# Spanish Economic and Financial Outlook

## Spain's recovery gains strength

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# Editorial



**Contact**
publica@funcas.es

**Web Site**
www.funcas.es

**Orders or claims:**
Spanish Savings Banks Foundation, publications
Tel.; +34-91-5965481, Fax: +34-91-5965796, e-mail: publica@funcas.es

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## Letter from the Editors

The Spanish recovery is gaining strength, supported by external demand, as shown by the latest data for the fourth quarter of 2013 and for the first few months of 2014. That said, global risks, such as heightened instability arising from the moderation of US expansionary monetary policy and increased tensions in the Ukraine, have increased. If global threats do not materialize, we forecast growth in 2014 at 1.2%, two tenths higher than previously, and that for 2015 at 1.8%, supported by the impact of the electoral cycle on fiscal adjustment, as well as tourism.

In light of these recent developments, the March SEFO also examines the possible implications for Spain and other euro area countries from a slowdown in emerging economies. Although it is true that Spanish exposure to emerging markets has increased in recent years, most obviously through the trade channel, fortunately, Spain´s trade exposure is weighted towards emerging economies that are not likely to be the focal point of renewed financial stress. Therefore, growth prospects for Spain will remain intact even if the crisis in emerging markets escalates further.

Nevertheless, the recovery continues to be sluggish and the high level of public debt remains a significant cause for concern for future growth. The crisis has had important implications for Spain´s public debt levels, elevating public debt to GDP ratios from 36.3% in 2007 to 93.9% in 2013, the seventh highest level among the EU. The situation is further complicated by Spain´s debt sustainability equation, as nominal growth rates are set to be below interest rates for the medium term, demanding a permanent fiscal effort.

Spain´s net external debt, or net international investment position, has also deteriorated, making it the fourth most heavily indebted country in the EU and placing additional pressure on borrowing rates.

That said, Spain is not alone among European economies in having a debt overhang problem, and recent correction in the current account balance and a reduction of sovereign spreads are helping the country to improve its currently high net international investment position and reduce the growth of the stock of public debt.

In this context, we highlight the recently released Experts´ Committee report on fiscal reform, commissioned by the Government. The report contains numerous proposals for improving the current tax system with the aim of simplifying it and making it more efficient, facilitate growth friendly fiscal adjustment, and employment creation. Although the proposal is not the Government´s official proposal, it likely anticipates some of the debates that will take place throughout the legislative approval process. Moreover, it represents a step forward in that it attempts to tackle some of the difficult issues facing the Spanish fiscal system. The Experts´ proposal is now under discussion in the Council of Ministers, which expects to present its own reform proposal for Parliamentary deliberation in June, with the hope that it will enter into force by January 1st, 2015. We will revisit this topic in upcoming issues of the SEFO once there are more details regarding the Government´s proposal and the legislative process.

In this number, we also take a look at the health of the Spanish banking sector ahead of the ECB/EBA balance sheet assessments and stress tests, scheduled for November of this year. All in all, our analysis of a representative sample of Spanish banks on the basis of end 2013 data reveals continued improvement in profitability and solvency, with the main challenge still the reactivation of lending to the private sector. More importantly, our simulation exercise reveals that a transformation is becoming evident within the Spanish banking sector. We add a word of caution, however, that there are two outstanding issues, which could affect Spain´s performance on the upcoming EU Comprehensive Assessment - the holdings of debt and some loan exposures. The ECB´s decision regarding the treatment of these issues, which remains to be finalized, could ultimately affect Spanish banking sector results.

Finally, we analyze the latest reform of Spain´s electricity sector. Including the expected 2013 tariff deficit, the accumulated electricity debt is anticipated to rise to above 30 billion euros. In an effort to correct this imbalance, the Government is preparing a new Royal Decree primarily focused on adjusting the remuneration for renewable energies, together with a toll on self-consumption and modifications for the current energy pricing auctions system. While it is true that further efforts are needed to end the revenue deficit, with the new reform, Spain has moved away from a predictable system to a more flexible model that will generate uncertainty over Spain´s investment climate.

# Spain's economic recovery is gaining strength, but remains sluggish

**Ángel Laborda and María Jesús Fernández**[1]



**Global growth continues to be moderate, with an improvement in developed countries versus a loss of dynamism in the emerging economies. In Spain, the recovery initiated in 2013 has gained strength over the first few months of 2014, with expected further improvement in 2015, in part supported by the effects of the electoral cycle on the pace of fiscal adjustment and tourism.**

*Developed countries have gradually gained vigour in recent months in a general context of restrictive fiscal and expansionary monetary policies, although the U.S. has reiterated its expected slowdown in quantitative easing, generating uncertainty primarily for the emerging economies. Global risk has also increased due to the escalation of tensions in the Ukraine. In Spain, the economy grew by 0.17% in the fourth quarter of 2013, up 0.7% on an annualized basis, driven by the positive contribution of external demand, while the domestic sector´s contribution remains negative. Employment growth has also gained strength. Fiscal data available through November point to difficulties meeting the 6.5% of GDP deficit target for 2013, while improved market conditions are helping Spain access foreign capital. In this context, if global threats do not materialize, we forecast growth in 2014 at 1.2%, two tenths higher than previously, and that for 2015 is 1.8%. Nevertheless, the high level of public debt remains a serious cause for concern as regards the future growth outlook.*



## External context

The rate of global economic growth remains moderate. The developed countries have gradually gained vigour in recent months, in a context of restrictive fiscal policies –except in Japan– and expansionary monetary policies, although with significant differences among them. In January, the U.S. Federal Reserve again announced plans to slow its asset-buying programme, although monetary policy remains highly expansionary and benchmark interest rates are close to zero. Japan and the United Kingdom are also pursuing quantitative expansion, whereas the European Central Bank is resisting introducing these types of measures, despite low inflation rates, limiting its action to interest rates, which are currently at 0.25%.

Despite low interest rates, the expansionary effect of European monetary policy is severely constrained by the poor functioning of the transmission mechanism to the economy, while the liquidity provided by three-year LTRO



[1] Economic Trends and Statistics Department, FUNCAS.

operations at the end of 2011 and early 2012 has been almost entirely reabsorbed, as financial institutions have repaid 87% of the loans received in this framework. Consequently, the European Central Bank's balance sheet is contracting, which is helping keep the euro strong despite the Federal Reserve's announced slowing of its stimulus programme.

In the last quarter of 2013 U.S. GDP grew by 2.4% on an annualised basis and unemployment fell to 6.7%. In the first two months of the year, the PMI and confidence indicators suggested a continuation of the growth trend, albeit at a slightly slower pace, although this may be a result of adverse weather conditions. In the euro area, growth at the tail end of the year gained pace somewhat, rising to 1.1% on an annualised basis, while the PMI and confidence indicators in the early months of the year point to an acceleration in the first quarter. The unemployment rate has remained around 12%.

The emerging countries have recently been characterised by a loss of dynamism, as a consequence of structural deficiencies and the uncertainties generated by the moderation of monetary stimulus in the United States. The bouts of instability caused by the latter have forced several countries to raise their interest rates, which will undoubtedly put a brake on their growth.

Moreover, on top of the risks to the global economy from possible outbreaks of instability caused by the moderation of expansionary monetary policy in the U.S. comes uncertainty from the situation in the Ukraine. Tensions could push up energy prices or trigger a series of economic reprisals, which would have a negative economic impact, particularly for Russia and Europe.

## Recent developments in the Spanish economy

GDP grew by 0.17% in the fourth quarter of 2013, equivalent to 0.7% on an annualised basis (the basis used for all the growth rates below), although in current terms GDP fell, as the growth of the deflator was negative. The result for the year as a whole was a drop in real GDP of -1.2% on the previous year.

Quarter-on-quarter growth came from the positive contribution of external demand, while domestic demand's contribution was negative. This negative contribution from domestic demand was the result of a sharp, and surprisingly large, drop in public consumption. The other components of domestic demand (i.e. private consumption and gross fixed capital formation) registered growth, particularly the capital goods investment component. The figures for previous quarters were also revised upwards.

Thus, private consumption was positive for the third consecutive quarter, growing at an annualised rate of 2.1%. Nevertheless, the result for the full year was a contraction of 2.1. This was due to the abrupt drop in the last quarter of 2012, so the level at the beginning of the year was so low that, despite growth over the course of 2013, the average level for the entire year was lower than that for 2012. The consumption indicators give contradictory signals for the start of 2014: on the one hand, in January and February, new vehicle registrations maintained their rapid growth and the consumer confidence index continued to rise, while on the other, large firms' sales of consumer goods and residents' overnight hotel stays fell in January (Exhibits 1.1 to 1.3).

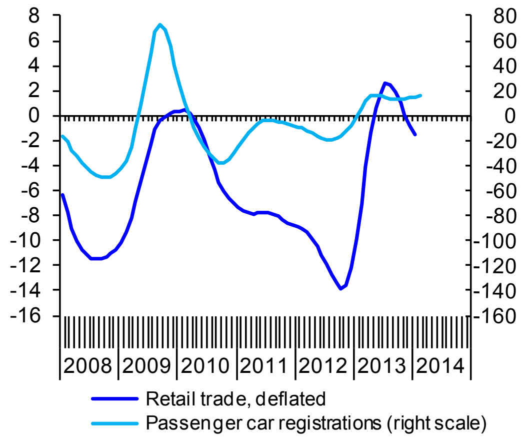
Gross fixed capital formation in construction contracted yet again in the last quarter of 2013 as a result of the negative trend in residential activity. Moreover, the continuation of the downward trend in the number of new housing permits suggests the decline in this component of demand will continue over the coming months (Exhibit 2.6). By contrast, the "other construction" component picked up slightly, which, in view of the strength of growth in official calls for tender registered during the year, could be linked to public works.

Exhibit 1

## Consumption and capital goods investment indicators

### 1.1 - Consumption indicators (I)

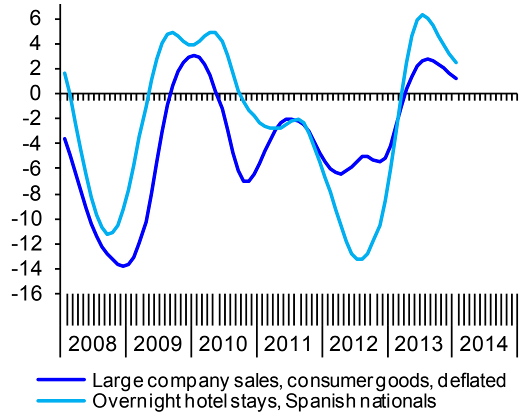
Annualised moving quarterly change in %, smoothed series




*Sources: INE, DGT and FUNCAS.*

### 1.2 - Consumption indicators (II)

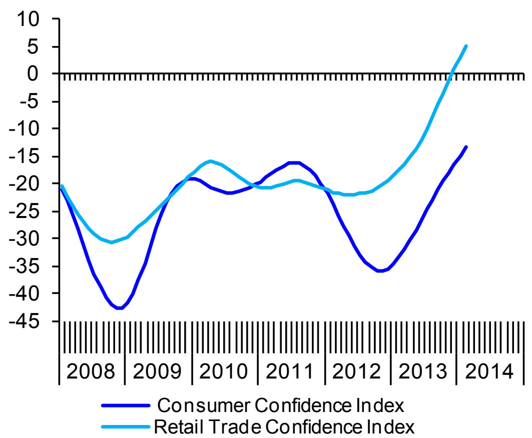
Annualised moving quarterly change in %, smoothed series




*Sources: INE, AEAT and FUNCAS.*

### 1.3 - Consumption Indicators (III)

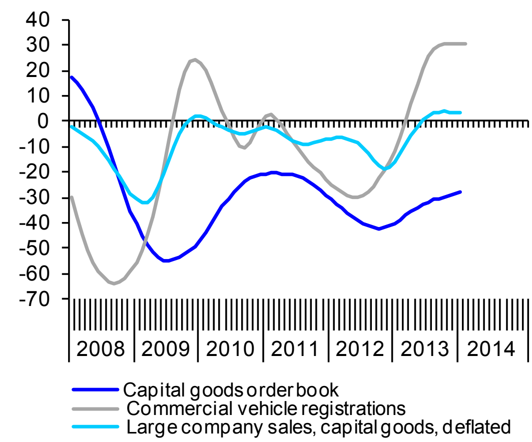
Annualised moving quarterly change in %, smoothed series




*Sources: European Commission and FUNCAS.*

### 1.4 - Capital goods GFCF indicators (II)

Annualised moving quarterly change in %,smoothed series




*Sources: Ministry of Industry, AEAT, DGT and FUNCAS.*

Investment in capital goods and other products rose in the last quarter of 2013 for the fourth consecutive quarter, with growth over the year as a whole of 1.7% relative to the previous year. Growth in large firms´ domestic sales of capital goods in January, registrations of commercial vehicles and orders for capital goods in January and February suggest that the aggregate growth trend held up at the start of the year (Exhibit 1.4).

According to national accounts figures, goods exports grew slightly in the fourth quarter, although figures from the Customs/Economy Ministry registered a drop (Exhibit 3.1). Moreover, exports of tourism services suffered a contraction which was also inconsistent with the evidence from other indicators, such as overnight stays in hotels by foreign nationals, inflows of tourists, or tourist spending. Total imports, on the other hand, shrank in the fourth quarter. Over the year as a whole, according to national accounts figures, exports grew by 4.9% and imports by 0.4%.

Foreign trade figures for the start of 2014 have yet to be published, but large firms' exports and imports published by the tax collection agency suggest both indicators have recovered, particularly in the case of imports.

From the supply side, farming and services grew in the fourth quarter while manufacturing and construction shrank. Only farming experienced VAB growth in 2013 relative to the previous year, although services also saw growth in quarter-on-quarter terms over the period as a whole. In the early months of 2014, the PMI indices registered growth in industry and an acceleration in services. The sectoral confidence indices, which have recovered to pre-crisis levels, point in the same direction. Thus, the number of people registered with the Social Security system, continued rising in the services sector and began to grow in industry, while in construction the drop has virtually halted (Exhibits 2.1 to 2.5).

Employment, measured in terms of full-time equivalent jobs, grew by 0.3% in the fourth quarter for the first time since early 2008, although this growth is concentrated in farming and certain services subsectors, including those most closely linked to government. This increase in employment is consistent with the results of the Labour Force Survey and total Social Security registrations over the period. The seasonally adjusted unemployment rate dropped by three tenths of a percent to 26.1%, due to the modest job creation in the period, and in particular, the contraction of the labour force, which has been on a downward trend since 2011 (Exhibits 4.1 and 4.2).

The trend in the number of people registered with the Social Security system in January and February 2014 suggested that employment growth had gained strength (Exhibits 4.3 and 4.4). This result, in conjunction with the activity indicators available for the same period –mainly qualitative in nature– point to somewhat stronger GDP growth in the first quarter than in the previous one.

Apparent labour productivity continued to rise in the fourth quarter, although as in the previous quarter, at the slowest rates since the start of the crisis. The increase over 2013 as a whole came to 2.3%. Compensation per employee declined in the fourth quarter although over the year it rose by 0.7%. As a consequence, unit labour costs dropped in 2013 for the fourth consecutive year, with a change of -1.6% overall, which in the manufacturing sector was -3.2%.

