through long-term loans, and which the government itself expects will allow for payment of additional invoices amounting to 14 billion euros.

Absorbing such imbalances must necessarily entail the adoption of structural reforms, as the structural deficit will account for a larger proportion than the cyclical deficit in 2013 (see Table 1).

Even though the government has already carried out a reform of the pension system, it is considered insufficient on its own and further reforms are necessary, particularly of the Spanish tax system, which the government intends to enact at some point in 2014.

In any event, even though the structural deficit methodology helps to better identify the weaknesses of public finances, compliance with the Excessive Deficit Protocol is still used to measure stability targets in accordance with the financing capacity or necessity elaborated in accordance with SEC95 methodology. Hence, it will be used to analyze herein the evolution of Spanish public finances in 2013 and the perspectives for 2014.

Need for consolidation and evolution of the public deficit in 2013

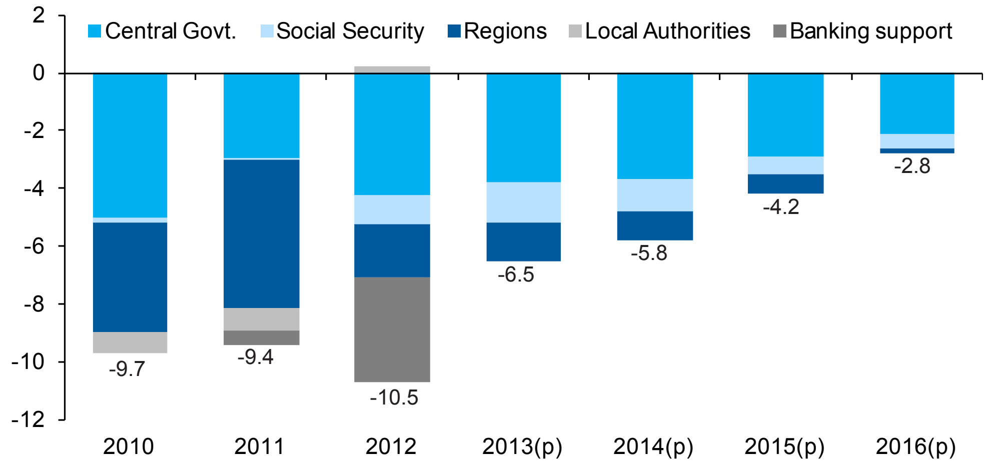
The consolidation requirements in Spain for 2013 have been defined by the upward revision of the deficit target announced in late May. Hence, the country has been granted a two-year extension to correct its excessive deficit, which means bringing

The country has been granted a two-year extension to correct its excessive deficit, which means bringing it below 3% of GDP by 2016. In exchange, the European Commission (EC) demanded specific details of the consolidation measures contained in the 2013 Stability Program, in an attempt to ensure compliance by said year.

[3] Taking into account the effective deficit targets set by the EU and the output gap levels estimated by the Bank of Spain for the same period. Estimates are the result of the application of methodology approved by the Methodological Development Order of the Budgetary Stability and Financial Sustainability Organic Law 2/2012, of April 27th, on calculation of trend forecasts of revenue and expenditure and the benchmark rate of the Spanish economy. The value of public finance cyclical sensitivity of 0.43 is applied - the level that has been used by Spanish authorities in calculating cyclical and structural balances.

Exhibit 5

Deficit consolidation path in Spain



Source: Ministry of Finance and Public Administrations.

it below 3% of GDP by 2016. In exchange, the European Commission (EC) demanded specific details of the consolidation measures contained in the 2013 Stability Program, in an attempt to ensure compliance by said year.

Consequently, the effort required of Spain in 2013 is limited to a bit more than three tenths of one percent of GDP, from 6.85% of GDP down to 6.5% of GDP (see Exhibit 5). This aggregate target for the entire administration, in view of the high degree of administrative decentralization in Spain, is subdivided into four individual targets for each of the administrative sub-sectors (i.e., central government, autonomous regions, social security and local authorities).

Central government

The central government, comprising the administration and its autonomous bodies, has a deficit target in 2013 of 3.8% of GDP. Although this may have appeared somewhat lacking in ambition at first, as the initial figures for year-end 2012 signaled a deficit of 3.83% of GDP when the target was announced, successive revisions of the 2012 figure edged it upwards to 4.24% of GDP.[4] Thus, consolidation for 2013 amounts to more than four tenths of one percent of GDP, a feasible target that, nevertheless, depends on an improvement in non-financial revenues, especially taxes, in the form of tax hikes.

The deficit in the year to August[5] amounted to 4.09% of GDP for the central government, which is still above the target, albeit on a downward path compared to previous months. Total aggregate collections in the main taxes[6] [income tax, Value Added Tax (VAT) and corporate income tax] have been uneven.

While VAT grew to September by 12.2% in year-to-year comparable terms, driven by tax hikes,

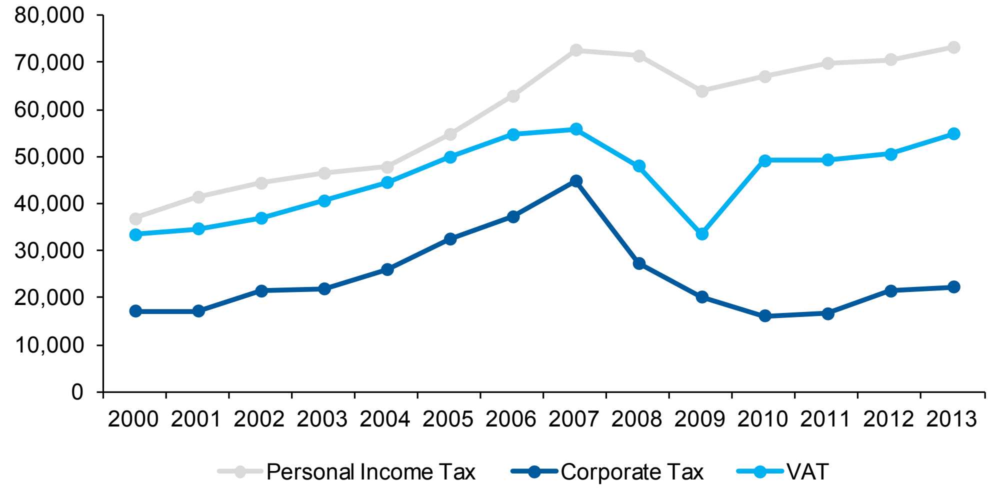
[4] According to the latest submission to Eurostat in October 2013.

[5] Latest available figure as of date of article.

[6] Tax collection figures to September are available.

Exhibit 6

Collections in main taxes and expected volumes
(millions of euros)



Source: Spanish Tax Agency.

Table 2

Tax collections and expected levels

	Sept-13 (billion €)	% Change yoy	% Change yoy Expected (*)
Income tax	51.693	-1.3%	1.9%
Corporate tax	9.81	-6.1%	-1.2%
VAT	40.618	12.2%	5.8%

Source: Spanish Tax Agency and Draft State Budgets for 2014. (*) 2013 Settlement advance from 2012 collection.

the income tax continues to fall despite the maintenance of the rate hike enacted in 2012. Corporate income tax declined by 6.1% due to the increase in refunds early in the year and the decrease in the gross differential tax (due to lower company profits). The final stretch of the year will account for the bulk of corporate income tax collections, when we learn if this tax finally reached the volume expected by the State that implies a stagnation from 2012. In any event,

In spite of the cutbacks planned for the most discretionary expenditure items, the high degree of inflexibility of certain budgetary items that carry great weight (such as interest, unemployment and transfers to social security) made it impossible to undertake an aggregate reduction of expenditure.

attaining budgeted revenues will depend on economic momentum in the last quarter.

With regard to non-financial expenditure, the State budgeted year-on-year growth of 6.2% for 2013. In spite of the cutbacks planned for the most discretionary expenditure items (non-financial ministry expenditure has been cut by 9.4% compared with the initial 2012 budget), the high degree of inflexibility of certain budgetary items that carry great weight (such as interest, unemployment and transfers to social security) made it impossible to undertake an aggregate reduction of expenditure.

Even so, data on budgetary execution by the central government to September showed a more positive evolution in expenditure than budgeted (4.9% year-on-year in September), due mainly to lower interest expenses. As against a forecast of more than 38.6 billion euros for interest, the State had recorded 21.2 billion euros. This will almost certainly allow for savings in this item of at least five tenths of one percent of GDP, which could offset the also more-than-likely shortfall in revenue from tax collections.

All in all, the central government is not expected to end 2013 with an elevated deviation from the target of 3.8% of GDP. If it does deviate, it will be about two tenths of one percent of GDP.

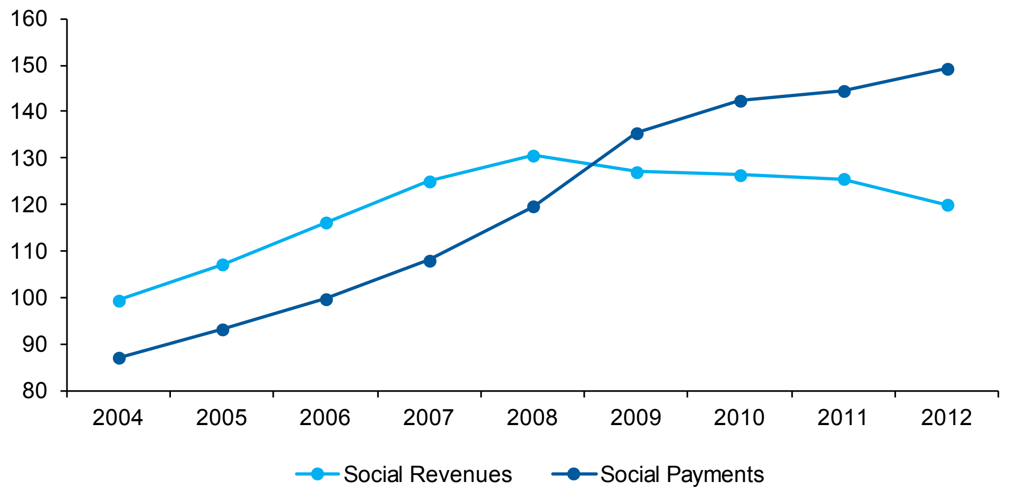
Social security[7]

The revenue base of Spanish social security has sharply contracted throughout the economic crisis. Social payments, the main source of funds, were 10.6 billion euros lower at year-end 2012 than at year-end 2008. In addition, two further factors are driving the deficits observed since 2010: increasing unemployment benefits and the aging of the Spanish population, with ever increasing average pensions. These two factors

Exhibit 7

Revenue and social payments

(billions of euros)



Source: General Comptroller of the State Administration (IGAE).

[7] The deficit in terms of the national accounting system also includes the social security system (pensions), the Spanish public employment service and the wage guarantee fund.

mean that expenditure in social benefits in 2012 was 24.7% higher than in 2008.

In addition to the economic crisis, two further factors are driving the deficits of Spanish Social Security since 2010: increasing unemployment benefits and the aging of the Spanish population, with ever larger average pensions.

Given the minimal improvement in the economic cycle, this pattern has governed social security accounts in 2013. Even though the government initially budgeted on the basis of a scenario of equilibrium after the European Commission eased the budgetary consolidation path in May, the deficit target of the social security system was set at 1.4% of GDP.

In spite of this additional margin, until August, the State sought to put off the entry into deficit of social security by speeding up the pace of annual transfers to the system. In fact, following the practical depletion of transfers, August was the first month of the year to record a deficit (-0.18% of GDP).

This depletion of transfers will result in a more-than-proportional increase of the social security deficit in the final stretch of the year, and it may reach the envisaged 1.4% of GDP. The deficit will have been due mainly to deviations from budgeted figures in social payments (8 billion euros), contributory pensions (2.2 billion euros) and in unemployment benefits (3.3 billion euros).

Autonomous regions

The regions, which were the main focal point of tension and doubt as regards the sustainability

Table 3

Deficit performance of the regions
(% GDP)

Deficit	Dec-12	Aug-13	2013 Target	Margin for 2013
Andalusia	-2.09	-0.75	-1.58	-0.83
Aragon	-1.45	-0.94	-1.30	-0.36
Asturias	-1.03	0.34	-1.06	-1.40
Balearic Islands	-1.82	0.29	-1.40	-1.69
Canary Islands	-1.10	-0.11	-1.20	-1.09
Cantabria	-1.51	-0.36	-1.13	-0.77
Castile-La Mancha	-1.57	-0.84	-1.30	-0.46
Castile- Leon	-1.40	-0.54	-1.27	-0.73
Catalonia	-2.21	-1.06	-1.58	-0.52
Extremadura	-1.03	-0.86	-1.00	-0.14
Galicia	-1.29	-0.74	-1.20	-0.46
Rioja	-1.17	0.04	-1.06	-1.10
Madrid	-1.07	-0.91	-1.07	-0.16
Murcia	-3.17	-1.43	-1.59	-0.16
Navarre	-1.74	-2.55	-1.20	1.35
Basque Country	-1.46	-0.69	-1.20	-0.51
Valencia	-3.69	-0.76	-1.60	-0.84
TOTAL	**-1.84**	**-0.79**	**-1.30**	**-0.51**

Source: General Comptroller of the State Administration (IGAE).

of Spanish public finances in 2011, made a substantial consolidation effort in 2012, closing the year with a deficit of 1.84% of GDP.[8] However, the highly mixed picture among the regions, which was pre-existing, but which was exacerbated during the economic crisis, meant that the distance between the most balanced regions and those which showed the steepest imbalances was more than 2.5% of GDP. While regions like Valencia and Murcia more than doubled the target of 1.5% of GDP, nine of the seventeen regions had a smaller deficit than allowed. Indeed, four regions (Asturias, the Canary Islands, Extremadura and Madrid) ended the year with a deficit of about 1% of GDP.

The highly mixed picture among the regions, which was pre-existing, sharpened in the economic crisis, which meant that the distance between the most balanced regions and those which showed the steepest imbalances was more than 2.5% of GDP.

This situation led the Ministry of Finance and Public Administrations to set different deficit targets for different regions for the first time since the stability regulations were enacted. In spite of this, meeting the aggregate target set for the regions requires substantial measures in the field of expenditure, as revenue will not constitute a significant further source of funds. The majority of the regions' revenues are comprised of state transfers under the regional funding system, which, in 2013, will grow by only 1.2% on 2012.

To August, the regions posted a deficit measured by the national accounting system of 0.79% of GDP. The good performance was due to a reduction of public expenditure (mainly through current transfers to other public authorities and intermediate consumption). If this pace of growth is sustained, the figure would imply meeting the target of 1.3% of GDP. Although it is, in principle, a positive figure, it must be recalled that the difficulty in allocating adjustments of national accounting to the regional budgets on a monthly basis means that some figures are not representative. In fact, three regions continued to run a surplus with four months left in the year: Asturias, Balearic Islands and La Rioja.

This factor should be borne in mind, along with the low degree of success in planned asset sales (only 11% of projected sales had been realized by August) as the combination of these factors could generate a deviation from the target of two tenths of one percent of GDP. Assuming this larger deficit cannot be offset with further expenditure cutbacks, the deficit would end the year at about 1.5% of GDP, versus the ceiling of 1.3% of GDP. In any event, mixed results among regions are to be anticipated, with most of the seventeen regions expected to meet the target, in contrast to the high deficits of a minority.

Local authorities

Local authorities were not only the sole sub-sector to meet their stability target in 2012 of 0.0% of GDP, but they beat the target and ran a surplus of 0.22% of GDP. This positive situation places them in a comfortable position to meet the target in 2013, which is again a balanced budget.[9] The property tax hike in 2012, along with the clearing away of overdue invoices owed to suppliers, was the basis of this good result.

For 2013, maintenance of the property tax hike, along with a more-than-likely curtailment of expenditure based on the adjustment plans[10] prepared in order to gain access to the supplier payment mechanism, should enable compliance with the target and even generate a small surplus[11]

[8] According to latest submission to Eurostat in October 2013.

[9] Financing requirement in terms of SEC 95 of 0.0% of GDP.

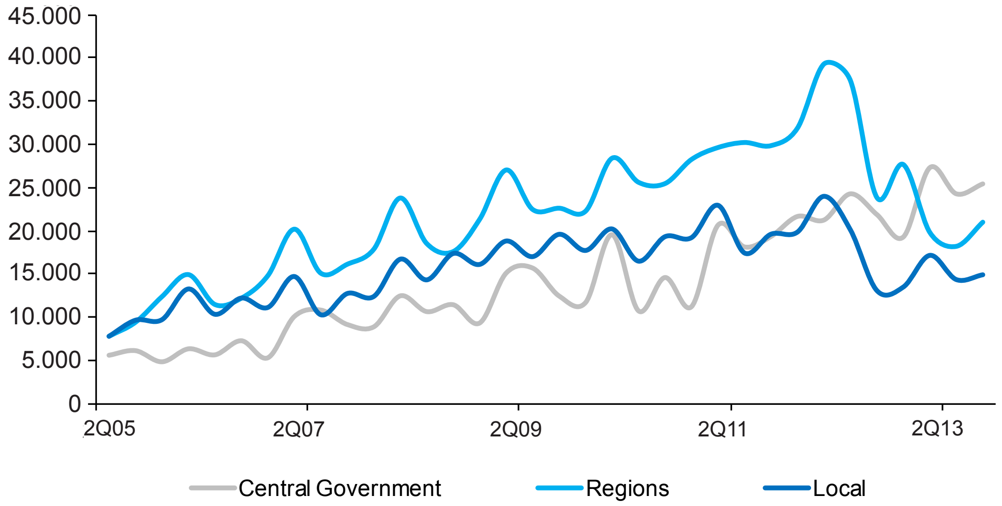
[10] These measures are equivalent to 0.14% of GDP (with no public employment measures).

[11] At June 2013, the latest available figure as of the writing of this article, the surplus stood at 0.19% of GDP.

Exhibit 8

Evolution of accounts pending payment

(billions of euros)



Source: Bank of Spain.

that could cover the deviations of the central government and the regions.

Perspectives for 2014

In 2014, the aggregate consolidation burden of all public authorities amounts to seven tenths of one percent of GDP, with the aim of bringing down the deficit from 6.5% of GDP to 5.8% of GDP. The allocation by authorities of this burden is uneven, as it is null for local authorities, one tenth of one percent for the central government and three tenths for the regions and social security. Accordingly, the biggest difficulties in meeting the target will be found in the last two sub-sectors, which we will analyze below.

Central government

The minimal consolidation burden required of the State has eased the pressure to boost non-financial revenue. Hence, the upturn in the economic cycle is expected to be sufficient to increase such revenue by 1.2% relative to 2013.

This performance means that if the GDP growth forecasts are met (0.7% according to the government), budgeted tax revenues would be feasible, and only at risk due to any further deviation beyond that announced in the end-of-year forecast of 2013.

Table 4

Impact of tax changes

(billions of euros)

	2013	2014
Income tax	3.430	0.083
Corporate tax	0.152	2.920
Environmental taxes	1.889	0.054
VAT	8.429	0.117
Special taxes	2.422	0.434
Others	-0.366	.050
TOTAL	**15.956**	**3.658**

Source: Ministry of Finance and Public Administration.

The State's non-financial expenditure remains practically as budgeted in 2013. The increase in allocations to the public employment service and of budgetary financing of the electricity tariff deficit, which amounts to 5.5 billion euros, means the adjustment will be focused on ministry expenditure, over which the State has a margin of discretion. Allocations for regions and local authorities are also reduced.

Social security

Due to the deficits run by social security, the social security reserve fund has been used to pay pensions since 2010. As of July 2013, when the most recent disbursement was made from the fund, it had a volume of 59.307 billion euros. At the current rate of disbursements, the fund will be depleted in 2019. This unsustainability in the medium-term (falling payments into the system) and long-term (aging population) of the social security system has forced the government to undertake a reform of the pension system.

The main novelties are the delinking of pensions from CPI – with the introduction of a revalorization index whose main determining factors are the revenue and expenditure of the social security system and the annual rate of change in the number of contributory pension– and a sustainability factor that will enter into force in 2019. This sustainability factor will be determined by life expectancy upon entering retirement age.

To these factors we must add that, since January, the legal retirement age is being progressively increased, to 67 by the year 2027.

In the social security budgets prepared for 2014, the impact of this reform is already taken into account, with pensions increasing only by 0.25%. This allowed for reducing the 2014 deficit target from the 1.4% of GDP of the previous year to 1.1% of GDP. Nevertheless, there may be difficulties in meeting this target, as the budget envisages payments into the social security system of 102.8 billion euros, implying that the increase necessary to attain the amount budgeted for 2014 would be 5 billion euros. Although the maximum contribution base will be increased by five percentage points –given that this group accounts only for 4% of total contributors and no significant increases are anticipated in either employment or in nominal wages– it will be difficult for the government's forecast to be met.

On the expenditure side, contributory pensions, amounting to 112.1 billion euros, show significant growth as against the amount budgeted for this year (+5.4%). This is mainly due to the growth in the number of pensioners and the increase in the average pension, as the increase is to be limited to 0.25%.

Hence, with a reduction in state contributions, the sharp increase in contributory pensions and the difficulties in attaining envisaged social security contributions, meeting the social security target in 2014 may require measures beyond those set out in the State budget.

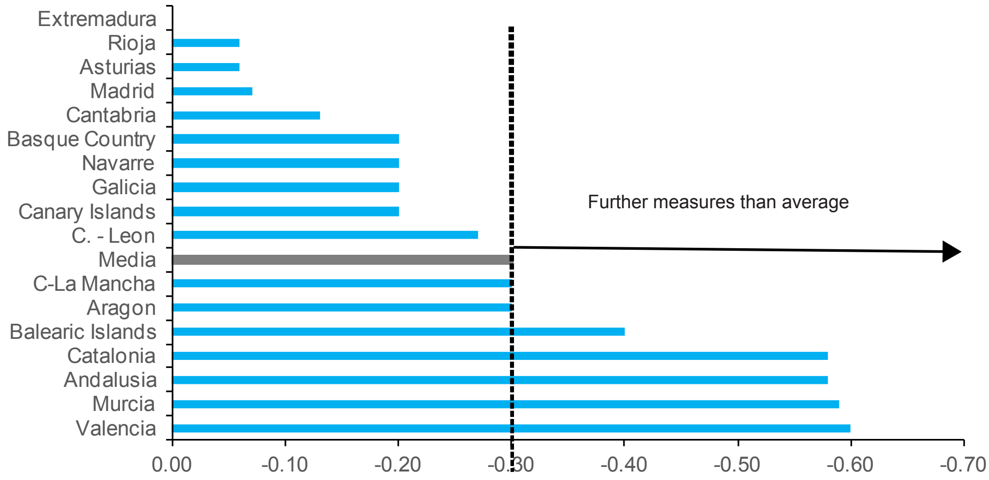
Autonomous regions

In 2014, the regions must reduce their average deficit by a bit more than three tenths of one percent of GDP, from 1.3% of GDP to 1.0% of GDP. Thus, the central authorities and social security must undertake a larger fiscal consolidation burden. To this greater aggregate effort we must add the additional pressure that will be generated in regions where the objective was higher than the average regional deficit: Catalonia, Andalusia, Murcia and Valencia must reduce their deficits by double the regional average (see Exhibit 9). Consequently, the regions required to bear a larger burden may again be asked to meet a separate deficit target in 2014.

As of the date of this article, fourteen of the seventeen regions had submitted their draft budgets for 2014. An analysis of the data therein

Exhibit 9

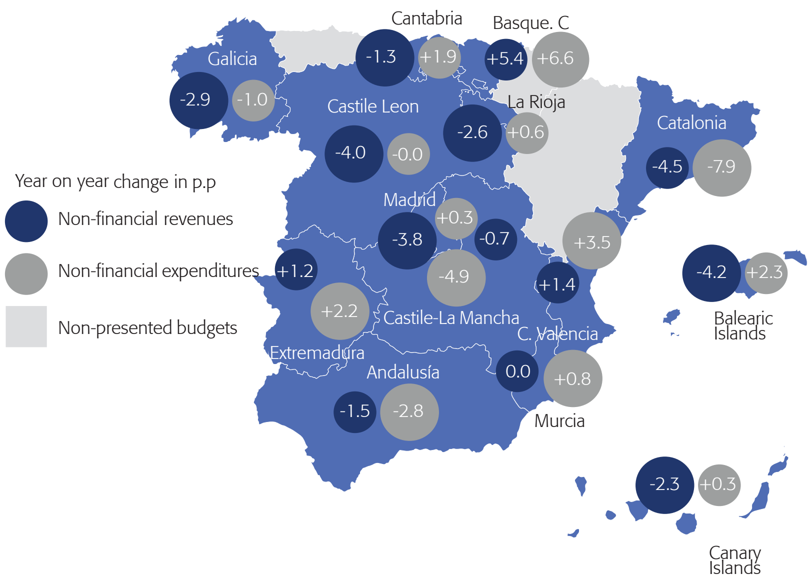
Consolidation burden in 2014



Source: Ministry of Finance and Public Administration and own elaboration.

Exhibit 10

Year-on-year change in autonomous regions' non-financial revenue and expenditure (initial 2014 budgets *vs.* 2013)



Source: Own elaboration.

shows that the regions will have to take further measures to meet the already demanding targets, as their revenue from the regional financing system will be reduced by an average of 2.5% relative to 2013. With a view to compensating for this decline, budgets envisage revenue from properties and from asset sales that will be difficult to attain. The aggregate of these amounts –except for the three other regions that have yet to submit budgets– comes to 4.7 billion euros, when aggregate revenue from these items of all regions barely amounted to 1.47 billion euros.

Even so, the weakness of revenues is forcing regions – in contrast to the State – to reduce their expenditures. In aggregate, the budgets envisage a reduction in total non-financial expenditure of 1.4%. The main items allowing for this reduction are staff costs (-1.3%), thus meaning that the destruction of public employment will continue and, once again, there will be cutbacks in capital expenditure (-11%), which now account for only 9.2% of non-financial expenditure.

Local authorities

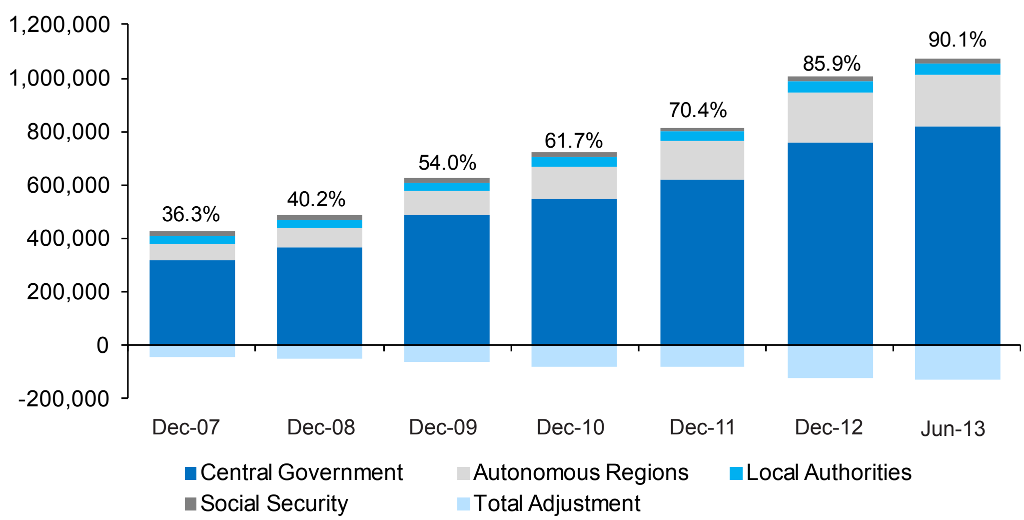
Local authorities must maintain in 2014 the balanced budget that was required of them in 2013. We anticipate they will meet the target owing to the across-the-board maintenance of the property tax hike, which was mandatory in 2012 and 2013 but voluntary thereafter, and due to the spending cutbacks related to the reform of the local sector, which is currently before parliament, for which the government estimates an impact of 1.146 billion euros in 2014.

Impact on debt level

The deficits generated during the economic crisis have logically been reflected in debt levels. As of June 2013, the debt of public authorities was more than double the existing stock at year-end 2008 (see Exhibit 11), standing at 90.1% of GDP. Far from being a ceiling, this level will continue to rise because Spanish public authorities will continue to run deficits until at least 2016.[12]

Exhibit 11

Debt by authority (millions of euros) and debt-to-GDP ratio



Source: Bank of Spain.

[12] According to government forecasts, the public debt-to-GDP ratio at year-end 2014 will reach 98.9% of GDP.

Public debt will continue to grow at least until 2016, albeit at a slower pace than in recent years, due to the lower anticipated deficits.

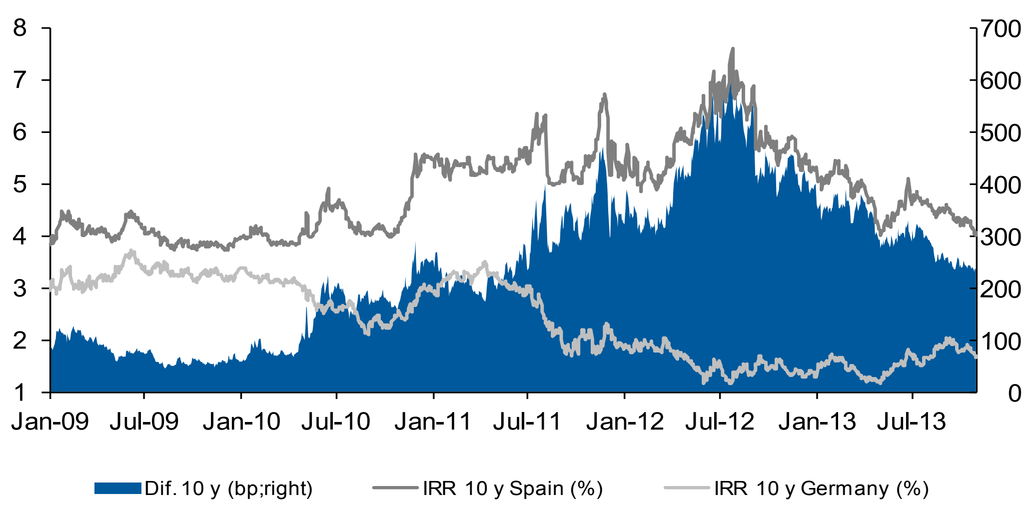
Therefore, we should recall that although the Spanish state committed to achieving a public debt-to-GDP ratio of 60% by 2020 in the Budgetary Stability and Financial Sustainability Organic Law, it will most likely be unable to meet the target. In fact, S1, the medium-term sustainability indicator used by the European Union, indicates that a primary structural balance of +5.3% of GDP until 2020 would be necessary in order to return the debt ratio to 60% of GDP by 2030. The average primary balance of the Spanish economy in the 2000-2008 period, at the time of the biggest boom, only reached 1.5%.

In any event, with the financial markets having stabilized, public authorities are finding it easier to cover their funding needs in 2013, and at a lower cost. The Treasury, the body which issues the debt for the central government, had covered some 80% of its net funding needs for the year by October 2013, where it was also assisted by the strong presence of foreign investors in debt auctions.

Nine autonomous regions[13] have joined the regional liquidity fund created by the State, which is enabling them to cover both debt maturities and new funding needs[14] without having to turn to the markets on an individual basis. The eight other regions have managed to quickly cover their debt servicing needs at a far lower cost than in recent years, due to the relative normalization of financial markets.

Exhibit 12

IRR of 10-year Spanish and German debt (%), sovereign spread at term (bp)

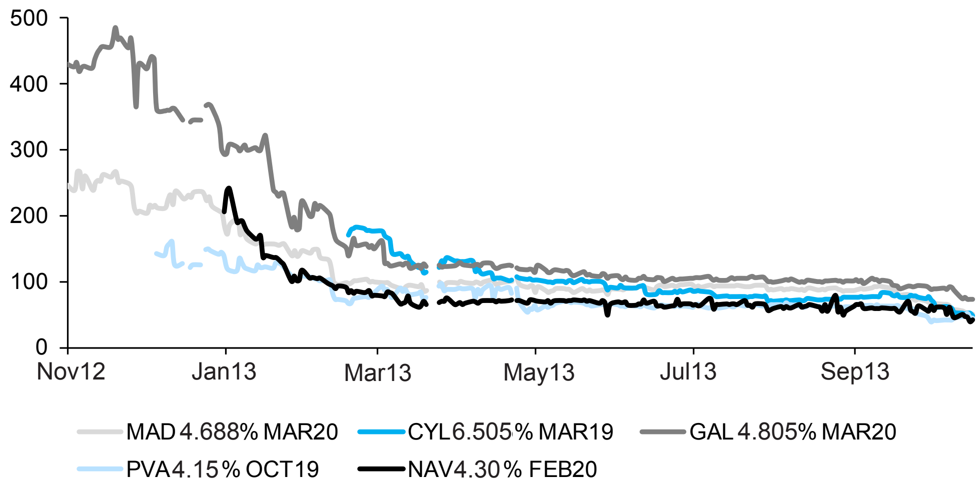


Sources: Reuters, AFI.

[13] Andalusia, Catalonia, Valencia, Asturias, Canary Islands, Balearic Islands, Murcia, Castile-La Mancha and Cantabria.

[14] The regional liquidity fund allows for covering maturities of securities, of loans granted by European institutions of which Spain is a member in transactions that cannot be refinanced or novated by the autonomous regions and for meeting additional public deficit finance necessities.

Exhibit 13
Regional spreads in secondary market against Treasury



Source: Bloomberg.

Nevertheless, it is important to emphasize that the regional liquidity fund that emerged in 2012 as a temporary liquidity mechanism to offset the inability of some regions to fund themselves at reasonable prices, has been extended to at least 2014.

The general budget 2014: Fiscal stability at last?

José Félix Sanz-Sanz[1] and Desiderio Romero-Jordán[2]

The 2014 general budget aims towards continued fiscal consolidation and budgetary stability with a deficit target of 5.8% of GDP for the entire public administration. Cutting the deficit has been harder than initially expected, but greater macroeconomic stabilization could help neutralize imbalances.

The 2014 budget attempts to achieve budgetary stability with an overall deficit target of 5.8% of GDP, a central government deficit target of 3.7% of GDP, the autonomous regions 1% of GDP, the social security fund 1.1% of GDP, and the local authorities at budgetary equilibrium. The government anticipates increased revenues due to improved economic conditions, the maintenance of the main fiscal consolidation measures approved in 2012, and a few additional tax measures specifically introduced into the 2014 budget. Consolidation will once again be the main objective on the expenditure side. However, given the lack of discretionary power to cut spending on items such as pensions, debt service, and unemployment benefits, balancing the budget will remain a difficult task, with this year´s reforms of the pension system and unemployment benefits being crucial to consolidation efforts.

Some initial considerations

As Table 1 shows, although the government has presented deficit reduction as one of the main pillars of its economic policy, in reality, since the onset of the crisis, cutting the deficit has proven to be harder than originally thought. However, in all fairness it has to be acknowledged that, unlike previous years' budgets, the 2014 General Budget has been drafted against the backdrop of a degree of macroeconomic stabilisation in the Spanish economy, which could help neutralise the imbalances in the public accounts. In particular, the aim is for the general government as a whole to achieve budgetary stability in 2014, with a deficit target of 5.8% of GDP, within which the central government's target is for a deficit of 3.7% of GDP, the Autonomous Regions 1%, and the Social Security fund 1.1%. Local authorities, for their part, have to aim for budgetary equilibrium.

The salient features of the State Budget for 2014, as far as income and expenses are concerned, are described below.

Public income: The main tax increases from previous years have been left in place

The government estimates that tax revenues in 2014 will come to 179,750 million euros, a figure that represents an increase of 2.4% on the estimates for 2013. This increase in revenues rests

[1] Universidad Complutense de Madrid.

[2] Universidad Rey Juan Carlos.

Table 1

Budgetary stability objectives (% GDP). Net lending (+) or net borrowing (-)

	2011	2012	2013	2014	2015	2016
Central government	-5.20	-4.24	-3.80	-3.70	-2.90	-2.10
Autonomous regions	-3.41	-1.84	-1.30	-1.00	-0.70	-0.20
Local authorities	-0.39	0.22	0.00	0.00	0.00	0.00
Social security	-0.07	-0.99	-1.40	-1.10	-0.60	-0.50
Total government	-9.07	-6.84	-6.5	-5.8	-4.2	-2.8

Excludes the impact of the deficit deriving from financial system restructuring.

Source: General Comptroller of the State Administration (IGAE).

on three different pillars. Firstly, as Table 2 shows, unlike previous years, the better macroeconomic forecast gives a glimpse of a nascent economic recovery. Secondly, the effects on revenues of

Table 2

Forecasts and macroeconomic context on which the State Budget for 2014 is based

	2012	2013	2014
Real GDP	-1.6	-1.3	0.7
Nominal GDP	-1.7	-0.3	2.1
Private final consumption	-2.8	-2.6	0.2
Government final consumption	-4.8	-2.3	-2.9
Gross capital formation	-6.9	-6.1	0.2
Domestic demand	-4.1	-3.2	-0.4
Exports of goods and services	2.1	5.7	5.5
Imports of goods and services	-5.7	-0.3	2.4
External sector	2.5	1.9	1.2
Employment	-4.8	-3.4	-0.2
Unemployment rate	25.0	26.6	25.9

Source: Presupuestos Generales del Estado 2014.

the main fiscal consolidation measures approved in 2012 and 2013, which contrary to the original announcement, will be continued into 2014. And thirdly, the scant tax measures, specifically included in the 2014 budget.

As summarised in Table 3, income tax revenue is projected to rise by 1.7% from the expected revenue in 2013. An increase of 5.4% is envisaged in the case of corporate income tax, basically due to the measures adopted to widen the tax base. VAT revenue will grow by 2.7% with the anticipated recovery in household consumption, despite the negative impact of new arrangements allowing VAT to be assessed on a cash basis. Income from excise duties will increase by 0.5% due to the effect of early measures, primarily the increased tax rate on alcoholic beverages and tobacco products, which came into effect in July 2013. Non-tax income, on the other hand, will remain practically unchanged, registering just a slight drop of 0.9%. In short, the income forecast in the State Budget for 2014, net of the tax administrations' share, comes to 128,159 million euros. This is 1,674 million euros more than expected revenue in 2013.

The government essentially bases this revenue increase on the economic upturn, which it estimates will have a positive impact on the size of the tax bases. Along with the predicted upswing in the economic cycle, the government estimates that the extension until 2014 of most of the tax

The government essentially bases this revenue increase on the economic upturn. Along with the predicted upswing in the economic cycle, the government estimates that the extension until 2014 of most of the tax increases passed in 2012 and 2013 will have a positive impact on the tax take.

Table 3

Forecasts and macroeconomic context on which the State Budget for 2014 is based

	2013 budget		2014 budget	Estimated revenue increase	
	Budgeted	Estimated	Budget		
	(1)	(2)	(3)	(3)/(1)	(3)/(2)
1. Tax revenues (before assignment to local and regional authorities)	177,860	175,520	179,750	1.1	2.4
Personal income tax	74,215	71,982	73,196	-1.4	1.7
Corporate income tax	19,012	21,181	22,326	17.4	5.4
VAT	54,657	53,397	54,849	0.4	2.7
Excise duties	21,096	20,344	20,453	-3.1	0.5
Other tax revenue	8,879	8,616	8,925	0.5	3.6
2. Tax revenue (after assignment to local and regional authorities)	107,994	105,543	107,412	-0.5	1.8
3. Non-tax revenues	19,031	20,943	20,747	9.0	-0.9
4. Total non-financial revenue (2+3) (after assignment to local and regional authorities)	127,025	126,486	128,159	0.9	1.3

Source: Presupuestos Generales del Estado 2014.

increases passed in 2012 and 2013 will have a positive impact on the tax take. In particular, the tax increases passed in 2012 (Royal Decree-Law 20/2011) and the tax increases approved in the General State Budget for 2012 and 2013 will remain in force in 2014. That is to say, the General State Budget for 2014 ratifies and consolidates the majority of the tax increases approved in the past two years.

The most significant tax increases due to remain in effect in 2014 are those passed in December 2011 (Royal Decree-Law 20/2011). This set of measures included: (i) a sharp rise in the marginal rates of personal income tax (IRPF, in its Spanish initials); (ii) a selective increase in municipal property tax (IBI), and (iii) an increase in telecommunications levies. Nevertheless, in 2014 the tax deduction for home purchases will be eliminated, given its demonstrated ineffectiveness, powerful distorting effect, and high cost in terms of revenues. The government estimates that eliminating this tax deduction will allow it to collect an additional 90 million euros. The differential treatment of short and long-term capital gains introduced by Law 16/2012 will remain in force. This rule penalises capital gains acquired over a period of less than a year by taxing them as ordinary income rather than income from savings, which benefit from a more favourable rate. In the case of corporate income tax (IS), the 2014 budget leaves unchanged both the way in which the basis of the tax assessment is calculated and the effective application of deductions and exemptions approved in the 2012 and 2013 State Budgets. These include: (i) elimination of freedom of amortisation for large companies; (ii) a reduction in the deductibility of goodwill; (iii) limitations on the deductibility of financial expenses; (iv) a reduction in the limit on deductions from the tax quota; and (iv) setting of a minimum part payment.

Measures to support entrepreneurs should also be mentioned, as should the stimulus to growth and job creation introduced in Royal Decree-Law 4/2013. The objective of this Royal Decree is to establish more favourable conditions under which new companies can start up. In the case of personal income tax, a new reduction of 20% of net earnings from business and professional activities by self-employed persons applicable for two years after the first tax period in which they obtain a profit. As regards corporate income tax, the tax rate on the first 300,000 euros has been set at 15%, rising to 20% for all amounts over this threshold. As in the case of the income tax measures for the self-employed, the reduced rate will be applicable for two years after the first tax period in which a profit is obtained. Law 14/2013, to support entrepreneurs and their internationalisation, creates a special system with the option for VAT to be assessed on a cash basis. This framework, established under Article 167 of Council Directive 2006/112/EC, will be applicable as of January 1st, 2013 and will therefore affect all 2014 tax revenues. This rule allows Member States to establish an optional system for firms with a turnover of less than 2 million euros under which they only become liable for the VAT charged to customers when they have actually collected payment for the invoice. It also introduces a new deduction from corporate income tax for invested earnings of small businesses. The deduction is 10% of the year's profits with the condition that they be invested in new tangible assets or property investments associated with economic activities. The deduction will require the creation of an investment reserve, however. This modification is accompanied by a similar change in the rules on income tax for the self-employed. Specifically, business angels will be entitled to a deduction from their state-level income tax when they invest in a new start-up or recently created firm. The profits from subsequent divestments will be exempt from capital gains tax if they are reinvested in another start-up or recently created firm. Clearly, these new measures to support entrepreneurs will have a negative impact on tax revenues, at least in the short term. The government estimates that the drop in revenues associated with the pro-entrepreneur measures in the 2014 Budget will be 1,157 million euros, mainly as a result of applying the cash basis to VAT collections.

In the case of indirect taxes, the 2014 Budget will lock in all the tax increases passed between 2011 and 2013, such that they all remain in effect in 2014 (see Romero and Sanz, 2013). In the case of value added tax, Royal Decree-Law 20-2012 of June 13th, 2012, raised both the general and reduced rates of the tax. Specifically, the reduced rate went up from 8% to 10% and the general rate from 18% to 21% (for an analysis of its effects, see Sanz and Romero (2012)). As a result, following the 2010 and 2012 reforms, the reduced rate has risen by 3 points and the general rate by 5 points (for an international comparison, see Romero and Sanz, 2013). In the case of excise duties, the changes in the tax rate have mainly fallen on tobacco products. Thus, in the 2012 Budget the duty was restructured to increase the specific component and reduce the ad valorem rate. This means that–as happens in most other European Union countries–the excise duty on cigarettes is linked more closely to the number of units consumed rather than the retail price. Specifically, in the case of cigarettes the proportional duty fell from 57% to 55% (calculated on the basis of the retail price). At the same time, the specific excise duty (set per 1,000 cigarettes) rose from 12.7 euros to 19 euros. Tax on other tobacco products (cigars and fine-cut tobacco) also rose, but to a lesser extent than the tax on cigarettes.

Royal Decree-Law 7/2013, of June 28th, also introduced an increase in the rates on tobacco products and alcoholic beverages. The excise duty per litre of alcohol rose from 8.30 euros to 9.13 euros (a 10% increase). In line with the philosophy described above, the aforementioned rule introduced further increases in the tax on cigarettes. Namely the proportional duty was again reduced (to 51%) while the specific duty rose to 24.10 euros (the minimum duty being 128.65 euros). The total minimum tax per cigarette (the sum of these two duties) cannot be less than 0.128 euros (prior to the reform the minimum was 0.1191 euros). Additionally the specific excise duty on fine-cut tobacco also rose from 8 euros to 22 euros (the proportional rate remained unchanged at 41.5%). The Spanish tax authorities expect this measure to offset the shift in consumption from cigarettes to fine-cut tobacco observed during the crisis. The government hopes to raise 700 million euros a year (600 million euros from tobacco products and 100 euros from alcoholic beverages).

Public expenditure: The adjustment continues

The national budget contains expenditure forecasts for the following sectors: central government, social security, autonomous agencies, and state agencies. The consolidated expenditure on the three levels of government (central government, autonomous regions, and local authorities) will be 354,622 million euros in 2014, with annual growth of 2.7% (Chapters I to VIII). The forecast expenditure growth rate in the 2013 budget was 2.5%. As in the preceding year, the expenditure budget's priority objective is fiscal consolidation. Nevertheless, once again, this objective will be powerfully influenced by the expenditure committed to: (i) pensions (127,483 million euros), (ii) interest on debt (35,690 million euros) and (iii) unemployment benefits (29,727 million euros). These three items together absorb 54.4% of the resources managed by the Spanish public administration. For this reason, in 2013 a reform of both unemployment benefits and pensions is being pushed through. The information on the distribution of the budget by

As in the preceding year, the expenditure budget's priority objective is fiscal consolidation. This objective will be powerfully influenced by the expenditure committed to: (i) pensions, (ii) interest on debt and (iii) unemployment benefits. These three items together absorb 54.4% of the resources managed by the Spanish public administration.

Table 4

Consolidated state expenditure budget (Chapters I to VIII)
Breakdown by spending policy (millions of euros)

Chapters	Initial budget 2013 (1)	(%)	Initial budget 2014 (2)	(%)	Δ (%) (2) /(1)
1. Basic public services					
Total (Justice, defence, citizen security, and foreign policy)	16,727.6	4.8	16,431.3	4.6	-1.0
2. Social spending, protection and social welfare					
Total	178,054.1	51.5	185,865.3	52.4	4.4
Pensions	121,556.5	35.2	127,483.8	35.9	4.9
Unemployment benefits	26,993.7	7.8	29,727.5	8.4	10.1
Employment promotion	3,776.1	1.1	4,073.5	1.1	7.9
Social services	2,844.9	0.8	1,809.8	0.5	-36.4
Health	3,855.7	1.1	3,839.8	1.1	-0.4
Education	1,944.8	0.6	2,150.1	0.6	10.6
Access to housing	765.8	0.2	799.6	0.2	4.4
Other	16,316.6	4.7	15,981.2	0.2	-2.1
3. Economic measures					
Total	27,099.41	7.8	28,802.97	8.1	6.3
Farming, fishing and food	7,661.87	2.2	7,720.53	2.2	0.8
Energy and industry	4,574.99	1.3	5,781.59	1.6	26.4
Tourism, trade and SMEs	889.56	0.3	934.20	0.3	5.0
Transport subsidies	1,180.03	0.3	1,614.16	0.5	36.8
Infrastructure	5,965.82	1.7	5,452.44	1.5	-8.6
Civil R&D	5,562.45	1.6	5,633.15	1.6	1.3
Military R&D	363.38	0.1	506.84	0.1	39.5
Other actions	901.30	0.3	1,160.07	0.3	28.7
4. General measures					
Total	122,847.1	35.6	122,806.0	34.6	0.0
Transfers to other public administrations	48,316.6	14.0	45,988.2	13	-4.8
General Government Debt	38,589.5	11.2	36,590.0	10.3	-5.2
Other actions	35,940.9	10.4	40,227.7	11.3	11.9
Total chapters I to VIII	345,450.32	100.0	354,622.09	100.0	2.7

Source: Presupuestos Generales del Estado 2014.

Table 5

State expenditure budget (Chapters I to VIII)
Breakdown by sections (millions of euros)

Chapters	Initial budget 2013 (1)	(%)	Initial budget 2014 (2)	(%)	Δ (%) (2) /(1)
Constitutional bodies					
Royal household, Parliament, National audit office, Constitutional court, etc.	367.31	0.2	361.6	0.2	-1.5
General Government Debt					
Debt interest	38,589.5	23.4	36,590.0	22.2	-5.2
Civil Service Pensions					
Civil service pensions	12,150.0	7.4	12,643.0	7.7	4.1
Ministries					
Foreign Affairs	1,092.88	0.7	996.49	0.6	-8.8
Justice	1,507.16	0.9	1,472.29	0.9	-2.3
Defence	5,934.17	3.6	5,742.94	3.5	-3.2
Treasury and other public administration bodies	2,176.09	1.3	2,112.67	1.3	-2.9
Interior	7,213.95	4.4	7,298.26	4.4	1.2
Public Works and Transport	5,790.70	3.5	5,805.07	3.5	0.2
Education, Culture and Sport	2,498.96	1.5	2,662.97	1.6	6.6
Employment and Social Security	23,798.22	14.4	26,544.24	16.1	11.5
Employment and Social Security, excluding transfers to the state employment service and the social security administration,	458.73	0.3	476.12	0.3	3.8
Industry, Energy and Tourism	3,919.04	2.4	5,158.00	3.1	31.6
Agriculture, Food and Environment	1,573.85	1.0	1,620.76	1.0	3.0
Prime minister's office	434.40	0.3	423.15	0.3	-2.6
Health, Social Services and Equality	2,963.12	1.8	1,907.60	1.2	-35.6
Economy and Competitiveness	1,964.00	1.2	2,346.01	1.4	19.5
Spending by various ministries	1,946.02	1.2	2,245.31	1.4	15.4
Total for all Ministries	62,812.58	38.0	66,335.74	40.2	5.6
Total for all ministries excluding transfers to the state employment service and the social security administration	36,302.36	22.0	34,584.01	21.0	-4.7
Transfers to the autonomous regions and the European Union					
Other financial relationships with territorial bodies	686.01	0.4	997.92	0.6	45.5
Inter-territorial compensation fund	671.58	0.4	582.43	0.4	-13.3
Financial relationships with the EU	11,900.60	7.2	13,083.29	7.9	9.9
Contingency fund	2,595.46	1.6	2,665.18	1.6	2.7
System of financing for local and regional authorities	35,314.23	21.4	31,589.50	19.2	-10.5
Total for Chapters I to VIII	165,087.32	100	164,848.69	100.0	-0.1

Source: Presupuestos Generales del Estado 2014.

expenditure policies is summarised in Table 4. In particular, this table shows how spending on pensions and unemployment will increase by 5,927 euros and 2,733 million euros, respectively. The sharp growth in unemployment expenditure is at least partly explained by the government's overly optimistic forecasts for the unemployment rate in 2013: the initial estimate of 24.3% was subsequently revised upwards to 26.6%. As against spending of 8,661 million euros on these two items, the interest on debt is set to fall by 1,999 million euros. The government hopes that the increased level of debt will be offset by lower interest thanks to the expected drop in the risk premium: over the course of 2013 the risk premium has come down by approximately 200 basis points.

State budget

According to the government's estimates, central government spending in 2014 (Chapters I to VIII) will come to around 164,848.6 million euros, a reduction of 0.1% (see Table 5). 29.7% of this figure is accounted for by transfers to: (i) the social security administration (responsible for paying pensions) (12,981 million euros); (ii) the national employment service (responsible for paying unemployment benefits) (32,051 million euros); (iii) territorial administration (fundamentally to finance spending policies in the 17 autonomous regions) (31,589 million euros); and, lastly (iv) the European Union (13,083 million euros). After discounting these transfers, the most significant budget item is the total expenditure managed by the thirteen ministerial departments making up the current government structure. The budget envisages a sharp cut in aggregate ministerial spending, which will reduced by 1,720 million euros (4.7%) to a figure of 34,584 million euros in 2014. This cutback is on top of the 13,405 million euros envisaged for 2012 and the 3,883 million euros for 2013. Nevertheless, spending by the Ministry of Employment and Social Security (2,746 million euros) and the Ministry of Industry, Energy and Tourism (1,238.9 million euros) is set to rise sharply. From the perspective of the economic classification (Table 6), the biggest spending cut among ministries is in current transfers to sub-national government (1,261.8 million euros) and spending in real investments (647.6 million euros). Staff costs will be reduced by 46.2 million euros due to the freezing of public employees' salaries and the ban on replacing staff who leave or retire (with some exceptions). Indeed, central government trimmed its staff of public employees by 17,036 by natural wastage in 2013.

Interest on the debt consumes 22.2% of the resources managed by the central government. It is estimated that interest payments will drop by 5.2%, from 38,589 million euros to 36.90 million euros. It is worth noting that this level of expenditure is approximately 2 billion euros more than the resources managed by the thirteen ministerial departments. Indeed, as a share of GDP, interest payments come to 3.49% in 2014. General government debt will grow from 760 billion euros in 2013 to 826.5 billion euros in 2014, putting the debt-to-GDP ratio at a record level of 98.2% at the end of 2014. Nevertheless, interest payments are expected to diminish as the rates paid on the various types of instruments used (basically bills, notes and bonds) come down. In particular, the government is confident that the average cost of debt will continue its downward trend begun in 2011 (4.07% in 2011, 3.09% in 2012, and 3.77% up until August 2013) due to the marked improvement in conditions of access to the financial markets.

Social Security budget

Social security spending rose by 3,597 million euros in 2014 to reach 131,831 million euros, an increase of 2.8%. As Table 7 shows, in 2014 expenditure on contributory pensions will account for 89.5% of total social security spending. According to official estimates, spending on this item, which does not include public employees' pensions, will grow by 5.4%. This change is due to the increase in the number of pensioners and the change in the average pension (an appreciation of 0.25% in 2014). The social security budget estimates that the number of pensioners will rise

Table 6

State expenditure budget (millions of euros)
(Excluding contributions to the state employment service, the social security administration, and obligations from previous years)

Chapters	Initial budget 2013 (1)	(%)	Initial budget 2014 (2)	(%)	Δ (%) (2)/(1)
I. Staff costs	15,613.92	35.5	15,567.68	36.7	-0.3
II. Current expenditure on goods and services	2,756.71	6.3	2,869.08	6.8	4.1
III. Financial expenses	24.94	0.1	25.73	0.1	3.2
IV. Current transfers	10,320.07	23.5	9,058.24	21.3	-12.2
Current operations	28,715.65	65.3	27,520.72	64.8	-4.2
V. Contingency fund	0.00	0.0	30.0	0.1	-
VI. Real investments	3,896.66	8.9	3,249.01	7.7	-16.6
VII. Capital transfers	3,690.05	8.4	3,784.28	8.9	2.6
Capital operations	7,586.71	17.3	7,033.29	16.6	-7.3
Total non-financial transactions	36,302.36	82.6	34,584.01	81.5	-4.7
VIII. Financial assets	7,668.48	17.4	7,860.73	18.5	2.5
IX. Financial liabilities	0.37	0.0	0.37	0.0	0.0
Total financial transactions	7,668.85	17.4	7,861.10	18.5	2.5
Total budget	43,971.21	100.0	42,445.11	100.0	-3.5

Source: Presupuestos Generales del Estado 2014.

Table 7

Breakdown of the main social security expenditure items

Items	Initial budget 2013 (1)	(%)	Initial budget 2014 (2)	(%)	Δ (%) (2)/(1)
Sum total of revenues under Chapters I to VIII	128,239.7	100.0	131,831.4	100.0	2.8
Current transfers	121,697.2	100.0	125,318.8	100.0	3.0
Contributory pensions	106,350.1	87.4	112,102.6	89.5	5.4
Non-contributory pensions	2,475.5	2.0	2,166.1	1.7	-12.5
Temporary incapacity	5,830.5	4.8	4,878.3	3.9	-16.3
Maternity, pregnancy and breastfeeding	2,309.8	1.9	2,177.9	1.7	-5.7
Care for dependent adults	2,126.5	1.7	1,092.5	0.9	-48.6
Other transfers	2,604.5	2.1	2,901.2	2.3	11.3

Source: Presupuestos Generales del Estado 2014.

by 112,907 (those corresponding to retirement will increase by 104,767) to reach 9,250 million pensions. According to official estimates, the total number of retirement pensions will increase from 5,514 million to 5,618 million between 2013 and 2014. The remainder of the social security system's benefits will suffer significant cutbacks: non-contributory pensions (309 million euros), temporary disability (952 million euros), maternity, pregnancy and breastfeeding (131 million euros), and long-term care (1,034 million euros). Social-security contributions, which raised 102,839 million euros in 2014, provide 78% of the social security administration's income. This source of income will shrink by 2.9% in 2014 as a result of developments in employment and average wages. One of the measures to boost revenues from social security contributions is to raise the maximum contribution basis by 5 points in 2014. Together with social security contributions, the second pillar on which the social security system's financing rests is transfers from the central government (13 billion euros in 2014).

Budget for autonomous and state agencies

This heading includes entities providing a wide range of services, such as the tax collection agency, the traffic department, the national statistics institute, or the national car fleet. The aggregate spending by these 57 agencies will rise by 8.15% in 2014 (3,939 million euros). Total expenditure will increase from 48,327 million euros in 2013 to 52,266 million euros in 2014. One of the most important of these agencies in terms of the volume of resources it handles is the public state employment service (33,916 million euros). This agency basically handles payment of unemployment benefits, although it is also in charge of active policies to tackle unemployment. As Table 8 shows, unemployment insurance and welfare payments will account for 87.6% of the agency's expenditure in 2014. Unemployment insurance benefits will rise by 8.6% in 2014 to reach 21,041 million euros. These expenses remain on an upward trend due to the precarious situation of the Spanish labour market. Despite the cuts in unemployment benefit coverage introduced in 2012. In particular, Royal Decree-Law 20/2012, July 13th, 2012, cut the level of benefits after the seventh month from 60% to 50% of the reference value. Welfare payments will rise by 11.9% to total 6,562 million euros as a consequence of the rise in the number of unemployed persons exhausting their contributory benefits. It should be noted that the Royal Decree-Law eliminated the special benefit for people aged over 45 and also raised the age for eligibility for welfare for workers having

Table 8

Budget for State employment service programmes

Programmes	Initial budget 2013 (1)	(%)	Initial budget 2014 (2)	(%)	Δ (%) (2)/(1)
Benefits on cessation of activity (self-employed persons)	25.48	0.1	23.5	0.1	-7.6
Promoting labour market access and job stability	3,769.9	12.2	4,041.5	11.9	7.2
Unemployment benefits	26,933.7	87.3	29,727.5	87.6	10.1
Internal transfers	127.4	0.4	124.17	0.4	-2.5
Total	30,916.5	100.0	33,916.8	100.0	9.7

Source: Presupuestos Generales del Estado 2014.

exhausted their unemployment benefits from 52 to 55. Spending on active policies to tackle unemployment has risen by 11.9%, in contrast with the sharp cutback in the budget in 2013 (-34.6%).

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The international expansion of Spanish firms: Strengths and weaknesses

Esteban García-Canal[1]

In response to the crisis, Spanish firms have reduced their FDI, yet they have become more aggressive exporters, going beyond traditional markets. Both FDI and export activity remain highly concentrated in a few firms and industries, illustrating the duality of Spanish firms in terms of international competitiveness.

Spanish firms have had to reduce Foreign Direct Investment (FDI) and increase exports to remain competitive in the wake of the financial crisis. FDI inflows, however, have been less adversely affected, as confidence in Spain is on the rise and investors take advantage of opportunities. Outflows remain highly concentrated in Europe and Latin America and in the hands of a few large firms in regulated and infrastructure sectors. While exports decreased just after the crisis, they have quickly recovered, and are currently at maximum historical levels. Unfortunately, as in the case of FDI, only a handful of heavy exporting firms in selected industries still dominate the market, although companies are increasing the geographic diversity of export destinations.

Introduction

The financial crisis of 2008 has dramatically changed the corporate expansion of Spanish companies and their competitive landscape. A serious downturn in domestic demand, the credit crunch, and the rise of emerging market multinationals, among other factors, called into question the previous investment policies, the corporate strategies and even the business models of most Spanish companies. Regarding the international activity of Spanish firms, the most immediate impact of the financial crisis was the sharp reduction in FDI since 2008 and a downturn in exports in 2009. However, the financial crisis has also raised the awareness of firms about the importance of being present in foreign markets to exploit or improve their competitive advantages, reducing also their dependence on the domestic market. As a consequence, the most competitive and dynamic companies have reacted to the challenges posed by the new competitive scenario by adjusting their FDI portfolios and/or increasing their propensity to export. In fact, nowadays the current growth prospects of the Spanish economy are heavily dependent on the competitiveness of this group of firms. In this article, we analyze the most recent data on the international activity of Spanish companies to illustrate this situation and its future outlook. In the first section, we study expansion through FDI. In the second section, we analyze export trends. Finally, at the close of this article, we provide some concluding remarks.

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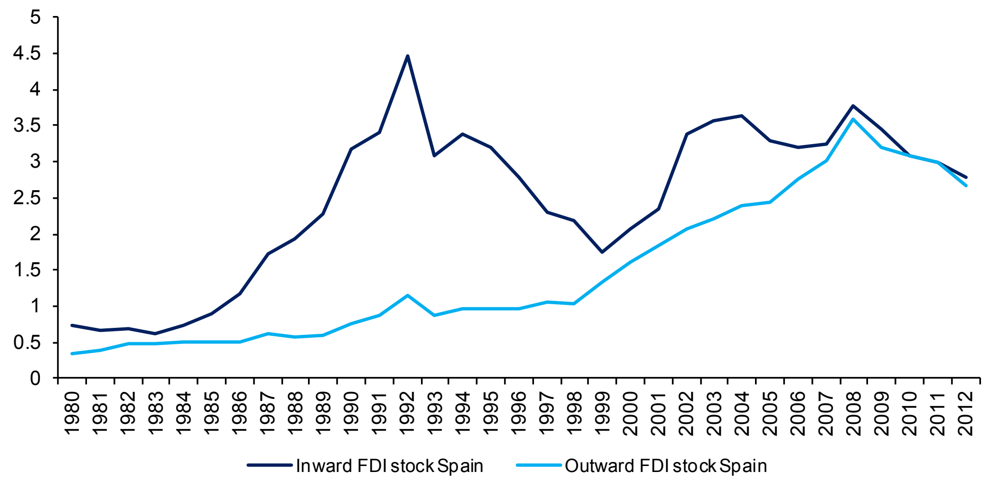
Foreign direct investment activity

The international expansion of Spanish companies through FDI since the late 1980s is a textbook example of what is called accelerated internationalization.[2] Exhibit 1 shows the evolution of the value of the stock of inward and outward FDI to and from Spain since 1980, as a percentage of the world's total. As could be expected, the opening of the Spanish economy in the 1980s paved the way for inward FDI rather than outward FDI, due to the competitiveness gap between Spanish firms and international competitors. However, once Spanish companies improved their international competeviness, their share in the global stock of FDI started to rise progressively with the exception of a small downturn in 1993. This chart also shows how in this new competitive scenario, the importance of Spain both as a source and destination of FDI has been reduced substantially since 2008. Even though the reduction of Spain's share in the world's total stock of outward FDI can be associated to the rise of new players in the international economy coming from emerging markets,[3] its most direct cause has been the decline in the level of net FDI flows to and from Spain. Exhibit 2 shows the evolution of incoming and outgoing net FDI flows to and from Spain, according to the official data compiled by the Spanish Ministry of Economy and Competitiveness. The exhibit shows that from 1996 to 2008, Spain had a positive net investment position in terms of the balance between outgoing and incoming FDI flows. The financial crisis put

In this new competitive scenario, the importance of Spain both as a source and destination of FDI has been reduced substantially since 2008.

Exhibit 1

Inward and outward foreign direct investment stock to and from Spain as a percentage of the world's total



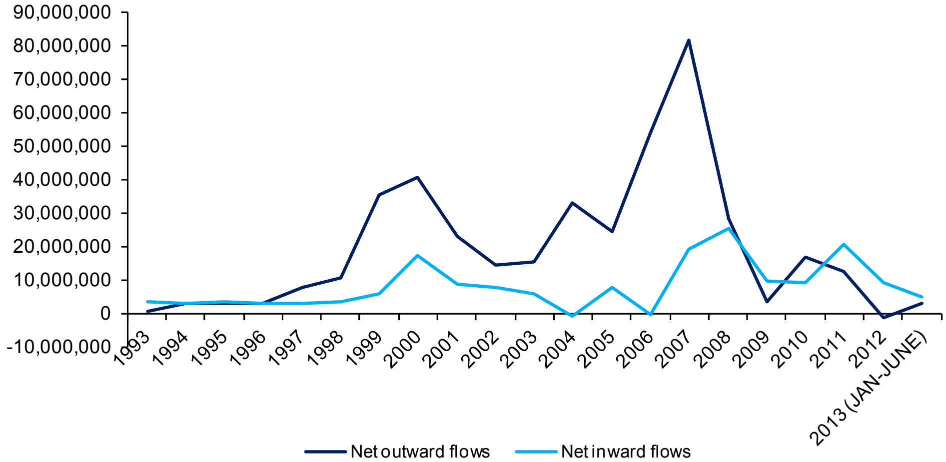
Source: UNCTAD.

[2] For more details, See Guillén, M. and García-Canal, E. *The New Multinationals: Spanish Firms in a Global Context*, Cambridge University Press, Cambridge, 2010.

[3] See Guillén, M. and García-Canal, E. *Emerging Markets Rule: The Growth Strategies of the New Global Giants*, McGraw-Hill Professional, 2013.

Exhibit 2

Inward and outward net foreign direct investment flows to and from Spain
(thousands of current euros)



Source: Secretaría de Estado de Comercio. Ministerio de Economía y Competitividad.

an end to this situation and, after 2007, the net outgoing flows fell sharply. In fact, net outgoing FDI flows were negative in 2012.

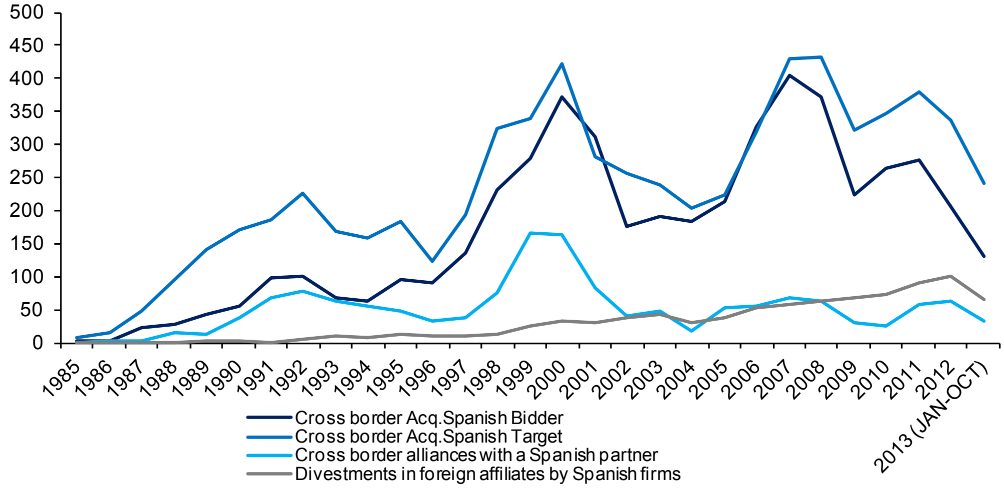
However, official statistics on FDI only provide aggregated quantitative flows, failing to report firm level data, so we do not know how many deals are behind the aggregated amount of FDI flows. To overcome this limitation, a good strategy is to complement this information with databases which disclose firm level data. One of these databases is Thomson Reuters SDC Platinum.[4] This database includes firm level data regarding acquisitions and alliances. Exhibit 3 shows the evolution of the yearly number of cross-border acquisitions of a Spanish target (inward FDI), cross-border acquisitions with a Spanish bidder (outward FDI), cross-border alliances having a Spanish partner and divestments in foreign affiliates by Spanish firms. Traditionally, international expansion by Spanish companies was based on external growth, i.e., strategic alliances and mergers and acquisitions,[5] although the importance of strategic alliances decreased sharply after 2000. However, as acquisitions entail the highest commitment of resources, this pattern has changed after the financial crisis. Basically, this is because Spanish companies have been doing the exact opposite: reducing their financial commitment to the international markets. The rise in the number of divestments in foreign affiliates, which achieved historical maximums in 2011 and 2012, confirms this fact. As outward FDI through cross-border acquisitions decreased, the relative weight of

[4] The SDC database includes mergers and acquisitions as well as strategic alliances formed worldwide. Even though its coverage is not exhaustive, it has the same biases across years, so it is appropriate for the purposes of year to year comparisons. Another limitation is that SDC does not include Greenfield investment. The only database that discloses firm level data regarding every entry mode is the *Base Sistemática de Operaciones Internacionales*. However, it was discontinued in 2010. See Guillén, M. and García-Canal, E. "La expansión internacional de la empresa española: una nueva base de datos sistemática", *Información Comercial Española. Revista de Economía*, n.º 839, pp. 23-34, 2007. See also García-Canal, E., Guillén, M. and Valdés, A. "La internacionalización de la empresa española. Perspectivas empíricas", *Papeles de Economía Española*, nº 132, pp. 64-81. 2012.

[5] See García-Canal *et al.* (2012), *op. cit.*

Exhibit 3

Number of cross-border deals involving a Spanish company acting as bidder, target, partner or seller of a foreign affiliate



Source: Thomson Reuters SDC Platinum.

cross-border alliances increased, although their number remained somewhat flat.

Interestingly, the number of cross-border acquisitions of Spanish targets has not decreased in the same way as cross-border acquisitions by Spanish bidders. This fact explains why Spain is now a net receiver of FDI. In fact, foreign investors have Spain on their radar and are taking advantage of investment opportunities. One example is the recent investment of Bill Gates in FCC. But this deal is just the tip of a huge iceberg, as many deals are being closed in 2013.[6] The prospects are that inward foreign investment will be on the rise in the following years. Spain is now ranked in the 16th position of the Foreign Direct Investment Confidence Index elaborated by the consultancy firm A.T. Kearney,[7] which ranks the 25 countries with highest likelihood of receiving FDI. In 2005, Spain was ranked in the 17th position and after that disappeared from the ranking until 2012, reentering in the 24th position.

Exhibit 3 clearly shows that most Spanish multinationals have been adjusting their portfolio of FDI to reduce their debt or to overcome the financial constraints associated with the crisis. But some of these adjustments were also related to changes in their international corporate strategies, divesting in specific countries to reinforce their presence in others. Focusing their presence in specific regions is what companies like Telefonica, Banco Santander or BBVA have been doing after 2007. Whatever the case, it is clear that the predicament of the large Spanish multinationals has worsened, as their presence in the rankings of the largest multinationals has decreased. For instance, whereas in 2009 there

[6] For more examples, see Noceda, M. "El capital extranjero redobla su apuesta", *El País*, November 1st 2013.

[7] This ranking is based on a survey of top executives of worldwide multinationals asked about the likelihood of the company of the respondent investing in a specific country in three years' time. http://www.atkearney.com/es/research-studies/foreign-direct-investment-confidence-index

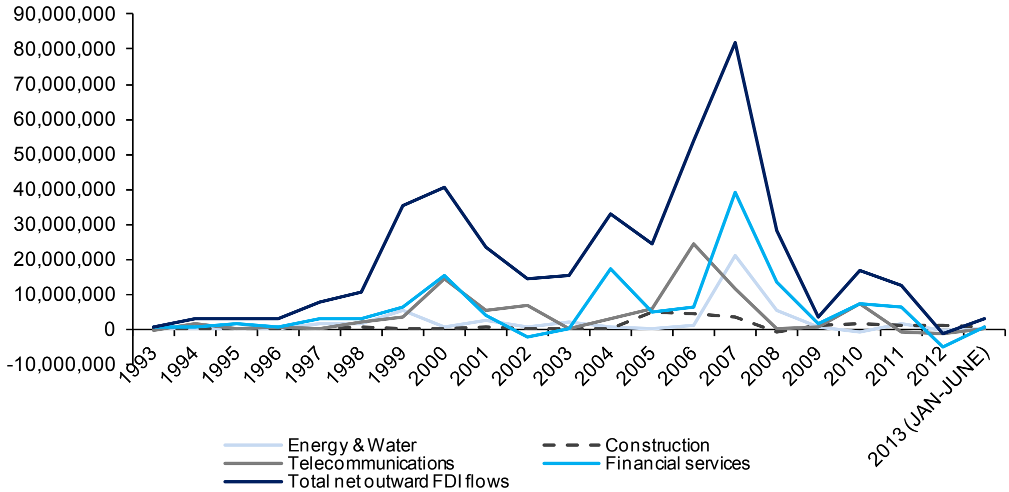
Most Spanish multinationals have been adjusting their portfolio of FDI to reduce their debt or to overcome the financial constraints associated with the crisis. But some of these adjustments were also related to changes in their international corporate strategies, divesting in specific countries to reinforce their presence in others.

were 12 Spanish companies in the Fortune Global 500 ranking[8] (comprising the world's largest companies in terms of turnover), in 2012, the number of Spanish multinationals fell to 8. In the ranking of the world's largest multinationals in terms of foreign assets elaborated by UNCTAD, by the end of 2012, there were only three Spanish representatives, whereas France and the UK had 14 each, and Germany 10.[9]

This fact is especially important if we take into account that Spanish FDI has always been highly concentrated.[10] A few groups of firms, from specific industries, used to carry out the bulk of the investments. Large companies competing in regulated and infrastructure industries account for a high number of investments. Specifically, companies competing in regulated and infrastructure industries were responsible for about 39.6% of the total number of deals made between 1986 and 2010,[11] although their share in the total amount of FDI is higher because investment projects in these industries are large scale. Exhibit 4 shows the recent evolution of net outward FDI flows from selected regulated

Exhibit 4

Net outward FDI flows from selected industries and total net FDI outward flows from Spain (thousands of current euros)



Source: Secretaría de Estado de Comercio. Ministerio de Economía y Competitividad.

[8] http://money.cnn.com/magazines/fortune/global500/2013/full_list/?iid=G500_sp_full

[9] http://unctad.org/en/Pages/DIAE/World%20Investment%20Report/Country-Fact-Sheets.aspx

[10] See Durán, J.J. "La internacionalización de la empresa española 1979-1985", *Investigaciones Económicas*, (segunda época), suplemento: 109-112, 1987; García-Canal *et al*. (2012), *op. cit.*

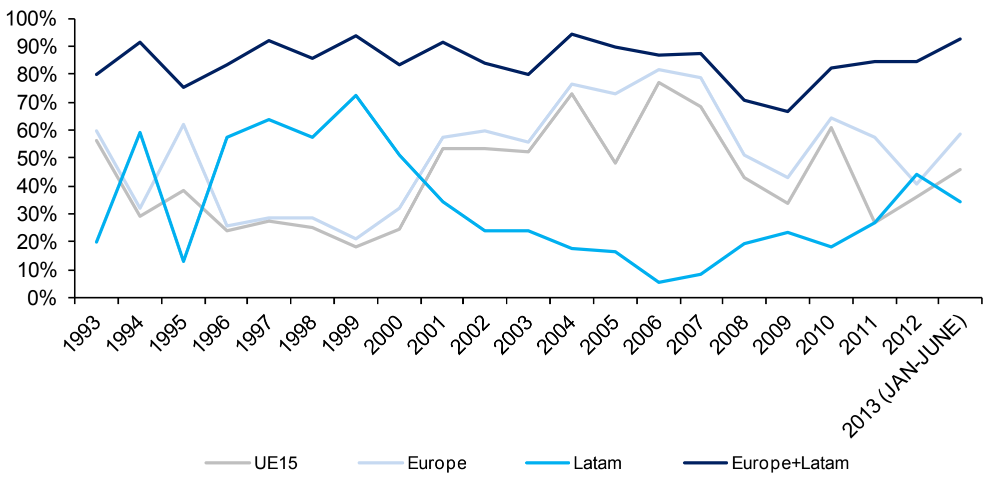
[11] Data from the *Base Sistemática de Operaciones Internacionales.* See Guillén and García-Canal. (2007), *op cit.;* García-Canal and Guillén (2012), *op. cit.*

and infrastructure industries and, for the sake of comparison, the total net amount of FDI outward flows from Spain. Looking at this chart it is clear that the ups and downs in the total amount of outward FDI flows are determined by these industries, whose share, on average, of the gross amount of outgoing FDI is about 60%. The sharp fall in outgoing FDI is directly attributable to the divestments and geographical refocusing of these companies. Thus, it is clear that, for the case of Spain, the growth prospects for outward FDI are extremely dependent on these companies and cannot be positive until they start to become net investors again. It is hard to imagine firms in other industries investing in the same way as regulated companies did in the past. First, the number of companies with potential to become multinationals is quite limited, as we have seen; and second, they have lower average size investment projects.