The trade balance in goods and services was in surplus in 2013 for the second consecutive year, by an amount equivalent to 2.4% of GDP, according to national accounts figures, while the current account balance registered a positive balance for the first time since 1997, with a value of 0.8% of GDP. The net lending position vis-à-vis the rest of the world also turned a surplus, reaching 1.5% of GDP (Exhibit 3.2).

Broken down by sectors, using data for the period ending in the third quarter of 2013 –the most recent period for which disaggregated data are available– this lending capacity came from the private sector, which presented a balance of 11.7% of GDP (four-quarter moving average), while the general government registered a net borrowing requirement of 10.3% of GDP. However, this figure includes the losses caused by the aid to financial institutions, which in the four quarters ending in the third quarter of 2013, came to 3.3% of GDP.

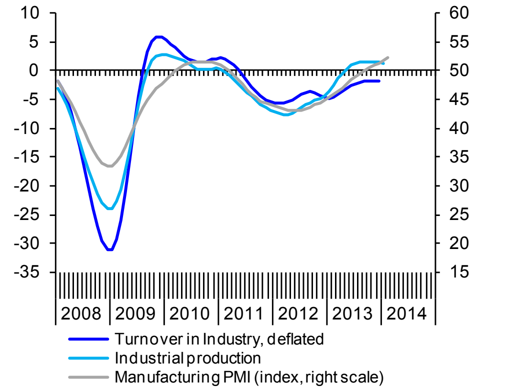
In terms of the savings-investment balance, the national net lending position was the outcome of a moderate increase in the national savings rate and drop in the investment rate. Again with data

Exhibit 2

## Industrial activity, services and construction indicators

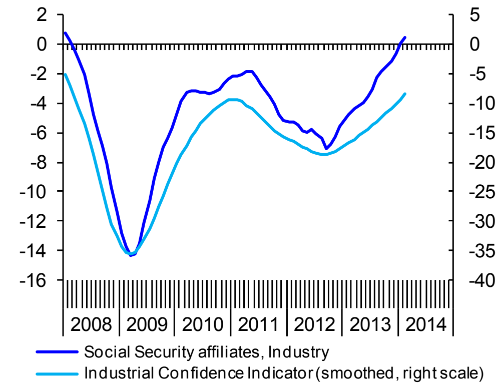
### 2.1 - Industrial sector indicators (I)

Annualised moving quarterly change in % and index, smoothed series



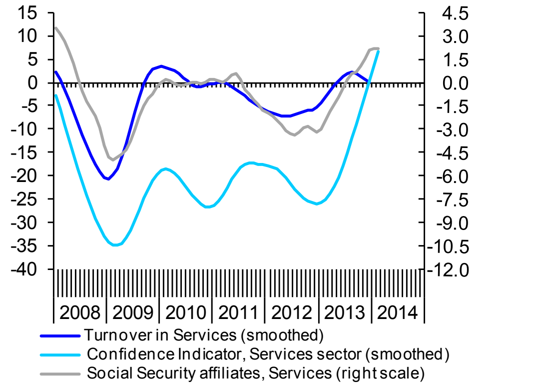

### 2.2 - Industrial sector indicators (II)

Annualised moving quarterly change in % and index, smoothed series



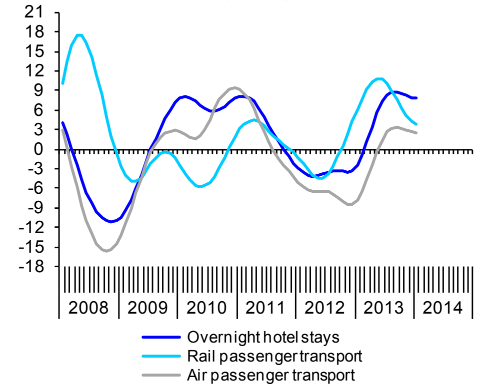

### 2.3 - Services indicators (I)

Annualised moving quarterly change in % and index, smoothed series



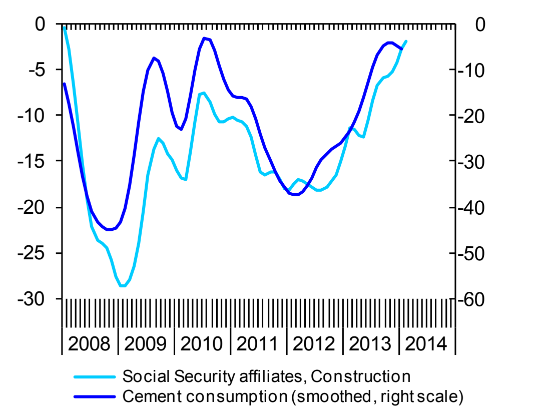

### 2.4 - Services indicators (II)

Annualised moving quarterly change in %, smoothed series



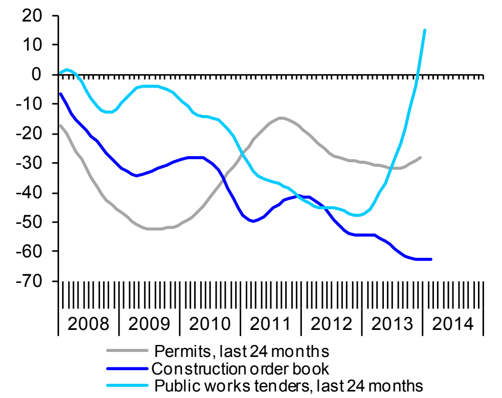

### 2.5 - Construction sector indicators (I)

Annualised moving quarterly change in %, smoothed series




### 2.6 - Construction sector indicators (II)

Annualised moving quarterly change in % and index, smoothed series



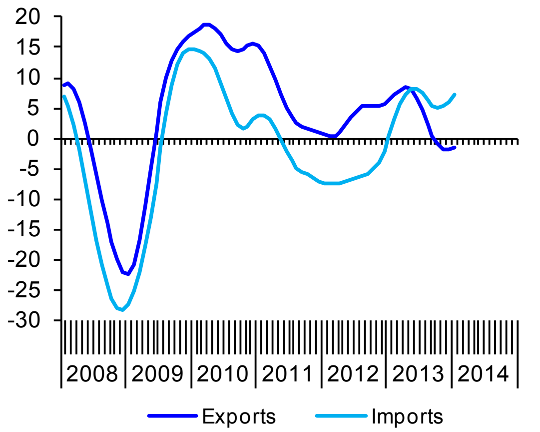

*Sources: European Commission, Ministry of Labour, Ministry of Industry, Ministry of Development, Ministry of Public Works, INE, AENA, Markit Economics Ltd., RENFE, SEOPAN, OFICEMEN and FUNCAS.*

Exhibit 3

**External sector**

**3.1 - Exports/Imports at constant prices (Customs)**

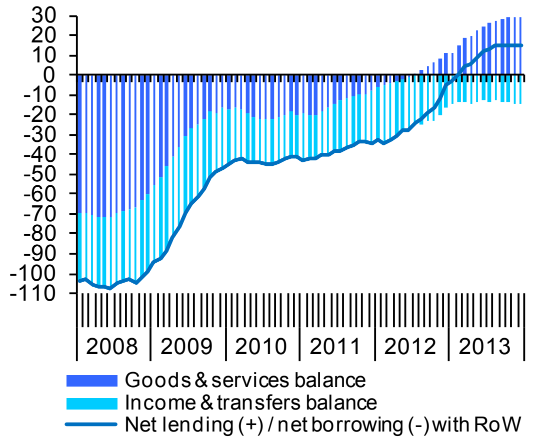
Annualised moving quarterly change in %, smoothed series




*Sources: Ministry of Economy and FUNCAS.*

**3.2 - Balance of payments**

EUR billion, cumulative last 12 months




*Source: Bank of Spain.*







for the period up to the third quarter, the increase in the savings rate was basically driven by non-financial corporations (Exhibits 7.1 and 7.2).

The public sector comprised by the central government, the regional governments, and the Social Security system, registered a deficit up to November, of 55.8 billion euros, excluding aid to financial institutions, equivalent to 5.5% of GDP. This balance breaks down into -3.9% for

*The likelihood for the general government meeting its 6.5% target is very small, bearing in mind the highly negative seasonality of the last month of the year. It is therefore more than likely that this target will have been overshot by a few tenths of a percent.*

the central government, -1.3% for the regional governments, and -0.3% for the Social Security system. Although no monthly data for local authorities are available, it is estimated that they could have ended the year with a surplus of 0.4%. Nevertheless, the likelihood for the general government meeting its 6.5% target is very small, bearing in mind the highly negative seasonality of the last month of the year. It is therefore more than likely that this target will have been overshot by a few tenths of a percent.

The financial account of the balance of payments, excluding the Bank of Spain, recorded a surplus

*The financial account of the balance of payments recorded a surplus of 8.7% of GDP in 2013, after two consecutive years of deficit. This is the first sign of the turnaround in Spain's ability to access foreign finance. This change has been reflected in the rapid fall in the risk premium on Spanish sovereign debt and the consequent drop in its yield.*

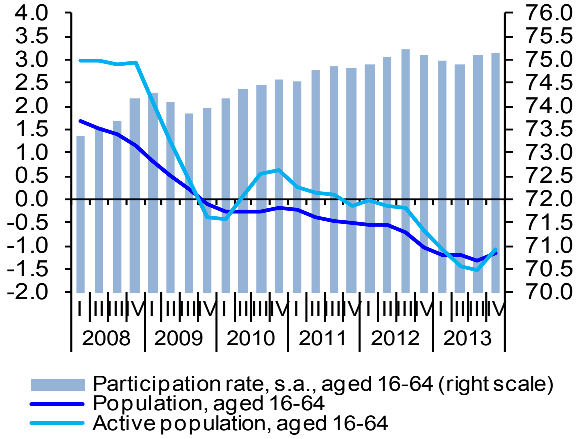
of 8.7% of GDP in 2013, after two consecutive years of deficit. This is the main sign of the turnaround in Spain's ability to access foreign

Exhibit 4

## Labour market indicators

### 4.1 - Labour supply

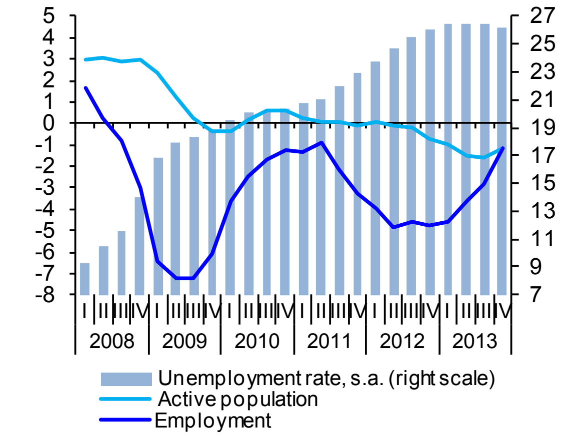
Change y-o-y in % and percentage of population aged 16-64




Source: INE (LFS).

### 4.2 - Employment and unemployment (LFS)

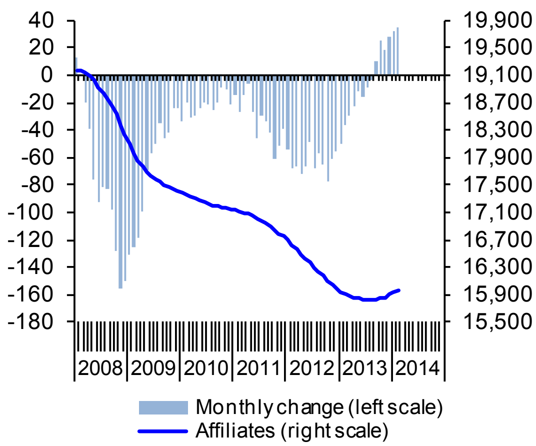
Change y-o-y in % and percentage of working age population




Source: INE (LFS).

### 4.3 - Social Security affiliates

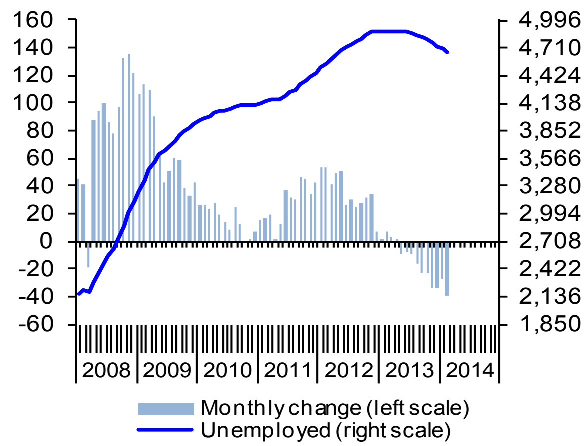
Thousands, seasonally-adjusted data




Sources: Ministry of Labour and FUNCAS.

### 4.4 - Registered unemployment

Thousands, seasonally-adjusted data




Sources: Ministry of Labour and FUNCAS.

finance. This change has been reflected in the rapid fall in the risk premium on Spanish sovereign debt and the consequent drop in its yield. Thus, at the end of 2013, yields on ten-year bonds stood at 4.1%, whereas in the first few months of 2014 they continued on a downward path to below 3.5%. The spread against German bonds is now under 180 basis points, compared with around 350 points in early 2013 (Exhibits 6.1 y 6.2).

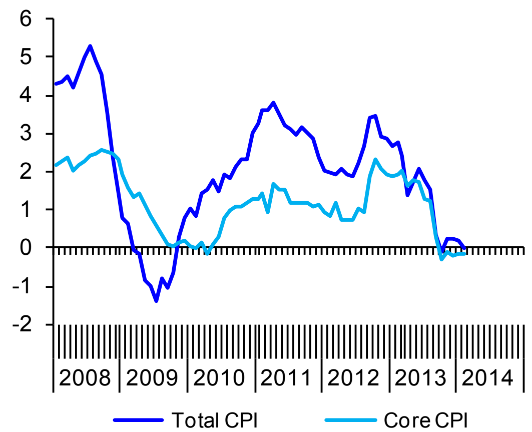
The inflation rate remains low, at levels below the euro area average. In February, it was 0.0%, but excluding foodstuffs –processed and unprocessed– and energy products, the result was negative at -0.1%. This extremely low rate is the result of falling labour costs over the last few years being passed on to final prices, in a context in which demand remains weak, although it has halted its decline (Exhibit 5.1).

Exhibit 5

**Price indicators**

### 5.1 - Consumer prices index

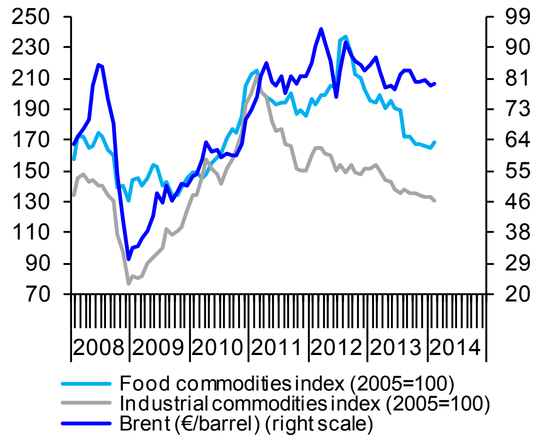
Change y-o-y in %




*Source: INE.*

### 5.2 - Commodities prices in €

Euros and index




*Sources: Ministry of Economy and* The Economist.