Spanish FDI is not only highly concentrated in certain industries but also in the geographical dimension. Two regions, Europe and Latin America, received the bulk of investment both in terms of the number and the amount of FDI.[12] The joint share of these two regions as a percentage of the total amount of gross FDI is 85% (58% Europe and 27% Latin America), although about 50% of the total amount of gross FDI was concentrated in the 15 core countries of the European Union. Exhibit 5 displays the evolution of the share of selected destination regions as a percentage of the total amount of outward gross FDI flows from Spain. The most remarkable fact is that the joint share of Europe plus Latin America was below 80% only three times over a period of 20 years, being higher than 90% for the first six months of 2013. This result is hardly a surprise as both regions are natural to the expansion of Spanish companies. Investments in Latin America were very concentrated in the second half of the 1990s, as this was the time when regulated companies invested heavily in the area, taking advantage of privatizations and the wave of liberalization on the continent. However, in terms of the number

Exhibit 5

Selected destinations of FDI flows as a percentage of the total amount of outward gross FDI flows from Spain



Source: Secretaría de Estado de Comercio. Ministerio de Economía y Competitividad.

[12] García-Canal *et al*. (2012).

of deals, international expansion to the region is more balanced than what the chart suggests,[13] and the importance of Latin America has started to rise again after 2007.

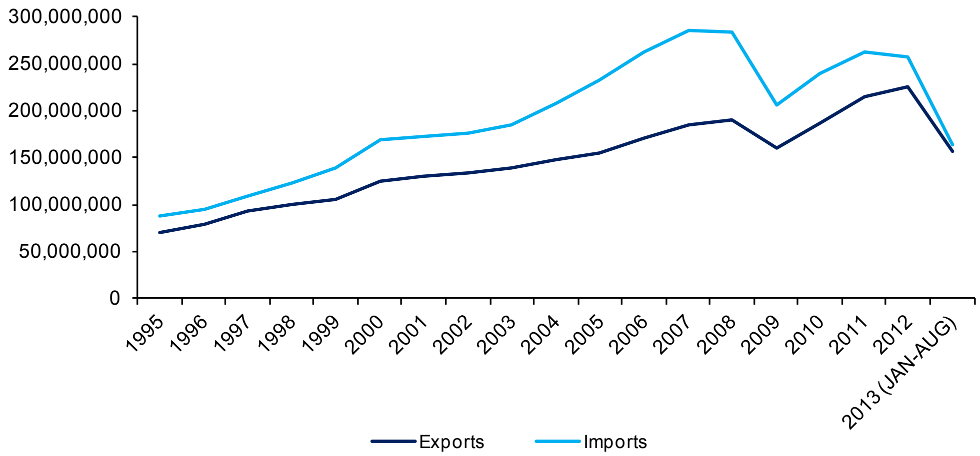
This geographical concentration implies putting almost half of the stakes on old Europe and not paying enough attention to other important growth markets in Asia, or even in the Eastern European countries. Besides, even though Latin American markets have growth potential, companies are exposed to regulatory and political risk in some of the countries. This threat is especially important for regulated firms. In this context, the rise of neo-populism in Latin America, with the wave of expropriations and nationalizations in countries such as Venezuela, Bolivia and Argentina is a source of concern for Spanish multinationals. Another source of concern in the area is macroeconomic stability. Despite these facts, the presence in Latin America, a region in which Spanish companies find it easier to compete than in Asia, has allowed Spanish multinationals to better handle the financial crisis than if they were not established there. Companies such as Telefónica, Banco Santander, BBVA or Iberdrola nowadays generate more profits in Latin America than in Spain and, interestingly, in a survey of thirty-eight big companies present in Latin America (most of them listed firms), 81% of the executives participating believed that in three-years´ time, the size of the Latin American business would be bigger than the size of the business in Spain.[14]

Exporting activity

Exhibit 6 shows the evolution of imports and exports to and from Spain since 1995. As happened with FDI, there was sustained growth in both series until 2007, thanks to the complete opening of the Spanish economy and its high growth rates during this period. Imports grew at a higher rate than exports, driven by the strength of the growth

Exhibit 6

Exports and Imports from and to Spain
(thousands of current euros)



Source: Secretaría de Estado de Comercio. Ministerio de Economía y Competitividad.

[13] See García-Canal, E.; Guillén, M.F.; Sánchez Lorda, P. and Valdés, A. "La expansión de las empresas españolas hacia América Latina: Un balance", *GCG: Revista de Globalización, Competitividad y Gobernabilidad*, vol. 2 (2), pp. 18-45, 2008.

[14] Informe 2013: "Panorama de Inversión Española en Latinoamérica", IE Business School.

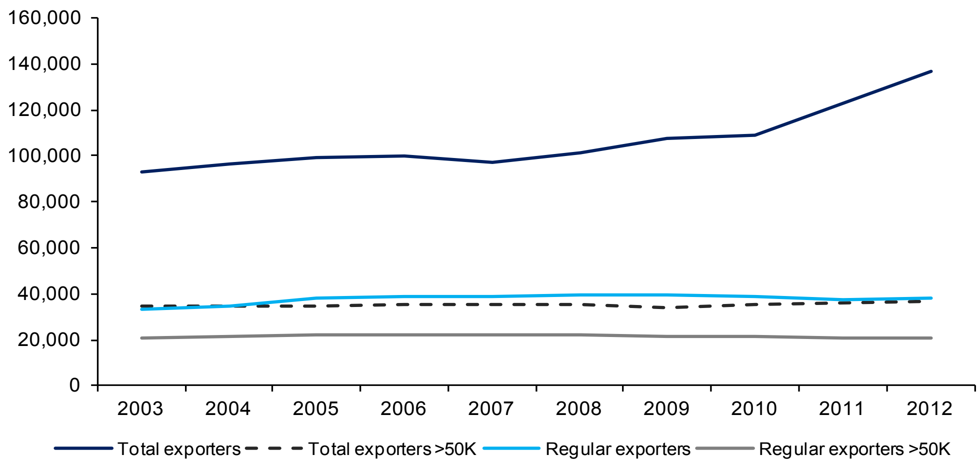
of domestic demand, generating an important trade deficit. Again, as was the case of FDI, the financial crisis put an end to the growth track of both variables, although their behavior after the first impact of the crisis was plainly different. Due to the slowdown and recession in the Spanish economy, imports have been falling progressively to a point in which the trade deficit is close to zero in 2013, supported by the good behavior of exports, which rebounded strongly after their fall in 2009. This is an important difference with what happened with FDI.

In effect, while FDI activity has been drastically reduced after the crisis, exporting activity quickly recovered after the downturn of 2009, nowadays at maximum historical levels, returning to the growth track followed before the crisis. Clearly, the financial crisis has turned Spanish firms more oriented towards international markets. Exporting is one obvious alternative to a paralyzed domestic market. It is not a surprise, thus, that the number of companies which have turned to international markets has increased since 2007. The total number of Spanish exporters increased 40% from 2007 to 2012, as can be seen in Exhibit 7. However, exporting occasionally is one thing, but exporting regularly beyond a certain level is a completely different one. Exporting success requires having a competitive product at the international level and not all Spanish firms meet this highly demanding requirement. Exhibit 7 shows that as we adopt more restrictive criteria to define a successful exporter, the number of companies which qualify are substantially reduced. Whereas 136,973 companies exported from Spain in 2012, only 36,890 (27% of the firms) exported over the (not so high) threshold of 50,000 euros. What is more, the total number of firms exporting more than 50,000 euros grew just 3.8% from 2007 to 2012. Thus, a lot of companies tried their luck in the international markets, but barely one out of four succeeded in exports surpassing the 50,000 euros level. In addition, we can see that the number of companies that are

While FDI activity has been drastically reduced after the crisis, exporting activity quickly recovered after the downturn of 2009, nowadays at maximum historical levels, returning to the growth track followed before the crisis.

Exhibit 7

Evolution of the number of companies exporting from Spain



Source: ICEX. Perfil de la empresa exportadora española (several years).

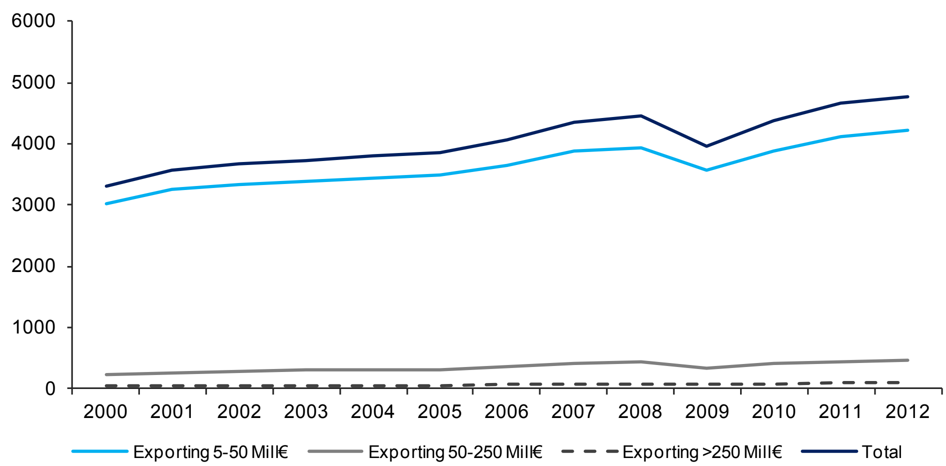
regular exporters[15] beyond the threshold of 50,000 euros has remained flat across the whole period and even decreased slightly after 2007. This is a remarkable fact. The strength of the Spanish economy is dependent on a relatively small number of companies. In 2012, heavy exporters accounted for 86.6% of total exports from the Spanish economy, but they were less than five thousand companies (precisely 4,777 firms). The good news is that the number of heavy exporters has increased or maintained on a yearly basis with the exception of 2009, as shown in Exhibit 8. The bad news is that only this group of firms seems to be taking full advantage of the improvement in international competitiveness associated to the internal devaluation and structural reforms, showing that there is an underlying problem of competitiveness in the remaining firms approaching the international markets. In fact, despite the increase in the number of exporters, the truth is that heavy exporters now have a higher share in the total amount of exports than before the crisis. Whereas in 2000 the share of the top 1,000 exporters as a percentage of the total amount of exports was 64.4%, in 2007, it was 66.4% and in 2012, their share was 68.2%.[16]

Once again, the international activity of Spanish companies, in this case through exporting, is highly dependent on a relatively small number of companies, as happened with FDI. These companies are also clustered among few industries. Five industry groups of the ICEX's classification of industries account for about one third of total exports, namely automobiles, fuels and lubricants, auto parts, steel products and pharmachemistry. Exhibit 9 shows the evolution of the share of these top exporting industries as a percentage of total exports from Spain. The most

The strength of the Spanish economy is dependent on a relatively small number of companies. In 2012, heavy exporters accounted for 86.6% of total exports from the Spanish economy, but they were less than five thousand companies.

Exhibit 8

Evolution of the number of heavy exporters from Spain



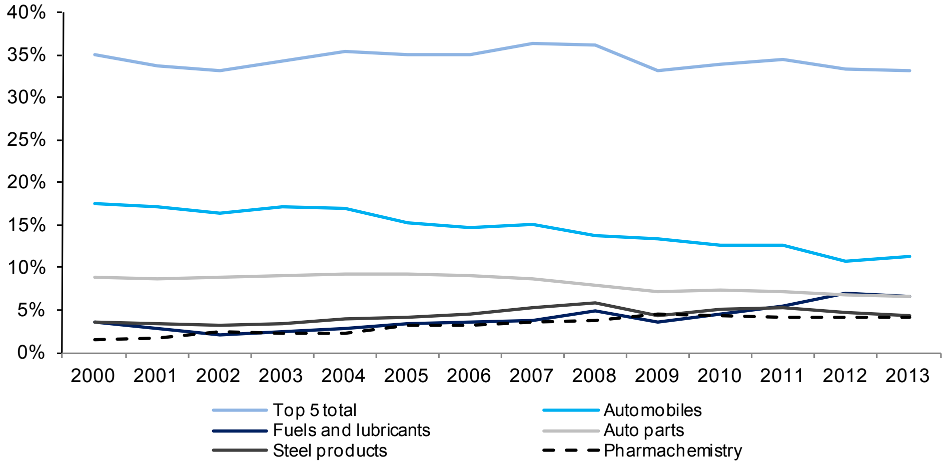
Source: ICEX. *Perfil de la empresa exportadora española (several years).*

[15] Regular exporters are companies that have been exporting consecutively for the last four years.

[16] ICEX. *Perfil de la empresa exportadora española (several years).*

Exhibit 9

Share of the top exporting industries as a percentage of total exports from Spain

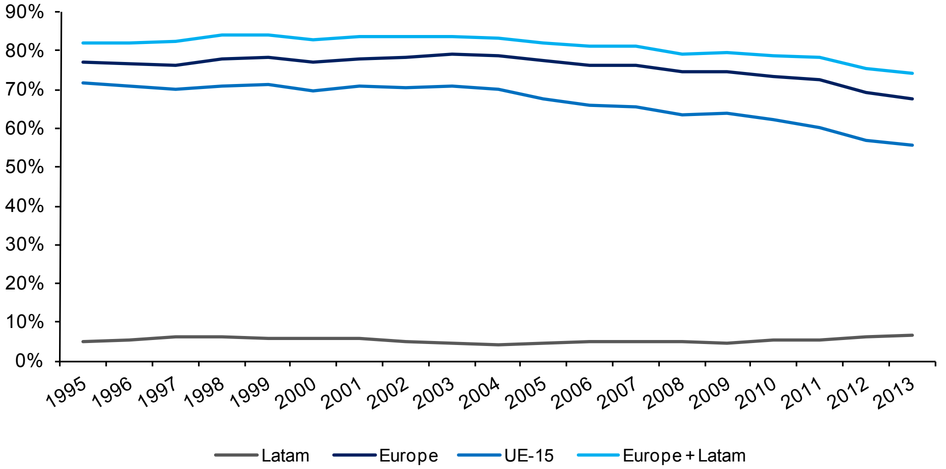


Source: ICEX. *Perfil de la empresa exportadora española (several years).*

important industry is automobiles, represented by the Spanish subsidiaries of world-leading manufacturers such as Ford, GM, Volkswagen, Renault and PSA, among others. The importance of this industry is also amplified by the relevance of the auto parts industry, in which Spain has world-class multinationals, such as Gestamp, Grupo Antolín, Ficosa, Zanini or CIE-Automotive, among others. Even though the joint share of these two industries in the total amount of exports has been

Exhibit 10

Share of selected regional areas as a percentage of total exports from Spain



Source: Secretaría de Estado de Comercio. Ministerio de Economía y Competitividad.

reduced, the absolute value of their exports has remained stable in the case of automobiles or has decreased slightly in the case of auto parts. The prospects for both industries are positive for the following years, as the Spanish subsidiaries of car manufacturers have retained or increased their manufacturing activities, after being chosen to produce new models.[17]

There is also significant geographical concentration regarding the regional destination of Spanish exports. Exhibit 10 shows the yearly share of Europe and Latin America as a percentage of total exports from Spain. Traditionally, Spanish exports were highly concentrated in the core 15 members of the European Union, which accounted in 1995 for 72% of exports. The share of exports to this area in the total amount of exports is decreasing, although it is still about 56% of exports, and Europe as a whole accounts for two thirds of exports. However, we can see that exports from Spain are now more diversified after the crisis than outward FDI flows. Clearly, the crisis has forced Spanish companies to look beyond Europe to expand their markets.

Conclusions and implications

The international activity of firms is, perhaps, one of the best indicators of their competitiveness. For this reason, downturns in economic activity inevitably affect their international expansion, as these downturns often put into question a firm's business model. The recent financial crisis has not been an exception, and Spanish firms have been forced to react to the new situation, both in their FDI and exporting activities.

The evidence presented in this article shows a different reaction on the part of Spanish firms regarding FDI and exporting activities. Burdened with debt, Spanish multinationals have reacted to the financial crisis by reducing their financial commitment to international markets. These companies divested or sold foreign affiliates in order to reduce their debt and/or focus on core areas or countries. Despite this reduction, Spanish multinationals, generally speaking, have been in a better position than non-multinationals to deal with the crisis, precisely because of their greater geographic diversification. This step backwards taken by Spanish companies in their FDI activity was followed by a step forward in exporting activities. Export-oriented companies reduced their exports in 2009, but returned more aggressively to foreign markets from then on, increasing their presence in markets beyond the traditional areas of Europe and Latin America, destinations which now account for a much higher share of FDI flows than of exports.

Having this set of internationally competitive firms has been one of the key factors which has helped the Spanish economy avoid a complete bailout and to overcome some of the negative consequences of the crisis, which is not yet completely over. Most of the optimism and positive prospects on the definitive recovery of the Spanish economy rely, thus, on these firms. However, there are some concerns we would like to mention after conducting this analysis, especially given the fact that the number of truly competitive Spanish firms at the international level is quite limited. Spain has leading companies in almost every field, as well as other firms that are competitive in the international arena, but they are few in number, and their presence in the rankings of leading multinationals in the world has been reduced. Despite the structural reforms and the improvement in competitiveness associated to the internal devaluation, the number of regular exporters has decreased, instead of increasing. This means that the less-internationalized firms have a competitiveness gap that prevents them from expanding abroad. Many Spanish firms that were heavily dependent on the domestic market saw their business model put into question. They neither had the quality, design or other differentiating attributes of competitors

[17] http://www.elconfidencial.com/motor/automaniacos/2013-08-19/el-automovil-empieza-a-generar-empleo_18777/

from developed economies, nor the low cost advantages of competitors from emerging markets. This problem, aggravated by difficulties in access to credit, has been behind many recent bankruptcies and business failures in Spain.

One of the causes of this problem is related to the size distribution of Spanish companies. When compared to other European countries, small firms are overrepresented in Spain, while large and mid-sized firms are underrepresented.[18] Large and mid-sized firms are more able to compete in international markets and more productive than the smaller ones.[19] Size, after all, is –ceteris paribus– an indicator of success. This is a problem which cannot be easily fixed by merging companies, or, at least, merging small firms to create larger ones. Merging some mediocre companies does not create a stronger company, as recent history shows. The entrance of foreign capital could be an opportunity to turnaround these companies. All in all, the different reactions to the crisis plainly show that there is still an important duality in Spanish firms. The most competitive, agile and best managed companies reacted to the new scenario by increasing their penetration in international markets. The remaining companies are still trying to adapt, and only time will tell the final outcome of this process.

[18] See the second EFIGE policy report entitled “The global operations of European firms” by Giorgio Barba Navaretti, Matteo Bugamelli, Fabiano Schivardi, Carlo Altomonte, Daniel Horgos and Daniela Maggioni, Bruegel Blueprint Series, Brussels, 2011.

[19] Laborda, M. and Salas, V. “¿Qué nos dice el tamaño y la internacionalización de las empresas sobre los factores de desarrollo empresarial?”, *Economía Industrial*, 375, pp. 41-51, 2010.

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)

Law to support entrepreneurs and their internationalisation (Law 14/2013, published in the official gazette (BOE) on September 28th)

The Law revises the recent legislation concerning entrepreneurs to expand its scope, and add various fiscal and social security measures. It also envisages an out-of-court negotiation mechanism for business owners' debts and defines the transitional arrangements for the elimination of certain reference indices.

The Law includes a variety of measures, in particular:

- Revision of the **recent legislation concerning entrepreneurs**, expanding its scope by enabling entrepreneurs to enjoy limited liability, such that they can avoid their business debts affecting their home, provided that the latter is not worth more than 300,000 euros. The Law also provides for a new type of company, the ***Sociedad Limitada de Formación Sucesiva*** (limited liability capital growth company) requiring no minimum share capital, although it is subject to stricter provisioning requirements and limitations on dividend payments.

- **Out-of-court mechanism for negotiating business owners' debts.** Certain aspects of Spain's Bankruptcy Law have been amended, particularly as regards the pre-bankruptcy stage. The aim is to facilitate out-of-court agreements between certain debtors and their creditors through an "**out-of-court payment agreement**" system, in which the newly created ***mediador concursal*** (insolvency mediator) plays a central role. The Law seeks to define the regulations giving natural persons a second chance or "**fresh start**" when their debts cannot be met with their existing property and assets, such that their debts are completely written off during the bankruptcy process. The scope of this fresh start is limited, however, as it is only open to certain types of debtors, it excludes public law debt, and only applies if claims against the estate and privileged claims have been met, and when an out-of-court payment agreement has first been sought (otherwise, at least 25% of ordinary credit must have been paid off).

- Amendment of **formal refinancing agreements**, to include a more flexible way of calculating when a majority of the holders of liabilities have signed up to an agreement, whereby the percentage of the liabilities held by financial institutions that is needed for a refinancing agreement signed by the creditors to be endorsed by the court is reduced from 67% to 55%.

- **Internationalisation bonds.** The framework regulating "*cédulas de internacionalización*" (internationalisation covered bonds), introduced by Royal Decree-Law 20/2012, of July 13th, 2012, has been amended to clarify what assets can be used as collateral and to create a new instrument referred to as "*bonos de internacionalización*" (internationalisation bonds). **Regulatory implementation** of certain aspects of these new securities is envisaged, including the **rules applicable to the purchase of own securities** and the way in which loans, credits and replacement assets used to back internationalisation bonds and covered bonds are to be recognised in the accounting records. Thus, on October 9th, the draft Royal Decree implementing certain aspects of Law 14/2013 on internationalisation bonds and covered bonds (see previous summary) was opened up to public consultation.

- **Transitional arrangements during the elimination of certain mortgage loan reference indices** as a consequence of Transparency Order (Order EHA/2899/2011, of October 28th, 2011, on transparency and customer protection for banking customers). The indices concerned are: IRPH[1] banks, IRPH savings banks, and CECA lending rate. The Order provides that **in the absence of a replacement index or if this replacement index itself disappears**, the future rate will be the **IRPH Institutions rate plus a spread equal to the average difference between IRPH Institutions and the original rate since the start of the transaction** (as of the time of the substitution). All references to the obsolete indices will be substituted as of the next applicable rate revision.

  Pursuant to the Law, this index replacement represents an **automatic novation** of contract, without implying any alteration of the mortgage or change in its ranking. It also states that the parties shall not be **legally entitled to challenge this modification.**

- **Capital requirements for SMEs.** For the purpose of calculating credit institutions' own funds and core capital, the risk-weighted exposures on lending to SMEs, pursuant to Article 6 of Law 13/1985 on investment ratios, own funds and reporting requirements for financial intermediaries, will be multiplied by a **correction factor of 0.7619**, which will be applied as envisaged in article 501.2 of **Regulation (EU) N° 575/2013 of the European Parliament and of the Council of June 26th, 2013, on prudential requirements for credit institutions and investment firms and amending Regulation (EU) N° 648/2012.**

- **Electronic powers of attorney.** Powers of attorney may be granted and revoked in an electronic document provided that it is digitally signed. This document may be sent directly to the relevant Register by electronic means.

Law establishing certain measures regarding environmental taxation and adopting other tax and financial measures (Law 16/2013, published in the BOE on October 30th)

The most significant change in the financial area affects Law 35/2003, of November 4th, 2003, on Collective Investment Institutions, as regards the commercialisation in the internal market through global accounts of investment funds constituted in Spain, so as to implement a similar system to that in neighbouring countries and thereby bolster the sector's competitiveness.

This amendment means **replacing the system of the single register of investment fund unit-holders kept by the managing institution** with a system in which, when the commercialisation of the fund is agreed with a financial intermediary established in Spain through a global account, this **intermediary may keep the register of**

[1] IRPH – reference index for mortgage loans.

those unit-holders that are its customers. Given that the managing institution will no longer hold full information about fund unit-holders, as some of them or their holdings will be recorded on the commercialising institution's registers, it will be the latter which will have the financial and fiscal responsibilities vis-à-vis the unit-holders on its registers. This change also makes it necessary to amend the Personal income tax, Corporate income tax, and Non-residents' income tax laws.

Bank of Spain Circular amending own-funds circular (Circular 4/2013, published in the State Official Gazette (BOE) on October 12th, 2013)

Bank of Spain Circular 4/2013 amending Bank of Spain Circular 3/2008, of May 22nd, 2008, on the determination and supervision of minimum own funds, broadens the definition of SMEs to align it with that applicable at the European level as set out in Commission Recommendation 2003/361/EC, of May 6th, 2003, concerning the definition of micro, small and medium-sized enterprises. This amendment implies that more credit institutions exposures may be classified as belonging to retail exposures, a category which enjoys more favourable treatment when calculating risk-weighted exposures.

Draft Bank of Spain Circular amending the Bank of Spain Circular on minimum capital requirements as regards the conversion conditions for eligible convertible instruments

This draft circular aims to **repeal one of the conversion thresholds for instruments convertible into equity which are eligible for consideration as core capital**, pursuant to rule five of **Circular 7/2012**. Specifically, this concerns the threshold for the ordinary capital ratio (core tier 1) less than 7%, calculated according to the definition used in EBA Recommendation 2011/1. This repeal is the result of the EBA's decision to replace the temporary buffers envisaged in the Recommendation by a new capital conservation mechanism in the form of a floor, introduced by EBA Recommendation 2013/3, of July 22nd, 2013, replacing that from 2011.

Additionally, the draft Circular amends the twelfth rule (solvency ratio and applicable calculation methods) of Bank of Spain **Circular 3/2008** on determination and control over minimum own funds, for the purposes of adding a fourteenth additional provision to Law 14/2013, of September 27th, 2013, to support entrepreneurs and their internationalisation, which **anticipates the factor reducing own funds requirements for exposures to SMEs** in article 501 of EU Regulation 575/2013.

Draft Royal Decree implementing certain aspects of Law 14/2013, September 27th, 2013, to support entrepreneurs and their internationalisation, concerning internationalisation bonds and covered bonds

The draft Royal Decree implements the content of Law 14/2013 referred to above. The regulation of internationalisation bonds and covered bonds set out in this Royal Decree is modelled on that of the Mortgage market law (Law 2/1981) and its Regulation (Royal Decree 716/2009), taking mortgage bonds and covered bonds as its reference. As a result, payment of internationalisation covered bonds, as well as being guaranteed by the issuer's universal liability, is covered by all the loans and credits associated with the financing of contracts for the export of goods and services or the internationalisation of companies complying with the requirements established in Art. 34 of Law 14/2013. For their part, internationalisation bonds will be guaranteed, without prejudice to the issuer's universal liability, by all the loans and credits associated with the financing of contracts for the export of goods and services or the internationalisation of companies complying with certain requirements and which are encumbered by public deed.

Draft Circular to credit institutions and approved appraisal companies and departments modifying Circular 7/2010, of November 30th, 2010, to credit institutions on the development of certain aspects of the mortgage market; Circular 3/1998, of January 27th, to approved appraisal companies and departments, on the information to be furnished to the Bank of Spain; and Circular 4/2004, of December 22nd, 2004, to credit institutions, on Circular 4/2004 on Public and Confidential Financial Reporting Standards and Financial Statement Formats for credit institutions

The circular's primary objective is to establish additional rules and mechanisms to promote independence of the appraisal business and to include a number of technical improvements. The draft aims to incorporate the content of Circular 4/2004, December 22nd, 2004, to complete the implementation of certain recommendations of the European Systemic Risk Board in relation to loans in foreign currency, and to set the manner and frequency of the valuations of the various different real-estate assets used as collateral for loan transactions.

A similar draft circular was tabled in 2012, but was halted when the draft law that led to Law 1/2013, of May 14th, 2013, on measures to strengthen the protection of mortgagors, debt restructuring, and rented social housing, was debated in parliament. The passing of the aforementioned Law entailed the modification of certain precepts of Law 2/1981, March 5th, 1981, Regulating the Mortgage Market, which affected the content of the preceding draft circular. Consequently, adapting to these legislative changes made it necessary to restart the processing of the circular.

Spanish economic forecasts panel: November 2013[1]

FUNCAS Economic Trends and Statistics Department

The forecast for 2013 remains unchanged at -1.3%

The rate of the decline in Spain's economic indicators began to slow at the start of the year –with signs of recovery in many cases– and this trend has continued into the third quarter. According to the preview of the quarterly national accounts, quarter-on-quarter GDP growth was 0.1% in the period, although there is no information yet about its breakdown.

The consensus growth forecast for the year as a whole has been kept at -1.3%. Nevertheless, there has been a slight change in its composition, such that a slightly larger –or somewhat less negative– contribution is now expected from domestic demand than was forecast by the previous Panel (-3.3 percentage points), along with a slightly smaller external demand contribution (2.0 pp).

The forecast for 2014 has been raised a tenth of a percent to 0.8%

The GDP growth forecast for 2014 has been revised upwards one tenth of a percent to 0.8%. The key difference was the upward revision in household consumption. The estimate is now for a rise of 0.2%, compared with the zero growth expected in the September Panel forecast.

The quarterly profile derived from the consensus figures (Table 2) continues to indicate positive, although modest, growth rates in the coming quarters.

Marked improvement in the industrial activity forecast

Based on data to August, industrial activity, as measured by the industrial production index, is now showing an upward trend. In August it contracted by 2% on a year-on-year basis, which would seem to suggest a worsening of the trend. However, this drop was due to an abnormal burst of activity in August last year as purchases were brought forward ahead of the VAT rise in September. Using seasonally adjusted figures, the IPI for August this year grew by 0.7% on the preceding month, and the average for July and August compared to the previous year showed growth of 0.1%.

The consensus forecasts for this year and next have improved substantially, rising to -2.2% and 0.4%, respectively, compared with -2.6% and 0% in the previous Panel.

Inflation falls by more than expected

According to provisional data, the inflation rate fell in October to -0.1%. This is a much lower rate than expected. Now that the step effects caused by the government's measures last year have disappeared, underlying inflation is so low that the highly erratic behaviour of the two most volatile components, i.e. energy and, particularly, unprocessed foods, can cause the general rate to drop momentarily to negative levels. However, this does not mean that the economy is in deflation.

[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 responses to the survey are used to produce a "consensus" forecast, which is calculated as the arithmetic mean of the 19 individual contributions. The forecasts of the Spanish Government, the Bank of Spain, and the main international organisations are also included for comparison, but do not form part of the consensus forecast.

The consensus forecast for the year-on-year rate in December this year has been cut slightly to 0.7%, while the year-on-year rate for December next year has dropped two tenths to 1.3% (Table 3). The average rates forecast for 2013 and 2014 are 1.5% and 1.1%, respectively. These figures are both two tenths of a percentage point lower than in the previous Panel.

No changes in the forecasts for employment

According to the Labour Force Survey, after removing seasonal effects, jobs continued to be lost in the third quarter at a rate similar to that registered in the previous quarter. Nevertheless, this result is somewhat skewed by the highly uneven behaviour of farming employment. If the agricultural sector is excluded, the result is a much smaller drop in employment than in the second quarter, and if public employment is also excluded (given that it is undergoing an adjustment of its own) the result is a slight increase in private-sector non-farm employment.

The consensus forecasts on how employment will progress have not changed with respect to the September panel: a drop this year of 3.2% is forecast, and 0.2% next year. The forecast for the unemployment rate has been revised downwards in both years by one tenth of a percentage point, to 26.4% and 25.8%, respectively.

The consensus estimates for GDP, employment and wage growth can be used to deduce the implicit productivity and unit labour cost growth estimates. On this basis, productivity is expected to grow by 2% in 2013 and 0.9% in 2014, while ULCs, are expected to drop by 1.8% and 0.9% this year and next, respectively. The process of recovering cost-competitiveness is, therefore, expected to continue.

The trade balance in 2013 and 2014 will be positive

The current account balance of payments continued improving in July and August. A surplus of 2.6 billion euros was posted for the period, compared with a deficit of 15.3 billion euros for the same period last year. The rapid correction in the deficit observed over the course of this year in particular is partly due to the change in sign in the trade balance in goods and services, which is now in surplus, and the drop in the deficit on the income balance.

The consensus forecast for this variable has remained unchanged, with a positive balance of 1.3% of GDP in 2013 and 2.1% in 2014.

The public deficit forecast is almost unchanged

In the first half of the year the overall general government deficit came to 3.1% of GDP, an improvement on the same period of the previous year, when it was 3.5%. Broken down by areas of government, the central government deficit improved by six tenths of a percentage point, and that of the social security administration by one tenth, whereas the deficit of the autonomous regions and local authorities remained almost unchanged. In the case of the autonomous regions this is not a good sign, however, as their deficit target for this year demands a reduction of five percentage points from last year.

The consensus forecast for the public deficit has barely changed since the last Panel: the estimated figure for 2013 is -6.6% of GDP, which represents an improvement of one tenth of a point on September's forecast, and the forecast for 2014 is -5.9%.

The external context is expected to improve

Economic conditions in the Euro area have improved in recent months. This can be seen in indicators such as the composite PMI, which rose to over 50 points in the third quarter, thus pointing to economic growth, for the first time in nine quarters, or the economic sentiment index, which rose to its highest level in seven quarters.

Job creation in the United States was disappointing in the third quarter, although the trend growth rate remains acceptable. The conditions in the emerging countries, although not as negative as a few months ago, are still unfavourable.

Until now, while panellists' view of the current situation in the EU context had improved over the course of recent panel forecasts, it still remained mostly unfavourable. This has now changed, with a balance of opinion between neutral and unfavourable for the first time since July 2011. The expectations for the next six months are for an improvement.

In the case of the assessment of the situation outside the EU, the majority view is neutral, with a trend towards an improvement over the coming months.

Interest rates on government debt are not expected to rise further

Short-term interest rates (three-month EURIBOR) have remained stable in recent months, with minor variations around the 0.22% level. Panellists think that their current level may be considered either low or normal, and that they will remain stable over the months ahead.

In the case of long-term rates, their downward trend has continued in recent weeks, and since October they have been below 4.1%, which has made it possible to narrow the spread over German debt. There has been almost no change from the opinion in the preceding panel forecasts 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, which most panellists have considered to be overvalued against the dollar for some time, rose in October and early November to over 1.35 dollars. Opinions about its course over the coming months are divided between those who think it will remain stable and those who expect a devaluation.

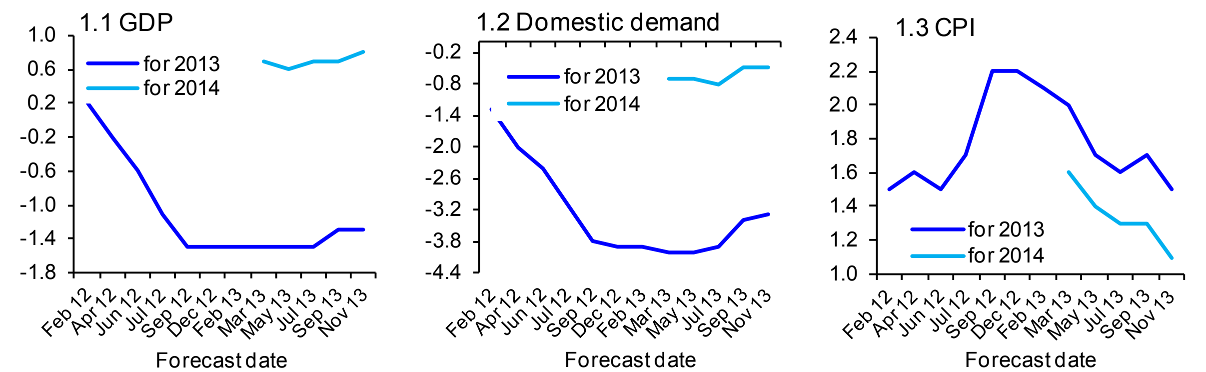
Expansionary monetary policy is warranted

There has been no change in the view of fiscal policy, which continues to be unanimously considered to be restrictive, an orientation the majority of panellists considers necessary. An overwhelming majority also consider current monetary policy to be expansionary, and all the participants agree that this orientation should be maintained.

Exhibit 1

Change in forecasts (Consensus values)

Percentage annual change



Source: FUNCAS Panel of forecasts.

Table 1

Economic Forecasts for Spain – November 2013

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

	GDP		Household consumption		Public consumption		Gross fixed capital formation		GFCF machinery and capital goods		GFCF Construction		Domestic demand	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Analistas Financieros Internacionales (AFI)	-1.3	0.5	-2.8	-0.6	-2.7	-2.4	-6.0	-1.0	-0.5	2.8	-10.5	-3.8	-3.5	-1.2
Banco Bilbao Vizcaya Argentaria (BBVA)	-1.3	0.9	-2.6	0.1	-1.7	-1.6	-6.4	0.7	1.1	6.5	-11.0	-3.2	-3.1	-0.1
Bankia	-1.3	0.8	-2.7	-0.2	-3.4	-3.3	-6.7	-0.7	0.3	5.4	-10.7	-4.3	-3.6	-0.9
CatalunyaCaixa	-1.3	0.6	-2.5	0.8	-2.0	-2.3	-6.2	-1.4	1.3	4.6	-11.1	-6.3	-3.1	-0.3
Cemex	-1.3	0.8	-2.6	0.4	-2.7	-2.4	-6.1	0.1	-0.2	3.2	-11.7	-3.8	-3.3	-0.3
Centro de Estudios Economía de Madrid (CEEM-URJC)	-1.2	1.1	-2.5	0.1	-4.2	-2.6	-5.5	0.3	-3.6	2.5	-7.2	-1.1	-3.4	-0.4
Centro de Predicción Económica (CEPREDE-UAM)	-1.2	1.0	-2.7	0.2	-2.5	-0.7	-6.2	-0.8	-0.3	1.5	-10.1	-2.4	-3.2	-0.7
CEOE	-1.2	0.8	-2.7	0.1	-3.0	-2.6	-5.9	-1.2	1.2	5.4	-10.4	-6.0	-3.3	-0.7
ESADE	-1.0	0.5	-2.0	0.1	-4.0	-2.3	-6.0	-1.2	--	-0.9	--	-3.6	-3.3	-0.6
Fundación Cajas de Ahorros (FUNCAS)	-1.2	1.0	-2.6	0.3	-2.1	-1.6	-6.2	-2.1	-0.3	1.0	-10.3	-4.8	-3.2	-0.5
Instituto Complutense de Análisis Económico (ICAE-UCM)	-1.3	0.6	-2.8	0.0	-3.0	-1.5	-6.8	-1.2	-0.8	1.8	-10.0	-3.0	-3.5	-0.6
Instituto de Estudios Económicos (IEE)	-1.4	0.7	-2.8	-0.1	-3.5	-1.8	-7.3	-1.6	-2.5	2.5	-10.1	-4.0	-3.7	-0.7
Instituto de Macroeconomía y Finanzas (Universidad CJC)	-1.3	0.7	-2.7	-0.2	-2.2	-2.8	-5.8	1.7	0.8	7.5	-10.0	-1.5	-3.2	-0.4
Instituto Flores de Lemus (IFL-UC3M)	-1.4	0.4	-2.6	0.9	-2.3	-2.9	-6.3	-1.1	0.4	2.7	-10.5	-3.8	-3.1	-0.3
Intermoney	-1.3	0.6	-2.5	0.4	-2.7	-2.5	-6.4	-2.5	0.1	1.8	-10.4	-5.7	-3.0	-0.1
La Caixa	-1.2	0.8	-2.7	0.2	-1.5	-1.2	-6.5	-1.1	-0.1	2.6	-10.3	-3.1	-3.1	-0.3
Repsol	-1.3	0.7	-2.5	0.6	-2.1	-2.8	-6.2	-0.8	1.3	5.0	-10.6	-4.9	-3.1	-0.4
Santander	-1.3	0.9	-2.6	0.5	-1.9	-2.1	-6.9	-1.2	-0.9	2.5	-9.7	-3.6	-3.3	-0.4
Solchaga Recio & asociados	-1.2	1.0	-2.5	0.5	-3.1	-1.7	-6.2	-1.0	-1.2	2.1	-8.8	-3.1	-3.5	-0.3
CONSENSUS (AVERAGE)	-1.3	0.8	-2.6	0.2	-2.7	-2.2	-6.3	-0.8	-0.2	3.2	-10.2	-3.8	-3.3	-0.5
Maximum	-1.0	1.1	-2.0	0.9	-1.5	-0.7	-5.5	1.7	1.3	7.5	-7.2	-1.1	-3.0	-0.1
Minimum	-1.4	0.4	-2.8	-0.6	-4.2	-3.3	-7.3	-2.5	-3.6	-0.9	-11.7	-6.3	-3.7	-1.2
Change on 2 months earlier[1]	0.0	0.1	0.1	0.2	0.1	-0.2	0.1	0.2	0.6	0.3	-0.2	-0.1	0.1	0.0
- Rise[2]	6	6	7	9	5	4	5	7	8	8	1	2	7	7
- Drop[2]	0	2	1	0	1	4	2	2	2	2	7	7	0	2
Change on 6 months earlier[1]	0.2	0.2	0.2	0.2	2.1	0.2	0.8	0.3	5.5	1.7	-1.1	-0.9	0.7	0.2
Memorandum items:														
Government (September 2013)	-1.3	0.7	-2.6	0.2	-2.3	-2.9	-6.1	0.2	--	--	--	--	-3.2	-0.4
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 (November 2013)	-1.3	0.5	-2.6	0.1	-3.0	-2.1	-6.6	-2.4	-0.3[3]	2.6[3]	-10.5	-5.8	-3.4	-0.8
IMF (October 2013)	-1.3	0.2	-2.8	-0.4	-2.0	-2.9	-7.3	-2.8	--	--	--	--	-3.5	-1.4
OECD (June 2013)	-1.7	0.4	-3.0	-1.5	-2.9	-1.4	-9.9	-2.9	--	--	--	--	-4.3	-1.7

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

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

[3] *Investment in capital goods.*

Table 1 (Continued)

Economic Forecasts for Spain – November 2013

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

	Exports of goods & serv.		Imports of goods & serv.		Industrial output		CPI (annual av.)		Labour costs[3]		Jobs[4]		Unemployment (% labour force)		C/A bal. pymts (% of GDP)[5]		Gen. Goverment Balance (% of GDP)[7]	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Analistas Financieros Internacionales (AFI)	6.2	7.1	-0.4	3.1	--	--	1.8	1.0	--	--	-3.2	-0.2	26.6	26.3	0.9	1.5	-6.5	-5.8
Banco Bilbao Vizcaya Argentaria (BBVA)	4.6	6.3	-1.0	3.4	--	--	1.5	1.1	0.3	0.0	-3.3	-0.1	26.3	25.6	1.2	1.8	-6.8	-5.8
Bankia	6.3	6.9	-1.0	1.9	-1.5	--	1.5	1.1	-0.3	0.3	-3.4	-0.4	26.5	25.8	1.6	3.0	--	--
CatalunyaCaixa	4.6	5.2	-0.9	3.9	--	--	1.4	1.4	--	--	-3.2	-0.2	26.4	25.7	--	--	--	--
Cemex	5.1	6.2	-0.8	3.6	--	--	1.5	1.3	--	--	-3.0	0.1	26.0	25.5	0.8	1.4	-6.7	-5.5
Centro de Estudios Economía de Madrid (CEEM-URJC)	5.8	5.7	-1.1	1.6	--	--	1.5	0.8	--	--	-2.8	0.2	26.1	25.2	1.8	2.6	-6.5	-5.7
Centro de Predicción Económica (CEPREDE-UAM)	5.5	5.4	-0.7	2.4	-3.4	-0.9	1.3	1.1	-0.1	0.3	-3.1	-0.2	26.4	26.1	0.5	1.7	-6.9	-6.4
CEOE	6.8	6.0	0.2	1.8	-2.6	1.5	1.6	1.5	0.4	0.0	-3.3	-0.1	26.4	25.8	1.6	3.1	-6.5	-6.0
ESADE	5.5	4.5	-3.0	1.0	--	--	--	--	--	--	-2.5	-0.3	26.0	25.5	1.8	1.5	--	-5.9
Fundación Cajas de Ahorros (FUNCAS)	5.6	6.0	-0.2	1.9	-1.8	1.1	1.5	0.9	0.5	-0.2	-3.4	-0.4	26.4	25.8	1.8	2.9	-6.8	-6.0
Instituto Complutense de Análisis Económico (ICAE-UCM)	4.3	6.0	-1.7	2.0	-2.5	0.6	1.7	1.3	--	--	-3.1	0.0	26.6	26.0	1.0	1.8	-6.4	-5.7
Instituto de Estudios Económicos (IEE)	4.8	6.0	-2.5	1.6	--	--	1.8	1.3	0.6	0.2	-3.3	-0.4	26.8	26.0	1.0	2.5	-6.5	-5.8
Instituto de Macroeconomía y Finanzas (Universidad CJC)	6.4	4.5	0.6	1.6	-2.1	-0.5	1.5	0.9	-0.6	-0.9	-3.3	-1.0	26.5	26.3	1.8	2.8	-7.0	-5.8
Instituto Flores de Lemus (IFL-UC3M)	4.2	5.4	-1.3	3.5	-1.4	0.8	1.5	1.3	--	--	--	--	26.5	26.0	--	--	--	--
Intermoney	4.4	4.5	-0.7	2.9	-2.1	-0.7	1.5	1.2	--	--	-3.3	-0.5	26.6	26.4	1.5	2.2	-6.6	-5.8
La Caixa	5.2	5.6	-0.6	2.4	-1.6	1.0	1.5	1.1	0.1	0.8	-3.2	0.3	26.4	25.5	1.8	2.4	-6.6	-6.0
Repsol	5.7	6.4	0.1	3.5	-2.5	0.5	1.4	0.6	0.4	-0.1	-3.5	-0.2	26.1	25.5	1.1	1.4	-6.6	-5.9
Santander	5.5	5.7	-2.1	2.0	--	--	1.4	0.8	0.0	0.4	-3.4	-0.2	26.5	26.2	1.0	1.5	--	--
Solchaga Recio & asociados	5.2	5.6	-1.8	2.1	--	--	1.5	1.1	--	--	-3.2	0.1	26.5	25.5	1.5	2.0	-6.5	-5.8
CONSENSUS (AVERAGE)	5.4	5.7	-1.0	2.4	-2.2	0.4	1.5	1.1	0.1	0.1	-3.2	-0.2	26.4	25.8	1.3	2.1	-6.6	-5.9
Maximum	6.8	7.1	0.6	3.9	-1.4	1.5	1.8	1.5	0.6	0.8	-2.5	0.3	26.8	26.4	1.8	3.1	-6.4	-5.5
Minimum	4.2	4.5	-3.0	1.0	-3.4	-0.9	1.3	0.6	-0.6	-0.9	-3.5	-1.0	26.0	25.2	0.5	1.4	-7.0	-6.4
Change on 2 months earlier[1]	0.0	-0.2	0.2	0.0	0.4	0.4	-0.2	-0.2	0.0	0.0	0.0	0.0	-0.1	-0.1	0.0	0.0	0.1	0.0
- Rise[2]	5	3	4	5	6	4	0	1	2	2	5	5	2	3	3	1	4	2
- Drop[2]	3	3	2	2	1	1	13	12	0	1	2	3	8	9	1	2	3	1
Change on 6 months earlier[1]	1.7	0.4	3.3	0.9	1.5	0.4	-0.2	-0.3	0.0	-0.2	0.2	0.1	-0.5	-0.9	0.6	0.6	-0.4	-0.6
Memorandum items:																		
Government (September 2013)	5.7	5.5	-0.3	2.4	--	--	--	--	0.5	0.3	-3.4	-0.2	26.6	25.9	1.7	2.8	-6.5	-5.8
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	3.5	-6.0	-5.9
EC (November 2013)	4.5	5.2	-1.9	1.5	--	--	1.8	0.9	1.0	0.1	-3.6	-0.7	26.6	26.4	1.4	2.6	-6.8	-5.9
IMF (October 2013)	5.7	5.8	-1.0	1.8	--	--	1.8	1.5	--	--	-3.9	-0.7	26.9	26.7	1.4	2.6	-6.7	-5.8
OECD (June 2013)	4.5	6.7	-3.7	0.8	--	--	1.5	0.4	-1.0	-1.0	-4.2	-1.6	27.3	28.0	2.1	3.5	-6.9	-6.4

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

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

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

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

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

[6] Net lending position vis-à-vis rest of world.

[7] Excluding financial entities bail-out expenditures.

Table 2

Quarterly Forecasts - November 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]	-0.4	-0.1	0.1	0.1	0.2	0.2	0.3	0.4
Household consumption[2]	-0.5	-0.1	0.0	0.0	0.0	0.1	0.2	0.2

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

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

Table 3

CPI Forecasts – November 2013[1]

Monthly change (%)				Year-on-year change (%)	
Sep-13	Oct-13	Nov-13	Dec-13	Dec-13	Dec-14
0.2	0.2	-0.7	0.1	0.7	1.3

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

Table 4

Opinions – November 2013

Number of responses

	Currently			Trend for next six months		
	Favourable	Neutral	Unfavourable	Improving	Unchanged	Worsening
International context: EU	3	8	8	15	4	0
International context: Non-EU	5	12	2	13	6	0
	Low[1]	Normal[1]	High[1]	Increasing	Stable	Decreasing
Short-term interest rate[2]	8	8	3	2	16	1
Long-term interest rate[3]	1	3	15	0	12	7
	Overvalued[4]	Normal[4]	Undervalued[4]	Appreciation	Stable	Depreciation
Euro/dollar exchange rate	17	1	1	3	8	8
	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	1	16	0	0	19

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

[2] *Three-month Euribor.*

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

[4] *Relative to theoretical equilibrium rate.*

KEY FACTS:

KEY FACTS: ECONOMIC INDICATORS

Table 1

National accounts: GDP and main expenditure components SWDA*

Forecasts in blue

		GDP	Private consumption	Public consumption	Gross fixed capital formation					Exports	Imports	Domestic Demand (a)	Net exports (a)
						Construction							
					Total	Total	Housing	Other construction	Equipment & other 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		-3.8	-3.7	3.7	-18.0	-16.6	-20.4	-12.2	-21.3	-10.0	-17.2	-6.7	2.9
2010		-0.2	0.2	1.5	-5.5	-9.9	-11.4	-8.4	5.5	11.7	9.3	-0.6	0.4
2011		0.1	-1.2	-0.5	-5.4	-10.8	-12.5	-9.2	5.8	7.6	-0.1	-2.1	2.1
2012		-1.6	-2.8	-4.8	-7.0	-9.7	-8.7	-10.6	-2.6	2.1	-5.7	-4.1	2.5
2013		-1.2	-2.6	-2.1	-6.2	-10.3	-8.4	-11.8	-0.1	5.6	-0.2	-3.1	1.9
2014		1.0	0.3	-1.6	-2.1	-4.8	-4.0	-5.5	1.4	6.0	1.9	-0.5	1.5
2012	I	-1.2	-1.8	-4.9	-6.0	-8.6	-7.8	-9.4	-1.6	0.1	-6.9	-3.4	2.2
	II	-1.6	-3.1	-4.4	-6.9	-9.3	-8.1	-10.3	-2.9	0.5	-7.7	-4.2	2.6
	III	-1.7	-2.8	-4.9	-7.5	-10.9	-9.2	-12.4	-2.0	3.3	-4.6	-4.2	2.5
	IV	-2.1	-3.5	-5.0	-7.7	-10.0	-9.7	-10.4	-3.7	4.4	-3.5	-4.7	2.6
2013	I	-2.0	-4.2	-3.3	-7.5	-10.2	-9.4	-10.9	-3.3	3.6	-4.8	-4.6	2.6
	II	-1.6	-3.1	-2.4	-6.4	-10.5	-8.6	-12.0	-0.2	9.2	3.1	-3.6	2.0
	III	-1.1	-2.4	-1.3	-6.1	-10.3	-8.3	-11.9	-0.1	4.8	-0.1	-2.8	1.7
	IV	-0.2	-0.4	-1.4	-4.8	-10.1	-7.4	-12.4	3.3	4.9	1.2	-1.4	1.3
2014	I	0.5	0.1	-1.6	-3.5	-7.7	-6.4	-8.7	2.5	9.4	5.3	-1.0	1.5
	II	0.9	0.2	-1.9	-1.9	-4.2	-3.9	-4.5	1.1	5.0	0.7	-0.6	1.5
	III	1.2	0.4	-1.5	-2.3	-3.9	-3.1	-4.5	-0.4	4.7	0.1	-0.5	1.7
	IV	1.4	0.6	-1.3	-0.8	-3.3	-2.5	-3.9	2.3	5.3	1.5	-0.1	1.4
Chain-linked volumes, quarter-on-quarter percentage changes, at annual rate													
2012	I	-1.7	1.0	-7.0	-6.6	-13.4	-8.1	-17.9	5.4	-12.0	-12.5	-2.1	0.4
	II	-2.0	-4.4	-0.1	-12.6	-15.8	-15.9	-15.8	-7.3	2.3	-8.4	-5.3	3.3
	III	-1.5	-2.9	-11.5	0.6	-5.1	-6.5	-3.9	10.0	28.5	19.8	-4.0	2.5
	IV	-3.0	-7.6	-1.1	-11.5	-5.3	-7.9	-2.9	-20.1	2.6	-9.8	-7.1	4.1
2013	I	-1.5	-1.8	-0.2	-6.0	-14.1	-7.1	-19.7	7.4	-14.5	-16.9	-2.2	0.6
	II	-0.4	-0.1	3.6	-8.2	-16.7	-12.7	-20.1	5.0	26.3	25.8	-1.1	0.7
	III	0.5	0.2	-7.4	1.9	-4.3	-5.4	-3.3	10.6	9.1	5.5	-1.0	1.5
	IV	0.9	0.2	-1.4	-6.4	-4.5	-4.1	-4.9	-8.9	2.6	-4.7	-1.5	2.3
2014	I	1.2	0.2	-1.0	-0.7	-4.6	-3.2	-5.6	4.4	1.3	-2.8	-0.2	1.4
	II	1.2	0.4	2.5	-2.3	-3.6	-2.8	-4.2	-0.6	7.3	5.3	0.1	1.2
	III	1.5	0.8	-6.0	0.3	-2.8	-2.1	-3.4	4.2	7.9	3.1	-0.4	1.8
	IV	1.6	1.0	-0.5	-0.6	-2.1	-1.8	-2.3	1.2	4.8	0.7	0.2	1.3
		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		1,046.9	56.6	21.4	23.6	16.8	8.5	8.3	6.8	23.9	25.8	101.9	-1.9
2010		1,045.6	57.9	21.5	22.2	14.9	7.3	7.7	7.3	27.4	29.5	102.2	-2.2
2011		1,046.3	58.6	21.2	20.7	12.9	6.0	6.9	7.8	30.8	31.9	101.1	-1.1
2012		1,029.0	59.3	20.2	19.2	11.5	5.2	6.3	7.7	32.7	31.9	99.3	0.7
2013		1,024.4	58.9	19.9	17.5	9.9	4.4	5.5	7.6	34.8	31.7	96.9	1.6
2014		1,044.0	58.8	19.1	16.7	9.1	4.0	5.1	7.6	36.6	31.9	95.2	4.7

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

Chart 1.1.- GDP
Percentage change

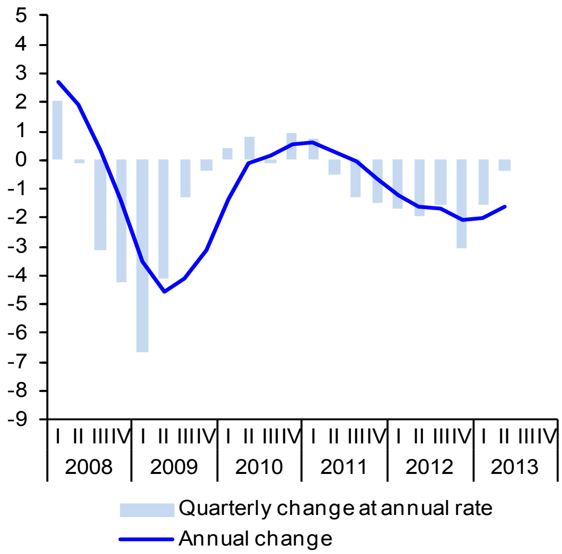


Chart 1.2.- Contribution to GDP annual growth
Percentage points

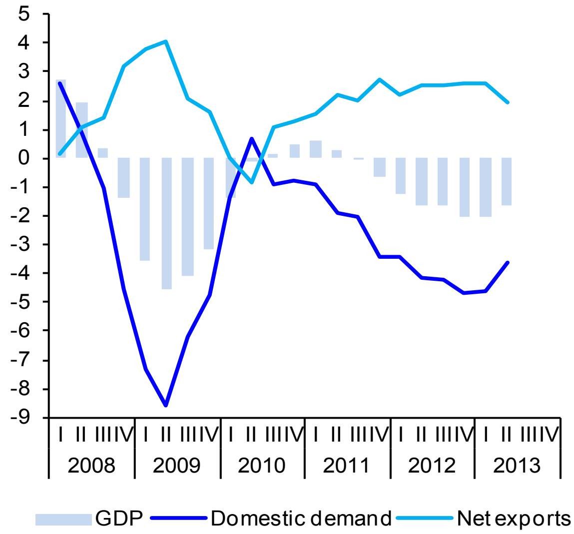


Chart 1.3.- Final consumption
Annual percentage change

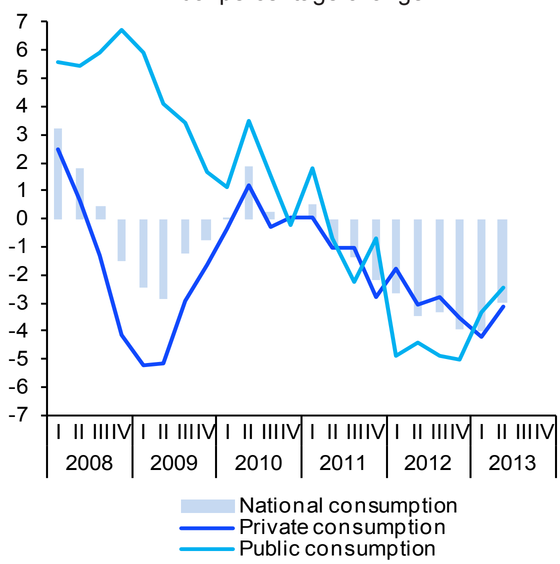


Chart 1.4.- Gross fixed capital formation
Annual percentage change

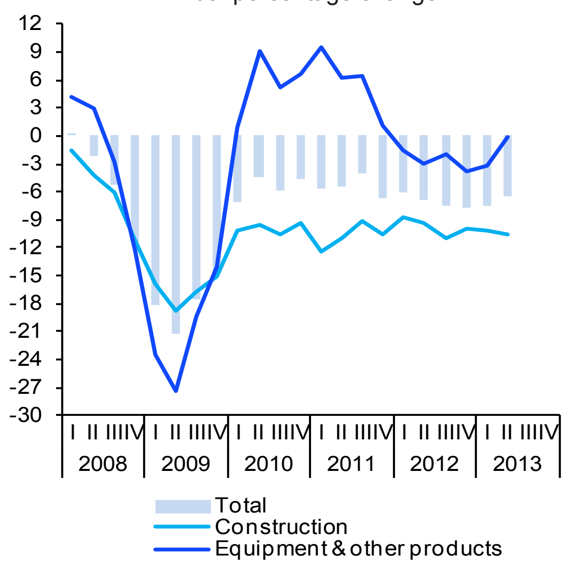


Table 2

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	-3.7	-3.3	-11.4	-8.2	-0.8	-2.6	0.9	-4.0	0.0	-2.6	2.3	0.2	-5.4
2010	-0.2	1.9	7.1	-16.5	1.2	1.8	6.2	-3.5	-1.2	-0.3	2.4	0.3	-0.6
2011	0.6	5.6	2.7	-9.0	1.4	1.3	0.3	-3.2	3.0	5.3	1.1	0.2	-6.1
2012	-1.3	-10.9	-0.5	-8.6	-0.3	0.5	0.9	-2.8	1.1	-1.9	-0.5	-1.7	-4.9
2013	-1.3	-2.9	-1.8	-5.6	-0.6	-0.8	0.0	-1.2	-0.1	-1.0	-0.4	-0.6	-0.6
2014	1.1	0.8	1.7	-3.8	1.5	2.6	1.8	1.1	2.6	1.5	-0.5	1.4	0.0
2012 I	-0.9	-6.9	-1.7	-9.1	0.7	1.3	0.9	0.8	0.9	-1.2	0.4	0.7	-5.0
II	-1.3	-12.6	-0.7	-8.6	-0.1	0.2	1.3	1.0	0.8	-2.6	-0.1	-2.2	-4.7
III	-1.4	-11.2	0.2	-8.7	-0.4	1.0	1.0	-6.1	1.6	-1.5	-1.3	-2.5	-4.9
IV	-1.8	-12.7	0.4	-7.7	-1.1	-0.5	0.5	-6.9	1.1	-2.2	-1.1	-3.0	-5.1
2013 I	-2.0	-6.2	-3.0	-5.8	-1.1	-1.8	-1.1	-3.5	-0.3	-0.8	0.0	-2.0	-2.6
II	-1.6	-1.2	-3.1	-5.9	-0.8	-1.1	-0.1	-4.1	-0.2	-0.5	0.1	-1.0	-1.7
III	-1.3	-2.3	-1.4	-5.2	-0.8	-1.2	0.5	1.8	-0.7	-2.2	-0.6	-0.1	0.6
IV	-0.3	-2.0	0.2	-5.8	0.3	0.9	1.0	1.4	0.8	-0.4	-1.0	0.9	1.3
2014 I	0.5	-0.2	1.3	-6.1	1.1	1.5	1.9	0.0	3.5	0.3	0.2	-0.4	0.5
II	1.0	1.1	1.7	-3.7	1.3	2.8	1.5	0.7	2.5	1.5	-1.2	2.0	0.3
III	1.3	1.1	1.7	-3.1	1.7	3.0	2.1	1.5	2.3	2.0	-0.6	1.9	-0.3
IV	1.5	1.1	1.9	-2.3	1.8	3.3	1.5	2.1	2.1	2.1	-0.5	2.0	-0.4
Chain-linked volumes, quarter-on-quarter percentage changes, at annual rate													
2012 I	-1.2	-29.5	8.8	-10.2	-1.1	7.3	4.0	-4.0	-3.4	-6.4	-9.5	4.0	-7.5
II	-1.9	-23.2	0.6	-11.4	-0.5	-3.8	-0.8	0.5	5.7	-4.1	5.4	-11.5	-2.7
III	-1.0	6.8	-2.9	-7.1	0.0	1.2	-3.4	-22.9	5.4	7.8	-0.3	-0.9	-7.1
IV	-3.0	0.4	-4.5	-2.0	-2.9	-6.0	2.1	1.1	-3.1	-5.6	0.6	-3.0	-3.0
2013 I	-1.9	-5.9	-4.9	-2.3	-1.0	1.8	-2.3	10.6	-8.3	-0.7	-5.3	8.5	2.6
II	-0.5	-5.4	-0.1	-11.7	0.9	-1.3	3.1	-1.8	6.1	-2.8	5.5	-7.8	0.8
III	0.3	2.1	4.1	-4.3	-0.1	1.0	-1.0	-2.0	3.0	0.5	-3.0	2.5	2.0
IV	1.0	1.4	2.1	-4.5	1.3	2.2	4.2	-0.5	2.9	1.5	-0.8	1.0	-0.3
2014 I	1.2	1.2	-0.7	-3.6	2.2	4.1	1.3	4.4	2.2	2.2	-0.6	3.2	-0.4
II	1.4	-0.3	1.3	-2.6	1.9	3.9	1.5	1.0	2.0	2.0	-0.5	1.2	-0.2
III	1.6	2.2	4.3	-1.8	1.3	2.0	1.6	1.1	2.1	2.2	-0.4	2.1	-0.3
IV	1.8	1.5	2.8	-1.1	1.8	3.3	1.7	1.8	2.3	2.1	-0.4	1.4	-0.5
	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	972.2	2.4	15.5	13.0	69.2	23.5	4.2	5.9	6.4	7.4	18.1	3.6	7.7
2010	954.8	2.6	16.6	10.7	70.2	24.2	4.3	4.6	7.4	7.4	18.6	3.7	9.5
2011	959.8	2.5	17.1	9.5	70.9	24.5	4.2	4.2	7.9	7.8	18.5	3.7	9.0
2012	944.2	2.5	17.4	8.6	71.6	25.3	4.2	4.4	8.2	7.7	18.1	3.8	9.0
2013	934.8	2.6	17.5	8.0	71.9	24.9	4.2	4.5	8.4	7.7	18.4	3.8	9.6
2014	951.6	2.6	17.7	7.4	72.2	25.6	4.2	4.6	8.6	7.7	17.7	3.8	9.6

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

Chart 2.1.- GVA by sectors
Annual percentage change

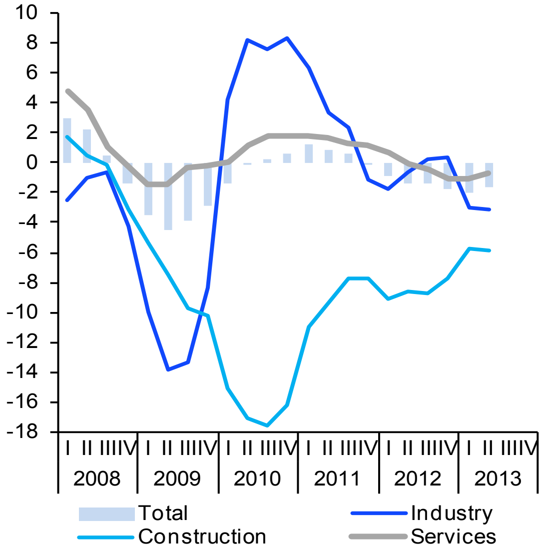


Chart 2.2.- GVA, services (I)
Annual percentage change

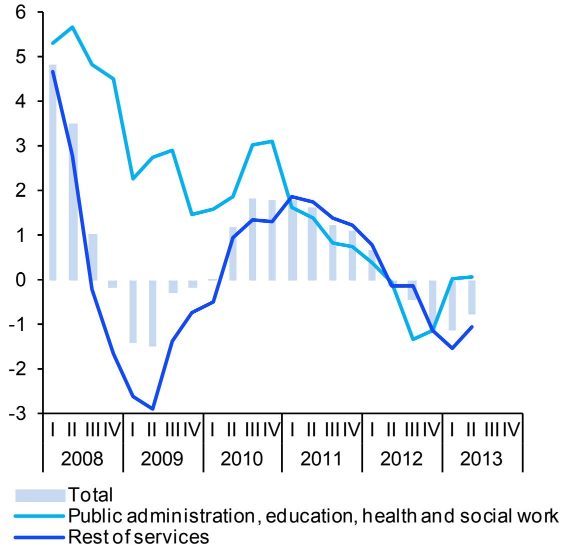


Chart 2.3.- GVA, services (II)
Annual percentage change

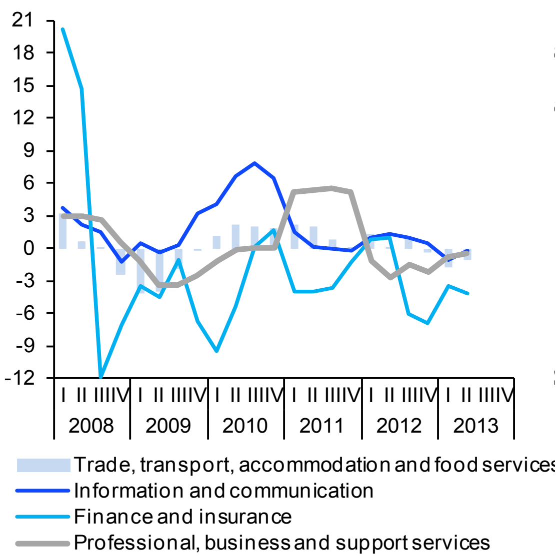


Chart 2.4.- GVA, structure by sectors
Percentage of value added at basic prices

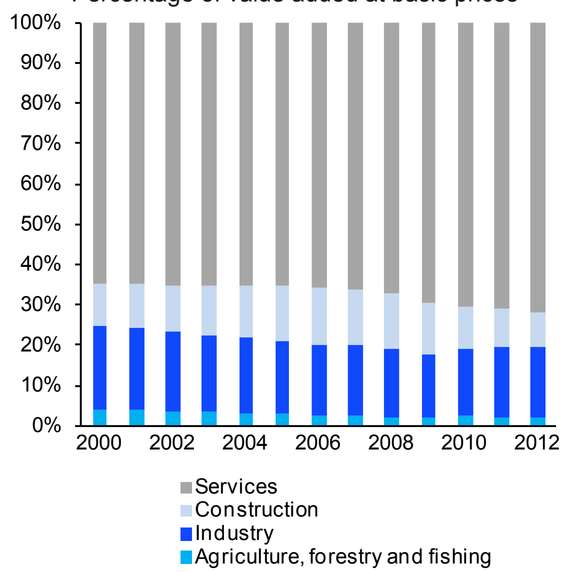


Table 3a

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		122.7	115.2	106.5	142.7	133.9	98.9	91.3	78.0	117.1	150.4	128.5	99.9
2010		122.4	112.5	108.8	143.3	131.7	97.1	95.5	74.9	127.4	151.9	119.2	93.3
2011		122.5	110.0	111.4	145.2	130.4	96.1	96.7	73.4	131.7	154.6	117.4	90.5
2012		120.5	104.8	115.0	145.5	126.5	93.3	95.7	69.0	138.6	158.1	114.1	88.5
2013		119.0	101.2	117.6	146.2	124.3	91.0	94.2	--	--	--	--	--
2014		120.2	100.8	119.2	145.9	122.4	88.7	95.9	--	--	--	--	--
2011	III	122.4	109.6	111.6	145.4	130.2	96.1	95.7	73.4	130.3	155.2	119.1	92.1
	IV	121.9	108.2	112.6	146.1	129.7	95.6	93.7	72.3	129.7	155.9	120.2	90.2
2012	I	121.4	106.6	113.9	146.3	128.4	94.8	96.8	70.3	137.8	156.8	113.8	90.0
	II	120.8	105.2	114.8	146.5	127.6	94.2	96.2	69.3	138.7	159.0	114.6	89.1
	III	120.3	104.4	115.2	146.5	127.1	93.7	95.8	68.8	139.3	158.7	113.9	89.5
	IV	119.4	102.8	116.2	142.8	122.9	90.6	93.8	67.7	138.6	158.0	114.0	85.4
2013	I	118.9	101.7	116.9	145.8	124.7	91.2	93.8	66.2	141.6	158.7	112.0	86.3
	II	118.8	101.3	117.4	146.4	124.7	91.4	94.1	65.8	143.1	161.0	112.5	86.2
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		-3.8	-6.2	2.5	4.2	1.6	1.5	-12.3	-13.1	0.9	2.1	1.1	1.7
2010		-0.2	-2.3	2.2	0.4	-1.7	-1.8	4.6	-3.9	8.8	0.9	-7.3	-6.6
2011		0.1	-2.2	2.3	1.3	-1.0	-1.0	1.3	-2.0	3.4	1.8	-1.5	-3.0
2012		-1.6	-4.8	3.3	0.2	-3.0	-2.9	-1.1	-6.0	5.2	2.3	-2.8	-2.3
2013		-1.2	-3.4	2.2	0.5	-1.7	-2.5	-1.5	--	--	--	--	--
2014		1.0	-0.4	1.4	-0.2	-1.6	-2.5	1.8	--	--	--	--	--
2011	III	0.0	-2.4	2.4	1.6	-0.7	-0.6	1.5	-1.3	2.8	2.3	-0.5	-2.3
	IV	-0.6	-3.3	2.8	1.9	-0.8	-0.8	-2.5	-3.3	0.8	2.2	1.4	-0.6
2012	I	-1.2	-4.3	3.2	1.7	-1.4	-1.4	-2.8	-4.9	2.3	2.6	0.4	0.6
	II	-1.6	-5.1	3.7	0.8	-2.8	-2.7	-1.8	-6.5	5.0	2.7	-2.1	-1.3
	III	-1.7	-4.7	3.2	0.7	-2.4	-2.6	0.1	-6.3	6.9	2.2	-4.4	-2.8
	IV	-2.1	-5.0	3.1	-2.3	-5.3	-5.3	0.1	-6.3	6.9	1.4	-5.1	-5.4
2013	I	-2.0	-4.5	2.6	-0.3	-2.9	-3.7	-3.2	-5.8	2.8	1.2	-1.6	-4.2
	II	-1.6	-3.8	2.2	-0.1	-2.3	-2.9	-2.2	-5.2	3.2	1.2	-1.9	-3.2

(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

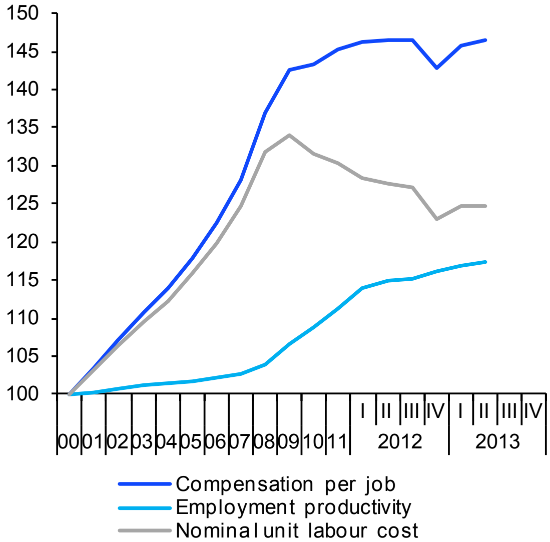
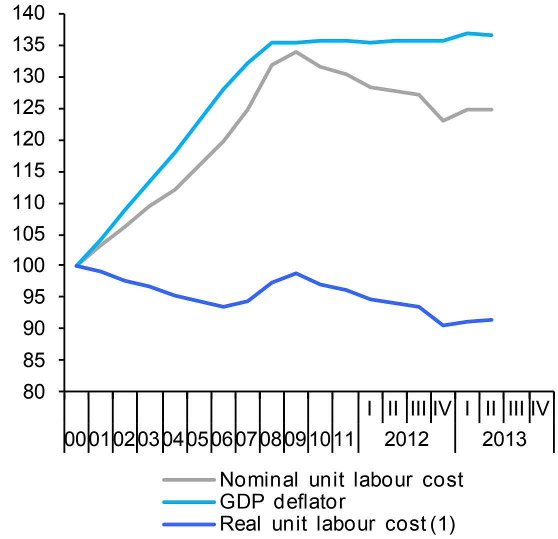


Chart 3a.2.- Real ULC, total economy
Index, 2000=100



(1) Nominal ULC deflated by GDP deflator.