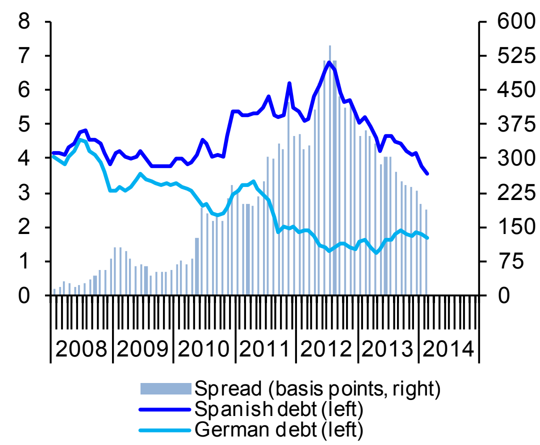
New credit, which began to expand in the last quarter of 2013 –specifically in the business credit and consumer credit segments, while lending for home purchases continued to contract– consolidated its positive trend at the start of 2014, driven by the significant progress of recapitalisation and cleaning up of financial institutions, and the more favourable economic outlook (Exhibit 7.4). Nevertheless, the volume of credit continued to shrink, as is to be expected in the context of the economy's deleveraging.

Exhibit 6

**Financial indicators**

### 6.1 - Government 10 years bonds rate

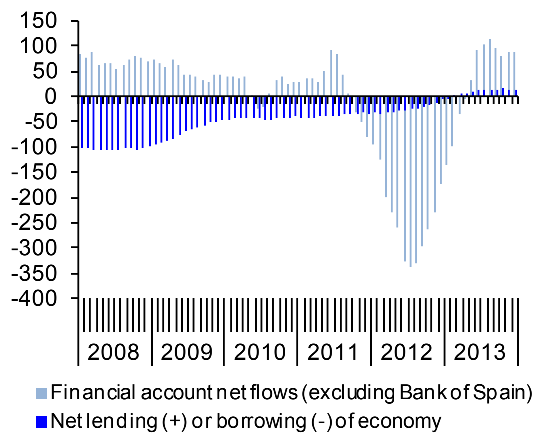
Percentage and basis points




*Sources: ECB and Bank of Spain.*

### 6.2 - Balance of payments

EUR billion, cumulative last 12 months



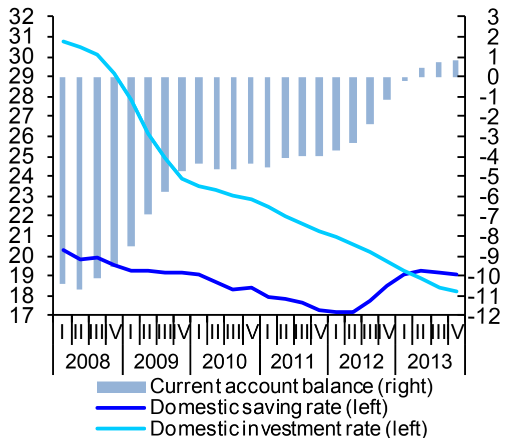

*Source: Bank of Spain.*

Exhibit 7

**Financial imbalances**

### 7.1 - Domestic saving, investment and current account balance

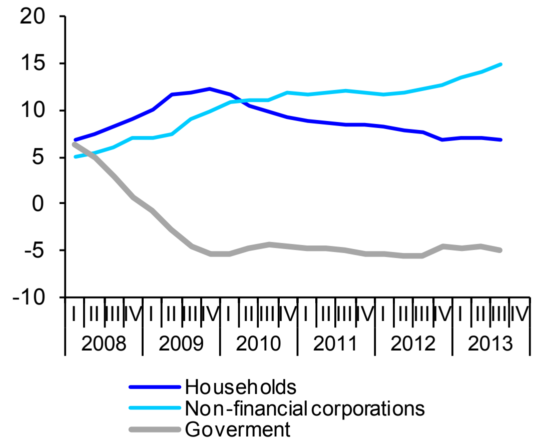
Percentage of GDP, 4-quarter moving average




Source: INE.

### 7.2 - Saving rates

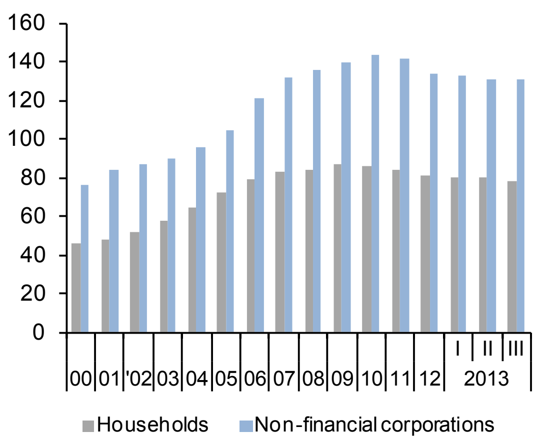
Percentage of GDP, 4-quarter moving average




Source: INE.

### 7.3 - Gross debt

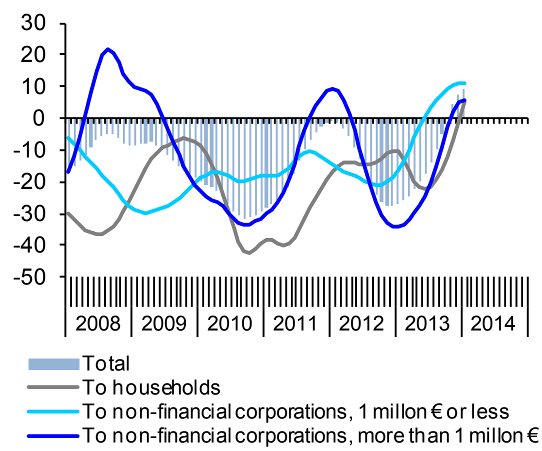
Percentage of GDP, 4-quarter moving average




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.

## Forecasts for 2014-2015

As regards the outlook for 2014 and 2015, certain factors persist which will continue limiting the capacity for growth in domestic demand. The process of correcting certain major imbalances, such as excessive debt, is still under way (Exhibit 7.3). Likewise, although it is possible that the property market may stabilise over the course of the year, this will take a long time to translate into a recovery in home building –across the country as a whole–

such that it will continue to contract and hold back the economy until at least the second half of 2015.

Also, although the need to correct the public deficit will make it necessary to maintain the restrictive fiscal policy stance through both 2014 and 2015, the electoral cycle is likely to impose a more moderate adjustment. Indeed, the extraordinary increase in public calls for tender in 2013 could be the prelude to a recovery in non-residential construction (Exhibit 2.6). In the case of tourism activity, the geopolitical factors that have favoured Spain in recent years will persist, and it will also benefit from the recovery in Europe. Finally, the available indicators for the first two months of the year suggest, as noted above, the strengthening in the first quarter of the positive trend seen in the second half of last year.

Against this backdrop, if the threats to the global economy can be avoided, a moderate rate of growth can be expected over the course of the current year, picking up speed in 2015. The growth forecast for 2014 is 1.2%, two tenths higher than previously, and that for 2015 is 1.8%. In both years growth will be driven by a moderate recovery in domestic demand, while the positive contribution from the external sector will continue (Exhibits 8.1 to 8.6 and Table 1).

*The growth forecast for 2014 is 1.2%, two tenths higher than previously, and that for 2015 is 1.8%. In both years growth will be driven by a moderate recovery in domestic demand, while the positive contribution from the external sector will continue.*

Private consumption is set to grow in 2014 and 2015, supported by the increase in household income, although slowly, at rates below those of the second half of 2013, as the conditions are not yet right for this higher rate to be sustainable. As regards public consumption, its rate of adjustment may be expected to slow as a result of the electoral cycle, as mentioned.

The effect of the electoral cycle can be seen in the sharp rise in public calls for tender in 2013, which was already driving growth in non-residential construction in the final quarter of last year, and will continue to do so over the course of this year and the next. As a result, growth rates for this component of demand have been revised upwards considerably. Investment in residential construction will remain negative this year, and could stabilise around mid-2015.

Capital goods investment will continue their growth over the forecast period, driven by the same factors that led to their recovery in 2013: replacement of depreciated productive capital, and increased activity in the export sector, in a context of businesses' improved internal economic/financial situation and better external financial conditions. Nevertheless, growth will be slower than in other business cycle recovery stages due to sluggish domestic demand, businesses' ongoing process of deleveraging, and the still limited availability of credit, although this is improving somewhat.

The rate of export growth has been revised downwards, due to the effect of its low starting point, which was caused by the brusque slowdown in the second half of 2013. This was in turn the result of the weakening of demand from emerging countries. Imports look set to gain pace, due to growing domestic demand.

The overall result will be a positive contribution to GDP growth from domestic demand of 0.7 and 1.2 percentage points in 2014 and 2015, respectively, and a net contribution of external demand of 0.5 and 0.6 percentage points, respectively.

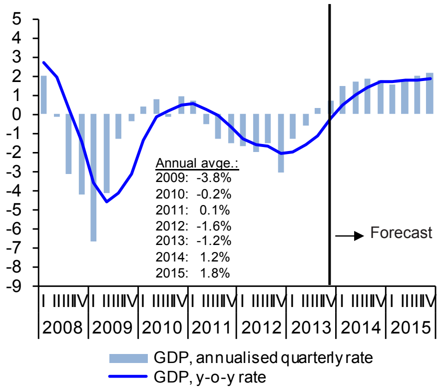
From the sectoral point of view, the recovery should gradually spread from services to industry, while the adjustment in the construction sector will moderate substantially this year, with a recovery in the sector possibly starting in 2015.

Exhibit 8

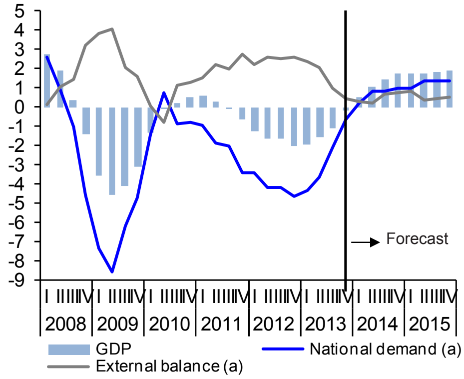
## Economic forecasts for Spain, 2014-2015

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

### 8.1 - GDP

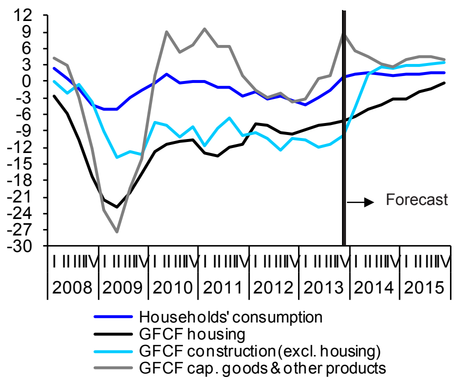



### 8.2 - GDP, national demand and external balance

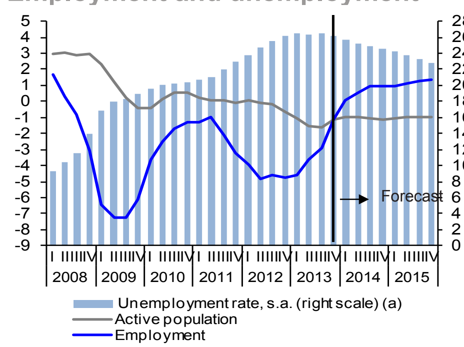



(a) Contribution to GDP growth in percentage points

### 8.3 - National demand aggregates

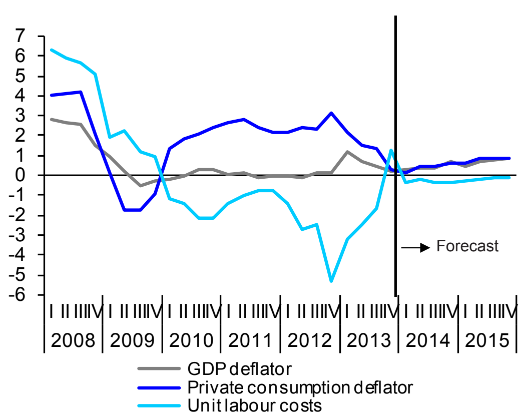



### 8.4 - Employment and unemployment

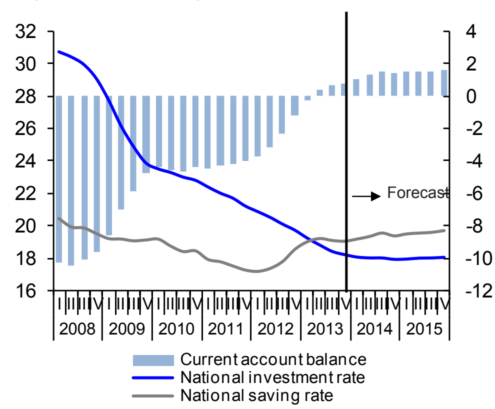



(a) Percentage of working age population.