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

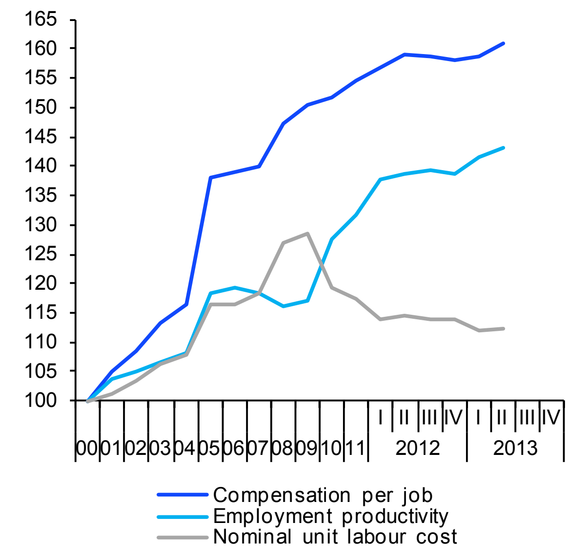
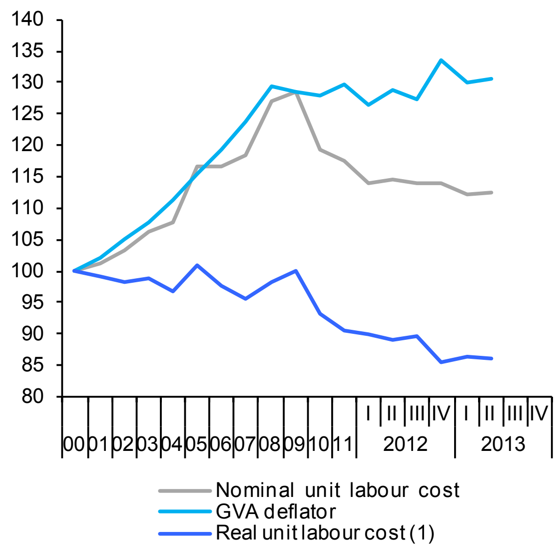


Chart 3a.4.- Real ULC, manufacturing industry
Index, 2000=100



(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		128.8	101.0	127.6	166.9	130.9	78.3	132.2	132.0	100.1	136.8	136.6	99.0
2010		107.6	88.2	122.0	167.3	137.2	85.0	133.8	130.7	102.4	137.6	134.4	98.9
2011		97.9	74.2	132.0	172.4	130.7	82.3	135.7	130.1	104.4	138.8	133.0	97.8
2012		89.5	60.0	149.1	177.7	119.2	77.4	135.4	125.7	107.7	138.3	128.4	94.7
2013		84.4	52.6	160.4	--	--	--	134.6	122.7	109.7	--	--	--
2014		81.2	49.4	164.3	--	--	--	136.6	122.8	111.2	--	--	--
2011	III	96.5	72.5	133.1	172.3	129.4	81.9	136.2	129.9	104.8	138.8	132.4	97.6
	IV	95.0	67.9	139.9	175.0	125.0	79.2	136.1	128.5	105.9	139.8	132.0	95.9
2012	I	92.5	63.6	145.4	174.8	120.2	77.1	135.8	127.5	106.5	139.6	131.1	96.5
	II	89.7	61.9	144.9	180.1	124.3	80.4	135.6	126.0	107.6	139.2	129.4	95.6
	III	88.1	58.8	149.9	177.9	118.7	77.9	135.6	125.5	108.0	139.4	129.0	95.1
	IV	87.6	55.8	157.1	178.3	113.5	74.2	134.6	123.7	108.8	134.9	124.0	91.6
2013	I	87.1	55.1	158.0	173.5	109.8	71.1	134.2	123.1	109.1	138.6	127.1	92.2
	II	84.5	52.6	160.5	180.9	112.7	74.7	134.6	122.7	109.7	138.8	126.5	93.1
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		-8.2	-21.4	16.9	9.6	-6.2	-7.5	-0.8	-2.4	1.6	3.8	2.2	0.6
2010		-16.5	-12.7	-4.4	0.2	4.8	8.6	1.2	-1.0	2.3	0.5	-1.7	-0.1
2011		-9.0	-15.9	8.2	3.1	-4.7	-3.2	1.4	-0.5	1.9	0.9	-1.0	-1.1
2012		-8.6	-19.1	13.0	3.1	-8.8	-6.0	-0.3	-3.4	3.2	-0.4	-3.5	-3.2
2013		-5.6	-12.3	7.6	--	--	--	-0.6	-2.4	1.8	--	--	--
2014		-3.8	-6.1	2.5	--	--	--	1.5	0.1	1.4	--	--	--
2011	III	-7.8	-17.6	12.0	2.6	-8.4	-6.8	1.2	-0.5	1.7	1.2	-0.6	-0.6
	IV	-7.8	-19.8	15.0	3.4	-10.0	-8.4	1.1	-1.5	2.6	1.8	-0.8	-1.1
2012	I	-9.1	-21.1	15.2	3.4	-10.3	-7.5	0.7	-2.5	3.2	1.2	-1.9	-1.9
	II	-8.6	-18.1	11.6	3.5	-7.3	-5.0	-0.1	-3.8	3.8	0.3	-3.4	-3.9
	III	-8.7	-18.9	12.6	3.3	-8.3	-4.9	-0.4	-3.4	3.1	0.4	-2.6	-2.6
	IV	-7.7	-17.8	12.3	1.9	-9.2	-6.3	-1.1	-3.8	2.8	-3.5	-6.1	-4.5
2013	I	-5.8	-13.3	8.7	-0.7	-8.6	-7.8	-1.1	-3.4	2.4	-0.7	-3.0	-4.5
	II	-5.9	-15.0	10.8	0.4	-9.3	-7.1	-0.8	-2.7	2.0	-0.3	-2.2	-2.6

(a) Nominal ULC deflated by GVA deflator.
Sources: INE (Quarterly National Accounts) and FUNCAS (Forecasts).

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

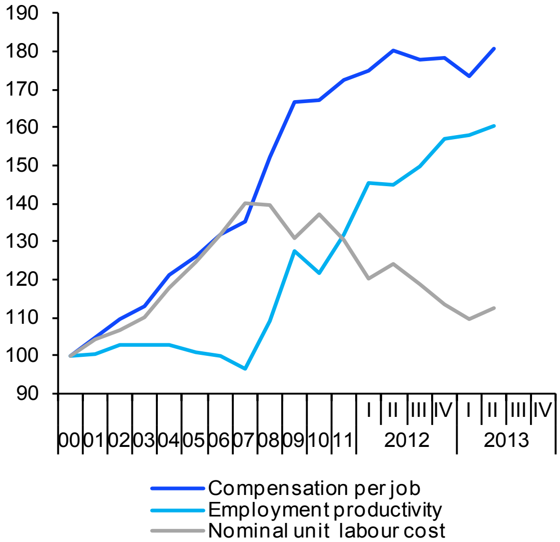
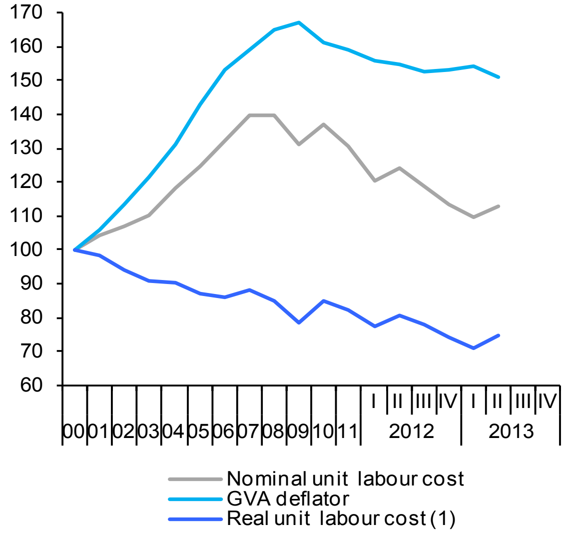


Chart 3b.2.- Real ULC, construction
Index, 2000=100



(1) Nominal ULC deflated by GVA deflator.

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

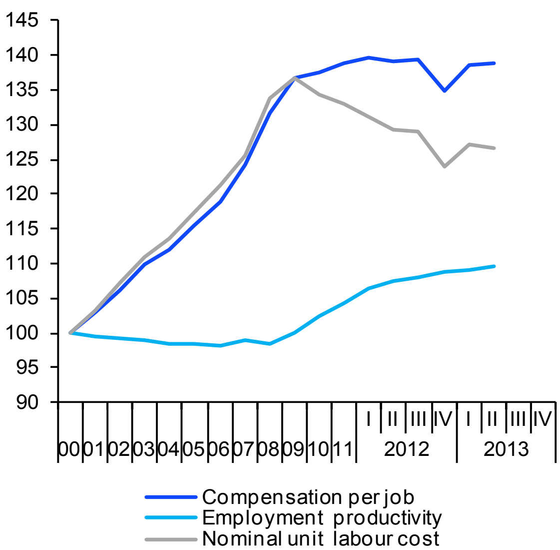
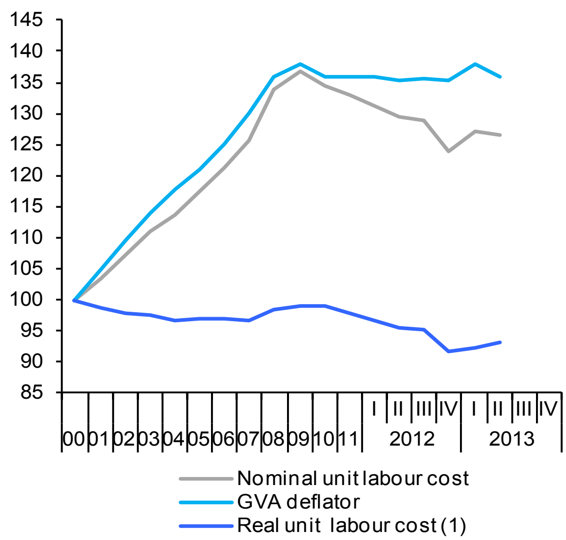


Chart 3b.4.- Real ULC, services
Index, 2000=100



(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	1,046.9	524.7	445.1	77.1	-23.1	1,023.8	-7.3	1,016.6	816.4	200.2	50.1	42.5	7.4
2010	1,045.6	514.8	436.9	93.9	-17.2	1,028.4	-5.9	1,022.5	829.6	192.9	49.2	41.8	9.0
2011	1,046.3	511.0	445.1	90.3	-23.7	1,022.6	-7.0	1,015.7	835.0	180.6	48.8	42.5	8.6
2012	1,029.0	482.6	452.4	94.0	-15.3	1,013.7	-4.8	1,008.9	818.1	190.8	46.9	44.0	9.1
2013	1,024.4	463.6	463.4	97.4	-8.0	1,016.4	-5.1	1,011.3	807.8	203.5	45.3	45.2	9.5
2014	1,044.0	458.9	486.7	98.4	-13.0	1,031.0	-5.2	1,025.8	815.4	210.5	43.9	46.6	9.4
2011 III	1,050.1	512.6	443.7	93.8	-22.4	1,027.7	-5.8	1,021.9	836.8	185.2	48.8	42.3	8.9
IV	1,046.3	511.0	445.1	90.3	-23.7	1,022.6	-7.0	1,015.7	835.0	180.6	48.8	42.5	8.6
2012 I	1,042.8	507.0	444.2	91.5	-24.0	1,018.8	-7.3	1,011.5	832.4	179.1	48.6	42.6	8.8
II	1,037.9	500.5	446.9	90.5	-22.2	1,015.7	-7.6	1,008.1	829.5	178.6	48.2	43.1	8.7
III	1,034.3	494.0	448.5	91.9	-18.3	1,016.1	-7.1	1,009.0	825.4	183.6	47.8	43.4	8.9
IV	1,029.0	482.6	452.4	94.0	-15.3	1,013.7	-4.8	1,008.9	818.1	190.8	46.9	44.0	9.1
2013 I	1,024.6	475.7	457.3	91.6	-12.7	1,011.9	-3.8	1,008.1	811.9	196.2	46.4	44.6	8.9
II	1,022.2	469.4	459.9	92.8	-11.3	1,010.9	-4.0	1,006.9	807.7	199.1	45.9	45.0	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	-3.8	-2.4	-2.8	-16.2	-27.4	-3.0	-21.3	-2.9	-2.2	-5.8	0.7	0.4	-1.1
2010	-0.1	-1.9	-1.9	21.8	-25.4	0.4	-19.1	0.6	1.6	-3.6	-0.9	-0.7	1.6
2011	0.1	-0.7	1.9	-3.9	37.6	-0.6	18.3	-0.7	0.7	-6.4	-0.4	0.8	-0.4
2012	-1.7	-5.6	1.6	4.1	-35.5	-0.9	-30.5	-0.7	-2.0	5.6	-1.9	1.4	0.5
2013	-0.4	-3.9	2.4	3.6	-47.5	0.3	5.0	0.2	-1.3	6.7	-1.6	1.3	0.4
2014	1.9	-1.0	5.0	1.1	62.3	1.4	2.0	1.4	0.9	3.4	-1.3	1.4	-0.1
2011 III	0.5	-0.9	3.0	-3.7	28.4	0.0	-23.3	0.1	1.0	-3.4	-0.7	1.1	-0.4
IV	0.1	-0.7	1.9	-3.9	37.6	-0.6	18.3	-0.7	0.7	-6.4	-0.4	0.8	-0.4
2012 I	-0.4	-1.4	1.3	-3.3	25.4	-0.9	18.6	-1.0	-0.2	-4.5	-0.5	0.7	-0.3
II	-1.1	-2.5	1.2	-4.0	13.2	-1.4	22.5	-1.5	-0.8	-4.8	-0.7	1.0	-0.3
III	-1.5	-3.6	1.1	-2.0	-18.4	-1.1	22.2	-1.3	-1.4	-0.8	-1.1	1.1	0.0
IV	-1.7	-5.6	1.6	4.1	-35.5	-0.9	-30.5	-0.7	-2.0	5.6	-1.9	1.4	0.5
2013 I	-1.7	-6.2	3.0	0.0	-47.2	-0.7	-47.4	-0.3	-2.5	9.5	-2.2	2.0	0.2
II	-1.5	-6.2	2.9	2.5	-49.4	-0.5	-46.9	-0.1	-2.6	11.5	-2.3	1.9	0.4

(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

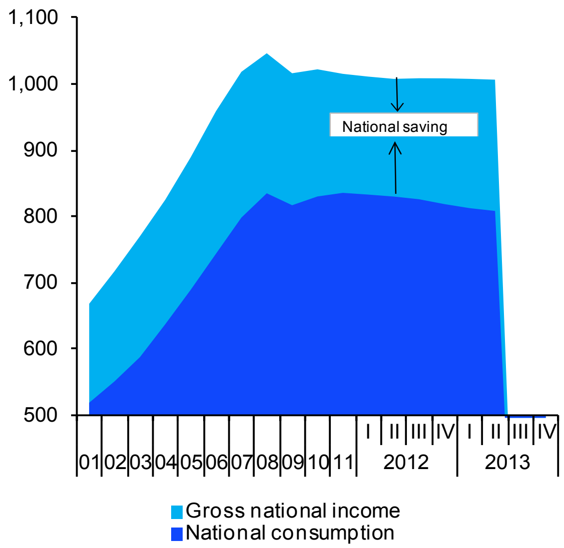


Chart 4.2.- National income, consumption and saving rate
Annual percentage change and percentage of GDP, 4-quarter moving averages

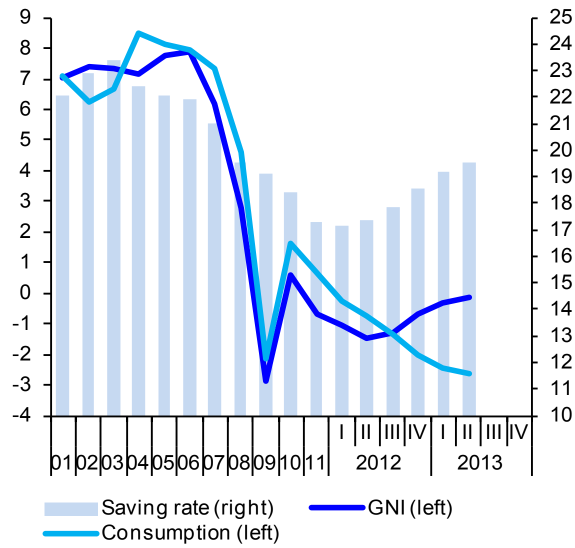


Chart 4.3.- Components of National Income (I)
Annual percentage change

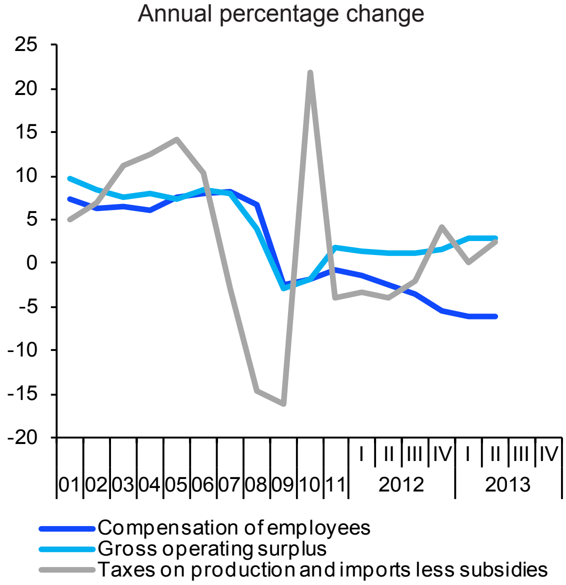


Chart 4.4.- Functional distribution of income
Percentage of GDP, 4-quarter moving averages

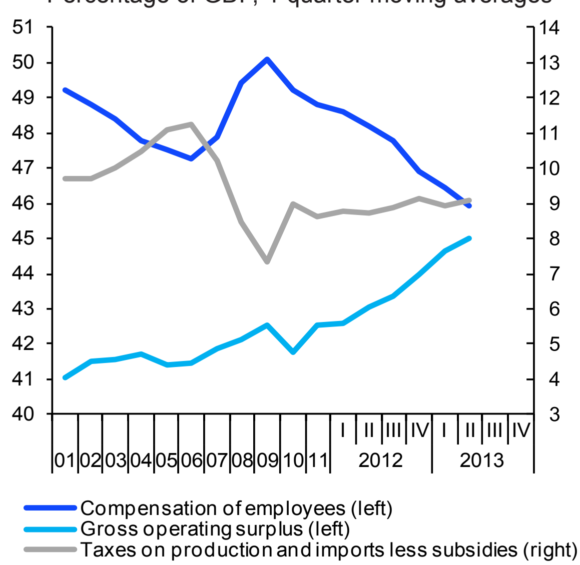


Table 5

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		-19.7	-41.6	28.3	-6.4	-23.1	-7.3	-50.0	4.3	-45.7	200.2	250.2	-50.0
2010		-22.6	-48.2	29.3	-3.7	-17.2	-5.9	-45.7	6.0	-39.7	192.9	238.6	-45.7
2011		-11.0	-43.7	33.0	-0.3	-23.7	-7.0	-41.6	5.4	-36.2	180.6	222.3	-41.6
2012		7.7	-25.8	33.8	-0.4	-15.3	-4.8	-12.5	6.6	-5.9	190.8	203.3	-12.5
2013		31.6	-5.9	35.4	2.1	-8.0	-5.1	18.5	7.5	26.0	203.5	185.0	18.5
2014		48.7	7.3	37.0	4.3	-13.0	-5.2	30.5	6.5	37.0	210.5	180.0	30.5
2011	III	-13.9	-45.0	32.5	-1.3	-22.4	-5.8	-42.0	6.2	-35.8	185.2	227.2	-42.0
	IV	-11.0	-43.7	33.0	-0.3	-23.7	-7.0	-41.6	5.4	-36.2	180.6	222.3	-41.6
2012	I	-7.7	-41.1	33.2	0.2	-24.0	-7.3	-39.0	5.0	-34.0	179.1	218.1	-39.0
	II	-5.1	-38.1	33.2	-0.1	-22.2	-7.6	-34.9	4.7	-30.1	178.6	213.5	-34.9
	III	0.4	-33.6	33.8	0.2	-18.3	-7.1	-24.9	5.3	-19.6	183.6	208.6	-24.9
	IV	7.7	-25.8	33.8	-0.4	-15.3	-4.8	-12.5	6.6	-5.9	190.8	203.3	-12.5
2013	I	15.1	-19.3	34.1	0.3	-12.7	-3.8	-1.4	6.9	5.5	196.2	197.6	-1.4
	II	22.5	-12.9	34.4	1.0	-11.3	-4.0	7.2	8.0	15.2	199.1	191.9	7.2
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	-4.4	19.1	23.9	-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		-1.1	-4.2	3.2	0.0	-2.3	-0.7	-4.0	0.5	-3.5	17.3	21.2	-4.0
2012		0.7	-2.5	3.3	0.0	-1.5	-0.5	-1.2	0.6	-0.6	18.5	19.8	-1.2
2013		3.1	-0.6	3.5	0.2	-0.8	-0.5	1.8	0.7	2.5	19.9	18.1	1.8
2014		4.7	0.7	3.5	0.4	-1.2	-0.5	2.9	0.6	3.5	20.2	17.2	2.9
2011	III	-1.3	-4.3	3.1	-0.1	-2.1	-0.6	-4.0	0.6	-3.4	17.6	21.6	-4.0
	IV	-1.1	-4.2	3.2	0.0	-2.3	-0.7	-4.0	0.5	-3.5	17.3	21.2	-4.0
2012	I	-0.7	-3.9	3.2	0.0	-2.3	-0.7	-3.7	0.5	-3.3	17.2	20.9	-3.7
	II	-0.5	-3.7	3.2	0.0	-2.1	-0.7	-3.4	0.5	-2.9	17.2	20.6	-3.4
	III	0.0	-3.3	3.3	0.0	-1.8	-0.7	-2.4	0.5	-1.9	17.8	20.2	-2.4
	IV	0.7	-2.5	3.3	0.0	-1.5	-0.5	-1.2	0.6	-0.6	18.5	19.8	-1.2
2013	I	1.5	-1.9	3.3	0.0	-1.2	-0.4	-0.1	0.7	0.5	19.1	19.3	-0.1
	II	2.2	-1.3	3.4	0.1	-1.1	-0.4	0.7	0.8	1.5	19.5	18.8	0.7

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

Chart 5.1.- Balance of goods and services
Percentage of GDP, 4-quarter moving averages

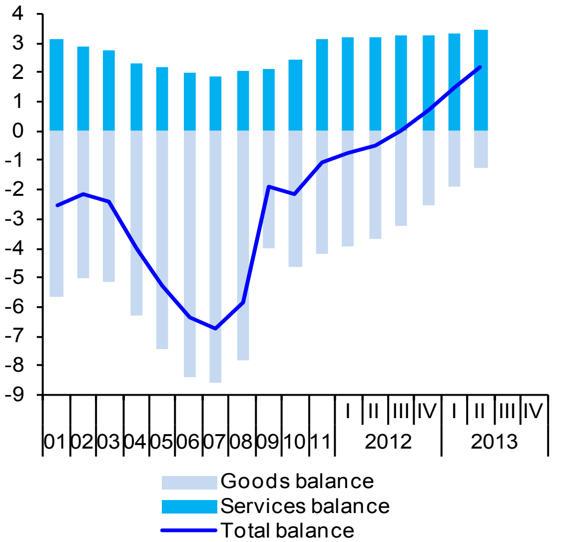


Chart 5.2.- Services balance
Percentage of GDP, 4-quarter moving averages

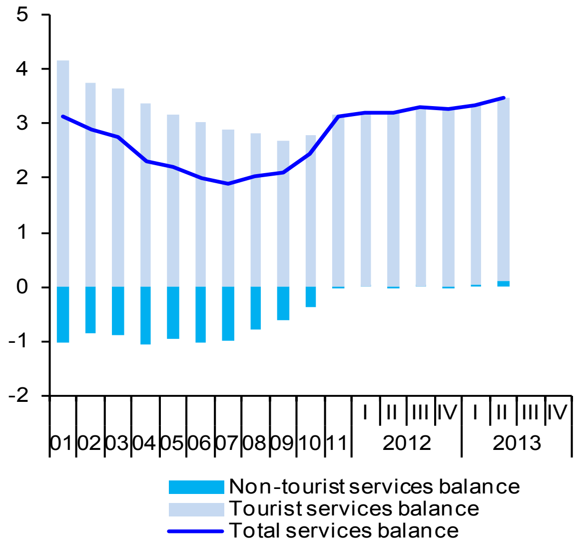


Chart 5.3.- Net lending or borrowing
Percentage of GDP, 4-quarter moving averages

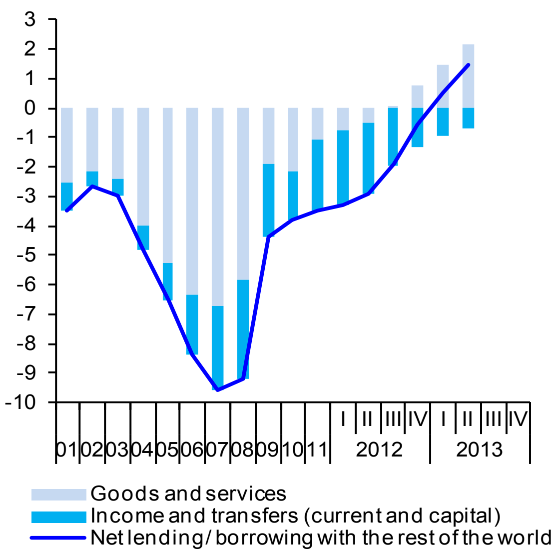


Chart 5.4.- Saving, investment and current account balance
Percentage of GDP, 4-quarter moving averages

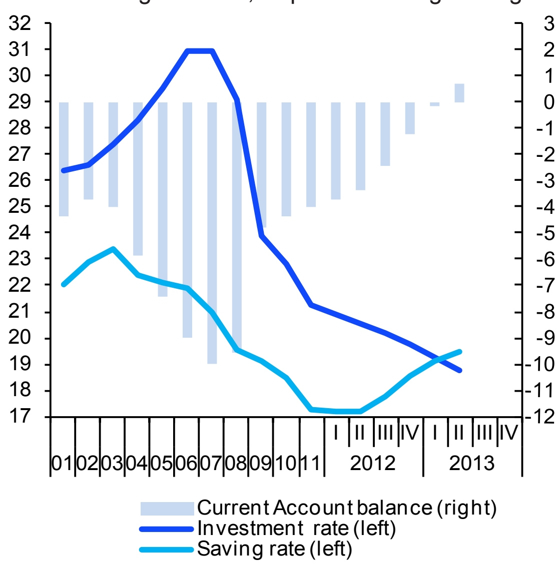


Table 6

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		717.1	537.6	264.2	217.0	216.9	84.6	622.4	99.2	13.8	5.4	91.1	13.5	1.2
2009		721.0	524.5	248.0	233.8	209.2	76.1	592.8	128.3	17.8	5.6	67.7	66.2	6.3
2010		702.6	514.8	236.0	238.5	207.2	79.4	605.1	97.3	13.9	7.1	60.7	43.7	4.2
2011		702.3	510.8	239.3	240.4	206.5	81.7	612.8	88.8	12.6	3.4	53.1	39.1	3.7
2012		682.4	482.6	238.3	245.0	201.0	82.6	610.4	70.7	10.4	2.7	48.2	25.1	2.4
2013		679.9	463.6	246.2	248.0	194.4	83.5	603.7	74.3	10.9	2.0	43.7	32.6	3.2
2014		691.1	458.9	260.2	250.0	192.9	85.0	614.1	74.9	10.8	1.7	41.6	35.0	3.4
2011	III	703.5	512.5	238.4	241.4	207.6	81.2	613.7	88.5	12.6	7.0	54.4	41.0	3.9
	IV	702.3	510.8	239.3	240.4	206.5	81.7	612.8	88.8	12.6	3.4	53.1	39.1	3.7
2012	I	699.3	506.9	239.0	241.9	206.1	82.4	613.0	85.8	12.3	3.1	52.2	36.6	3.5
	II	693.2	500.4	238.0	242.1	204.5	82.8	612.7	80.2	11.6	3.0	51.7	31.5	3.0
	III	690.1	494.0	238.1	245.0	203.9	83.1	611.2	77.8	11.3	2.3	50.1	30.0	2.9
	IV	682.4	482.6	238.3	245.0	201.0	82.6	610.4	70.7	10.4	2.7	48.2	25.1	2.4
2013	I	679.7	475.8	239.5	246.5	199.9	82.2	605.6	72.7	10.7	3.0	48.2	27.5	2.7
	II	678.4	469.5	240.7	247.0	197.9	81.0	602.6	74.2	10.9	2.8	46.6	30.3	3.0
		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	0.6	9.9	5.2	-2.1	2.9	41.7	3.4	55.7	-10.2	--	3.9
2009		0.5	-2.4	-6.1	7.7	-3.6	-10.1	-4.8	29.4	4.0	4.8	-25.7	--	5.1
2010		-2.5	-1.9	-4.8	2.0	-1.0	4.4	2.1	-24.1	-3.9	25.2	-10.3	--	-2.1
2011		0.0	-0.8	1.4	0.8	-0.4	2.8	1.3	-8.7	-1.2	-51.9	-12.5	--	-0.4
2012		-2.8	-5.5	-0.4	1.9	-2.7	1.1	-0.4	-20.4	-2.3	-21.7	-9.3	--	-1.3
2013		-0.4	-3.9	3.3	1.2	-3.3	1.1	-1.1	5.1	0.6	-25.0	-9.4	--	0.7
2014		1.6	-1.0	5.7	0.8	-0.8	1.8	1.7	0.9	-0.1	-15.0	-4.8	--	0.2
2011	III	-0.2	-0.9	0.8	2.2	0.5	3.0	1.9	-13.7	-2.0	18.3	-12.3	--	-0.5
	IV	0.0	-0.8	1.4	0.8	-0.4	2.8	1.3	-8.7	-1.2	-51.9	-12.5	--	-0.4
2012	I	-0.5	-1.4	1.1	0.8	-0.9	3.5	0.6	-8.0	-1.0	-55.3	-10.6	--	-0.5
	II	-1.3	-2.5	0.3	0.5	-1.9	2.7	0.2	-10.9	-1.2	-57.9	-7.2	--	-0.9
	III	-1.9	-3.6	-0.1	1.5	-1.8	2.4	-0.4	-12.0	-1.3	-66.4	-7.9	--	-1.0
	IV	-2.8	-5.5	-0.4	1.9	-2.7	1.1	-0.4	-20.4	-2.3	-21.7	-9.3	--	-1.3
2013	I	-2.8	-6.2	0.2	1.9	-3.0	-0.2	-1.2	-15.2	-1.6	-3.3	-7.7	--	-0.8
	II	-2.1	-6.2	1.1	2.0	-3.2	-2.2	-1.7	-7.5	-0.6	-7.0	-9.8	--	-0.1

(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

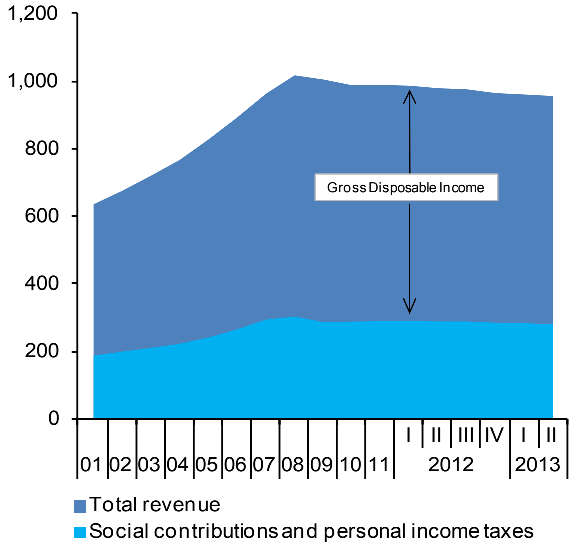
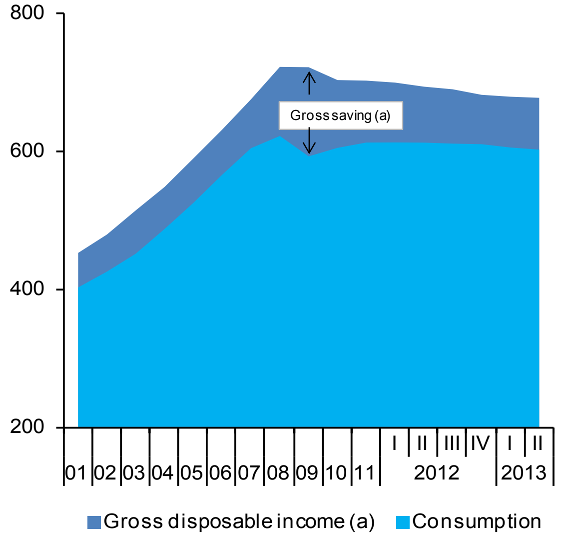


Chart 6.2.- Households: Gross saving
EUR Billions, 4-quarter cummulated



(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

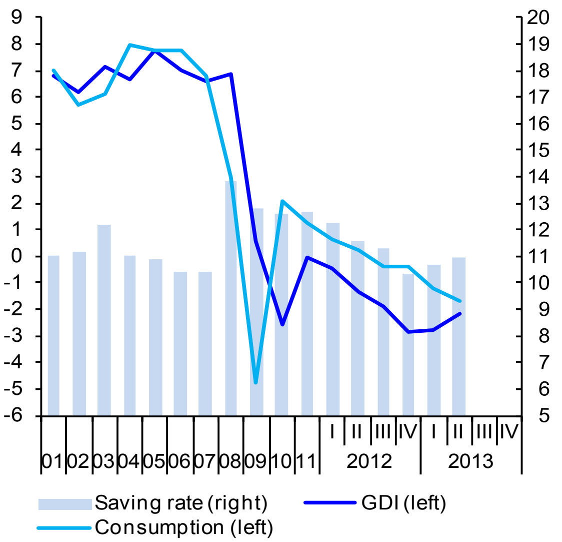
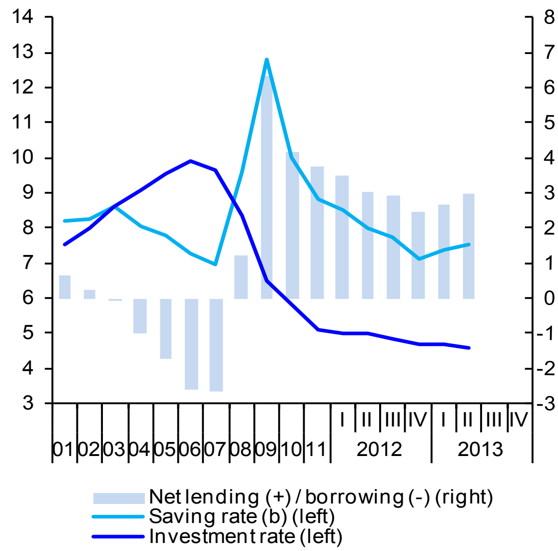


Chart 6.4.- Households: Saving, investment and deficit
Percentage of GDP, 4-quarter moving averages



(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	41.7	57.5	10.0	181.1	-113.6	-10.8	35.1	36.9
2008		522.1	339.0	183.1	-71.2	-10.6	25.4	75.9	12.2	171.8	-83.7	-7.7	35.1	32.9
2009		505.5	323.6	181.9	-49.4	-10.3	19.8	102.4	12.7	124.6	-9.5	-0.9	36.0	24.6
2010		512.0	317.1	194.9	-45.3	-10.1	16.0	123.5	11.2	127.2	7.5	0.7	38.1	24.8
2011		517.2	316.9	200.3	-51.3	-10.1	15.8	123.2	11.0	130.5	3.7	0.3	38.7	25.2
2012		510.1	303.4	206.7	-47.3	-9.6	19.7	130.2	9.3	127.9	11.5	1.1	40.5	25.1
2013		505.4	288.8	216.6	-36.7	-8.9	18.0	153.0	10.4	118.3	45.1	4.4	42.9	23.4
2014		517.3	286.7	230.6	-39.1	-8.7	19.0	163.7	10.6	117.2	57.2	5.5	44.6	22.7
2011	III	517.9	317.6	200.3	-49.4	-10.3	14.6	126.1	11.9	130.0	8.0	0.8	38.7	25.1
	IV	517.2	316.9	200.3	-51.3	-10.1	15.8	123.2	11.0	130.5	3.7	0.3	38.7	25.2
2012	I	515.3	314.4	200.9	-52.5	-10.0	16.2	122.2	9.9	130.0	2.1	0.2	39.0	25.2
	II	512.9	311.0	201.9	-51.4	-9.7	17.0	123.8	9.8	130.9	2.6	0.3	39.4	25.5
	III	510.6	307.5	203.2	-51.3	-9.6	16.4	125.9	8.8	130.7	4.0	0.4	39.8	25.6
	IV	510.1	303.4	206.7	-47.3	-9.6	19.7	130.2	9.3	127.9	11.5	1.1	40.5	25.1
2013	I	509.4	297.8	211.6	-42.6	-9.4	17.2	142.3	10.0	122.4	29.9	2.9	41.5	24.0
	II	508.4	293.3	215.1	-37.9	-9.4	17.8	150.0	10.1	120.4	39.7	3.9	42.3	23.7
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	-38.9	31.9	22.0	-5.1	--	3.1	0.0	-4.0
2009		-3.2	-4.5	-0.7	-30.6	-2.5	-22.2	34.9	4.1	-27.5	--	6.8	0.9	-8.3
2010		1.3	-2.0	7.2	-8.4	-1.8	-19.2	20.6	-12.2	2.1	--	1.6	2.1	0.2
2011		1.0	-0.1	2.8	13.4	-0.7	-1.3	-0.3	-1.5	2.6	--	-0.4	0.7	0.4
2012		-1.4	-4.3	3.2	-7.9	-4.8	25.1	5.7	-15.8	-2.0	--	0.8	1.8	-0.2
2013		-0.9	-4.8	4.8	-22.4	-6.8	-8.8	17.6	12.0	-7.5	--	3.3	2.3	-1.7
2014		2.3	-0.7	6.4	6.7	-2.1	5.4	7.0	2.0	-1.0	--	1.1	1.7	-0.8
2011	III	2.5	0.3	6.2	13.9	-16.9	-14.9	8.8	-6.8	3.6	--	0.5	1.3	0.3
	IV	1.0	0.6	1.7	13.4	-17.1	-1.3	-0.3	-1.5	2.6	--	-0.4	0.3	0.4
2012	I	0.4	-0.1	1.2	10.5	-17.2	0.7	-0.6	-8.7	1.7	--	-0.4	0.3	0.3
	II	-0.7	-1.4	0.3	5.7	-21.2	11.9	-1.0	-15.1	2.3	--	-0.6	0.4	0.8
	III	-1.4	-3.2	1.4	3.8	-6.2	12.1	-0.1	-25.6	0.5	--	-0.4	1.1	0.5
	IV	-1.4	-4.3	3.2	-7.9	-4.8	25.1	5.7	-15.8	-2.0	--	0.8	1.8	-0.2
2013	I	-1.2	-5.3	5.3	-18.8	-5.8	6.7	16.4	1.1	-5.9	--	2.7	2.5	-1.2
	II	-0.9	-5.7	6.5	-26.3	-3.3	4.8	21.2	3.3	-8.1	--	3.6	2.9	-1.9

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

Chart 7.1.- Non-financial corporations: Gross operating surplus
EUR Billions, 4-quarter cummulated

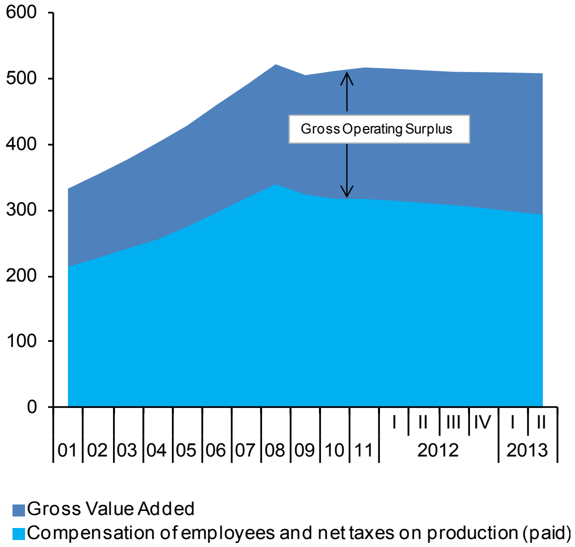


Chart 7.2.- Non-financial corporations: GVA, GOS and saving
Annual percentage change, 4-quarter moving averages