### 8.5 - Inflation




### 8.6 - Saving, investment and c/a balance (% GDP, 4MA)




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

Table 1

## Economic Forecasts for Spain, 2014-2015

### Annual rates of change in %, unless otherwise indicates

| | Actual data | | | FUNCAS forecasts | | Change in forecasts (a) |
|---|---|---|---|---|---|---|
| | Average 1996-2007 | 2012 | 2013 | 2014 | 2015 | 2014 |
| **1. GDP and aggregates, constant prices** | | | | | | |
| **GDP** | **3.7** | **-1.6** | **-1.2** | **1.2** | **1.8** | **0.2** |
| Final consumption households and NPISHs | 3.8 | -2.8 | -2.1 | 1.3 | 1.5 | 0.6 |
| Final consumption general government | 4.3 | -4.8 | -2.3 | -1.3 | -0.9 | 0.0 |
| Gross fixed capital formation | 6.2 | -7.0 | -5.1 | 0.6 | 2.5 | 2.8 |
| Construction | 5.6 | -9.7 | -9.6 | -1.9 | 1.1 | 3.0 |
| Residential construction | 7.6 | -8.7 | -8.0 | -4.8 | -1.7 | -0.8 |
| Non-residential construction | 3.9 | -10.6 | -10.9 | 0.3 | 3.1 | 6.0 |
| Capital goods and other products | 7.4 | -2.6 | 1.7 | 4.0 | 4.3 | 2.6 |
| Exports goods and services | 6.7 | 2.1 | 4.9 | 3.6 | 4.8 | -1.8 |
| Imports goods and services | 9.3 | -5.7 | 0.4 | 2.3 | 3.5 | 0.4 |
| **National demand (b)** | **4.5** | **-4.1** | **-2.7** | **0.7** | **1.2** | **1.0** |
| External balance (b) | -0.8 | 2.5 | 1.5 | 0.5 | 0.6 | -0.8 |
| GDP, current prices: - € billion | -- | 1,029.3 | 1,023.0 | 1,040.4 | 1,066.4 | -- |
| - % change | 7.4 | -1.6 | -0.6 | 1.7 | 2.5 | 0.2 |
| 2. Inflation, employment and unemployment | | | | | | |
| GDP deflator | 3.6 | 0.0 | 0.6 | 0.5 | 0.7 | 0.0 |
| **Household consumption deflator** | **3.1** | **2.5** | **1.3** | **0.4** | **0.8** | **-0.5** |
| Total employment (National Accounts, FTEJ) | 3.3 | -4.8 | -3.4 | 0.5 | 1.1 | 0.5 |
| Productivity (FTEJ) | 0.4 | 3.3 | 2.3 | 0.7 | 0.7 | -0.3 |
| Wages | 7.2 | -5.6 | -3.5 | 0.8 | 1.5 | 1.2 |
| Gross operating surplus | 7.3 | 1.6 | 1.3 | 2.5 | 3.3 | -1.0 |
| Wages per worker (FTEJ) | 3.2 | 0.2 | 0.7 | 0.4 | 0.5 | 0.5 |
| Unit labour costs | 2.8 | -3.0 | -1.6 | -0.3 | -0.2 | 0.7 |
| **Unemployment rate (LFS)** | **12.2** | **25.0** | **26.4** | **25.1** | **23.5** | **-0.3** |
| 3. Financial balances (% of GDP) | | | | | | |
| National saving rate | 22.2 | 18.5 | 19.0 | 19.4 | 20.0 | -0.1 |
| - of which, private saving | 18.9 | 23.1 | 23.9(c) | 23.4 | 23.4 | -0.4 |
| National investment rate | 26.6 | 19.8 | 18.2 | 18.1 | 18.2 | 0.8 |
| - of which, private investment | 23.1 | 18.0 | 16.9(c) | 16.8 | 16.9 | 0.6 |
| **Current account balance with RoW** | **-4.4** | **-1.2** | **0.8** | **1.4** | **1.8** | **-0.8** |
| Nation's net lending (+) / net borrowing (-) | -3.4 | -0.6 | 1.5 | 2.0 | 2.4 | -0.8 |
| - Private sector | -2.6 | 10.0 | 8.8(c) | 8.0 | 7.9 | -0.8 |
| **- Public sector (general governm. deficit)** | **-0.9** | **-10.6** | **-7.3(c)** | **-6.0** | **-5.5** | **0.0** |
| **- General gov. deficit exc. financial instit. bailou** | **--** | **-6.8** | **-6.8(c)** | **-6.0** | **-5.5** | **0.0** |
| Gross public debt | 53.5 | 85.9 | 94.0 | 99.7 | 104.3 | -1.5 |
| 4. Other variables | | | | | | |
| Household saving rate (% of GDI) | 12.0 | 10.4 | 10.3(c) | 10.3 | 10.3 | -0.4 |
| Household gross debt (% of GDI) | 82.5 | 122.6 | 117.6(c) | 112.2 | 107.4 | -0.1 |
| Non-financial coporates gross debt (% of GDP) | 82.1 | 133.5 | 125.3(c) | 118.4 | 110.9 | 0.0 |
| Spanish external gross debt (% of GDP) | 92.5 | 167.7 | 165.2(c) | 159.5 | 153.9 | 3.0 |
| 12-month EURIBOR (annual %) | 3.7 | 1.1 | 0.5 | 0.6 | 1.0 | 0.0 |
| 10-year government bond yield (annual %) | 5.0 | 5.9 | 4.6 | 3.2 | 3.3 | -0.9 |

*Notes:*
*(a) Change between present and previous forecasts, in percentage points.*
*(b) Contribution to GDP growth, in percentage points.*
*Sources: 1996-2013 except for (c): INE and Bank of Spain; Forecasts 2014-2015 and (c): FUNCAS.*

As regards employment, the more dynamic trend than expected in recent months of 2013 and the start of 2014 has led to an upward revision for this year, in which it will increase by 0.5%, a rate that will rise to 1.1% in 2015. As a result, the unemployment rate will drop by more than envisaged in previous forecasts.

The fact that jobs have started to be created at low GDP growth rates implies that the increase in apparent labour productivity will moderate significantly, and as a result the drop in unit labour costs will slow in 2014 and 2015.

The national savings rate will increase by a few tenths of a percent –as the growth in domestic demand will be less than GDP growth– which means the current account surplus should grow to 1.4% and 1.8% of GDP this year and next, and consequently, the national net lending position will also improve. The general government deficit will come to 6% of GDP in 2014 and 5.5% in 2015, and public debt will rise the following year to over 100% of GDP.

In short, the recovery has gained strength in the first few months of 2014, although growth will remain slow this year, becoming somewhat stronger in 2015. Domestic demand will grow again for the first time since the crisis began, helped in part by the effect of the electoral cycle on the rate of budgetary adjustment, and tourism will remain dynamic. The high level of public debt represents a serious cause for concern, however, because of its negative effect on the capacity for future growth, among other reasons.

# Spanish banks: Boosting solvency and performance ahead of the comprehensive assessment

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



**European supervision will commence this November with a comprehensive balance sheet assessment of the EU banking sector on the basis of December 2013 accounts. Most Spanish banks have already released their 2013 statements, allowing us to present in this article the results of a simulation exercise, which reveals improvements in the Spanish banking sector´s profitability and solvency ahead of the EU level review.**

*The IMF´s final progress report on Spain´s financial sector assistance program can be considered a bridge between the successful completion of Spain´s program and the beginning of European single supervision. The IMF essentially considers Spain´s financial sector assistance program to have been successful, while pointing out remaining challenges, such as the need to consolidate and monitor MoU progress, uncertainty´s surrounding the SSM assessment, and the unwinding of the government´s stakes in nationalized banks. Our analysis of a representative sample of Spanish banks shows that although the main challenge continues to be restoring lending to the private sector, the latest figures suggest that an inflection point may be reached in the following months and that by 2015, the growth in new loans may exceed repayment of outstanding credit. Moreover, the Spanish banks in our sample have increased their core capital ratios from around 9.35% in 2012 to 11.5% in 2013. The return-on-assets has also increased from -3.14% to 0.23% over the same period. In this context, we believe that the Spanish banking sector seems to be well-prepared for the comprehensive assessments and stress tests that will be conducted at the EU level this year. We add a word of caution, however, that there are two outstanding issues, which could affect Spain´s performance on the upcoming EU Comprehensive Assessment - the holdings of debt and some loan exposures. The ECB´s decision regarding the treatment of these issues, which remains to be finalized, could ultimately affect Spanish banking sector results.*





## The end of financial sector assistance and the beginning of privatizations

The IMF presented its final progress report on the financial sector assistance program to Spain on February 20th, 2014. As in previous assessments, the advances made were highlighted along with some remaining challenges. In our view, this report can somehow be considered as a bridge between two important stages for the Spanish

[1] Bangor Business School and FUNCAS.

[2] University of Granada and FUNCAS.

Exhibit 1

**IMF's view on the financial sector assistance program and the remaining challenges**

| POSITIVE OUTCOMES OF THE FINANCIAL ASSISTANCE PROGRAM | REMAINING CHALLENGES |
|---|---|
| Identification of undercapitalized banks (asset quality review + stress tests) | Enhanced monitoring and supervision ahead of the SSM |
| Recapitalizations and bail-ins | Boosting core capital to facilitate lending |
| Boosting asset quality and liquidity and creating SAREB | Avoiding impediments to asset disposal |
| Restructuring and resolution for state-aided banks | Deferred tax assets (DTAs) |
| Reforming Spain's frameworks for bank resolution, regulation, and supervision | SAREB: Effective liquidation strategies |
| Strengthening the system's capital, liquidity, and loan-loss provisioning | Savings bank reform: Governance |
| Improvement of financial market conditions | Europe's contribution to recovery |

*Source: Authors' own elaboration.*

banking sector: i) the end of the EU-monitored reform program for banks; and, ii) the upcoming challenges for the sector, starting with the comprehensive assessment and stress tests that will be published by the European Central Bank (ECB) and the European Banking Authority (EBA) in November 2014. The IMF assessment and recommendations are summarized in Exhibit 1.

Overall, the IMF considers the financial sector assistance program a success story. It underlines that "the Spanish authorities' implementation of the program has been steadfast." Below, we describe the main elements of the report and its potential impact on the current status and future developments in the Spanish banking sector.

All the measures included in the Memorandum of Understanding (MoU) have been completed and, as shown in Exhibit 1, this includes key actions, starting with the identification of undercapitalized banks "via a comprehensive asset quality review and independent stress test." This first action is quite relevant as its usefulness is twofold. First, it represents transparency and disclosure from banks which have faced several corrective actions by regulators and supervisors. Second, it has set a very important precedent ahead of the ECB-EBA assessments in November 2014.

A logical consequence of the identification process has entailed requiring banks to address their capital shortfalls. At this point, this has not only included capital injections but also the bail-in of junior debt. The latter is quite relevant and timely in an environment of banking union consideration of the structure of creditor rights and bail-in measures.

The report also mentions the role of SAREB. On the positive side, the IMF notes that SAREB has contributed to reduce "uncertainty regarding the strength of banks' balance sheets and boosting liquidity by segregating state-aided banks' most illiquid and difficult-to-value assets", but also highlights remaining concerns and challenges, which we will address later on.

The IMF acknowledges that Spain is already adopting plans to restructure or resolve state-aided banks within a few years and, as we will show in this section, the partial privatization of Bankia is a relevant example.

On the supervision and regulatory side, the report highlights that Spain has made substantial progress in reforming the frameworks for bank resolution, regulation, and supervision "to facilitate a more orderly clean-up and better promote financial stability and protect the taxpayer." Such frameworks have strengthened the resolution power of the Bank of Spain and will also help Spain to more easily adapt to the single resolution framework within the European banking union project.

*The reform and resolution process of the Spanish banking sector has not been voluntary and this has made it unique in Europe. However, the trade-off has been the speed of actions, since the main authority for crisis management –the FROB– was created in 2009, but no significant recapitalizations were made until 2012.*

Another advance made according to the IMF refers to the improvement in the system's capital, liquidity, and loan-loss provisioning. As we have mentioned in previous editions of *Spanish Economic and Financial Outlook,* the reform and resolution process of the Spanish banking sector has not been voluntary and this has made it unique in Europe. However, the trade-off has been the speed of actions, since the main authority for crisis management –the Fund for the Orderly Restructuring of Spanish banks (FROB)– was created in 2009, but no significant recapitalizations were made until 2012. In any event, the final report of the IMF considers that the capital injections and loan-loss provisioning tools have permitted avoidance of the "deepening cycle of losses on deposits, accelerating deposit outflows, and more bank failures."

Along with these substantial improvements, the report observes that "financial market conditions have improved dramatically during the program, with risk premia on external borrowing by Spain's banks and sovereign down more than 75 percent and equity prices up more than 50 percent during the program period." At this point, it is worth mentioning that the IMF considers such improvement in sovereign market conditions a combination of "crisis-fighting measures adopted in Europe during the last 18 months (e.g., OMT)" and "Spain's financial-sector program."

*Considering factors such as the comprehensive assessment of the ECB, Basel III requirements, and market appetite for bank solvency as a condition to access debt markets, banks have no other option but to reinforce their solvency today if they want to be able to restore lending as macroeconomic conditions improve.*

As for the challenges, the report considers them to be a mix of the necessary long-term consolidation and monitoring of the progress of improvements made under the financial sector assistance program, and the "uncertainties arising from unknowns regarding the methodology of the Single Supervisory Mechanism's (SSM´s) upcoming comprehensive assessment, as well as the unwinding of the state's ownership interests in intervened banks over the next few years." Accordingly, the first recommendation for further action is to enhance "monitoring and supervision (...) including continued efforts to ensure adequate provisioning and to prepare banks for the SSM's forthcoming comprehensive assessment." It is worth noting that large Spanish banks have significantly reinforced their solvency in the last two years.

An important but controversial issue is considered within the recommendation of "boosting core capital to facilitate lending." At first glance, both actions may seem incompatible, as capital requirements make lending more difficult but the view here should be interpreted as a long-term one. Considering factors such as the comprehensive assessment of the ECB, Basel III requirements, and market appetite for bank solvency as a condition to access debt markets, banks have no other option but to reinforce their solvency today if they want to be able to restore lending as macroeconomic conditions improve.

The report also mentions the need to avoid impediments to asset disposal stating "another benefit of efforts to ensure adequate provisioning is that it should foster asset disposal over time (helping to free space on banks' balance sheets for new lending) and corporate debt restructuring (thereby reducing debt overhang), including increased conversion of corporate debt into equity. Tax reforms could further reduce impediments to asset disposal."

Along the same lines of reinforcing solvency, the IMF makes an explicit claim regarding deferred tax assets (DTAs). Spanish regulation has recently permitted banks to convert DTA into capital and this has made it easier for some of them to achieve the capital requirements on a fully-loaded Basel III basis. In this regard, the IMF considers that the fiscal effects of the "mechanism should also be closely monitored to ensure that they are minimal as expected." Although this assessment is a bit too general as to make a clear interpretation, it seems to suggest that Spanish banks will have to give more weight to sources of capital other than DTAs in reinforcing their solvency.

As for the flip side of the progress made with SAREB, noted previously, the IMF warns that "property price declines and the deterioration of loans' credit quality remain key challenges for SAREB's cash flow and profitability. Implementation of effective liquidation strategies will be critical going forward." This suggestion may be related to the assessments in the previous report on the need to improve SAREB management. On this point, it is worth mentioning that a significant overhaul of SAREB management has been recently undertaken and that several actions have also been conducted to make the strategies of the asset management company more flexible and anticipative.

A final challenge mentioned in the report refers to the savings banks' reform. However, the comments here are too general and much less focused than in other recommended actions as the IMF simply mentions that "a major reform to enhance savings banks' governance and reduce their risks to financial stability was passed in late 2013. Strong implementation is now key."

Another issue the IMF considers key, with which we agree, is that one of the main challenges partially beyond the outreach of the domestic authorities is "Europe's contribution to recovery." At this point, the report points out there should be "more monetary easing" from the ECB, "swift progress toward more complete banking union" and being "flexible to changing circumstances and maximize the return on the taxpayer's investment in state-aided banks."

*The FROB received 1.30 billion euros from the sale of a 7.5% stake in Bankia on February 28th, 2014. This represented a relatively small but still significant recovery of the 22.42 billion euros capital injection into the bank from public funds.*

Following the IMF report, another one of the most important events regarding the banking sector (and the abovementioned remaining challenges) was the partial privatization of Bankia. In particular, the FROB received 1.30 billion euros from the sale of a 7.5% stake in Bankia on February 28th, 2014. This represented a relatively small but still significant recovery of the 22.42 billion euros capital injection into the bank from public funds.

As for the specific details, the FROB sold 863.799 million shares of Bankia at a price of 1.51 euros per share, a 4.4% discount to the closing price on the day before the sale. Bankia said in a statement that "such a discount is normal in transactions of this kind and smaller than the discounts seen in similar recent transactions."

The shares were sold to institutional investors through a so-called accelerated book building process (which essentially is a process of generating, capturing, and recording the interest of investors for the shares). Demand for the placement amounted to over 2.5 billion euros. The bookrunners were UBS, Morgan Stanley and Deutsche Bank.

The FROB had a stake of 68.4% in Bankia-BFA before the sale and it owns 60.9% after the deal. Apparently, the plans are to gradually sell off further stakes to reduce the public participation in the bank to 50.01% this year. However, it has been announced that no other sale will be made before 90 days since the first one.

Considering the positive evolution of Bankia shares over the last few months (with an accumulated increase of around 28% in the first two months of the year) the transaction gains are estimated at 300 million euros.

## Spanish banks in 2014: More than profits

During the first quarter of 2014, most of the Spanish banks presented their accounting statements as of December 2013. The statements are important not only to address the impact of the financial sector assistance program but also because December 2013 is the reference point for the balance sheets and income statements that will be considered in the comprehensive assessments and stress test of the ECB and the EBA and that will be published in November 2014.