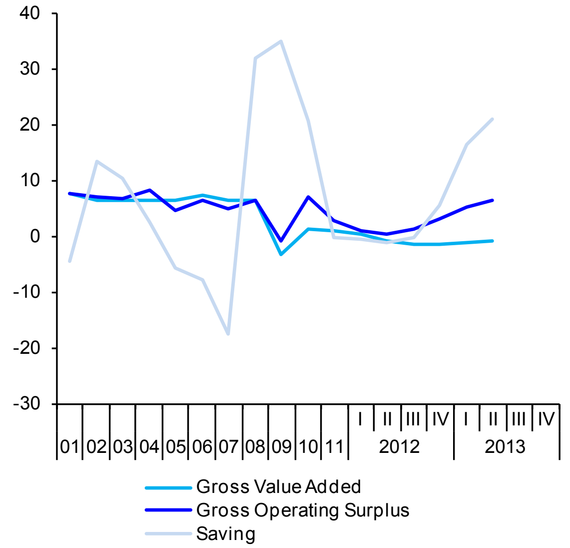
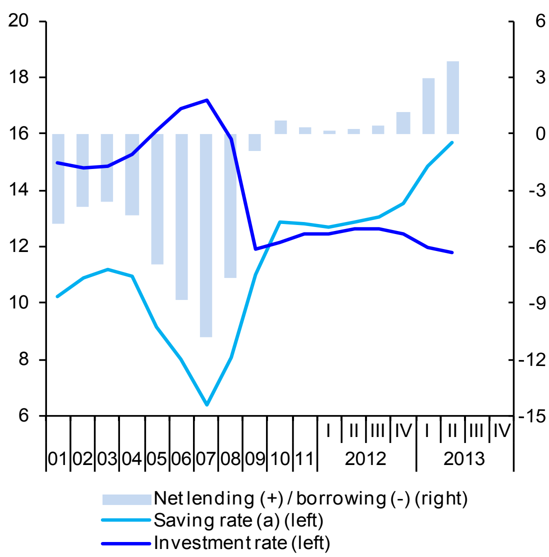


Chart 7.3.- Non-financial corporations: Saving, investment and deficit
Percentage of GDP, 4-quarter moving averages



(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

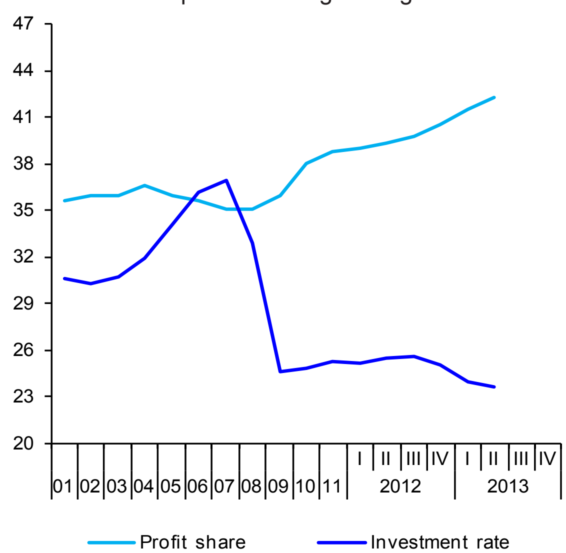


Table 8

National accounts: Public revenue, expenditure and deficit

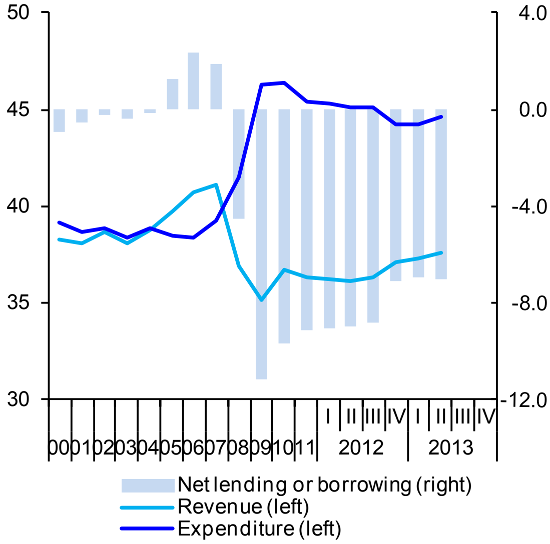
Forecasts in blue

		Gross value added	Taxes on production and imports receivable	Taxes on income and weath receivable	Social contributions receivable	Compensation of employees	Interests and other capital incomes payable (net)	Social benefits payable	Subsidies and net current transfers payable	Gross disposable income	Final consumption expenditure	Gross saving	Net capital expenditure	Net lending(+)/ net borrowing(-)	Net lending(+)/ net borrowing (-) excluding financial entities bail-out
		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	136.9	136.8	107.8	6.6	122.7	18.9	264.7	193.1	71.7	50.9	20.7	20.7
2008		136.9	106.6	115.8	143.1	118.5	6.1	136.3	22.7	218.8	212.0	6.8	55.9	-49.1	-49.1
2009		144.5	92.4	100.8	140.1	125.7	8.1	153.7	22.4	168.0	223.6	-55.6	60.7	-116.4	-116.4
2010		145.7	109.6	99.8	140.3	125.7	10.9	161.6	20.7	176.4	224.5	-48.1	52.5	-100.5	-100.5
2011		144.0	104.5	101.2	139.5	123.6	16.2	163.2	20.2	166.0	222.2	-56.2	43.8	-100.0	-94.9
2012		135.9	107.5	105.5	133.8	115.2	20.8	167.7	17.8	161.2	207.7	-46.4	63.0	-109.4	-70.3
2013		136.7	110.6	104.4	131.1	114.1	25.1	170.9	17.5	155.2	204.1	-48.9	22.4	-71.3	-69.6
2014		136.2	111.4	107.0	131.2	112.7	25.1	172.2	16.9	158.9	201.3	-42.4	19.3	-61.6	-62.7
2011	III	144.5	109.0	99.9	139.8	124.2	14.9	162.9	19.7	171.6	223.0	-51.4	43.6	-95.0	-95.0
	IV	144.0	104.5	101.2	139.5	123.6	16.2	163.2	20.2	166.0	222.2	-56.2	43.8	-100.0	-94.9
2012	I	143.3	105.5	101.9	138.6	122.9	17.8	164.3	20.1	164.2	219.4	-55.2	40.4	-95.6	-90.5
	II	142.1	103.7	102.8	137.8	121.6	19.3	165.7	20.0	159.9	216.8	-56.9	41.5	-98.4	-87.8
	III	140.9	104.3	102.4	136.5	120.3	20.7	167.4	18.9	156.8	214.2	-57.3	41.5	-98.8	-83.7
	IV	135.9	107.5	105.5	133.8	115.2	20.8	167.7	17.8	161.2	207.7	-46.4	63.0	-109.4	-70.3
2013	I	135.7	104.5	102.8	133.2	115.0	21.2	168.3	17.7	153.9	206.3	-52.4	61.4	-113.8	-74.7
	II	135.2	105.3	101.9	132.1	114.4	22.5	169.0	17.9	150.7	205.2	-54.4	58.0	-112.4	-76.0
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	10.6	13.2	10.9	0.6	12.5	2.1	20.1	19.5	0.6	5.1	-4.5	-4.5
2009		13.8	8.8	9.6	13.4	12.0	0.8	14.7	2.1	16.0	21.4	-5.3	5.8	-11.1	-11.1
2010		13.9	10.5	9.5	13.4	12.0	1.0	15.5	2.0	16.9	21.5	-4.6	5.0	-9.6	-9.6
2011		13.8	10.0	9.7	13.3	11.8	1.6	15.6	1.9	15.9	21.2	-5.4	4.2	-9.6	-9.1
2012		13.2	10.4	10.2	13.0	11.2	2.0	16.3	1.7	15.7	20.2	-4.5	6.1	-10.6	-6.8
2013		13.3	10.8	10.2	12.8	11.1	2.4	16.7	1.7	15.2	19.9	-4.8	2.2	-7.0	-6.8
2014		13.0	10.7	10.2	12.6	10.8	2.4	16.5	1.6	15.2	19.3	-4.1	1.8	-5.9	-6.0
2011	III	13.8	10.4	9.5	13.3	11.8	1.4	15.5	1.9	16.3	21.2	-4.9	4.1	-9.0	-9.0
	IV	13.8	10.0	9.7	13.3	11.8	1.6	15.6	1.9	15.9	21.2	-5.4	4.2	-9.6	-9.1
2012	I	13.7	10.1	9.8	13.3	11.8	1.7	15.8	1.9	15.7	21.0	-5.3	3.9	-9.2	-8.7
	II	13.7	10.0	9.9	13.3	11.7	1.9	16.0	1.9	15.4	20.9	-5.5	4.0	-9.5	-8.5
	III	13.6	10.1	9.9	13.2	11.6	2.0	16.2	1.8	15.2	20.7	-5.5	4.0	-9.6	-8.1
	IV	13.2	10.4	10.2	13.0	11.2	2.0	16.3	1.7	15.7	20.2	-4.5	6.1	-10.6	-6.8
2013	I	13.2	10.2	10.0	13.0	11.2	2.1	16.4	1.7	15.0	20.1	-5.1	6.0	-11.1	-7.3
	II	13.2	10.3	10.0	12.9	11.2	2.2	16.5	1.8	14.7	20.1	-5.3	5.7	-11.0	-7.4

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

Chart 8.1.- Public sector: Revenue, expenditure and deficit (a)

Percentage of GDP, 4-quarter moving averages



(a) Excluding financial entities bail-out expenditures.

Chart 8.2.- Public sector: Main revenues

Percentage of GDP, 4-quarter moving averages

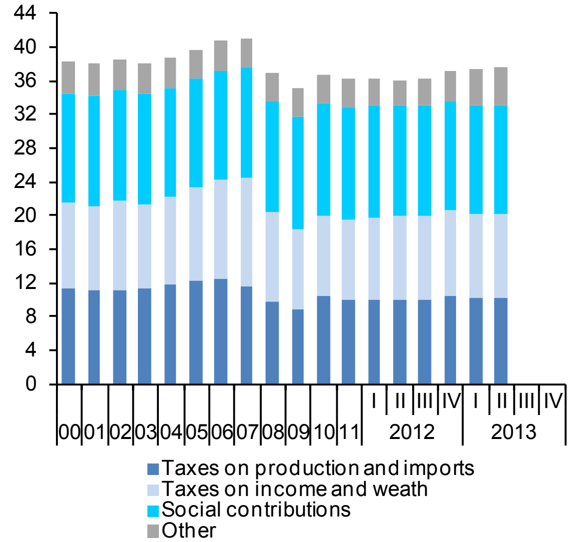


Chart 8.3.- Public sector: Main expenditures

Percentage of GDP, 4-quarter moving averages

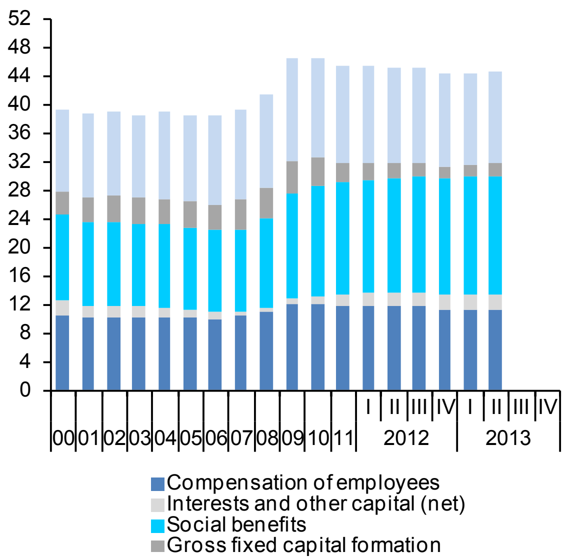
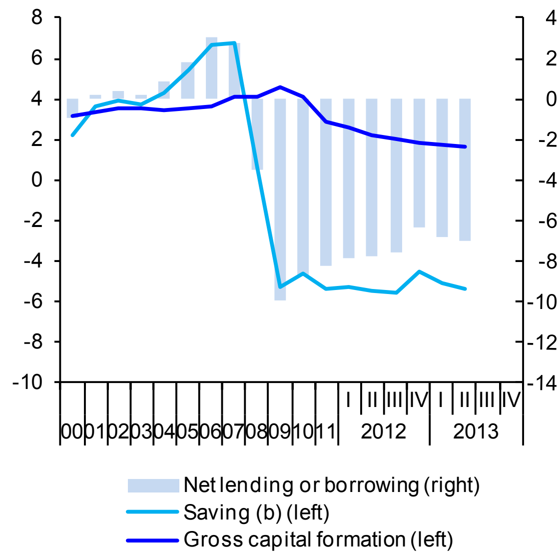


Chart 8.4.- Public sector: Saving, investment and deficit

Percentage of GDP, 4-quarter moving averages



(b) 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		12.9	-2.5	-3.3	13.7	20.7	317.4	61.0	29.4	17.2	382.3
2008		-32.2	-19.1	-5.4	7.6	-49.1	367.1	72.6	31.8	17.2	437.0
2009		-97.0	-21.6	-5.9	8.1	-116.4	485.5	91.0	34.7	17.2	565.1
2010		-51.8	-39.7	-7.1	-1.9	-100.5	549.7	120.8	35.4	17.2	644.7
2011 (a)		-36.5	-54.6	-8.2	-0.7	-100.0	622.3	142.3	35.4	17.2	737.3
2012 (a)		-82.8	-18.8	2.4	-10.2	-109.4	760.2	185.4	41.9	17.2	884.7
2013		-44.7	-17.4	5.1	-15.4	-72.4	--	--	--	--	978.9
2014		-39.7	-12.5	3.1	-13.6	-62.7	--	--	--	--	1049.2
2011	III	-43.8	-38.8	-7.2	-5.2	-95.0	598.0	138.4	36.7	17.2	709.4
	IV	-36.5	-54.6	-8.2	-0.7	-100.0	622.3	142.3	35.4	17.2	737.3
2012	I	-41.8	-45.8	-7.8	-0.2	-95.6	655.3	147.3	36.9	17.2	775.8
	II	-53.2	-43.2	-4.6	2.6	-98.4	680.2	169.1	45.0	17.2	805.5
	III	-51.2	-41.4	-2.5	-3.8	-98.8	695.5	168.3	43.8	17.2	818.0
	IV	-82.8	-18.8	2.4	-10.2	-109.4	760.2	185.4	41.9	17.2	884.7
2013	I	-85.0	-19.8	2.7	-11.6	-113.8	796.7	190.4	42.8	17.2	923.6
	II	-84.5	-18.8	2.0	-11.1	-112.4	818.3	194.0	43.2	17.2	943.4
		Percentage of GDP, 4-quarter cumulated operations					**Percentage of GDP**				
2007		1.2	-0.2	-0.3	1.3	2.0	30.1	5.8	2.8	1.6	36.3
2008		-3.0	-1.8	-0.5	0.7	-4.5	33.7	6.7	2.9	1.6	40.2
2009		-9.3	-2.1	-0.6	0.8	-11.1	46.4	8.7	3.3	1.6	54.0
2010		-5.0	-3.8	-0.7	-0.2	-9.6	52.6	11.6	3.4	1.6	61.7
2011 (a)		-3.5	-5.2	-0.8	-0.1	-9.6	59.5	13.6	3.4	1.6	70.5
2012 (a)		-8.0	-1.8	0.2	-1.0	-10.6	73.9	18.0	4.1	1.7	86.0
2013		-4.4	-1.7	0.5	-1.5	-7.1	--	--	--	--	95.6
2014		-3.8	-1.2	0.3	-1.3	-6.0	--	--	--	--	100.5
2011	III	-4.2	-3.7	-0.7	-0.5	-9.0	57.0	13.2	3.5	1.6	67.6
	IV	-3.5	-5.2	-0.8	-0.1	-9.6	59.5	13.6	3.4	1.6	70.5
2012	I	-4.0	-4.4	-0.7	0.0	-9.2	62.8	14.1	3.5	1.6	74.4
	II	-5.1	-4.2	-0.4	0.2	-9.5	65.5	16.3	4.3	1.7	77.6
	III	-4.9	-4.0	-0.2	-0.4	-9.6	67.2	16.3	4.2	1.7	79.1
	IV	-8.0	-1.8	0.2	-1.0	-10.6	73.9	18.0	4.1	1.7	86.0
2013	I	-8.3	-1.9	0.3	-1.1	-11.1	77.8	18.6	4.2	1.7	90.1
	II	-8.3	-1.8	0.2	-1.1	-11.0	80.1	19.0	4.2	1.7	92.3

(a) Figures for Central Government and Total Government 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

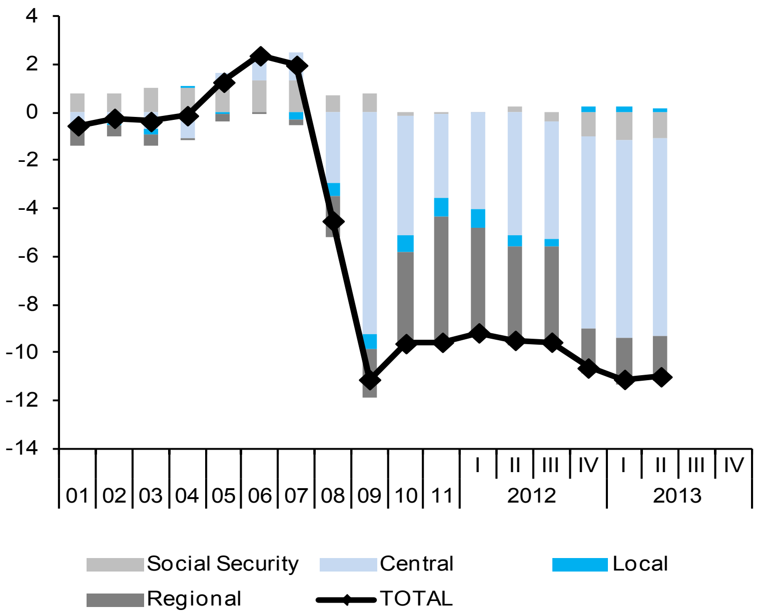


Chart 9.2.- Government debt
Percent of GDP

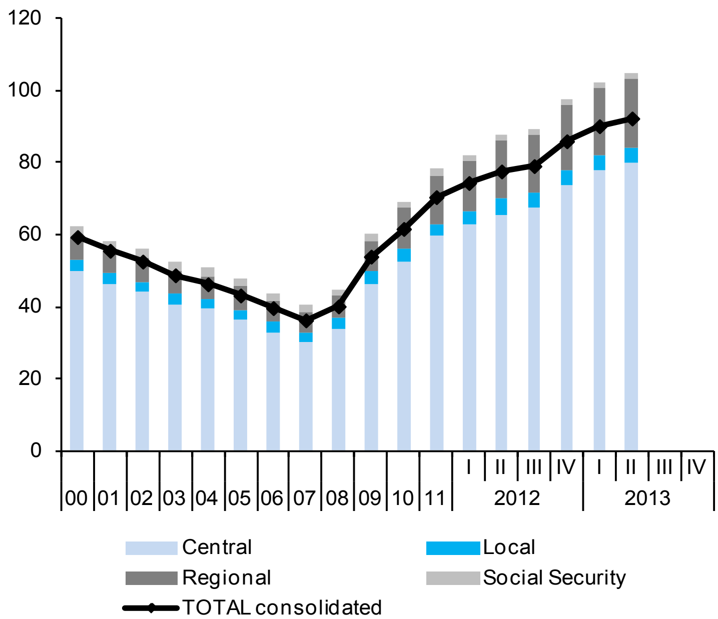


Table 10

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**
2008		87.2	38.5	18,834	269.5	98.3	2,696	40.4	-18.0	96.8	-24.0
2009		83.3	40.9	17,657	256.9	82.7	2,411	40.9	-30.8	78.1	-54.5
2010		93.4	50.0	17,244	263.8	83.4	2,295	50.6	-13.8	80.4	-36.9
2011		93.4	46.6	16,970	261.3	82.2	2,232	47.3	-12.5	80.7	-30.7
2012		88.8	43.1	16,335	255.6	77.3	2,114	43.8	-17.5	76.9	-37.0
2013 (b)		91.8	47.5	15,849	206.9	76.1	2,023	48.2	-14.7	73.7	-31.5
2012	I	92.5	45.0	16,628	64.9	78.8	2,166	44.9	-14.8	78.5	-35.3
	II	89.6	41.7	16,430	64.1	77.4	2,133	42.2	-17.4	77.6	-36.5
	III	85.8	42.6	16,244	63.7	77.1	2,094	43.6	-20.0	76.9	-38.7
	IV	87.3	42.9	16,038	62.9	75.8	2,064	44.5	-17.9	75.9	-37.5
2013	I	88.9	45.5	15,910	62.7	76.0	2,042	45.7	-15.9	75.2	-34.9
	II	90.6	46.4	15,846	63.0	76.1	2,023	47.6	-15.4	75.0	-32.2
	III	94.9	49.7	15,813	62.5	76.2	2,013	50.5	-12.8	75.2	-28.4
	IV (b)	94.6	50.1	15,833	20.8	--	2,008	50.9	-14.2	--	-28.9
2013	Aug	94.3	50.8	15,808	20.9	76.4	2,012	51.1	-12.7	75.2	-27.0
	Sep	96.8	49.6	15,811	20.9	76.5	2,010	50.7	-11.4	--	-28.2
	Oct	94.6	50.1	15,833	20.8	--	2,008	50.9	-14.2	--	-28.9
Percentage changes (c)											
2008		--	--	-0.6	0.7	-7.3	-2.2	--	--	-8.2	--
2009		--	--	-6.2	-4.7	-15.8	-10.6	--	--	-19.3	--
2010		--	--	-2.3	2.7	0.8	-4.8	--	--	2.9	--
2011		--	--	-1.6	-0.9	-1.4	-2.7	--	--	0.4	--
2012		--	--	-3.7	-2.2	-6.0	-5.3	--	--	-4.8	--
2013 (d)		--	--	-3.4	-2.3	-2.2	-4.8	--	--	-3.8	--
2012	I	--	--	-3.8	3.0	-7.3	-5.5	--	--	-5.2	--
	II	--	--	-4.7	-4.7	-6.7	-5.8	--	--	-4.6	--
	III	--	--	-4.5	-2.3	-1.7	-7.2	--	--	-3.9	--
	IV	--	--	-5.0	-4.8	-6.7	-5.5	--	--	-4.9	--
2013	I	--	--	-3.2	-1.3	1.4	-4.3	--	--	-3.5	--
	II	--	--	-1.6	1.7	0.2	-3.5	--	--	-1.0	--
	III	--	--	-0.8	-3.4	0.9	-2.1	--	--	0.7	--
	IV (e)			0.5	0.3	--	-0.9	--	--	--	--
2013	Aug	--	--	-0.1	0.6	0.7	-0.2	--	--	0.1	--
	Sep	--	--	0.0	0.0	0.1	-0.1	--	--	--	--
	Oct	--	--	0.1	-0.1	--	-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) Excluding domestic service workers and non-profesional 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 (I)
Annualized percent change from previous period

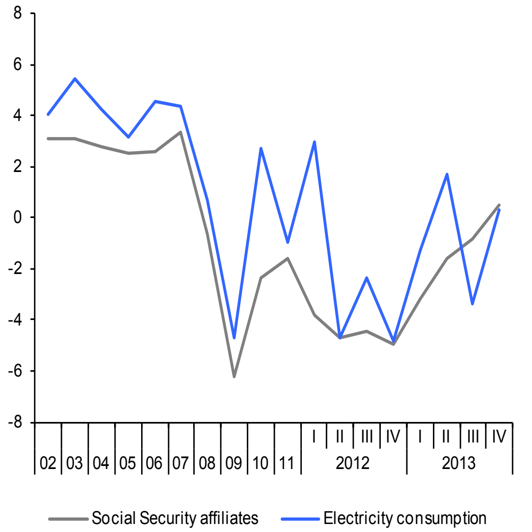


Chart 10.2.- General activity indicators (II)
Index

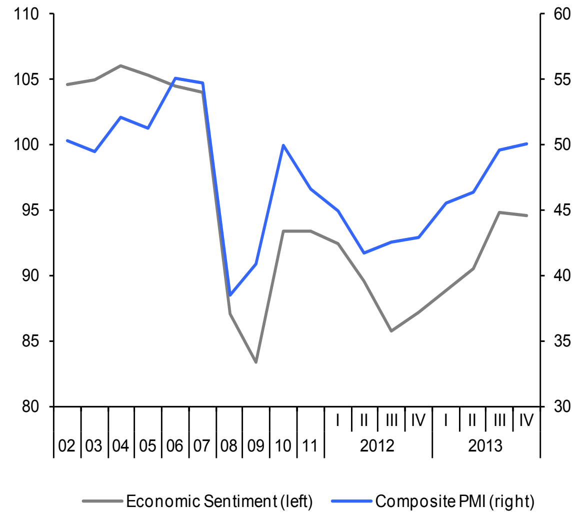


Chart 10.3.- Industrial sector indicators (I)
Annualized percent change from previous period

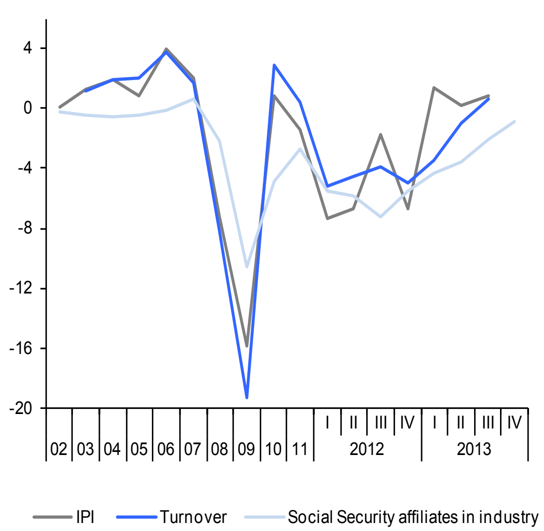


Chart 10.4.- Industrial sector indicators (II)
Index

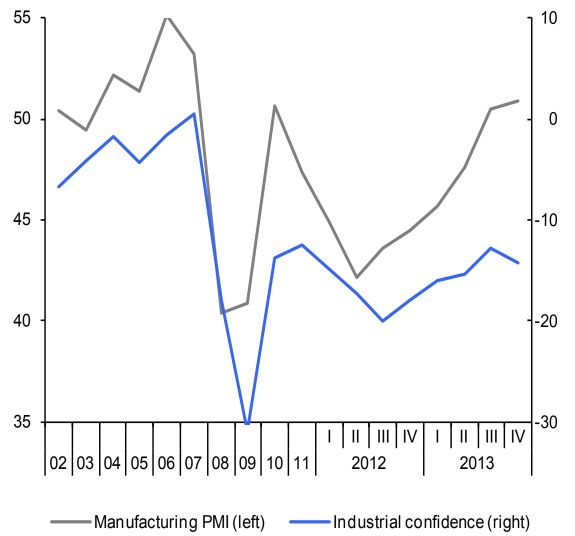


Table 11

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 (smoo-thed)**	**Million (smoothed)**	**Balance of res-ponses**
2008	2,340	42.7	-23.8	39.8	328.5	44.9	12,644	114.6	38.2	268.6	202.3	-18.9
2009	1,800	28.9	-32.3	39.6	159.3	19.4	12,247	99.2	41.0	253.2	186.3	-29.6
2010	1,559	24.5	-29.7	26.2	123.6	16.3	12,186	100.0	49.3	269.4	191.7	-22.4
2011	1,369	20.4	-55.4	13.7	86.2	14.1	12,176	98.9	46.5	286.8	203.3	-20.8
2012 (b)	1,136	13.6	-54.9	7.4	40.7	8.5	11,907	92.8	43.1	280.7	193.2	-21.5
2013 (b)	1,000	8.3	-56.0	6.5	--	4.7	11,719	89.8	47.4	232.3	162.7	-18.1
2012 I	1,218	3.9	-50.4	1.7	17.0	2.7	12,053	95.5	44.8	70.4	49.3	-15.5
II	1,160	3.5	-52.2	2.4	11.9	2.2	11,953	93.7	42.4	69.7	48.5	-19.6
III	1,105	3.3	-55.5	1.7	11.7	1.9	11,865	92.2	42.6	69.1	47.6	-26.6
IV	1,062	3.0	-61.4	1.5	--	1.7	11,763	90.8	42.6	68.7	46.6	-24.4
2013 I	1,027	2.8	-46.7	1.6	--	2.0	11,715	90.4	45.7	68.9	46.0	-26.8
II	1,000	2.7	-57.8	2.1	--	1.7	11,706	90.9	46.5	70.0	46.1	-21.0
III	984	2.7	-60.6	2.8	--	1.1	11,724	92.0	49.3	71.3	46.6	-10.2
IV (b)	975	--	-64.8	--	--	--	11,748	--	49.6	--	15.6	-7.2
2013 Aug	984	0.9	-69.3	0.7	--	0.3	11,723	92.0	50.4	23.8	15.5	-11.1
Sep	979	0.9	-51.4	0.5	--	--	11,731	92.4	49.0	23.9	15.6	-5.9
Oct	975	--	-64.8	--	--	--	11,748	--	49.6	--	15.6	-7.2
							Percentage changes (c)					
2008	-10.0	-23.8	--	-1.3	-46.7	-56.6	1.5	-3.7	--	-1.2	-3.0	--
2009	-23.1	-32.3	--	-0.4	-51.5	-56.8	-3.1	-13.4	--	-5.7	-7.9	--
2010	-13.4	-15.4	--	-33.9	-22.4	-16.1	-0.5	0.8	--	6.4	2.9	--
2011	-12.2	-16.4	--	-47.9	-30.2	-13.2	-0.1	-1.1	--	6.4	6.0	--
2012 (d)	-17.0	-33.6	--	-45.5	-40.2	-39.9	-2.2	-6.2	--	-2.1	-5.0	--
2013 (d)	-13.1	-21.9	--	11.0	--	-23.1	-1.9	-2.9	--	0.8	-4.3	--
2012 I	-17.5	-42.0	--	-50.7	-25.9	-30.5	-2.5	-7.0	--	-4.0	-6.2	--
II	-17.6	-34.5	--	-37.2	-56.0	-42.8	-3.3	-7.2	--	-4.0	-6.5	--
III	-17.8	-21.0	--	-53.4	-34.5	-45.7	-2.9	-6.4	--	-3.2	-7.4	--
IV	-14.5	-31.4	--	-39.6	--	-41.5	-3.4	-5.6	--	-2.8	-8.4	--
2013 I	-12.4	-16.2	--	-9.8	--	-27.7	-1.6	-2.0	--	1.2	-4.8	--
II	-10.4	-15.3	--	-12.2	--	-23.5	-0.3	2.2	--	6.5	1.4	--
III	-6.0	-8.1	--	64.9	--	-17.0	0.6	5.0	--	7.6	4.0	--
IV (e)	-3.9	--		--	--	--	0.8	--	--	--	2.9	--
2013 Aug	-0.6	-0.9	--	12.9	--	--	0.0	0.4	--	0.6	0.3	--
Sep	-0.5	2.2	--	24.1	--	--	0.1	0.4	--	0.6	0.4	--
Oct	-0.4	--	--	--	--	--	0.1	--	--	--	0.4	--

(a) Seasonally adjusted, except for annual data and (f). (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 Commision, Markit Economics Ltd., M. of Labour, M. of Public Works, National Statistics Institute, AENA, OFICEMEN, SEOPAN and FUNCAS.

Chart 11.1.- Construction indicators (I)
Annualized percentage changes from previous period and index

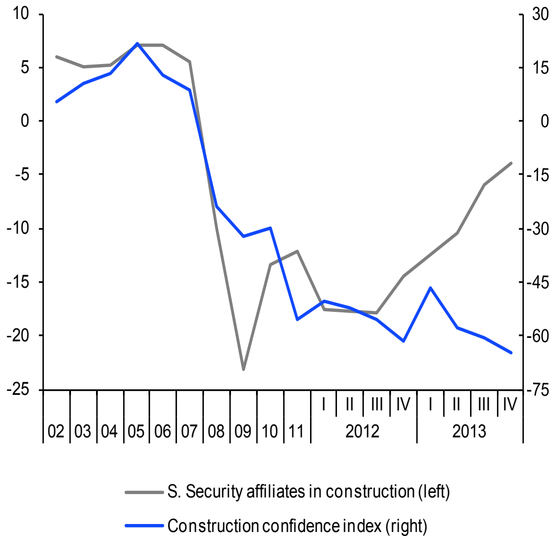


Chart 11.2.- Construction indicators (II)
Annualized percentage changes from previous period

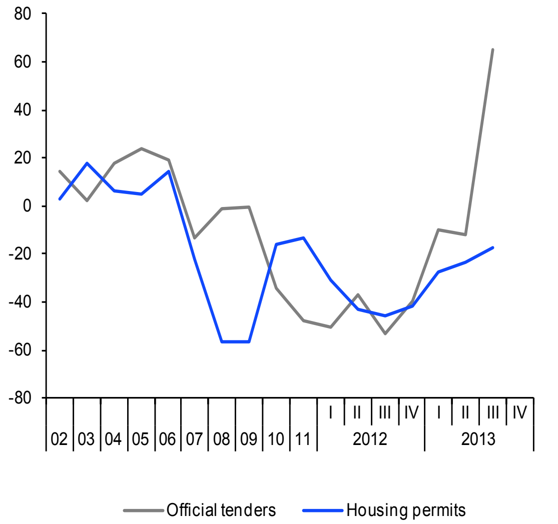


Chart 11.3.- Services indicators (I)
Percentage changes from previous period

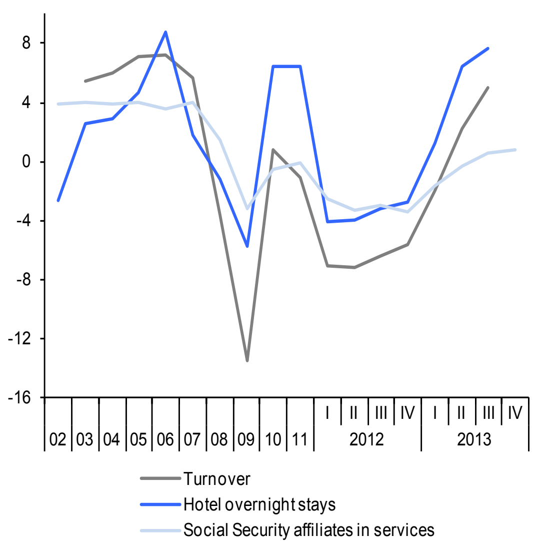


Chart 11.4.- Services indicators (II)
Index

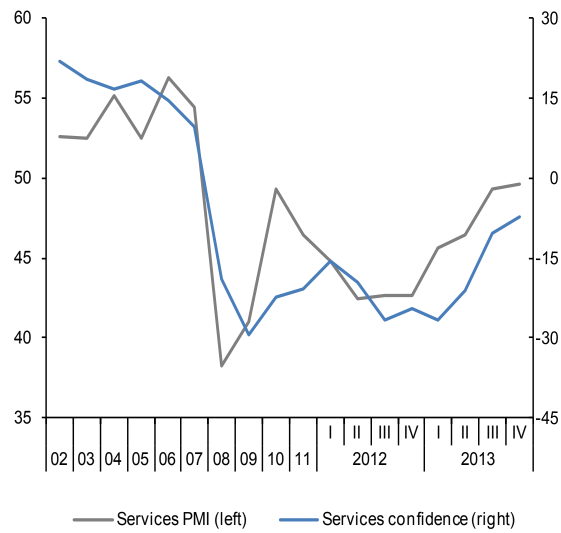


Table 12
Consumption and investment indicators (a)

	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)**
2008	98.2	1,185.3	-33.8	113.2	-21.0	236.9	-4.4	89.7
2009	92.9	971.2	-28.3	110.1	-40.3	142.1	-51.0	65.5
2010	91.3	1,000.1	-20.9	113.6	-26.7	152.1	-31.1	58.4
2011	86.2	808.3	-17.1	111.5	-21.8	142.0	-23.0	54.1
2012	79.8	703.8	-31.7	102.1	-24.3	106.7	-38.6	48.2
2013 (b)	75.8	622.6	-26.6	81.0	-22.4	87.3	-33.1	44.9
2012 I	82.9	190.9	-24.6	27.0	-26.0	30.1	-31.1	49.3
II	81.0	181.2	-29.0	25.6	-20.8	27.5	-38.0	47.7
III	78.9	171.2	-35.2	24.9	-23.8	25.5	-43.5	47.0
IV	77.0	166.4	-37.8	24.1	-26.5	24.2	-41.7	46.1
2013 I	76.4	171.6	-32.6	24.3	-21.4	24.2	-38.8	45.0
II	76.8	180.1	-28.7	24.8	-24.4	25.8	-32.9	45.7
III	77.8	189.0	-20.5	25.0	-21.0	27.9	-27.5	47.0
IV (b)	--	65.3	-20.7	--	-23.3	9.8	-33.2	--
2013 Aug	77.8	63.0	-21.2	8.4	-17.9	9.3	-29.3	47.3
Sep	78.1	64.1	-17.5	8.3	-23.3	9.5	-26.1	--
Oct	--	65.3	-20.7	--	-23.3	9.8	-33.2	--
Percentage changes (c)								
2008	-6.0	-27.5	--	-2.9	--	-43.6	--	-20.9
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	--	-7.4
2012	-7.4	-12.9	--	-8.5	--	-24.8	--	-10.9
2013 (d)	-5.2	2.2	--	-3.3	--	-4.3	--	-0.1
2012 I	-7.2	-12.3	--	-3.1	--	-29.2	--	-14.8
II	-8.9	-18.9	--	-19.1	--	-30.0	--	-12.5
III	-10.0	-20.4	--	-10.4	--	-26.6	--	-5.5
IV	-9.2	-10.7	--	-12.8	--	-19.4	--	-7.6
2013 I	-3.4	13.2	--	3.2	--	0.7	--	-9.0
II	2.3	21.3	--	9.3	--	29.1	--	6.1
III	5.0	21.2	--	3.1	--	37.2	--	12.5
IV (e)	--	15.3	--	--	--	22.4	--	--
2013 Aug	0.4	1.6	--	1.4	--	2.6	--	1.1
Sep	0.4	1.8	--	-2.0	--	2.6	--	--
Oct	--	1.9	--	--	--	2.6	--	--