*Balance sheets have shrunk in 2013 by around 10.5% after growing in 2012, a natural consequence of the deleveraging process and more evident following the asset disposals made by some of these institutions after the implementation of the MoU.*

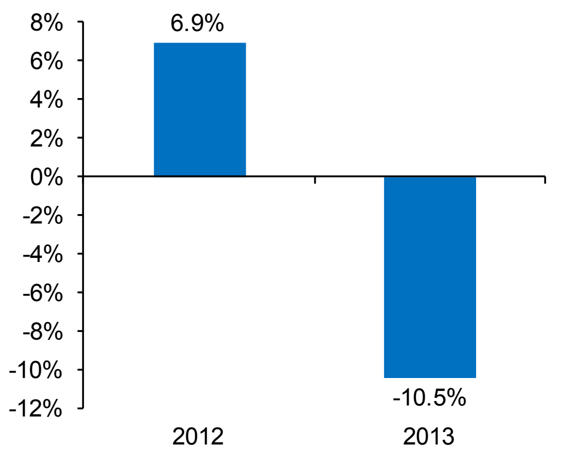
We have selected 15 banking groups for our provisional examination of the Spanish banking sector as of December 2013. The institutions included are Santander, BBVA, Caixabank, Bankia-BFA, Sabadell, Popular, Bankinter, NCG Banco, Catalunya Banc, Kutxabank, BMN, BMN, Banco Ceiss, Liberbank, Unicaja and Ibercaja. This exercise was based on consolidated balance sheets and income statements from December 2013. For those banks whose statements for December 2013 were not available, we used data from September 2013 as a reference. Moreover, we note that the figures may be subject to changes when the official data is released by the Banks themselves and the Bank of Spain. In the same vein, we have mainly focused on trends and variation from 2012 to 2013 rather than on absolute values.

The first element analyzed is asset growth. As shown in Exhibit 2, balance sheets have shrunk in 2013 by around 10.5% after growing in 2012. The shrinkage is the natural consequence of the deleveraging process of many of the institutions analyzed and was more evident following the asset disposals made by some of these institutions after the implementation of the MoU. This effect was less evident in 2012, due to corporate movements including mergers and acquisitions. In any event, the financial sector assistance program is not the only reason that explains the fall in the size of the whole sector. Overall, this change can be interpreted as a necessary adaptation of industry capacity to the reality of the demand for financial services following the crisis.

As suggested by the IMF report discussed above, asset disposal will continue to be a key strategic driver for some banks and, in particular, for some of those that were nationalized, as it is one of the main ways these banks can improve their solvency and performance and, in the case of privatizations, reduce the impact on taxpayers.

Exhibit 2

**Asset growth in the Spanish banking sector**



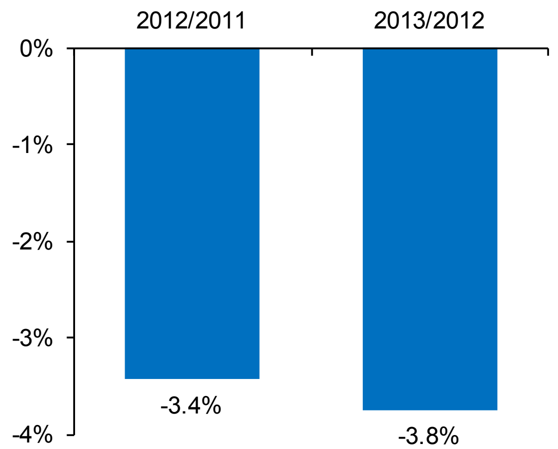

*Source: Own estimations from a representative sample of Spanish banks.*

Balance sheets have also contracted given the fall in one of the main assets which are customer loans. In our sample, loans fell by 3.4% in 2012 and by 3.8% in 2013, as shown in Exhibit 3. This is, in part, due to the number of loans that have been transfered to SAREB or to institutional investors as the process of cleaning-up of balance sheets has continued over the last two years.

However, as depicted in Exhibit 4, the decrease in lending to financial institutions (in this case taking

Exhibit 3

**Growth in customer loans at Spanish banks**




*Source: Own estimations from a representative sample of Spanish banks.*

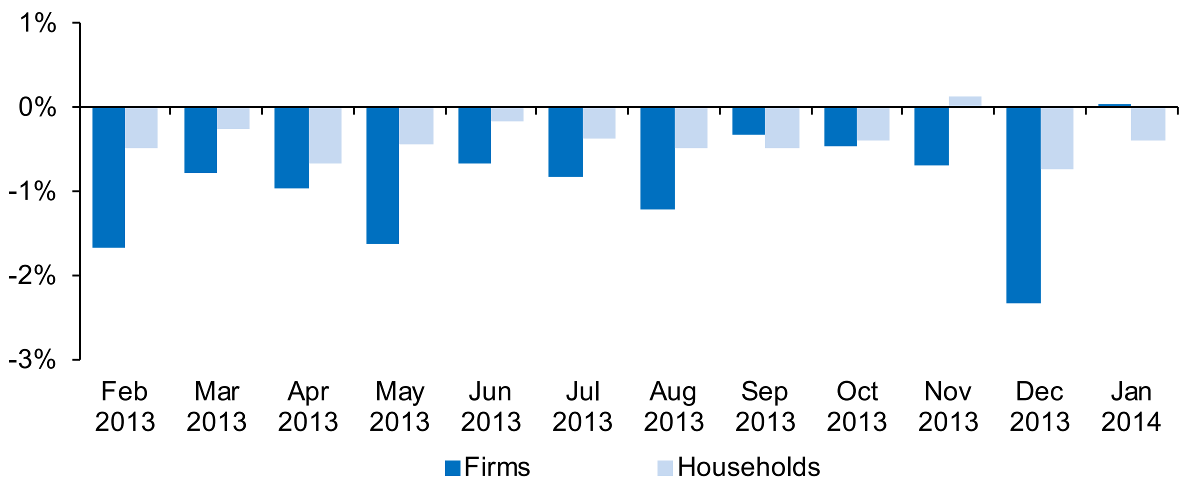
the latest data provided by the Bank of Spain) suggest that an inflection point could be reached in the following months. Month-on-month, loans to firms have even increased in January 2014 with respect to December 2013, even if the change was as small as 0.03%. However, the repayment of the outstanding loans is accelarating as the private sector continues to delevarage and our estimation is that the growth in new loans to the private sector may exceed repayments by the first half of 2015.

Coming back to our sample, we also observe that customer deposits increased by 2.3% in 2012 and 4.5% by 2013 (see Exhibit 5). Even if there are distributional effects and this trend may be more significant for some market participants than others, it shows overall that banks have been pursuing strategies to reinforce their customer base and liquidity. Combined with the improved sovereign and funding market conditions and the cleaning-up of balance sheets, this trend may also help Spanish banks to increase the flow of credit.

On a related note, one distinctive strategic feature of the Spanish banks in the European environment is their level of efficiency. In the previous edition

Exhibit 4

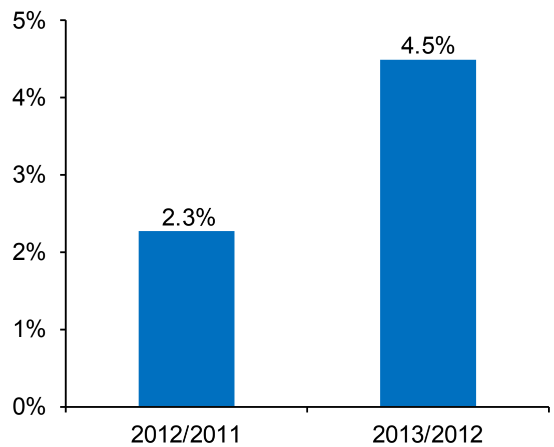
**Month-on-month variation in lending to households and firms**




*Source: Bank of Spain and own elaboration.*

Exhibit 5

**Growth in customer deposits at Spanish banks**

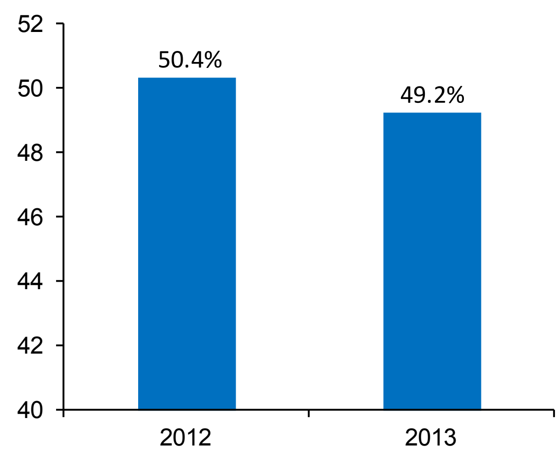



*Source: Own estimations from a representative sample of Spanish banks.*

of *Spanish Economic and Financial Outlook,* we compared the performance and solvency of Spanish banks with their European peers, taking June 2013 as a reference. In that comparison, Spanish banks emerged at the top of the efficiency ranking in the EU. This improvement in operating efficiency seems to be continuing, as the cost-income ratio for our sample declined from 50.4% in 2012 to 49.2% in 2013 (see Exhibit 6).

Exhibit 6

**Cost-to-income ratio at Spanish banks**



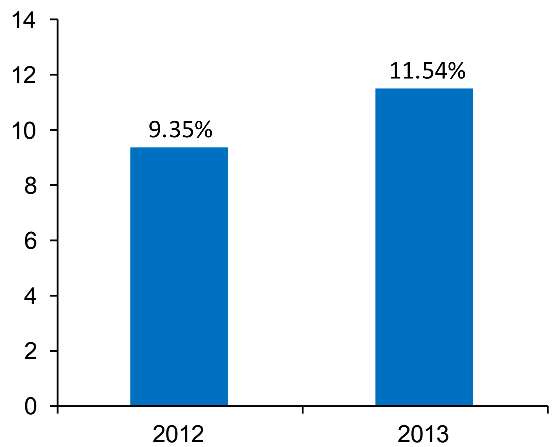

*Source: Own estimations from a representative sample of Spanish banks.*

One of the main reasons that motivated the EU financial assistance program for Spanish banks was solvency and the need to recapitalize part of the sector. Additionally, international markets seem to require banks to make an extra effort where solvency is concerned, in line with forthcoming Basel III requirements. Besides, as stated previously, the December 2013 figures are a key reference as they will be the ones used in the ECB's comprehensive assessment in November 2014. As noted in the IMF´s final progress report on the Spanish banking sector, "Another top priority is for supervisors to continue encouraging banks to build core capital in absolute levels—including by taking advantage of buoyant equity markets to boost share issuance, extending the dividend limit to 2014, and supporting profits through further efficiency gains. This will help avoid excessive reliance on credit contraction to support capital ratios, which would worsen already-tight credit conditions."

As we show in Exhibit 7 for our group of representative banks, the core Tier 1 ratio has increase significantly over the last year going from 9.35% to 11.54%. This improvement is due to various factors including the reduction of assets (as shown above), the incorporation of DTAs and the effort of banks to allocate more resources to increase own funds.

Exhibit 7

**Core capital ratio at Spanish banks**




*Source: Own estimations from a representative sample of Spanish banks.*

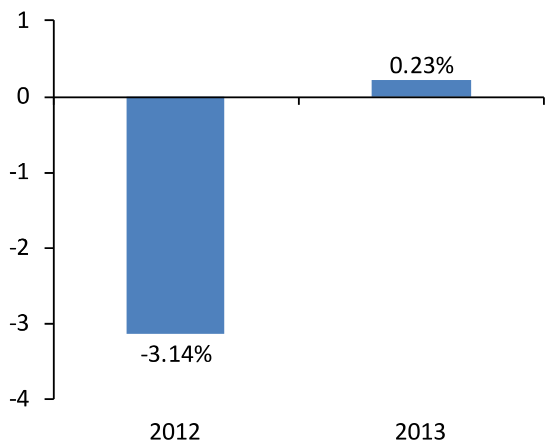
*The improvement in profitability has also helped Spanish banks to boost their solvency, in particular following recommendations from the Bank of Spain where dividend policy is concerned.*

Finally, another source of good news for Spanish banks in 2013 is that they are once again profitable. Taking relative figures for our sample estimation, the return-on-assets (RoA) has increased from -3.14% in 2012 to 0.23% in 2013 (see Exhibit 8). This improvement in profitability has also helped Spanish banks to boost their solvency, in particular following recommendations from the Bank of Spain where dividend policy is concerned. Importantly, the Bank of Spain has extended such recommendations to 2014. In a statement released on February 21st, 2014 "on credit institutions' dividend policy in 2014" the Bank of Spain underlines that "January 2014 saw the entry into force of the new European solvency regulations (known as CRR/CRD IV), which lay down more demanding rules for the oversight of banks' solvency. In turn, the European Central Bank (ECB) is, during 2014, to undertake a comprehensive assessment of the credit institutions of the Member States participating in the Single Supervisory Mechanism. Within this framework, the Banco de España deems it is advisable for banks to persevere with rigorous policies geared to capital conservation and the strengthening of solvency levels."

Specifically, the Bank of Spain recommends that the cash dividends paid out of 2014 earnings should not exceed 25% of attributed consolidated profit. This ceiling may, in exceptional cases, "be breached as long as the institution can substantiate a particularly favorable outlook for its margins and a level of its CET1 capital ratio higher, as of January 1st, 2014, than 11.5%, i.e. 3.5 percentage points above the CET1 level set as a benchmark for the comprehensive assessment of the European banking system to be undertaken by the ECB in 2014." As regards dividends paid in shares, the recommendation is that banks "should make an additional effort to moderate this type of remuneration so that total dividends move towards levels that are sustainable in the medium term."

Exhibit 8

**Return on assets (RoA) at Spanish banks**




*Source: Own estimations from a representative sample of Spanish banks.*

Summing up, even if the return to profits seems to be the noticeable headline, the most important development for the Spanish banking sector in 2013 is that a transformation is becoming evident. In particular, the industry has faced a significant number of regulatory and business challenges and seems to be well prepared for the comprehensive assessments and stress tests that will be conducted at the EU level this year. This situation is a combination of quantitative and qualitative issues. On the one hand, the effort made in terms of restructuring and recapitalization over the last years. On the other hand the transparency and disclosure exercises that have been conducted and that, in a way, mimic some of the requirements that Spanish banks may face in the comprehensive assessment of November 2014.

# Public debt sustainability: Spain in the European context

**Joaquín Maudos**[1]



**As is the case of other distressed euro area countries, the impact of the crisis has deteriorated Spain´s public debt ratio, as well as its net international investment position. Current debt dynamics are raising concerns among investors over the country´s debt sustainability outlook, given growth and interest rate assumptions for the coming years, together with expected difficulty in reaching the necessary primary surplus. Market tensions have eased in the near term, but continued correction of fiscal and external imbalances will be needed.**

*Erosion of Spain´s fiscal accounts as a consequence of the crisis has increased the public debt to GDP level to a maximum of 93.9% in 2013 from a low of 36.3% in 2007, the seventh highest among the EU. The country´s debt sustainability outlook is worrisome, given expectations of lackluster medium-term growth rates, likely below interest rates on the debt, and projected difficulties in achieving the required primary surplus in order to stabilize or reduce the debt to GDP ratio. The crisis has had a similar impact on public debt levels in other peripheral euro area countries, which like Spain, were penalized by high risk premiums on sovereign debt relative to their non-distressed European peers. Spain´s net international investment position has also deteriorated during the crisis, making it the fourth most heavily indebted country in the EU and also placing upward pressure on borrowing rates. Recent corrections of the country´s current account balance and reduced sovereign risk spreads are helping to improve the net international investment position and reduce the public debt burden, respectively. In the longer term, however, continued fiscal consolidation is needed to ensure both debt sustainability and a return to growth.*



One of the most troublesome consequences of the enduring crisis affecting the Spanish economy has been the rapid growth of public sector debt. The scale of the crisis was such that plummeting revenues and the escalating costs of automatic stabilisers and interest payments soon had an impact on the public deficit. Consequently, Spain went from a government surplus of 1.9% of GDP in 2007 to a deficit of 4.5% of GDP just one year later. The deficit then hovered around 10%-11% of GDP in subsequent years. The forecast for the end of 2013 was a deficit of over 7% of GDP – the sixth successive year of serious imbalances in the public accounts. The government´s issuance of debt to finance these deficits increased the public debt-to-GDP ratio from a low of 36.3% in 2007 to 93.9%



[1] Professor of Economics at the University of Valencia and Researcher at the Ivie. This article is related to the research projects ECO2010-17333 of Spanish Ministry of Science and Innovation and PROMETEO/2009/066 of the Valencian Government.

in 2013, which means that it has multiplied by 2.6 in just six years.

The state of Spain's public sector debt needs to be viewed within the broader context of substantial increases in public debt in advanced economies in recent years, in contrast to the shrinking debt in emerging countries. A recent IMF report by the renowned authors Carmen M. Reinhart and Kenneth S. Rogoff (Reinhart and Rogoff, 2013) finds that the government debt to GDP ratio among the advanced economies is currently over 100%, a level only reached after the end of the Second World War and the highest for two centuries. Indeed, the latest data from the IMF in its October 2013 "Fiscal Monitor" place the public debt to GDP ratio in the advanced economies at 108%, a figure three times that of other economies (35.3%). The IMF forecasts that this huge difference and the high debt level of the advanced economies will persist over the years ahead, reaching an estimated 105% in 2018, compared with 30.3% in the developing economies. There has also been a huge rise in the advanced economies' external debt (both public and private), which has soared to 250% of GDP.

*The state of Spain's public sector debt needs to be viewed within the broader context of substantial increases in public debt in advanced economies in recent years, in contrast to the shrinking debt in emerging countries.*

This situation is worrisome, and the sustainability of current debt levels is being called into question. This has led to proposals on alternatives ways of solving the problem of excessive debt, such as stimulating economic growth, fiscal adjustment/austerity, default/debt restructuring, generating inflation in order to erode the real value of the debt, or financial repression in conjunction with inflation, where repression is understood to mean measures transferring wealth from savers to creditors (nationalising pension funds, new taxes, imposing capital controls, etc.).

Against this background, this article aims to analyse recent trends in the Spanish economy's public debt in the European context. It also looks at the factors determining the debt's sustainability, which primarily depends on the economy's ability to achieve nominal GDP growth higher than the interest on the public debt and to generate primary surpluses. Given that the problem is not exclusive to Spain, but is shared by other distressed economies in Europe's periphery, it is worth analysing the public debt dynamics in these countries compared to the rest of Europe.

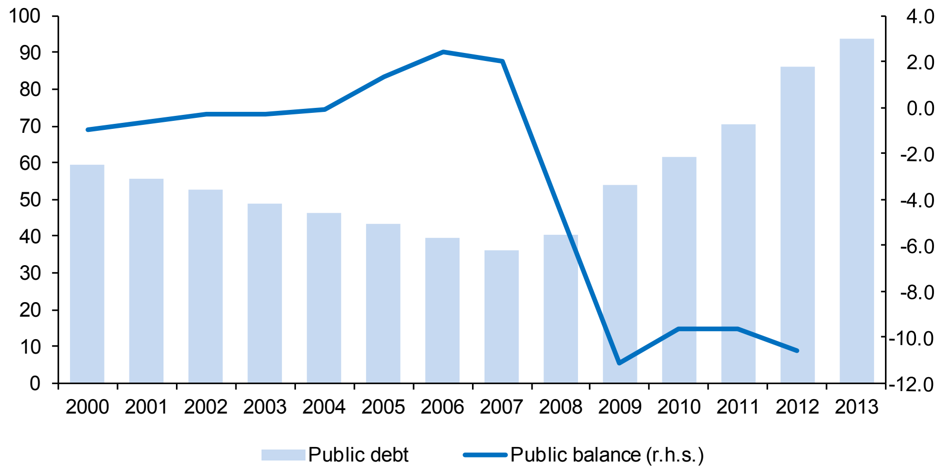
Finally, in some countries the concern about the public debt overhang is exacerbated by their high net external debt, which has to date been a good predictor of a country's likelihood of needing a bail out. This article therefore also examines recent trends in Spain's international investment position relative to the euro area, contrasting the position of the distressed countries with that of their more stable peers.

## The trend in Spain's public-debt-to-GDP ratio

As Exhibit 1 shows, the Spanish economy's growth phase prior to the outbreak of the crisis in mid-2007 allowed the public debt-to-GDP ratio to be cut by 23 percentage points (pp.), reaching a low of 36.3% in 2007. Since then, the ratio has been multiplied by a factor of 2.6, reaching a maximum of 93.9% in 2013. This implies that on average, the debt-to-GDP ratio has risen by 17% a year since 2007, increasing by almost 16 pp in just one year (2012). This debt growth is being driven by the upward trend in the public deficit also shown in the Exhibit. The deficit has gone from a relatively balanced position between 2000 and 2004 –and even a surplus between 2005 and 2007– to the complete opposite, switching from a surplus of 2%

Exhibit 1

**Public debt and public balance in Spain**
**Percentage of GDP**




*Source: Eurostat.*

of GDP to a deficit of 4.5% of GDP in 2008 and then staying around 10% of GDP until 2012. In 2013, the forecast was for a deficit of 7% of GDP, half a point above the target set by Brussels.

## The government debt sustainability equation in Spain

According to the debt sustainability equation, changes in the debt-to-GDP ratio depend on various factors: the GDP growth rate, the interest rate on the debt, the initial debt level, and the size of the primary deficit/surplus (i.e., excluding the interest on the debt). Thus, not only is a primary surplus needed in order for the ratio to drop, but GDP has to grow faster than the implicit interest rate on the public debt.

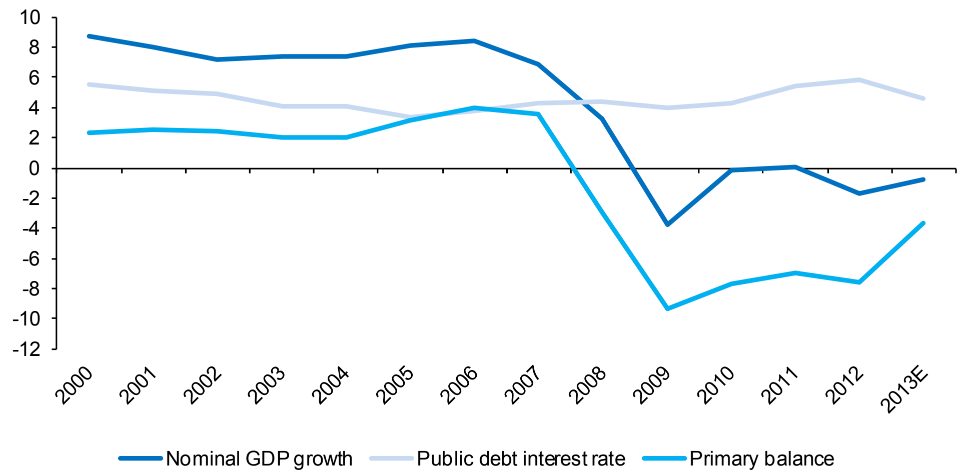
If we look at events over the past few years, during the growth period ending in 2007, as Exhibit 2 shows, the interest rate on the debt stayed below nominal GDP growth. In conjunction with the primary surplus, this allowed the public debt to shrink relative to GDP. In particular, over the period from 2000-2007, annual nominal GDP growth averaged 7.75%, the implicit interest rate on the debt was 4.4%, and the primary surplus 2.7% of GDP. Over the same period, the debt-to-GDP ratio fell by 23 percentage points. However, during the 2008-2013 crisis, average nominal GDP growth was -0.5%, the interest rate on the debt 4.7%, and the primary deficit 6.4% of GDP. Consequently, the debt increased by 54 pp. as a share of GDP.

*From 2000-2007, annual nominal GDP growth averaged 7.75%, the implicit interest rate on the debt was 4.4%, and the primary surplus 2.7% of GDP. The debt-to-GDP ratio fell by 23 percentage points. However, during the 2008-2013 crisis, average nominal GDP growth was -0.5%, the interest rate on the debt 4.7%, and the primary deficit 6.4% of GDP. Consequently, the debt increased by 54 pp. as a share of GDP.*

Exhibit 2

**Nominal GDP growth, public debt interest rate (10 year bond yield) and ratio of primary balance to GDP. Spain**

**Percentages**




*Sources: IMF, Eurostat, Bank of Spain and INE.*







The latest macroeconomic forecasts do not project nominal GDP growth exceeding the interest rate on the debt. For instance, the European Commission's February 2014 forecasts situate real GDP growth at 1% and 1.7% in 2014 and 2015, respectively. With a forecast inflation rate of less than 1% (using the GDP deflator), this would translate to nominal growth of less than 2% and 2.7%. In terms of the cost of the debt, the implicit interest rate could be around 4%, such that only with a primary surplus of at least 1.3% of GDP would it be possible to stabilise the debt. On this point, the IMF's latest projections in its October 2013 "Fiscal Monitor" describe a scenario in which Spain will continue to run a primary deficit until 2016 (-0.6% of GDP), and only in 2017 (+0.4%) and 2018 (+1.4) will it achieve a primary surplus. Consequently, as the IMF forecasts, public debt will only halt its growth relative to GDP in 2018. This makes it essential to comply scrupulously with the deficit targets, and the incipient recovery needs to gain further traction in the coming years if the continued investor confidence necessary to allow the debt to be financed at reasonable rates is to be ensured. As the latest European Commission report on macroeconomic imbalances in European countries (March 5th, 2014) points out, reducing Spain's public debt over the medium term demands a permanent fiscal effort.

## Public debt: Spain in the European context

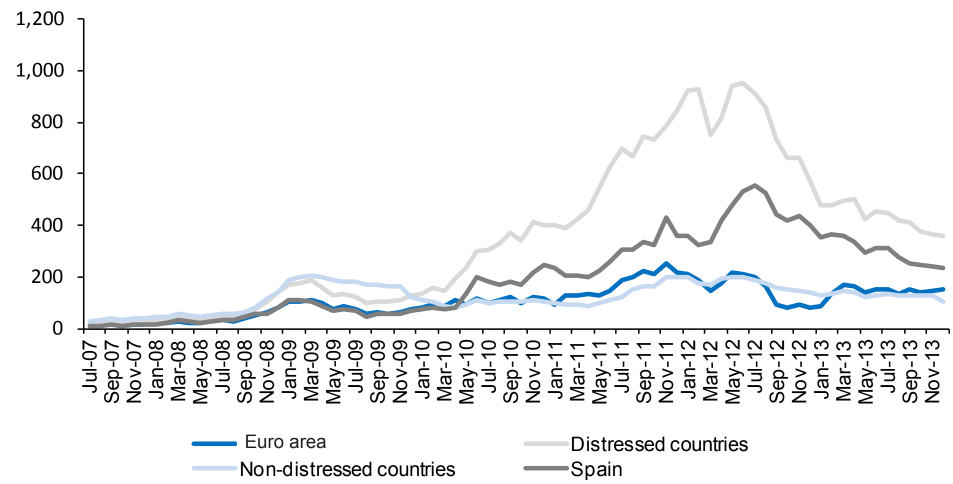
As mentioned in the introduction, the Spanish economy is not alone among Europe's economies in having a debt overhang problem, a fact that has as its origin the outbreak of the euro area sovereign-debt crisis in mid-2010.

As Exhibit 3 shows, since Greece's first bail-out, a gulf has opened up between the cost of financing for the more heavily indebted countries and other euro area economies. In the case of public borrowing, the risk premium on sovereign debt reached unsustainable levels, with rates, on a monthly average basis, of 2,700 basis points in Greece, 970 in Ireland, 1,200 in Portugal, 555 in Spain, and 520 in Italy. As the Exhibit shows, the situation in the distressed countries was very different from that among their peers, with an

Exhibit 3

**Sovereign risk premium in the euro area countries. Spreads w.r.t. Germany (10 year bond yield)**

**Basis points**




*Source: Eurostat.*

average figure of almost 1,000 bp in the former, compared with just 200 bp in the latter. Since the ECB's action in the summer of 2012, when it announced its OMT programme, risk premiums have dropped considerably. Thus, at the end of 2013, the risk premium was 203 bp in Spain, 211 bp in Italy, 163 bp in Ireland, 345 bp in Portugal and 642 bp in Greece. This group was joined by Slovenia, with a risk premium of 297 bp.

The origin of the crisis, as has been repeated so often, is the accumulation of an excessive debt burden. In some cases, this debt overhang has been in the public sector and in others in the private sector. The common denominator, however, tends to be excessive net external debt (international investment position), as this is basically what worries investors when they begin to question an excessively indebted country's ability to repay its debts.

Table 1 shows how the debt-to-GDP ratio has changed in the case of public debt among the countries of the euro area over several sub-periods: 2000 to the end of the expansion; from the start of the crisis in 2007 to 2013 (third quarter); and from 2013 to 2018, according to the IMF's latest projections (October 2013). An analysis of the information allows the following messages to be highlighted:

- Whereas during the pre-crisis growth period the debt-to-GDP ratio fell by 2.9 pp in the euro area, during the crisis, it rose by 26.3 pp. in the period up to 2013. Nevertheless, the trend has differed widely between countries. Thus, in Greece the increase was 64 pp, in Ireland it rose by 100 pp, in Portugal 66 pp, in Spain 57 pp, and in Italy 30 pp. By contrast, in Germany it rose by 13 pp and in Finland by 19.6 pp, for example. Spain is in fourth place in the EU in terms of growth in public debt since the start of the crisis. Outside the euro area, the 45 pp increase in the debt-to-GDP in the United Kingdom also stands out.