(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

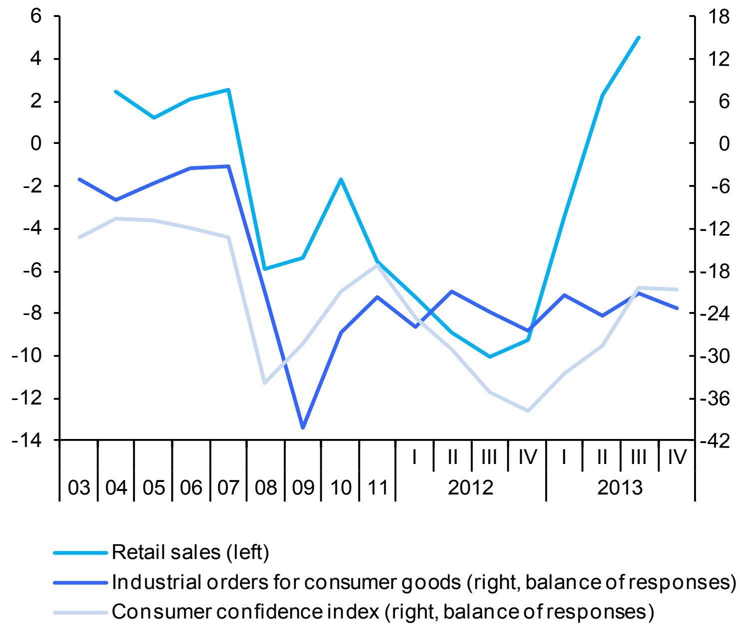


Chart 12.2.- Investment indicators
Percent change from previous period and balance of responses

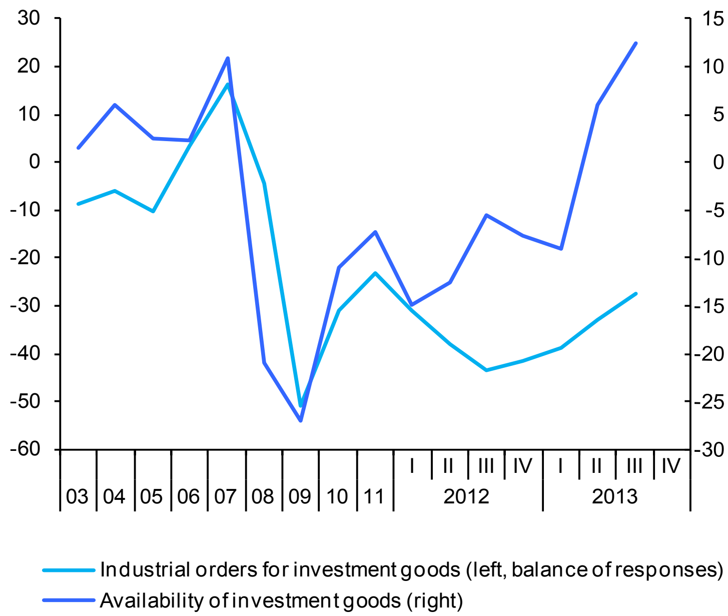


Table 13a
Labour market (I)
Forecasts in blue

		Population aged 16-64	Labour force		Employment		Unemployment		Participation rate 16-64 (a)	Employment rate 16-64 (b)	Unemployment rate (c)			
			Original	Seasonally adjusted	Original	Seasonally adjusted	Original	Seasonally adjusted	Seasonally adjusted		Total	Aged 16-24	Spanish	Foreign
		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	--	16.7	--	6.0	--	75.0	55.1	26.4	--	--	--
2014		29.8	22.5	--	16.7	--	5.8	--	75.1	55.5	25.9	--	--	--
2011	IV	30.7	23.1	23.1	17.8	17.8	5.3	5.3	74.8	57.6	22.9	48.8	20.8	34.8
2012	I	30.6	23.1	23.1	17.4	17.6	5.6	5.5	74.9	57.0	23.8	50.9	21.7	35.6
	II	30.5	23.1	23.1	17.4	17.4	5.7	5.7	75.1	56.4	24.7	52.7	22.8	36.0
	III	30.5	23.1	23.1	17.3	17.2	5.8	5.9	75.3	55.9	25.5	53.8	23.7	36.0
	IV	30.3	22.9	22.9	17.0	17.0	6.0	6.0	75.1	55.4	26.1	55.2	24.3	36.5
2013	I	30.2	22.8	22.8	16.6	16.8	6.2	6.0	75.0	55.0	26.4	56.1	24.5	37.8
	II	30.2	22.8	22.8	16.8	16.7	6.0	6.0	74.9	55.0	26.4	55.6	24.8	36.0
	III	30.1	22.7	22.7	16.8	16.7	5.9	6.0	75.1	55.1	26.5	55.9	24.6	37.9
		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	-1.4	--	-3.2	--	4.2	--	0.0	-1.1	1.4	--	--	--
2014		-1.2	-1.0	--	-0.4	--	-2.9	--	0.1	0.5	-0.5	--	--	--
2011	IV	-0.5	-0.1	-0.1	-3.3	-4.8	12.3	17.9	0.3	-1.7	2.5	5.8	2.2	4.4
2012	I	-0.6	0.0	-0.5	-4.0	-4.9	14.9	15.7	0.4	-2.0	3.1	6.5	2.8	4.9
	II	-0.5	-0.1	0.3	-4.8	-4.7	17.8	17.6	0.3	-2.6	3.8	7.1	3.8	4.0
	III	-0.7	-0.2	-0.1	-4.6	-4.1	16.1	13.1	0.4	-2.4	3.5	6.5	3.9	2.1
	IV	-1.0	-0.7	-2.5	-4.8	-5.3	13.1	6.3	0.3	-2.2	3.2	6.5	3.5	1.7
2013	I	-1.2	-1.0	-2.2	-4.6	-4.0	10.0	3.4	0.1	-1.9	2.7	5.2	2.8	2.2
	II	-1.2	-1.5	-1.2	-3.6	-1.0	5.0	-1.9	-0.2	-1.4	1.6	2.9	2.0	0.0
	III	-1.3	-1.6	-0.5	-2.9	-1.1	2.2	1.3	-0.1	-0.8	1.0	2.1	0.9	2.0

(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

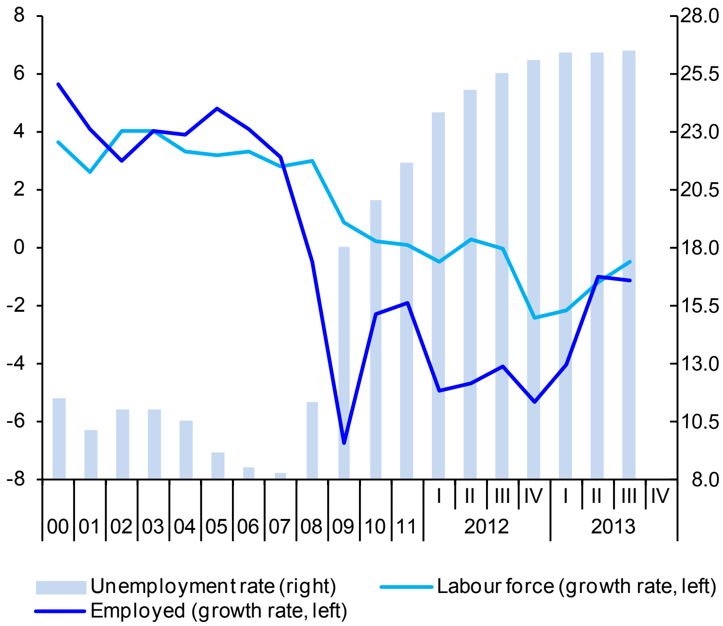


Chart 13a.2.- Unemployment rates, SA
Percentage

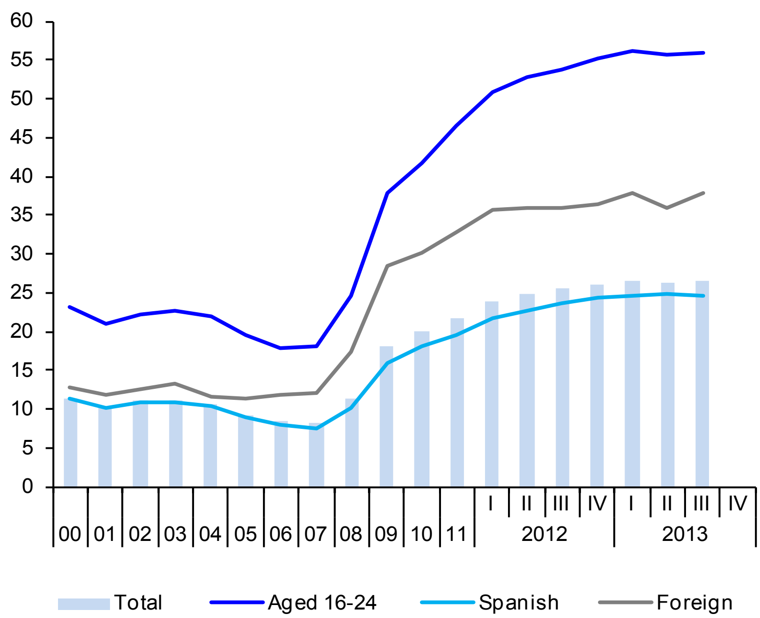


Table 13b

Labour market (II)

		Employed by sector				Employed by professional situation					Employed by duration of the working-day		
						Employees				Self- employed			
						Total	By type of contract						
		Agriculture	Industry	Construction	Services		Temporary	Indefinite	Temporary employment rate (a)		Full-time	Part-time	Part-time employment 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)		0.73	2.30	1.03	12.69	13.69	3.18	10.52	23.2	3.05	14.08	2.67	15.93
2011	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
	II	0.76	2.30	1.02	12.70	13.72	3.17	10.55	23.1	3.06	14.03	2.75	16.41
	III	0.71	2.28	1.01	12.82	13.75	3.34	10.41	24.3	3.08	14.24	2.59	15.37
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)		-1.8	-6.0	-12.2	-2.6	-4.5	-7.1	-3.8	-0.6	0.3	-5.2	5.4	1.4
2011	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
	II	3.9	-5.7	-14.2	-2.7	-4.7	-6.9	-4.0	-0.5	1.3	-5.3	5.9	1.5
	III	-2.1	-6.6	-10.8	-1.5	-3.4	-2.3	-3.8	0.3	-0.4	-4.0	3.9	1.0

(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

Chart 13b.2.- Employment by type of contract
Annual percentage changes and percentage over total employees

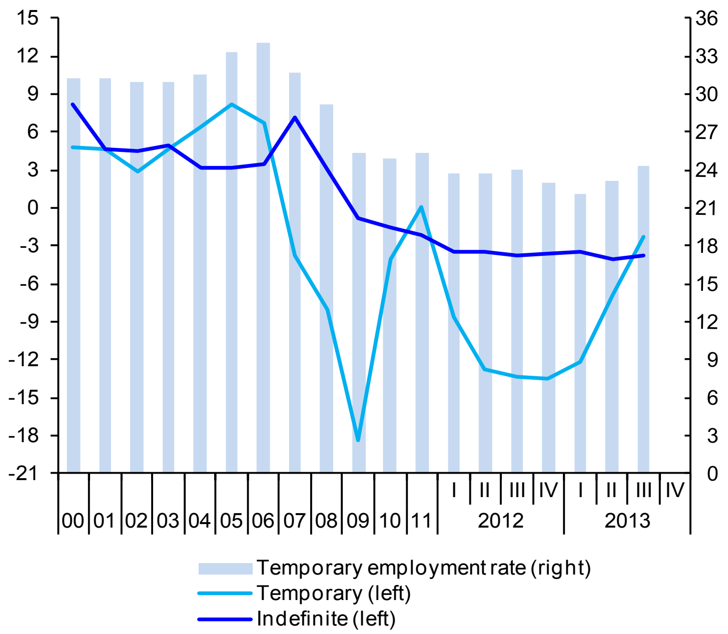


Table 14

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										
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		102.4	101.3	101.6	100.8	101.5	103.1	102.3	108.9	102.8
2013		103.9	102.4	103.1	101.4	103.0	106.3	105.8	108.7	106.1
2014		104.6	103.0	104.0	101.5	103.9	109.0	104.8	108.4	107.7
Annual percentage changes										
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		2.4	1.3	1.6	0.8	1.5	3.1	2.3	8.9	2.8
2013		1.4	1.1	1.5	0.6	1.4	3.1	3.5	-0.1	3.2
2014		0.7	0.6	0.9	0.1	0.9	2.6	-1.0	-0.3	1.5
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	1.7	1.8	2.0	1.5	2.0	2.9	4.9	-1.8	3.5
	Jun	2.1	1.7	2.0	1.5	1.9	3.0	5.3	1.0	3.7
	Jul	1.8	1.3	1.7	0.2	1.9	3.4	7.4	-0.4	4.6
	Aug	1.5	1.2	1.6	0.4	1.7	3.3	7.6	-2.2	4.6
	Sep	0.3	0.3	0.8	-0.8	1.0	3.0	2.8	-3.7	3.0
	Oct	-0.1	-0.3	0.2	-0.8	0.0	2.7	0.9	-2.7	2.2
	Nov	0.3	0.0	0.5	-0.3	0.2	2.6	0.2	-1.2	1.9
	Dec	0.2	0.0	0.5	-0.3	0.2	2.6	-0.4	-1.2	1.7
2014	Jan	0.4	0.3	0.8	-0.1	0.6	2.7	-0.8	-1.1	1.7
	Feb	0.2	0.3	0.7	-0.2	0.6	2.7	-0.7	-2.8	1.7
	Mar	0.3	0.3	0.7	-0.1	0.5	2.7	-0.3	-2.2	1.8
	Apr	0.9	0.6	1.0	-0.1	1.0	2.8	-0.6	0.8	1.8
	May	0.8	0.5	0.9	0.0	0.8	2.7	-1.8	2.0	1.3
	Jun	0.7	0.5	0.9	0.0	0.9	2.8	-2.8	1.6	1.0
	Jul	0.5	0.6	0.9	0.0	0.9	2.5	-3.9	0.1	0.5
	Aug	0.4	0.6	1.0	0.1	1.0	2.5	-4.2	-1.1	0.4
	Sep	0.6	0.7	1.0	0.2	1.0	2.5	-0.3	-1.6	1.6
	Oct	0.9	0.9	1.1	0.3	1.2	2.5	1.1	-0.5	2.0
	Nov	1.0	0.7	1.1	0.4	1.0	2.4	1.3	0.7	2.1
	Dec	1.1	0.8	1.1	0.4	1.0	2.4	1.6	0.9	2.2

Sources: INE and FUNCAS (Forecasts).

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

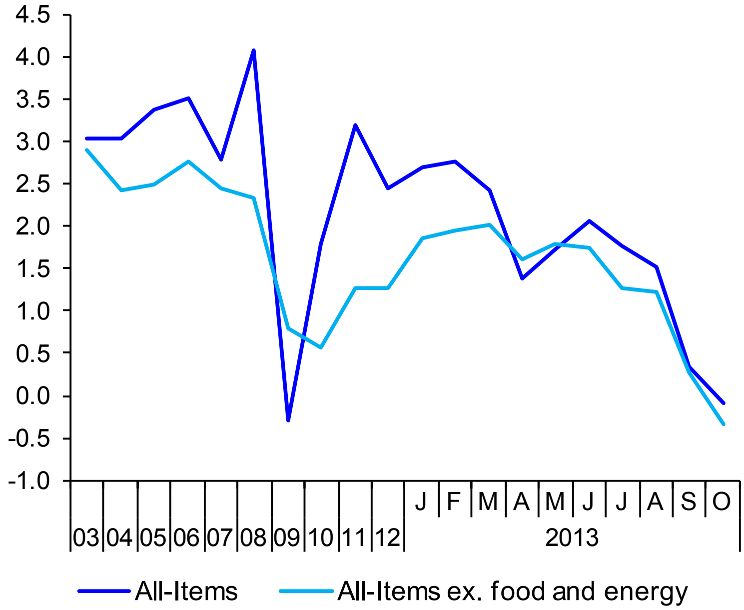


Chart 14.2.- Inflation rate (II)
Annual percentage changes

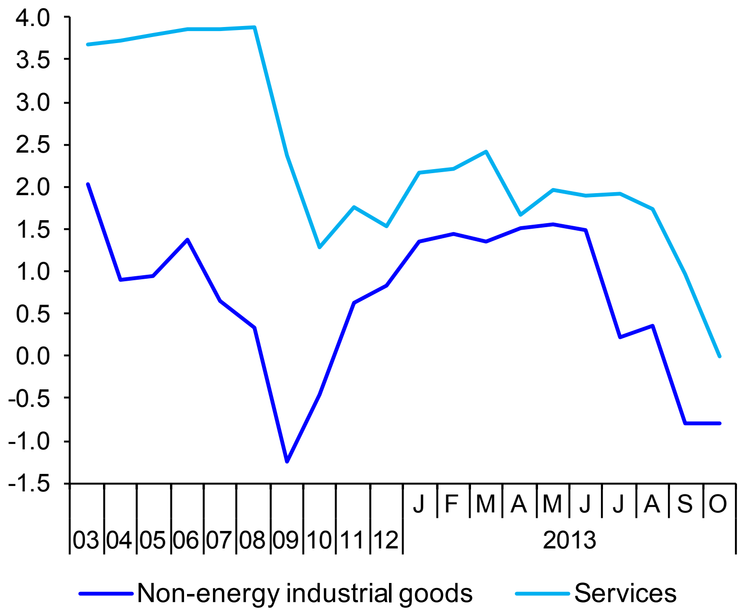


Table 15
Other prices and costs indicators

		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				
2008		135.4	116.3	113.6	98.5	100.7	91.1	137.5	134.8	145.6	142.5	--
2009		135.5	112.4	111.0	91.9	93.2	85.8	142.3	139.2	151.8	150.5	--
2010		135.6	116.5	113.0	90.1	89.6	74.8	142.8	140.4	150.2	151.4	--
2011		135.6	124.6	117.7	83.4	84.6	69.8	144.5	141.9	152.5	154.8	--
2012		135.6	129.3	119.7	72.0	77.2	65.4	143.6	141.1	151.3	154.7	--
2013 (b)		136.6	130.2	120.8	64.4	73.0	57.2	143.1	140.0	152.7	149.1	--
2011	IV	135.6	125.5	117.8	79.4	82.8	65.5	151.7	151.3	152.9	163.6	--
2012	I	135.5	128.7	118.5	75.4	80.2	63.7	142.2	137.9	155.1	144.7	--
	II	135.5	128.4	119.4	73.0	78.1	70.2	146.5	145.3	150.2	154.1	--
	III	135.7	130.2	120.2	70.2	76.1	60.4	138.8	135.2	149.7	159.8	--
	IV	135.6	129.9	120.7	69.2	74.5	67.3	146.9	145.8	150.2	160.0	--
2013	I	136.7	130.8	121.2	64.7	73.9	56.4	140.2	135.5	154.6	147.8	--
	II	136.4	129.0	120.7	64.2	72.1	58.0	146.0	144.5	150.8	150.3	--
	III	--	130.7	120.3	--	--	--	--	--	--	--	--
2013	Jul	--	130.7	120.4	--	--	--	--	--	--	--	--
	Aug	--	130.6	120.3	--	--	--	--	--	--	--	--
	Sep	--	130.8	120.3	--	--	--	--	--	--	--	--
Annual percent changes												
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		0.1	3.7	1.8	-2.0	-3.9	-12.8	0.4	0.9	-1.1	0.6	1.5
2011		0.0	6.9	4.2	-7.4	-5.6	-6.7	1.2	1.0	1.6	2.2	2.1
2012		0.0	3.8	1.7	-13.7	-8.7	-6.4	-0.6	-0.6	-0.8	-0.1	1.3
2013 (c)		0.8	0.8	1.2	-13.2	-7.8	-11.5	-1.4	-1.8	-0.3	2.1	0.7
2011	IV	0.0	5.9	2.9	-11.2	-6.8	-19.9	1.6	1.4	2.2	2.5	2.1
2012	I	-0.1	5.2	2.5	-12.6	-7.2	-16.4	1.1	1.2	0.9	1.4	2.2
	II	-0.1	2.6	1.0	-14.4	-8.3	-8.6	-0.3	0.0	-1.4	0.7	1.7
	III	0.2	3.9	1.7	-15.2	-9.5	-0.7	-0.1	0.3	-0.9	0.0	1.3
	IV	0.0	3.5	2.5	-12.8	-10.0	2.7	-3.2	-3.6	-1.8	-2.2	1.3
2013	I	0.9	1.6	2.3	-14.3	-7.9	-11.5	-1.4	-1.8	-0.3	2.1	0.6
	II	0.7	0.5	1.1	-12.0	-7.8	-17.4	-0.3	-0.6	0.4	-2.4	0.7
	III	--	0.4	0.1	--	--	--	--	--	--	--	--
2013	Jul	--	1.2	0.7	--	--	--	--	--	--	--	0.6
	Aug	--	-0.1	0.2	--	--	--	--	--	--	--	0.7
	Sep	--	0.1	-0.4	--	--	--	--	--	--	--	0.7

(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

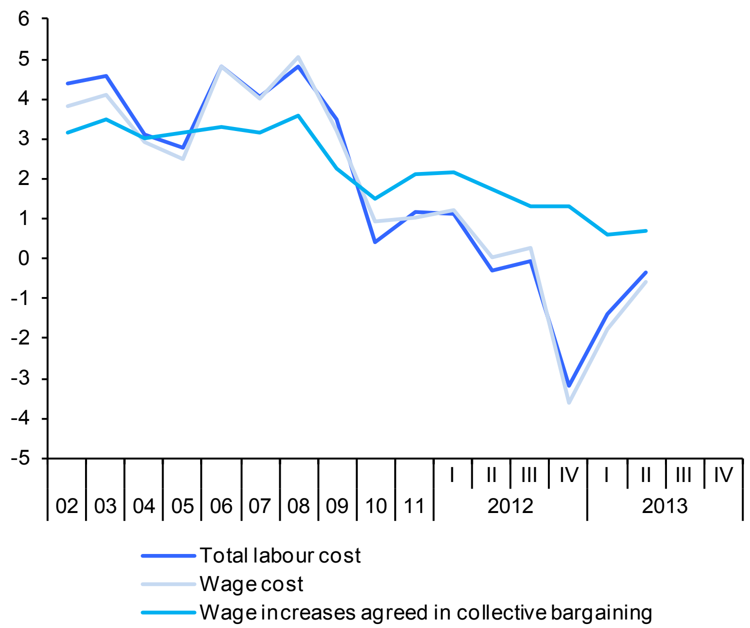


Table 16

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**				
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)		155.8	109.9	140.6	164.2	109.0	99.1	96.3	59.5	-8.4	20.3	13.6
2011	IV	55.7	110.1	130.9	65.2	112.3	100.2	36.4	19.3	-9.5	-0.2	1.5
2012	I	55.0	110.1	129.3	65.9	114.8	99.1	35.2	19.8	-10.9	1.5	2.0
	II	55.0	108.3	131.5	63.0	112.8	96.6	34.6	20.4	-8.1	3.8	2.9
	III	57.1	110.6	133.7	63.6	114.8	95.6	34.7	22.4	-6.4	5.5	3.0
	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	57.3	108.9	136.1	61.5	111.1	95.6	34.6	22.7	-4.2	7.2	3.8
	II	62.0	109.8	146.0	63.6	107.0	102.7	38.6	23.3	-1.6	8.5	6.1
	III (b)	40.0	111.5	139.4	41.7	109.1	99.1	24.8	15.3	-1.7	5.5	3.2
2013	Jun	20.6	111.5	143.7	20.7	109.8	97.8	13.4	7.3	-0.1	3.1	2.4
	Jul	19.1	111.1	133.3	20.4	108.9	97.0	11.2	7.9	-1.3	2.1	1.0
	Aug	21.0	111.9	145.5	21.3	109.3	101.2	13.6	7.4	-0.4	3.3	2.2
		Percentage changes (c)								**Percentage of GDP**		
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	-4.6	-0.4	0.3
2012		3.8	2.0	1.7	-2.8	4.6	-7.1	-1.8	13.6	-3.0	1.5	1.2
2013 (d)		6.6	0.5	6.1	-3.2	-4.3	1.1	4.4	10.3	--	--	--
2011	IV	8.6	5.4	2.9	0.4	7.3	-6.4	8.9	8.0	-3.6	-0.1	0.6
2012	I	-4.9	-0.2	-5.0	4.5	9.1	-4.2	-13.3	12.4	-4.2	0.6	0.8
	II	-0.2	-6.5	7.0	-16.1	-6.9	-9.9	-6.6	12.0	-3.1	1.5	1.1
	III	16.5	9.0	7.1	3.2	7.4	-4.0	1.7	45.0	-2.5	2.1	1.1
	IV	7.2	7.1	-0.1	-14.7	-1.0	-13.7	11.9	0.2	-1.2	2.9	1.9
2013	I	-5.6	-12.3	7.4	3.0	-11.4	16.1	-12.4	5.9	-1.7	2.8	1.5
	II	37.0	3.3	32.4	14.2	-14.0	32.8	56.5	10.9	-0.6	3.3	2.4
	III (e)	-11.9	6.3	-16.9	-6.0	8.1	-13.1	-14.8	-6.9	--	--	--
2013	Jun	1.9	3.3	-1.4	1.4	4.7	-3.1	6.9	-6.2	--	--	--
	Jul	-7.6	-0.4	-7.3	-1.6	-0.8	-0.8	-16.3	8.5	--	--	--
	Aug	9.9	0.7	9.2	4.6	0.4	4.3	21.1	-6.0	--	--	--

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

Source: Ministry of Economy.

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

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

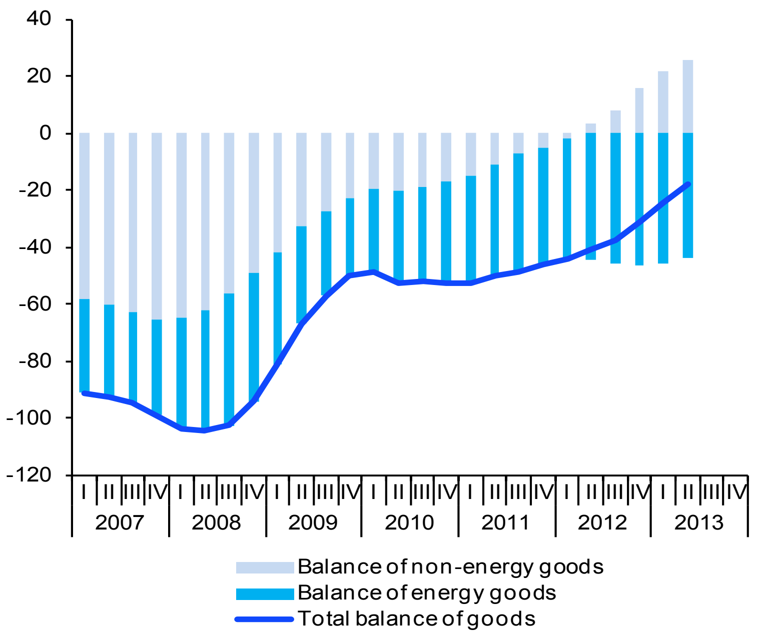


Table 17
Balance of Payments (according to IMF manual)
(Net transactions)

		Current account					Capital account	Current and capital accounts	Financial account						Errors and omissions
									Financial account, excluding Bank of Spain					Bank of Spain	
		Total	Goods	Services	Income	Transfers			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		-11.52	-25.67	36.98	-18.72	-4.12	6.59	-4.93	-174.34	24.23	-55.84	-151.04	8.31	173.52	5.75
2013 (a)		2.61	-4.12	26.77	-11.83	-8.21	5.05	7.66	36.80	12.07	-2.88	25.03	2.58	-49.04	4.58
2011	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	4.18	-3.51	7.29	-3.28	3.67	2.68	6.86	50.02	16.98	26.50	5.33	1.21	-60.01	3.13
2013	I	-4.68	-2.49	6.43	-4.79	-3.83	1.38	-3.30	41.20	4.41	0.47	36.28	0.04	-38.77	0.87
	II	3.14	-0.23	9.66	-3.84	-2.46	2.53	5.67	0.30	5.04	-10.81	4.73	1.34	-11.74	5.78
2013	Jun	2.14	0.09	4.15	-1.52	-0.58	0.19	2.33	-0.26	0.42	-11.02	9.26	1.07	-1.95	-0.11
	Jul	1.63	-0.16	5.51	-2.64	-1.08	0.50	2.13	-2.86	1.82	5.39	-10.80	0.72	0.37	0.37
	Aug	2.53	-1.23	5.17	-0.57	-0.84	0.64	3.18	-1.84	0.79	2.07	-5.18	0.48	1.10	-2.44
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		-3.8	-4.0	3.3	-2.5	-0.6	0.5	-3.3	-7.7	-0.7	-2.6	-4.2	-0.2	10.4	0.5
2012		-1.1	-2.5	3.6	-1.8	-0.4	0.6	-0.5	-16.9	2.4	-5.4	-14.7	0.8	16.9	0.6
2011	III	-2.7	-4.3	5.2	-3.1	-0.5	0.5	-2.2	-12.5	0.7	-5.7	-7.0	-0.5	15.5	-0.8
	IV	-3.2	-3.9	2.8	-2.2	0.2	0.5	-2.7	-26.2	0.9	-6.1	-20.9	-0.1	28.1	0.8
2012	I	-5.4	-3.6	2.3	-2.5	-1.7	0.3	-5.2	-38.5	2.7	-15.7	-26.6	1.1	41.6	2.1
	II	-1.2	-2.5	3.5	-1.8	-0.5	0.6	-0.5	-48.1	-1.0	-17.6	-29.4	-0.2	49.6	-0.9
	III	0.5	-2.6	5.9	-1.8	-0.9	0.6	1.1	0.3	1.2	1.7	-4.5	1.9	-1.3	-0.1
	IV	1.6	-1.3	2.8	-1.2	1.4	1.0	2.6	19.0	6.5	10.1	2.0	0.5	-22.8	1.2
2013	I	-1.9	-1.0	2.6	-1.9	-1.5	0.6	-1.3	16.5	1.8	0.2	14.5	0.0	-15.5	0.3
	II	1.2	-0.1	3.7	-1.5	-0.9	1.0	2.2	0.1	1.9	-4.1	1.8	0.5	-4.5	2.2

(a) Period with available data.
Source: Bank of Spain.

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

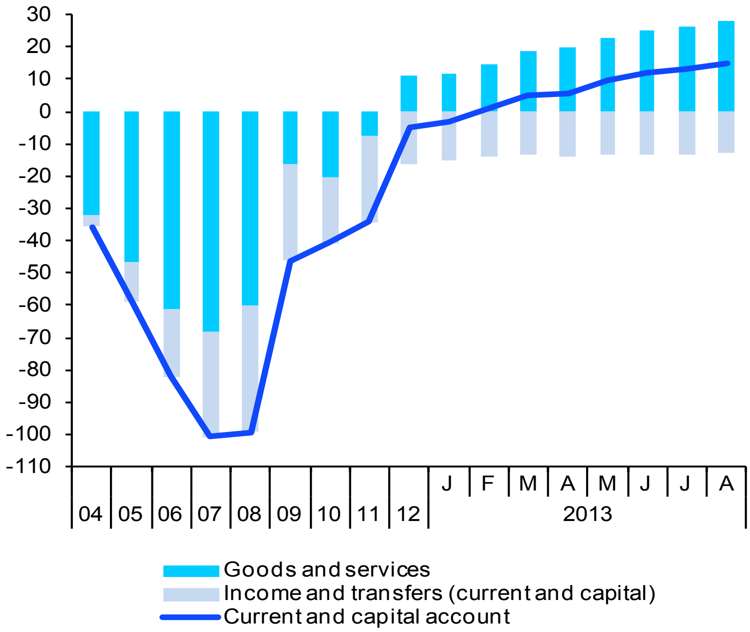


Chart 17.2.- Balance of payments: Financial account
EUR Billions, 12-month cumulated

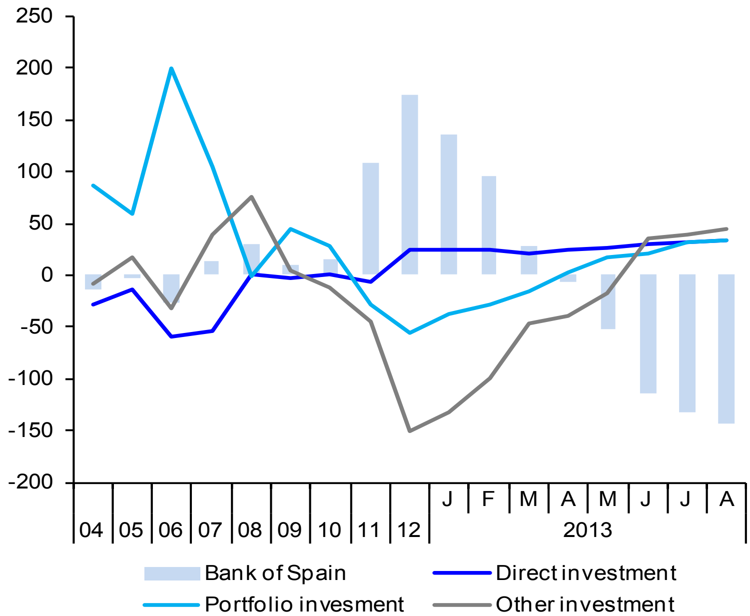


Table 18

State and Social Security System budget

	State							Social Security System				
	National accounts basis			Revenue, cash basis (a)					Accrued income		Expenditure	
	Surplus or deficit	Revenue	Expenditure	Total	Direct taxes	Indirect taxes	Others	Surplus or deficit	Total	of which, social contributions	Total	of which, pensions
	1=2-3	2	3	4=5+6+7	5	6	7	8=9-11	9	10	11	12
EUR billions, 12-month cumulated												
2007	13.3	165.2	151.9	214.2	121.0	78.9	14.4	14.7	116.7	103.7	102.0	81.8
2008	-32.3	131.8	164.1	188.7	102.0	70.7	16.0	14.6	124.2	108.7	109.7	86.9
2009	-98.1	105.4	203.4	162.5	87.5	55.7	19.3	8.8	123.7	107.3	114.9	92.0
2010	-50.6	141.6	192.2	175.0	86.9	71.9	16.3	2.4	122.5	105.5	120.1	97.7
2011 (b)	-31.6	135.9	167.5	177.0	89.6	71.2	16.1	-0.5	121.7	105.4	122.1	101.5
2012 (b)	-44.5	121.5	165.9	215.4	96.2	71.6	47.7	-5.8	118.6	101.1	124.4	105.5
2013 (c)	-36.8	89.4	126.2	131.3	61.5	54.8	15.1	2.1	94.6	73.9	92.5	79.2
2013 Jul	-42.8	128.7	171.6	189.6	93.0	74.4	22.2	-4.0	122.6	98.9	126.5	108.3
Aug	-43.0	129.6	172.6	190.4	93.3	74.5	22.6	-5.1	122.4	99.0	127.5	109.1
Sep	-44.3	127.5	171.8	190.4	93.4	74.3	22.7	-6.2	122.7	98.7	128.9	109.5
Annual percentage changes												
2007	--	9.7	6.8	12.1	18.1	3.4	16.4	--	9.7	8.3	8.4	7.9
2008	--	-20.2	8.1	-11.9	-15.7	-10.4	11.1	--	6.5	4.8	7.6	6.2
2009	--	-20.1	23.9	-13.9	-14.2	-21.2	20.4	--	-0.5	-1.3	4.7	5.9
2010	--	34.4	-5.5	7.7	-0.7	29.1	-15.7	--	-1.0	-1.7	4.5	6.2
2011 (b)	--	-4.0	-12.9	1.1	3.1	-0.9	-0.8	--	-0.7	-0.1	1.7	3.9
2012 (b)	--	-10.6	-0.9	21.7	7.3	0.5	195.9	--	-2.5	-4.0	1.9	3.9
2013 (d)	--	7.2	4.9	-16.0	-4.3	5.2	-62.4	--	4.5	-3.1	5.1	5.3
2013 Jul	--	-6.5	-2.3	-8.1	0.7	10.2	-52.4	--	-0.3	-5.0	1.6	4.1
Aug	--	-5.2	-1.4	-6.0	5.7	9.8	-51.3	--	0.5	-4.7	2.5	4.6
Sep	--	-8.0	-2.1	-7.0	3.8	8.4	-51.0	--	1.4	-4.5	3.6	4.7
Percentage of GDP, 12-month cumulated												
2007	1.3	15.7	14.4	20.3	11.5	7.5	1.4	1.4	11.1	9.8	9.7	7.8
2008	-3.0	12.1	15.1	17.3	9.4	6.5	1.5	1.3	11.4	10.0	10.1	8.0
2009	-9.4	10.1	19.4	15.5	8.4	5.3	1.8	0.8	11.8	10.3	11.0	8.8
2010	-4.8	13.5	18.4	16.7	8.3	6.9	1.6	0.2	11.7	10.1	11.5	9.3
2011 (b)	-3.0	13.0	16.0	16.9	8.6	6.8	1.5	0.0	11.6	10.1	11.7	9.7
2012 (b)	-4.3	11.8	16.1	20.9	9.3	7.0	4.6	-0.6	11.5	9.8	12.1	10.3
2013 (c)	-3.6	8.7	12.3	12.8	6.0	5.4	1.5	0.2	9.3	7.2	9.1	7.7
2013 Jul	-4.2	12.6	16.8	18.5	9.1	7.3	2.2	-0.4	12.0	9.7	12.4	10.6
Aug	-4.2	12.7	16.9	18.6	9.1	7.3	2.2	-0.5	12.0	9.7	12.5	10.7
Sep	-4.3	12.5	16.8	18.6	9.1	7.3	2.2	-0.6	12.0	9.7	12.6	10.7

(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) Cumulated since January. (d) Percent change over the same period of the previous year.