- The IMF's projections up to 2018 suggest that high public debt levels in some countries are set to persist, with Spain being the second country,

Table 1

**Trend in the public-debt-to-GDP ratio in the European Union countries**

**Percentage**

| | 2000 | 2007 | 2013Q3 | 2018 | Variation 2000-2007 (pp) | Variation 2007-2013 (pp) | Variation 2013-2018 (pp) |
|---|---|---|---|---|---|---|---|
| Euro area | 69.3 | 66.4 | 92.7 | 89.9 | -2.9 | 26.3 | -2.8 |
| Belgium | 107.8 | 84.0 | 103.7 | 92.1 | -23.8 | 19.7 | -11.6 |
| Bulgaria | 72.5 | 17.2 | 17.3 | | -55.3 | 0.1 | |
| Czech Republic | 17.8 | 27.9 | 46.0 | 50.4 | 10.1 | 18.1 | 4.4 |
| Denmark | 52.4 | 27.1 | 46.3 | 48.0 | -25.3 | 19.2 | 1.7 |
| Germany | 60.2 | 65.2 | 78.4 | 67.7 | 5.0 | 13.2 | -10.7 |
| Estonia | 5.1 | 3.7 | 10.0 | 8.1 | -1.4 | 6.3 | -1.9 |
| Ireland | 37.0 | 24.9 | 124.8 | 109.8 | -12.1 | 99.9 | -15.0 |
| Greece | 103.4 | 107.3 | 171.8 | 142.6 | 3.9 | 64.5 | -29.2 |
| Spain | 59.4 | 36.3 | 93.4 | 105.1 | -23.1 | 57.1 | 11.7 |
| France | 57.5 | 64.2 | 92.7 | 88.8 | 6.7 | 28.5 | -3.9 |
| Italy | 108.6 | 103.3 | 132.9 | 123.0 | -5.3 | 29.6 | -9.9 |
| Cyprus | 59.6 | 58.8 | 109.6 | | -0.8 | 50.8 | |
| Latvia | 12.4 | 9.0 | 38.0 | 26.4 | -3.4 | 29.0 | -11.6 |
| Lithuania | 23.6 | 16.8 | 39.6 | 41.6 | -6.8 | 22.8 | 2.0 |
| Luxembourg | 6.2 | 6.7 | 27.7 | | 0.5 | 21.0 | |
| Hungary | 56.1 | 67.0 | 80.2 | 78.8 | 10.9 | 13.2 | -1.4 |
| Malta | 53.9 | 60.7 | 76.6 | | 6.8 | 15.9 | |
| Netherlands | 53.8 | 45.3 | 73.6 | 83.2 | -8.5 | 28.3 | 9.6 |
| Austria | 66.2 | 60.2 | 77.1 | 71.8 | -6.0 | 16.9 | -5.3 |
| Poland | 36.8 | 45.0 | 58.0 | 49.9 | 8.2 | 13.0 | -8.1 |
| Portugal | 50.7 | 68.4 | 128.7 | 116.0 | 17.7 | 60.3 | -12.7 |
| Romania | 22.5 | 12.8 | 38.9 | 36.2 | -9.7 | 26.1 | -2.7 |
| Slovenia | 26.3 | 23.1 | 62.6 | 77.8 | -3.2 | 39.5 | 15.2 |
| Slovakia | 50.3 | 29.6 | 57.2 | 59.1 | -20.7 | 27.6 | 1.9 |
| Finland | 43.8 | 35.2 | 54.8 | 58.9 | -8.6 | 19.6 | 4.1 |
| Sweden | 53.9 | 40.2 | 40.7 | 34.2 | -13.7 | 0.5 | -6.5 |
| United Kingdom | 40.5 | 43.7 | 89.1 | 96.7 | 3.2 | 45.4 | 7.6 |
| Norway | 28.5 | 50.7 | 31.1 | 34.1 | 22.2 | -19.6 | 3.0 |

*Sources: IMF and Eurostat.*

after Slovenia, in which the debt-to-GDP ratio is set to rise furthest (11.7 pp). In Germany, on the other hand, it is projected to drop by 10.7 pp.

- More recently, the situation in the third quarter of 2013 shows a wide range of variation between countries, with a maximum value for the debt-to-GDP ratio of 171.8% in Greece and a minimum of 10% in Estonia. Of the major European economies, Italy is the most indebted, with public debt equivalent to 132.9% of GDP. The other distressed countries also have high debt ratios: 124.8% in Ireland and 128.7% in Portugal. Spain's level of 93.4% is lower, but still above the euro area average of 92.7%. Germany (78.4%) is 14 pp below the euro area average and France is exactly in line with the average (92.7%).

Given the current public debt situation in Spain, and bearing in mind that the ultimate goal is to bring the debt-to-GDP ratio to below 60%, there is clearly a long way to go, all the more so bearing in mind that the ratio will continue to rise over the next few years. According to the IMF's October 2013 forecasts, the ratio will reach 99% in 2014, peak at 105.5% in 2017, then drop by just half a point in 2018. In this last year of the series (see Exhibit 4), the IMF's projection is for Spain to have the sixth highest debt-to-GDP ratio in the EU, behind only the group of "distressed countries" (Ireland, Cyprus, Portugal, Italy and Greece).

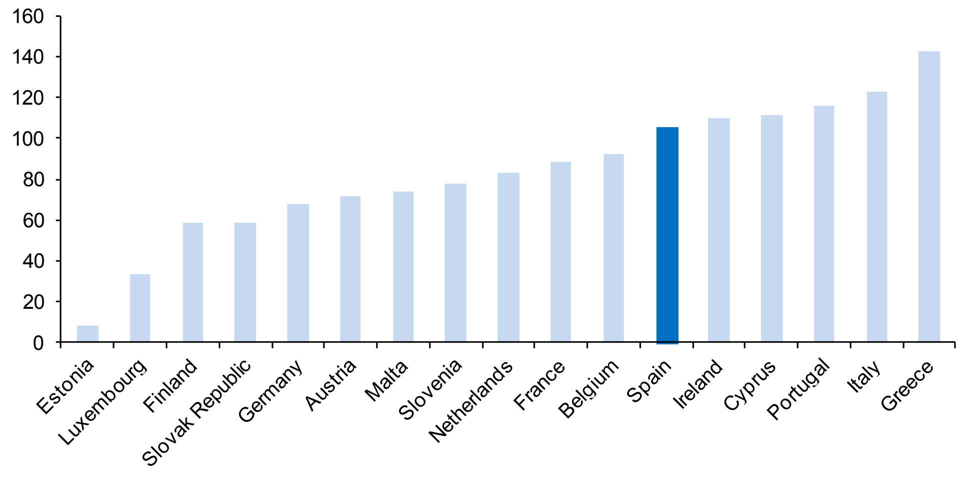
## Net external debt

The IMF paper by Reinhart and Rogoff referred to above also warns of the problems associated with the advanced economies' excessive external debt and their consequent vulnerability. According to the paper, whereas the external debt of the advanced economies has quadrupled to levels of over 250% since the start of the growth cycle in the mid-nineties, that of the developing countries has steadily decreased and is currently around 30%. In some of these countries, the increase in external debt was driven by rapid credit growth.

However, the situation of greatest vulnerability arises when an economy has a high level of external debt in net terms, i.e., discounting its assets abroad. The analysis below therefore takes

Exhibit 4

**IMF forecasts (October 2013) for the public-debt-to-GDP ratio in 2018 in the EU countries**
**Percentage**




*Source: IMF.*

the net external debt (public and private), or net international investment position, as its reference. Basically, a country's financial solvency depends not only on the public sector's indebtedness, but

*Basically, a country's financial solvency depends not only on the public sector's indebtedness, but on the country's net capacity to repay its external debt. It is the net position that determines the risk of lending to a country, which manifests itself in the differences in risk premiums between countries.*

on the country's net capacity (of both the public and private sectors) to repay its external debt. And it is the net position that determines the risk of lending to a country, which manifests itself in the differences in interest rates (risk premiums) between countries.

In the case of Europe, the intensity of the sovereign-debt crisis has made it necessary to

*The common denominator in all the bailed out countries and those hardest hit by the crisis is their economies' high level of net external debt, with a large international investment deficit as a percentage of GDP.*

bail out the most heavily indebted countries, including both those with excessive public sector debt and those whose banks needed to be rescued. The common denominator in all the bailed out countries and those hardest hit by the crisis (with sharp rises in their risk premiums) is their economies' high level of net external debt, with a large international investment deficit as a percentage of GDP. As Table 2 shows, during the growth period ending in 2007, net external debt rose by between 46 and 56 pp in Greece, Portugal and Spain (together with Latvia and Bulgaria), with Spain coming in third place in the euro area in terms of the deterioration of its international investment position after several years of heavy external borrowing needs, as reflected in its large current account deficits. By contrast, net external debt decreased over the same period, in countries such as Germany, France, Austria, Sweden and Finland.

During the crisis, net external debt in a number of peripheral countries has continued to grow, with an increase of 107.7 pp in Cyprus, 87.1 pp in Ireland, 29.2 pp in Portugal, 20.9 pp in Greece, and 19.9 pp in Spain. There was also a notable increase in France's net external debt, rising by 19.7 pp from 2007 to 2013. By contrast, in countries such as Germany, Denmark, the Netherlands, Austria, the United Kingdom, and Finland, the international investment position improved.

The most recent information referring to the third quarter of 2013 (with the exception of Italy, where the information refers to June 2013 and France and Malta, for which it refers to December 2012) shown in Exhibit 5 clearly reflects the way countries are divided into two groups, the distressed countries again being those with the largest external debt in net terms. The countries that have either been bailed out or had their banking sector rescued appear on the left of the chart. Spain, with a negative international investment position of 98% of GDP, is the fourth most heavily externally indebted country in the EU in net terms, surpassed only by the countries bailed out with European funds. By contrast, countries with a net lending position vis-à-vis the rest of the world are situated on the right-hand side of the chart. These include Luxembourg, the Netherlands, German, Denmark and Belgium. The euro area average international investment position is negative and represents 13% of GDP.

Table 2
**Net international investment position as percentage of GDP**

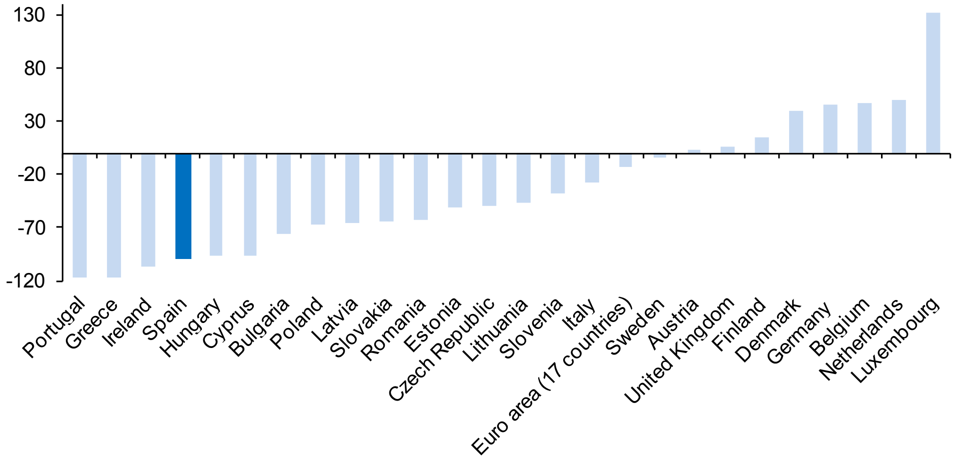
| | 2000 | 2007 | 2013Q3 | Variation 2000-2007 (pp) | Variation 2007-2013 (pp) |
|---|---|---|---|---|---|
| Euro area | -7.3 | -14.1 | -13.3 | -6.8 | 0.8 |
| Belgium | | 28.9 | 46.6 | | 17.6 |
| Bulgaria | -33.5 | -81.1 | -75.5 | -47.6 | 5.6 |
| Czech Republic | -8.6 | -40.4 | -49.1 | -31.8 | -8.7 |
| Denmark | -14.3 | -5.8 | 39.8 | 8.5 | 45.5 |
| Germany | 3.3 | 26.5 | 46.1 | 23.2 | 19.6 |
| Estonia | -48.2 | -72.0 | -50.6 | -23.9 | 21.5 |
| Ireland | -7.9 | -19.5 | -106.5 | -11.5 | -87.1 |
| Greece | -39.6 | -96.1 | -117.0 | -56.5 | -20.9 |
| Spain | -32.0 | -78.1 | -98.0 | -46.1 | -19.9 |
| France | -7.6 | -1.5 | -21.1 | 6.1 | -19.7 |
| Italy | -7.2 | -24.5 | -27.8 | -17.3 | -3.3 |
| Cyprus | | 11.7 | -96.0 | | -107.7 |
| Latvia | -29.3 | -75.1 | -65.6 | -45.8 | 9.5 |
| Lithuania | -34.7 | -55.8 | -46.7 | -21.1 | 9.1 |
| Luxembourg | | 95.5 | 132.5 | | 37.0 |
| Hungary | -71.2 | -104.1 | -96.1 | -32.8 | 8.0 |
| Malta | 5.4 | 17.7 | 24.8 | 12.3 | 7.0 |
| Netherlands | -15.2 | -6.0 | 50.6 | 9.2 | 56.6 |
| Austria | -24.5 | -18.2 | 2.3 | 6.3 | 20.5 |
| Poland | -32.0 | -52.8 | -67.2 | -20.8 | -14.4 |
| Portugal | -41.2 | -87.9 | -117.1 | -46.7 | -29.2 |
| Romania | -22.2 | -43.5 | -62.8 | -21.3 | -19.3 |
| Slovenia | -11.8 | -21.8 | -37.9 | -10.0 | -16.1 |
| Slovakia | -23.1 | -51.8 | -64.1 | -28.7 | -12.3 |
| Finland | -147.8 | -27.9 | 14.5 | 119.9 | 42.4 |
| Sweden | -33.4 | -1.4 | -4.5 | 31.9 | -3.1 |
| United Kingdom | -9.5 | -21.1 | 6.2 | -11.6 | 27.3 |

*Note: Data for Italy from June 2013 and data for Malta and France from December 2012.*
*Source: Eurostat.*

As Exhibit 6 shows, net external debt is a clear determinant of the level of the interest rates the country has to pay on its borrowings. Thus, based on the most recent data available, the correlation between the international investment position (as a percentage of GDP) and the interest rate

Exhibit 5

**Net international investment position as percentage of GDP**
**Third Quarter 2013**



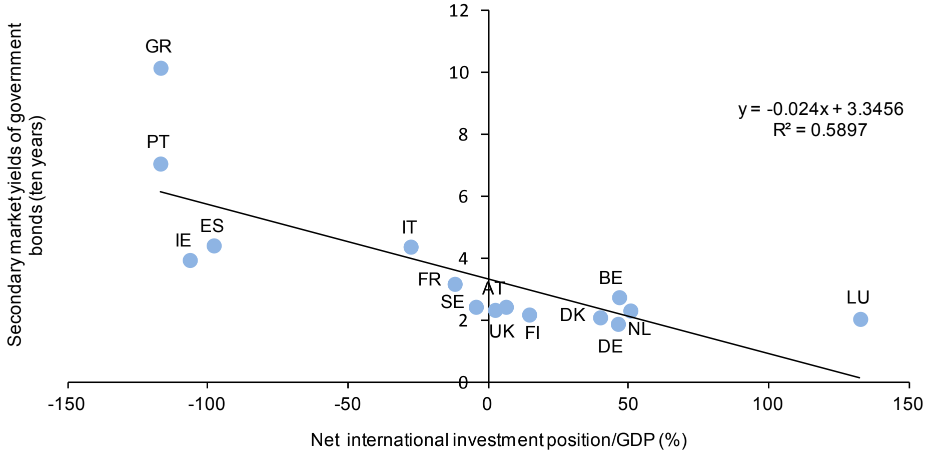

*Note: Data for Italy from June 2013 and data for Malta and France from December 2012.*
*Source: Eurostat.*



on a ten-year bond is 77%. Moreover, given the close correlation between the sovereign debt risk premium and interest rates on bank loans (given the current fragmentation of the European financial market), distressed countries' high levels of external debt ultimately penalize them by raising

Exhibit 6

**Net international investment position (% GDP) and public debt interest rate in the EU countries**
**September 2013**




*Note: Data for Italy from June 2013 and data for Malta and France from December 2012.*
*Source: Eurostat.*

their cost of accessing international finance. It is therefore essential that these countries raise savings domestically to finance their investments (i.e., generate a surplus on their current account balances), a process to which the public sector has to contribute by reducing the public deficit.