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

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

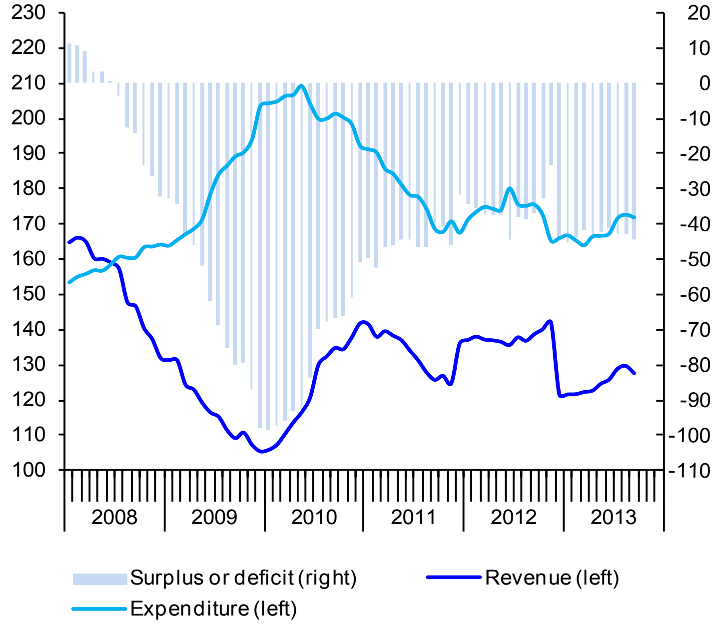


Chart 18.2.- Social Security System: Revenue, expenditure and deficit
EUR Billions, 12-month cumulated

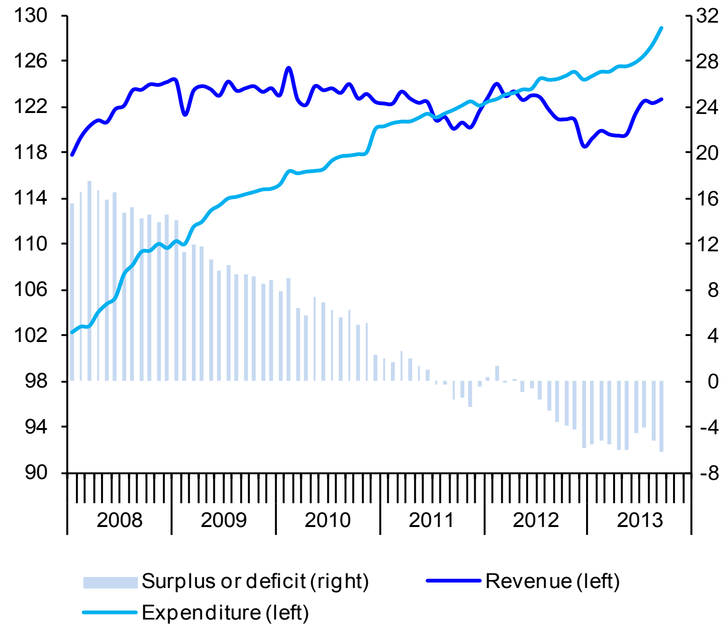


Table 19
Monetary and financial indicators

	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	2,655.2	436.8	1,307.1	911.3	--	9,195.8
2009	4.0	70.5	3.4	10.5	4.7	2,767.2	565.1	1,298.8	903.3	--	11,940.0
2010	4.2	146.5	2.6	8.6	4.3	2,845.9	644.7	1,303.1	898.1	--	9,859.1
2011	5.4	277.4	3.5	8.6	5.1	2,866.9	737.3	1,258.6	871.0	--	8,563.3
2012	5.8	427.9	3.4	9.1	5.6	2,859.7	884.7	1,141.2	833.8	--	8,167.5
2013 (a)	4.7	305.1	3.2	9.7	5.6	2,830.4	944.7	1,080.3	798.0	--	9,907.9
2011 IV	5.7	365.1	3.7	9.1	5.4	2,866.9	737.3	1,258.6	871.0	--	8,563.3
2012 I	5.2	334.7	3.8	9.7	5.5	2,890.8	775.8	1,256.2	858.7	--	8,008.0
II	6.2	462.8	3.5	8.7	5.7	2,897.6	805.5	1,236.4	855.7	--	7,102.2
III	6.4	500.5	3.3	9.2	5.7	2,872.3	818.0	1,213.5	840.8	--	7,708.5
IV	5.6	413.6	3.1	8.8	5.5	2,859.7	884.7	1,141.2	833.8	--	8,167.5
2013 I	5.1	353.5	3.2	9.5	5.6	2,858.4	923.6	1,115.3	819.4	--	7,920.0
II	4.5	308.9	3.2	9.6	5.7	2,854.2	943.4	1,096.4	814.3	--	7,762.7
III	4.5	274.2	3.2	9.9	5.5	--	--	1,080.3	798.0	--	9,186.1
2013 Aug	4.5	270.5	3.3	10.1	5.4	2,830.4	944.7	1,083.2	802.7	--	8,290.5
Sep	4.4	249.0	3.2	9.9	5.4	--	--	1,080.3	798.0	--	9,186.1
Oct	4.2	241.0	--	--	--	--	--	--	--	--	9,907.9
						Percentage change from same period previous year					**(b)**
2007	--	--	--	--	--	12.3	-2.2	17.7	12.5	15.1	7.3
2008	--	--	--	--	--	7.8	14.2	8.2	4.4	7.7	-39.4
2009	--	--	--	--	--	4.0	29.7	-1.4	-0.3	-0.8	29.8
2010	--	--	--	--	--	3.3	14.1	0.7	0.2	-2.2	-17.4
2011	--	--	--	--	--	1.7	14.4	-1.8	-2.4	-1.6	-13.1
2012	--	--	--	--	--	1.4	20.0	-5.9	-3.8	0.1	-4.6
2013	--	--	--	--	--	1.3	17.9	-6.0	-4.5	0.2	21.3
2011 IV	--	--	--	--	--	1.7	14.4	-1.8	-2.4	-1.6	0.2
2012 I	--	--	--	--	--	1.7	13.0	-1.4	-2.7	-0.9	-6.5
II	--	--	--	--	--	1.3	14.0	-2.7	-3.1	-2.6	-11.3
III	--	--	--	--	--	0.9	15.3	-4.0	-3.6	-3.6	8.5
IV	--	--	--	--	--	1.4	20.0	-5.9	-3.8	0.1	6.0
2013 I	--	--	--	--	--	1.0	19.1	-6.7	-4.0	-0.5	-3.0
II	--	--	--	--	--	0.8	17.1	-6.4	-4.3	-0.4	-2.0
III	--	--	--	--	--	--	--	-6.0	-4.5	0.2	18.3
2013 Aug	--	--	--	--	--	1.3	17.9	-5.7	-4.3	2.7	-1.7
Sep	--	--	--	--	--	--	--	-6.0	-4.5	0.2	10.8
Oct	--	--	--	--	--	--	--	--	--	--	7.9

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

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

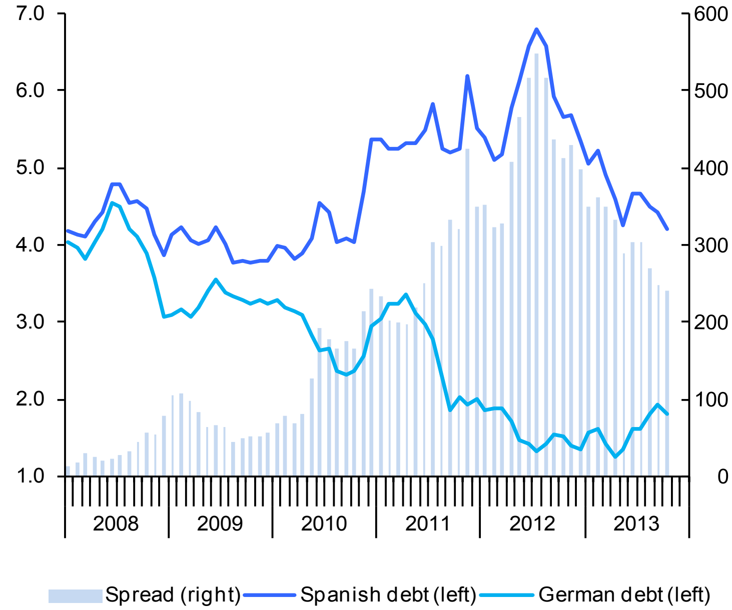


Chart 19.2.- Credit stock growth
Annual percentage change

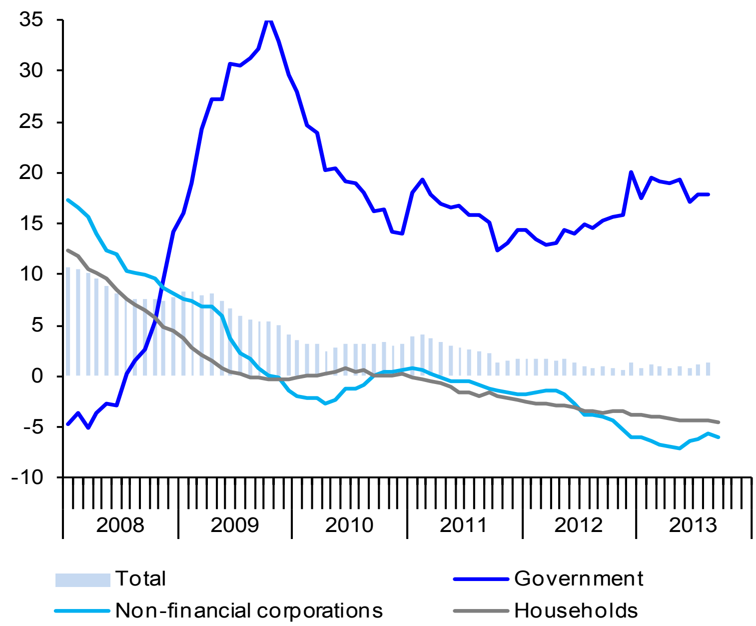


Table 20

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		93.0	110.8	119.1	106.5	104.4	102.0	109.2	107.8	101.3	111.9
2008		94.2	112.5	119.4	110.9	107.8	102.9	116.3	114.2	101.8	114.5
2009		99.9	111.3	111.3	110.6	108.1	102.3	112.4	108.7	103.4	114.0
2010		99.6	110.5	110.9	112.9	109.9	102.7	116.5	111.6	104.4	112.9
2011		100.9	109.0	108.1	116.3	112.9	103.1	124.6	118.1	105.5	113.1
2012		105.2	107.9	102.6	119.2	115.7	103.0	129.3	121.3	106.6	111.7
2013 (a)		--	--	--	120.9	117.2	103.2	130.2	121.3	107.4	113.2
2011	IV	--	--	--	117.6	114.1	103.1	125.5	119.0	105.5	112.8
2012	I	--	--	--	116.7	114.4	102.0	128.7	120.6	106.8	110.8
	II	--	--	--	119.4	115.9	103.0	128.4	121.0	106.1	111.8
	III	--	--	--	119.3	115.8	103.0	130.2	121.7	107.0	111.1
	IV	--	--	--	121.4	116.8	104.0	129.9	121.8	106.6	113.1
2013	I	--	--	--	119.9	116.5	102.9	130.8	122.0	107.2	112.7
	II	--	--	--	121.6	117.6	103.5	129.0	120.8	106.8	113.7
	III	--	--	--	120.5	117.1	102.9	130.7	121.0	108.0	113.2
2013	Aug	--	--	--	120.7	117.2	103.0	130.6	120.9	108.0	113.2
	Sep	--	--	--	121.6	117.8	103.2	130.8	121.1	108.0	113.6
	Oct	--	--	--	121.7	117.6	103.5	--	--	--	--
		Annual percentage changes					**Differential**	**Annual percentage changes**		**Differential**	
2007		0.4	4.9	4.5	2.8	2.1	0.7	3.6	2.5	1.1	--
2008		1.3	1.6	0.2	4.1	3.3	0.8	6.5	6.0	0.6	--
2009		6.0	-1.1	-6.8	-0.2	0.3	-0.5	-3.4	-4.8	1.4	--
2010		-0.3	-0.7	-0.4	2.0	1.6	0.4	3.7	2.7	1.0	--
2011		1.3	-1.3	-2.6	3.1	2.7	0.3	6.9	5.8	1.1	--
2012		4.3	-1.0	-5.1	2.4	2.5	-0.1	3.8	2.7	1.1	--
2013 (b)		--	--	--	1.8	1.4	0.3	0.8	0.1	0.7	--
2011	IV	--	--	--	2.7	2.9	-0.2	5.9	5.3	0.7	--
2012	I	--	--	--	1.9	2.7	-0.8	4.6	4.0	0.6	--
	II	--	--	--	1.9	2.5	-0.6	3.1	2.7	0.4	--
	III	--	--	--	2.8	2.5	0.2	3.9	2.7	1.3	--
	IV	--	--	--	3.2	2.3	0.9	3.5	2.4	1.1	--
2013	I	--	--	--	2.8	1.9	0.9	1.6	1.2	0.4	--
	II	--	--	--	1.8	1.4	0.4	0.5	-0.1	0.6	--
	III	--	--	--	1.0	1.2	-0.1	0.4	-0.6	1.0	--
2013	Aug	--	--	--	1.6	1.3	0.3	-0.1	-0.8	0.7	--
	Sep	--	--	--	0.5	1.1	-0.6	0.1	-0.9	1.0	--
	Oct	--	--	--	0.0	0.7	-0.7	--	--	--	--

(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

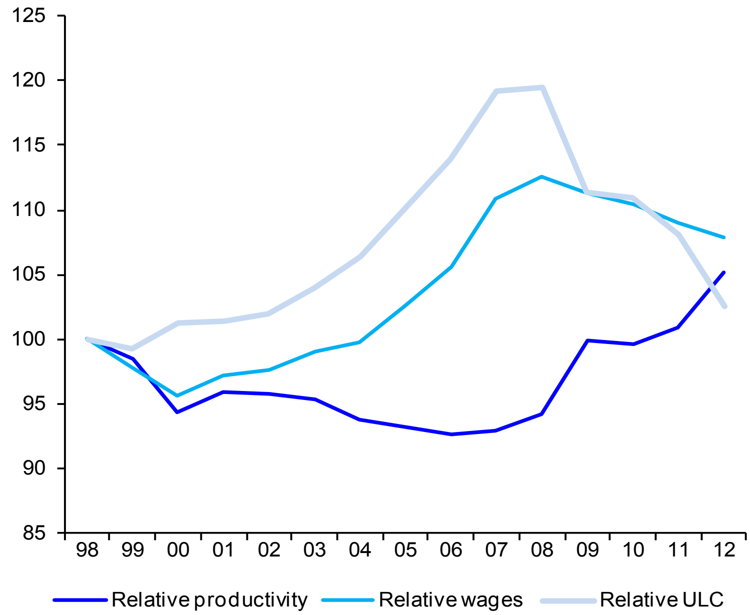


Chart 20.2.- Harmonized Consumer Prices
Annual growth in % and percentage points

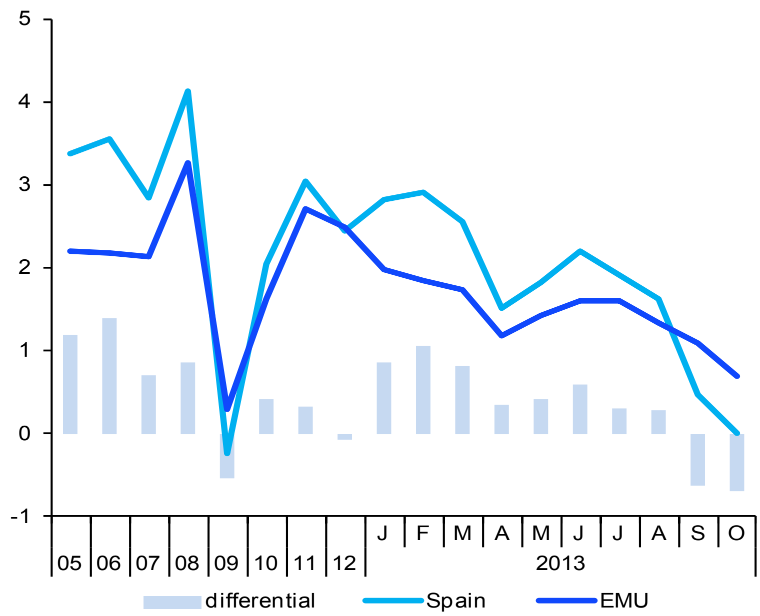


Table 21a

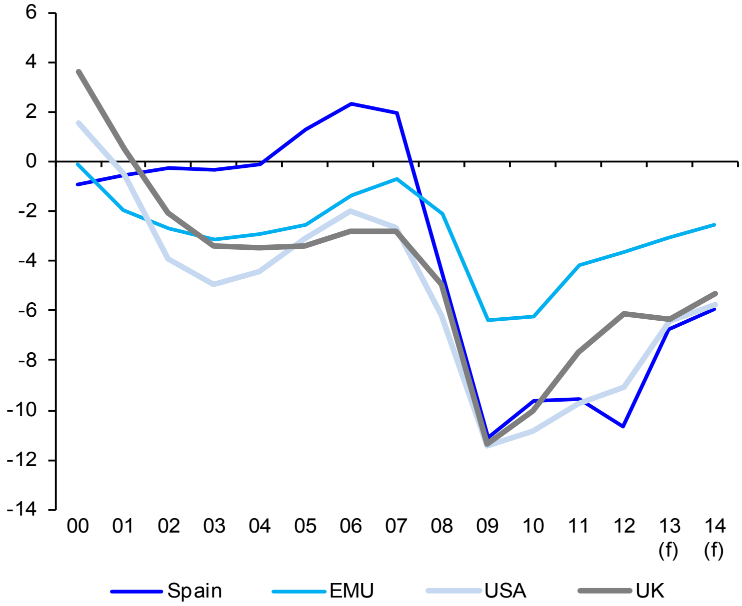
Imbalances: International comparison (I)

In blue: European Commission Forecasts

	Government net lending (+) or borrowing (-)				Government gross debt				Current Account Balance of Payments (National Accounts)			
	Spain	EMU	USA	UK	Spain	EMU	USA	UK	Spain	EMU	USA	UK
Billions of national currency												
2005	11.6	-207.6	-402.9	-43.6	392.5	5,749.0	8,502.9	533.0	-67.8	36.4	-703.4	-23.6
2006	23.2	-118.7	-272.8	-37.9	391.1	5,887.0	8,837.5	577.0	-88.9	42.4	-580.4	-38.3
2007	20.7	-61.9	-385.1	-40.5	382.3	5,994.5	9,328.4	624.6	-105.2	38.7	-729.2	-31.2
2008	-49.1	-197.4	-913.4	-72.7	437.0	6,490.3	10,797.1	758.9	-104.3	-64.2	-777.5	-13.8
2009	-116.4	-566.6	-1,647.4	-160.6	565.1	7,138.5	12,445.4	951.0	-50.0	7.1	-453.4	-20.1
2010	-100.5	-568.7	-1,626.6	-149.3	644.7	7,854.1	14,235.8	1,165.4	-45.7	30.0	-497.6	-40.0
2011	-100.0	-390.7	-1,517.3	-118.0	737.3	8,297.3	15,442.7	1,295.9	-41.6	37.8	-403.3	-22.5
2012	-109.4	-349.4	-1,475.0	-95.3	884.7	8,789.6	16,688.5	1,387.8	-12.5	168.5	-422.0	-59.8
2013	-69.1	-296.8	-1,070.4	-102.2	966.6	9,174.3	17,524.3	1,513.6	14.7	264.3	-430.2	-68.3
2014	-61.0	-248.5	-994.6	-87.9	1,030.0	9,444.9	18,284.2	1,613.0	26.4	286.7	-477.3	-73.1
Percentage of GDP												
2005	1.3	-2.5	-3.1	-3.4	43.2	70.6	64.9	41.7	-7.5	0.4	-5.4	-1.8
2006	2.4	-1.4	-2.0	-2.8	39.7	68.7	63.8	42.8	-9.0	0.5	-4.2	-2.8
2007	2.0	-0.7	-2.7	-2.8	36.3	66.4	64.4	43.7	-10.0	0.4	-5.0	-2.2
2008	-4.5	-2.1	-6.2	-5.0	40.2	70.2	73.3	51.9	-9.6	-0.7	-5.3	-0.9
2009	-11.1	-6.4	-11.4	-11.3	54.0	80.0	86.3	67.1	-4.8	0.1	-3.1	-1.4
2010	-9.6	-6.2	-10.9	-10.1	61.7	85.7	95.2	78.4	-4.4	0.3	-3.3	-2.7
2011	-9.6	-4.1	-9.8	-7.7	70.5	88.0	99.4	84.3	-4.0	0.4	-2.6	-1.5
2012	-10.6	-3.7	-9.1	-6.1	86.0	92.7	102.7	88.7	-1.2	1.8	-2.6	-3.8
2013	-6.8	-3.1	-6.4	-6.4	94.8	95.7	104.7	94.3	1.4	2.8	-2.6	-4.3
2014	-5.9	-2.5	-5.7	-5.3	99.9	96.1	105.2	96.9	2.6	2.9	-2.7	-4.4

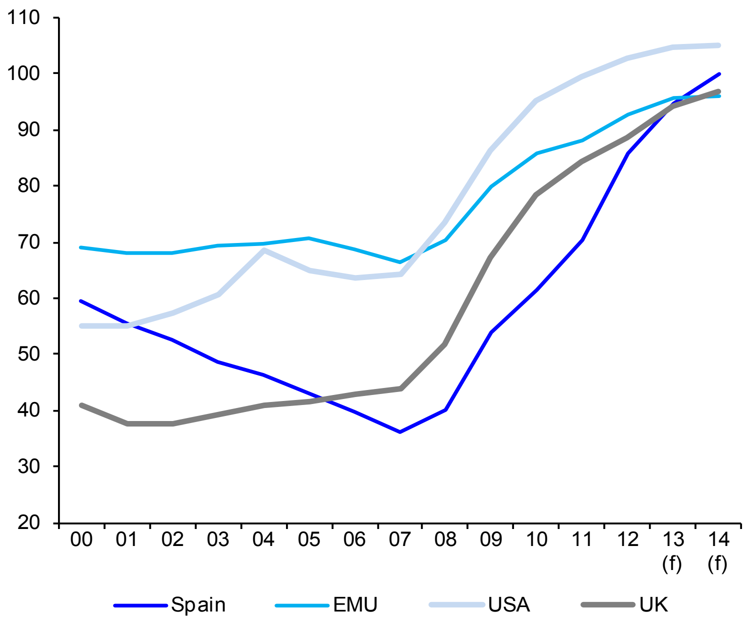
Source: European Commission.

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	653.485	4,845.2	11,719.5	1,157.4	951.5	6,949.2	8,683.4	1,128.4	528.3	8,272.2	12,957.3	2,403.7
2006	780.745	5,307.8	12,941.0	1,276.0	1,191.4	7,682.3	9,655.1	1,226.4	753.9	9,300.7	14,260.5	2,644.4
2007	876.630	5,672.4	13,807.1	1,388.6	1,385.3	8,466.1	10,978.5	1,309.4	980.4	10,694.6	16,204.5	3,161.0
2008	913.385	5,887.1	13,805.8	1,437.2	1,477.4	9,057.8	11,666.5	1,508.6	1,042.5	11,647.5	17,101.0	3,613.8
2009	906.137	5,961.5	13,533.9	1,437.6	1,465.2	8,953.8	11,326.7	1,457.3	1,121.1	12,046.2	15,688.5	3,558.8
2010	901.690	6,135.8	13,196.8	1,439.4	1,501.0	9,251.8	11,419.6	1,435.8	1,107.1	12,140.2	14,485.7	3,706.6
2011	874.283	6,195.3	13,017.0	1,448.6	1,478.5	9,398.9	11,962.5	1,444.6	1,125.0	12,585.6	14,046.3	3,598.7
2012	836.815	6,184.6	12,979.7	1,468.0	1,374.0	9,493.4	12,726.5	1,454.9	1,154.5	12,704.8	13,912.2	3,675.0
Percentage of GDP												
2005	71.9	59.5	89.5	90.6	104.6	85.3	66.3	88.4	58.1	101.6	98.9	188.3
2006	79.2	62.0	93.4	94.6	120.9	89.7	69.7	90.9	76.5	108.6	102.9	196.0
2007	83.2	62.8	95.4	97.2	131.5	93.7	75.8	91.7	93.1	118.4	111.9	221.4
2008	84.0	63.7	93.8	98.3	135.8	98.0	79.3	103.2	95.8	126.0	116.2	247.2
2009	86.6	66.8	93.9	101.4	140.0	100.4	78.6	102.8	107.1	135.0	108.8	251.1
2010	86.2	66.9	88.2	96.9	143.6	100.9	76.3	96.6	105.9	132.4	96.8	249.5
2011	83.6	65.7	83.8	94.3	141.3	99.7	77.0	94.0	107.5	133.5	90.4	234.1
2012	81.3	65.2	79.9	93.8	133.5	100.1	78.3	93.0	112.2	134.0	85.6	234.9

(a) Loans and securities other than shares, excluding financial derivatives.
Sources: European Central Bank and Federal Reserve.

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

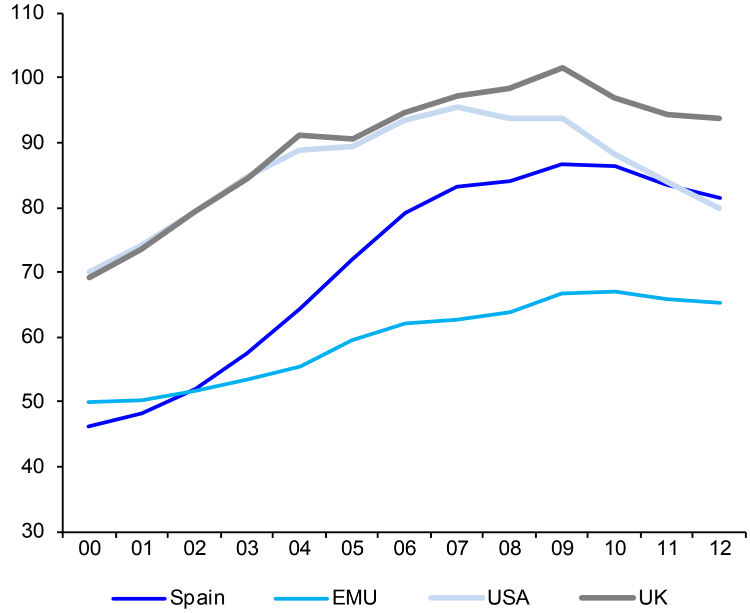
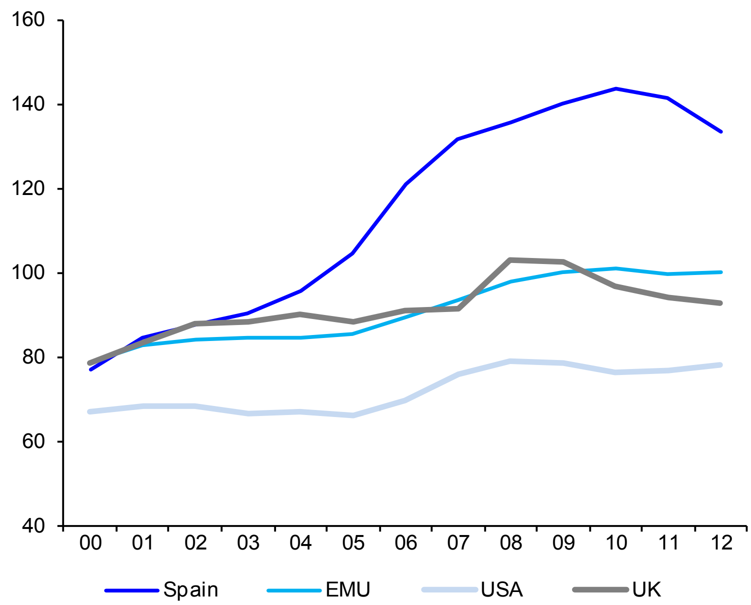


Chart 21b.2.- Non-financial corporations debt
Percentage of GDP



KEY FACTS: 50 FINANCIAL SYSTEM INDICATORS

Updated: November 15th, 2013

Highlights

Indicator	Last value available	Corresponding to:
Bank lending to other resident sectors (monthly average % var.)	-0.1	August 2013
Other resident sectors' deposits in credit institutions (monthly average % var.)	0.6	August 2013
Doubtful loans (monthly % var.)	1.2	August 2013
Recourse to the Eurosystem (Eurozone financial institutions, million euros)	699,324	October 2013
Recourse to the Eurosystem (Spanish financial institutions, million euros)	234,812	October 2013
Recourse to the Eurosystem (Spanish financial institutions million euros) - Main L/T refinancing operations	15,611	October 2013
"Operating expenses/gross operating income" ratio (%)	44.67	June 2013
"Customer deposits/employees" ratio (thousand euros)	5,601.33	June 2013
"Customer deposits/branches" ratio (thousand euros)	32,427.99	June 2013
"Branches/institutions" ratio	225.72	June 2013

A. Money and interest rates

Indicator	Source:	Average 1997-2010	2011	2012	2013 October	2013 November 15th	Definition and calculation
1. Monetary Supply (% chg.)	ECB	6.4	1.5	3.0	-	-	M3 aggregate change (non-stationary)
2. Three-month interbank interest rate	Bank of Spain	3.1	1.4	0.6	0.23	0.21	Daily data average
3. One-year Euribor interest rate (from 1994)	Bank of Spain	3.2	2.0	1.1	0.55	0.50	End-of-month data
4. Ten-year Treasury bonds interest rate (from 1998)	Bank of Spain	4.6	5.4	5.8	4.02	4.06	Market interest rate (not exclusively between account holders)
5. Corporate bonds average interest rate	Bank of Spain	4.6	5.0	4.8	3.12	-	End-of-month straight bonds average interest rate (> 2 years) in the AIAF market

Comment on "Money and Interest Rates": The 3-month and 1-year Euribor rates have declined to 0.21% and 0.50% on November 15th, 2013, following the reduction in official interest rates by the ECB and the forward-looking announcement that monetary policy will continue to be expansionary in the foreseeable future. The Spanish 10-year bond yield has slightly increased to 4.06% as of November 15th.

B. Financial markets

Indicator	Source:	Average 1997-2010	2011	2012	2013 August	2013 September	Definition and calculation
6. Outright spot treasury bills transactions trade ratio	Bank of Spain	20.1	81.6	84.7	67.9	74.3	(Traded amount/ outstanding balance) x100 in the market (not exclusively between account holders)
7. Outright spot government bonds transactions trade ratio	Bank of Spain	78.1	112.6	64.8	46.5	52.8	(Traded amount/ outstanding balance) x100 in the market (not exclusively between account holders)
8. Outright forward treasury bills transactions trade ratio	Bank of Spain	0.4	2.2	1.7	0.7	0.9	(Traded amount/ outstanding balance) x100 in the market (not exclusively between account holders)
9. Outright forward government bonds transactions trade ratio	Bank of Spain	4.5	3.3	2.2	2.6	2.7	(Traded amount/ outstanding balance) in the market (not exclusively between account holders)
10. Three-month maturity treasury bills interest rate	Bank of Spain	3.0	1.6	0.6	1.2	1.2	Outright transactions in the market (not exclusively between account holders)
11. Government bonds yield index (Dec1987=100)	Bank of Spain	503.9	684.4	751.1	812.9	825.7	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	0.9	-0.8	3.9	-0.9	10.3	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	4.7	1.6	-24.8	-50.4	32.9	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	987.7	857.7	824.7	840.1	985.9(a)	Base 1985=100
15. Ibex-35 (Dec1989=3000)	Bank of Spain and Madrid Stock Exchange	9,748.3	8,566.7	7,583.2	8,920.5	9,695.9(a)	Base dec1989=3000
16. Madrid Stock Exchange PER ratio (share value/ profitability)	Bank of Spain and Madrid Stock Exchange	16.8	9.7	18.2	27.3	30.3	Madrid Stock Exchange Ratio "share value/ capital profitability"

B. Financial markets (continued)

Indicator	Source:	Average 1997-2010	2011	2012	2013 August	2013 September	Definition and calculation
17. Long-term bonds. Stock trading volume (% chg.)	Bank of Spain and Madrid Stock Exchange	2.8	15.1	-15.1	-14.7	27.5	Variation for all stocks
18. Commercial paper. Trading balance (% chg.)	Bank of Spain and AIAF	1.8	59.24	73.9	-3.4	-0.8	AIAF fixed-income market
19. Commercial paper. Three-month interest rate	Bank of Spain and AIAF	3.2	1.9	2.3	2.5	2.2	AIAF fixed-income market
20. IBEX-35 financial futures concluded transactions (% chg.)	Bank of Spain	1.3	-15.8	-10.8	-7.6	0.9	IBEX-35 shares concluded transactions
21. IBEX-35 financial options concluded transactions (% chg.)	Bank of Spain	8.3	-25.9	54.1	51.4	-37.7	IBEX-35 shares concluded transactions

(a) Last data published: November 15th 2013.
Comment on “Financial Markets”: During the last month there has been an increase in transactions with outright spot and forward T-bills and with forward government bonds and debenture transactions, and also in spot government bonds transactions. The stock market has shown a decrease on November 15th as compared to October 31st with the IBEX-35 reaching 9,695 points from 9,895 at the end of October and the General Index of the Madrid Stock Exchange reaching 985 points from 1,009 in October. Additionally, there was a 0.9% increase in financial IBEX-35 future transactions and a 37.7% fall in transactions with IBEX-35 financial options.

C. Financial Savings and Debt

Indicator	Source:	Average 2004-2010	2011	2012	2013 Q 1	2013 Q 2	Definition and calculation
22. Net Financial Savings/GDP (National Economy)	Bank of Spain	-6.7	-3.4	-0.2	1.1	0.4	Difference between financial assets and financial liabilities flows over GDP
23. Net Financial Savings/GDP (Households and non-profit institutions)	Bank of Spain	0.6	3.1	1.3	1.5	-	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	256.1	293.3	311.9	313.4	-	Public debt, non-financial companies debt and households and non-profit institutions debt over GDP

C. Financial Savings and Debt (continued)

Indicator	Source:	Average 2004-2010	2011	2012	2013 Q 1	2013 Q 2	Definition and calculation
25. Debt in securities (other than shares) and loans/GDP (Households and non-profit institutions)	Bank of Spain	79.3	82.2	78.9	80.3	79.9	Households and non-profit institutions debt over GDP
26. Households and non-profit institutions balance: financial assets (quarterly average % chg.)	Bank of Spain	5.0	-0.1	2.9	0.3	0.2	Total assets percentage change (financial balance)
27. Households and non-profit institutions balance: financial liabilities (quarterly average % chg.)	Bank of Spain	9.9	-0.5	-0.7	-1.6	-0.9	Total liabilities percentage change (financial balance)

Comment on "Financial Savings and Debt": During 2013Q2, there was a 0.4% increase in financial savings to GDP in the overall economy. There was also an increase in households´ financial deleveraging, with the debt to GDP ratio standing at 79.9%. Finally, the stock of financial assets on households' balance sheets registered a slight increase of 0.2%, while there was a 0.9% drop in the stock of financial liabilities

D. Credit institutions. Business Development

Indicator	Source:	Average 1997-2010	2011	2012	2013 July	2013 August	Definition and calculation
28. Bank lending to other resident sectors (monthly average % var.)	Bank of Spain	14.1	-3.8	-10.4	-1.7	-0.1	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	11.0	-5.3	-1.8	-0.8	0.6	Deposits percentage change for the sum of banks, savings banks and credit unions
30. Debt securities (monthly average % var.)	Bank of Spain	9.3	5.2	23.2	-1.9	-0.5	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	15.1	41.0	3.1	0.2	-0.3	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	-7.9	-7.8	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 1997-2010	2011	2012	2013 July	2013 August	Definition and calculation
33. Doubtful loans (monthly average % var.)	Bank of Spain	30.8	28.3	20.0	1.3	1.2	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	-1.2	-15.7	0.3	-19.0	15.9	Liability-side assets sold under repurchase. Percentage change for the sum of banks, savings banks and credit unions
35. Equity capital (monthly average % var.)	Bank of Spain	10.1	37.9	-10.6	0.9	0.4	Equity percentage change for the sum of banks, savings banks and credit unions

Comment on “Credit institutions. Business Development”: The latest available data as of August 2013 show a -0.1% decrease in bank credit to the private sector and also a 0.6% increase in financial institutions deposit-taking from the previous month. Also, there was a 1.2% growth in doubtful loans compared to the previous month.

E. Credit institutions. Market Structure and Eurosystem Refinancing

Indicator	Source:	Average 1997-2010	2011	2012	2013 March	2013 June	Definition and calculation
36. Number of Spanish credit institutions	Bank of Spain	215	189	173	163	160	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	66	86	85	85	85	Total number of foreign credit institutions operating in Spanish territory
38. Number of employees	Bank of Spain	249,013	243,041	231,389	-	-	Total number of employees in the banking sector
39. Number of branches	Bank of Spain	40,987	39,843	37,903	37,265	36,115	Total number of branches in the banking sector
40. Recourse to the Eurosystem (total Eurozone financial institutions) (Euro millions)	Bank of Spain	374,777	394,459	884,094	787,506	699,324(a)	Open market operations and ECB standing facilities. Eurozone total
41. Recourse to the Eurosystem (total Spanish financial institutions) (Euro millions)	Bank of Spain	33,956	118,861	337,206	259,998	234,812(a)	Open market operations and ECB standing facilities. Spain total

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

Indicator	Source:	Average 1997-2010	2011	2012	2013 March	2013 June	Definition and calculation
42. Recourse to the Eurosystem (total Spanish financial institutions): main long term refinancing operations (Euro millions)	Bank of Spain	18,808	47,109	44,961	24,304	15,611(a)	Open market operations: main long term refinancing operations. Spain total

(a) Last data published: October 2013.
Comment on "Credit institutions. Market Structure and Eurosystem Refinancing": In October 2013, the recourse to Eurosystem funding by Spanish credit institutions accounted for 33.57% of net total funds borrowed from the ECB by the Eurozone. It was 33.85% in September.

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

Indicator	Source:	Average 1997-2010	2011	2012	2013 March	2013 June	Definition and calculation
43. "Operating expenses/gross operating income" ratio	Bank of Spain	54.53	49.85	47.18	45.68	44.67	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	2,721.97	4,512.30	4,701.87	4,988.06	5,601.33	Productivity indicator (business by employee)
45. "Customer deposits/ branches" ratio (Euro thousands)	Bank of Spain	16,424.04	29,171.23	30,110.18	30,972.28	32,427.99	Productivity indicator (business by branch)
46. "Branches/ institutions" ratio	Bank of Spain	193.19	205.38	219.09	228.62	225.72	Network expansion indicator
47. "Employees/ branches" ratio	Bank of Spain	6.08	6.5	6.9	6.2	6.4	Branch size indicator
48. Equity capital (monthly average % var.)	Bank of Spain	0.10	0.40	-0.12	1.13	1.18	Credit institutions equity capital variation indicator
49. ROA	Bank of Spain	0.88	0.06	-1.93	0.08	0.24	Profitability indicator, defined as the "pre-tax profit/average total assets"
50. ROE	Bank of Spain	13.23	3.28	-18.74	0.41	1.28	Profitability indicator, defined as the "pre-tax profit/equity capital"

Comment on "Credit institutions. Efficiency and Productivity, Risk and Profitability": In June 2013 the Spanish banking sector faced a tough business and macroeconomic environment, in line with the generalized difficulties experienced by European Union banking sectors. Nonetheless, an improvement is observed in most of the profitability and efficiency indicators. Productivity indicators have also improved due to the restructuring process of the Spanish banking sector.

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