## Growth, net external debt, and fiscal adjustment: A difficult balancing act

Achieving the desired objective of situating the public debt-to-GDP ratio below 60% requires the implementation of permanent long-term fiscal consolidation measures, given that the poor outlook for GDP growth, at rates below the interest rate on debt in the coming years, demands primary surpluses that will be hard to achieve in the medium term.

Not only does the public sector need to undertake reforms to achieve these primary surpluses, but the private sector also has to play its part by providing the financing capacity to reduce the economy's high level of external debt. Indeed, the latest European Commission report on macroeconomic imbalances in European countries acknowledges the progress Spain has made towards correcting these imbalances, but warns that risks persist, which may affect growth and consequently financial stability, apart from the alarming levels of unemployment, and high levels of domestic and external public and private debt.

*If Spain improves its currently high international investment deficit position by progressively consolidating the current account surplus first achieved in 2013 after decades of deficits, international investors' confidence could be further improved, making borrowing available at lower rates.*

If Spain improves its currently high international investment deficit position by progressively consolidating the current account surplus first achieved in 2013 after decades of deficits, international investors' confidence could be further improved, making borrowing available at lower rates. Bringing down the cost of borrowing is essential not only to help keep the public debt sustainable (this being one of its determinants, as noted above), but also to reactivate the investment that is the key to generating jobs.

In short, budgetary discipline is necessary both to ensure debt sustainability and enable the economy´s return to growth. This difficult balancing act of achieving growth in a context of budgetary constraints would be aided by faster progress towards banking union, as the market is currently fragmented and the cost of borrowing in the distressed countries is excessive relative to the euro area as a whole. Fortunately, this gap has narrowed in recent months as the sovereign debt risk premium has dropped, and this has also helped reduce the burden of public debt (and therefore the deficit) and the cost of borrowing for households and businesses.

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# The impact of the slowdown in emerging markets on the Spanish economy

**Sara Baliña, Cristina Colomo and Matías Lamas**[1]



**Recent instability in some emerging markets threatens to undermine the recovery in major developed economies, in particular in Spain and other euro area countries, as strong external demand remains a key factor for economic growth.**

*In this article, we examine the main channels of contagion from the slowdown in emerging market for the Spanish economy. The most obvious channel is through trade exposure to the emerging block, a growing destination for Spanish exports in recent years. We also examine another important link between Spain and the emerging markets - the value of Spanish companies´ investments in emerging economies, as well as the revenue flows of internationalized companies abroad. The main conclusion is that growth prospects for Spain will remain intact even if the crisis in the emerging economies escalates further, primarily a consequence of the specific markets to which Spain is exposed. However, a major slowdown will significantly hurt growth. Domestic demand is not yet ready to substitute external demand, and is not expected to do so in the near-term, as the Spanish economy is still correcting the multiple disequilibria inherited from the boom years.*





## Introduction

The year has begun with outbreaks of instability in some major emerging countries. Emerging markets have been the main victim of the Federal Reserve´s (Fed´s) decision to reduce asset purchases. Between 2010 and 2012, coinciding with a two-trillion dollar expansion of the Fed balance sheet, emerging economies received private capital flows amounting to 6% of their GDP. Half of these flows took the form of foreign direct investment with a long-term view, but the other half (portfolio investment and bank lending) sought yields in a context of low interest rates in the major developed economies. The World Bank states that 60% of capital inflows to emerging markets were the result of the Federal Reserve's quantitative easing.

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Once accounting for the impact of the withdrawal of the Fed's monetary stimulus on the financing terms of emerging economies, the fact is that,

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

unlike other episodes of external shocks, this time each country´s individual growth prospects, external vulnerability, and economic policy stance will determine the outlook for these markets in the future.

Based on these criteria, we can divide the emerging bloc into five groups of countries. One group would consist of economies like Argentina, Ukraine and Venezuela. Under a scenario of political and economic instability, they share an unorthodox management of internal politics that makes them particularly vulnerable to a scenario of increased volatility. A second group would be made up by countries with large current account deficits and/or high sensitivity of growth to the global commodity cycle that are currently seeing a slowdown in their growth. Turkey, South Africa, Chile and Peru, whose currencies have experienced deep depreciation so far this year, would be members of this group.

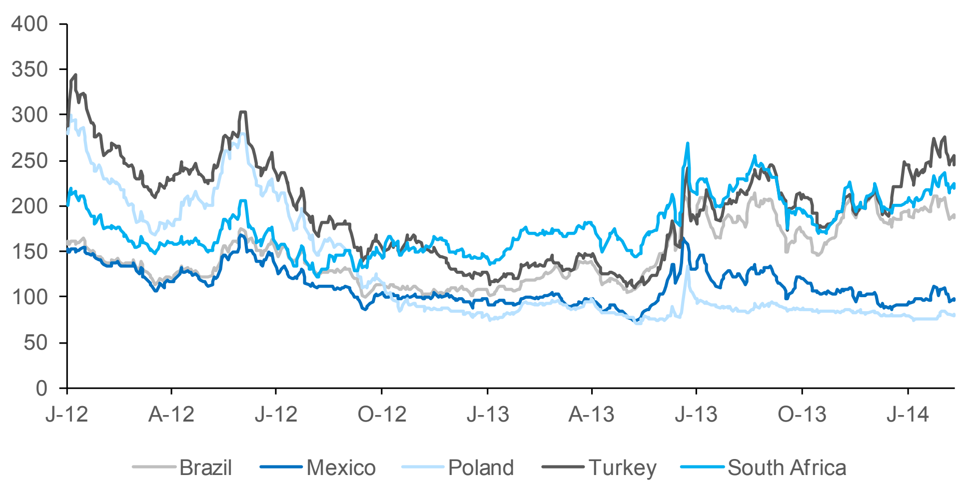
The third group would be formed by Eastern European countries, such as Hungary and Romania, which are sensitive to renewed instability in peripheral euro zone countries due to their strong financial ties to the euro area through their banking sectors and the fact that a significant part of their private funding is foreign currency-based.

The fourth group is composed of the BRICs (Brazil, Russia, India and China), with internal structural problems of a different nature, but with one common denominator: the risks of inaction on reform in key areas to ensure medium-term economic growth in line with the average of the last expansion phase. In the case of Brazil, the combination of an inflation rate close to 6% and reduced growth is calling into question the strategy of monetary tightening by the central bank. In China, the potential destabilization caused by “shadow banking” and the incomplete reorientation of growth towards domestic demand threaten to weigh on Chinese, as well as global recovery.

In the fifth and final group, we could include countries like Korea, Mexico and Poland, which have solid economic prospects, a lack of internal

Exhibit 1

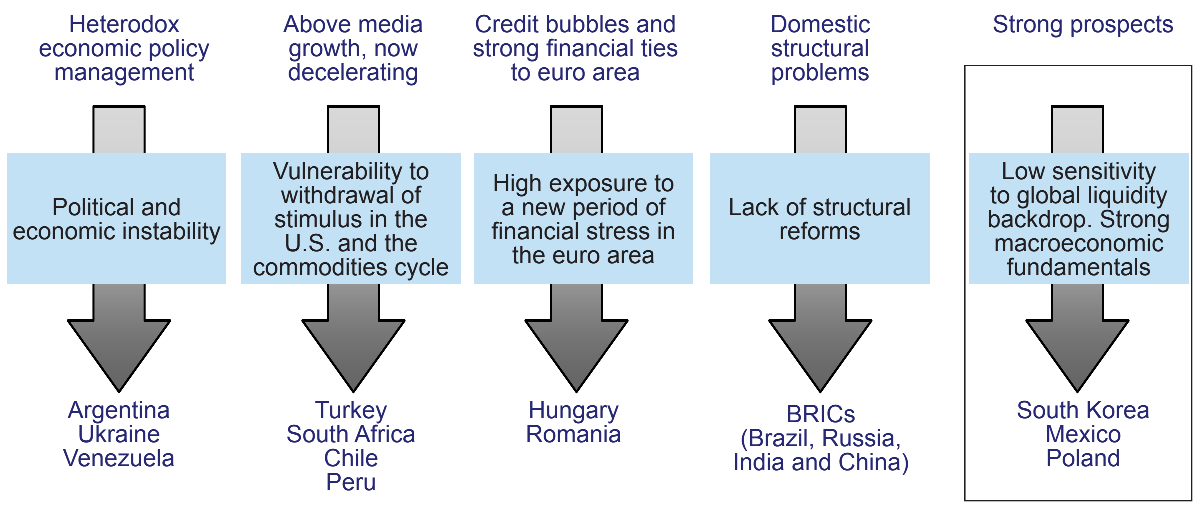
**Sovereign CDS of emerging economies (5 years, bp)**




*Sources: AFI, Datastream.*

Exhibit 2

**Groups of emerging economies**




*Source: AFI.*

imbalances and financing structures that are less dependent on global liquidity. Surely, they are the best positioned to deal with the effects of tapering.

*Markets are beginning to differentiate among emerging countries based on their sensitivity to global liquidity conditions. The intrinsic elements of the financing structure and the growth profile of each economy will drive emerging economies' risk premiums in 2014.*

Markets are beginning to differentiate among emerging countries based on their sensitivity to global liquidity conditions. The positive aspect of the recent sell-off of emerging market assets over May 2013 was the decoupling of different markets, with investors penalizing those countries with a vulnerable financial position, as shown in CDS prices. The strategy of differentiating among emerging assets is key in an environment of uncertainty like the present. The intrinsic elements of the financing structure and the growth profile of each economy will drive emerging economies' risk premiums in 2014.

Economies with better economic fundamentals should soon overcome the recent financial stress and will surely be the first to benefit from the return of foreign capital.

## The Spanish economy: Channels of contagion from the emerging market slowdown

The recent instability in some emerging markets is threatening to undermine the recovery of the core developed economies, and that of Spain and the rest of the euro area in particular, at a time when external demand still plays a key role in supporting growth.

The slowdown of Spanish goods exports in the second half of 2013 and, above all, those to non-EU destinations, poses a significant risk, to which we must add three others.

First, the falling value of investments made by Spanish companies in economies suffering sharp depreciation of their currencies.

Second, the impact of these economies' lower growth on the revenue flows of internationalized companies.

And third, the effect on the income and asset quality of the banking system, particularly of institutions with a high degree of internationalization.

The differential losses suffered by companies in the IBEX with a significant presence in Latin America (specifically, in Argentina, Brazil and Mexico) and Turkey (areas that are the focal point of financial and currency tensions), along with the indirect effect more limited growth of the emerging bloc may have on world trade, would warrant a review be conducted of Spain's aggregate exposure to these countries.

## Value of Spanish investments abroad: Analysis of exposure to Latin American countries

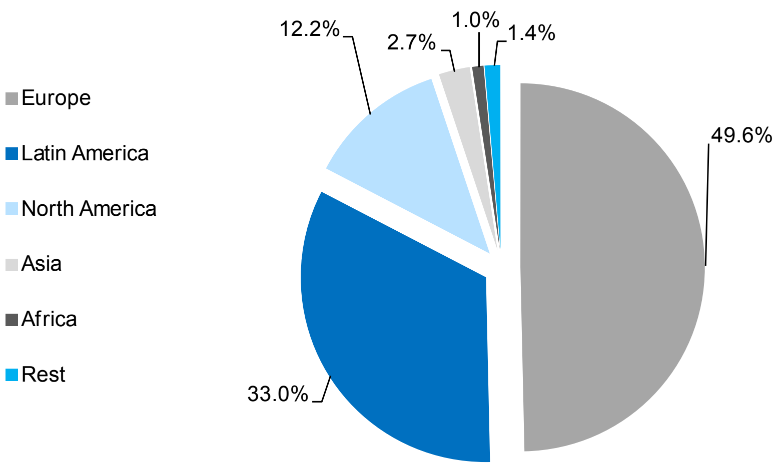
In 2011, Spain's Foreign Direct Investment (FDI) position abroad stood at 440 billion euros, more than 40% of GDP. In the final years of the nineties, Latin America (LatAm) accounted for the bulk of FDI decisions. As a result of Eastern Europe's entry in the euro area and economic expansion, the region has replaced LatAm as the main destination of Spanish FDI.

Despite the loss of relative weight in the total stock (near 30% of the total) and the significant reduction of the flow of new investment to the region, Spain's position in LatAm remains significant. Brazil, Mexico, Chile and Argentina account for 85% of Spain's FDI in the region.

The exposure of Spanish companies to LatAm economies is primarily concentrated in regulated

Exhibit 3

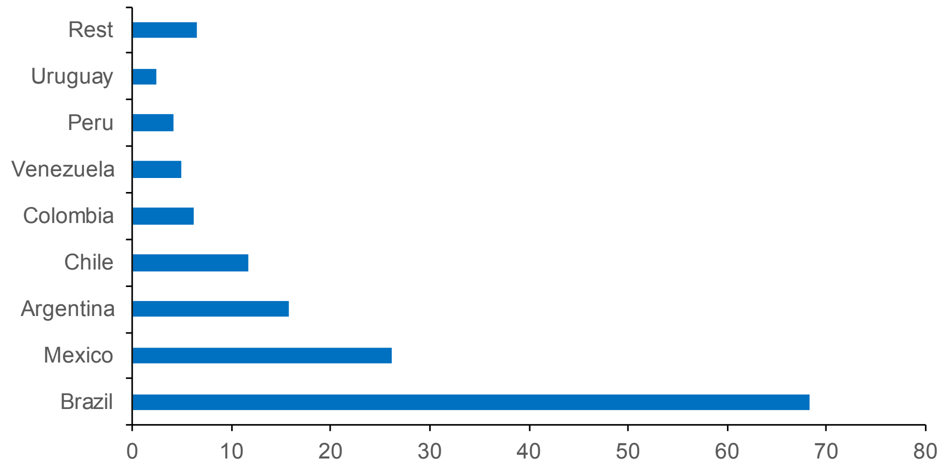
**Stock of foreign direct investment (FDI) of Spain abroad (2011, latest available figure)**




*Sources: AFI, Datainvex.*

Exhibit 4

**Investment position of Spain in Latin America (2011, billions of EUR)**




*Sources: AFI, Datainvex.*

sectors. On the basis of data up to 2011, financial services account for nearly 50% of FDI in countries like Brazil and Mexico, whereas oil and gas extraction and telecommunications represent close to 20% and 30% of FDI in Chile and Argentina, respectively.

Experience has shown that, with respect to achieving investment success abroad, country selection is even more important than choices related to the sector where a company wants to compete.

*Experience has shown that, with respect to achieving investment success abroad, country selection is even more important than choices related to the sector where a company wants to compete.*

Economies that are leading the growth in the region have provided higher returns for the companies that have entered their markets. A stable institutional framework, which was an unresolved issue for these economies during the last decades, has also contributed to sustained earnings. Due to their macroeconomic and political stability, Chile, Peru and, to a lesser extent, Colombia have been successful choices for Spanish companies´ projects abroad.

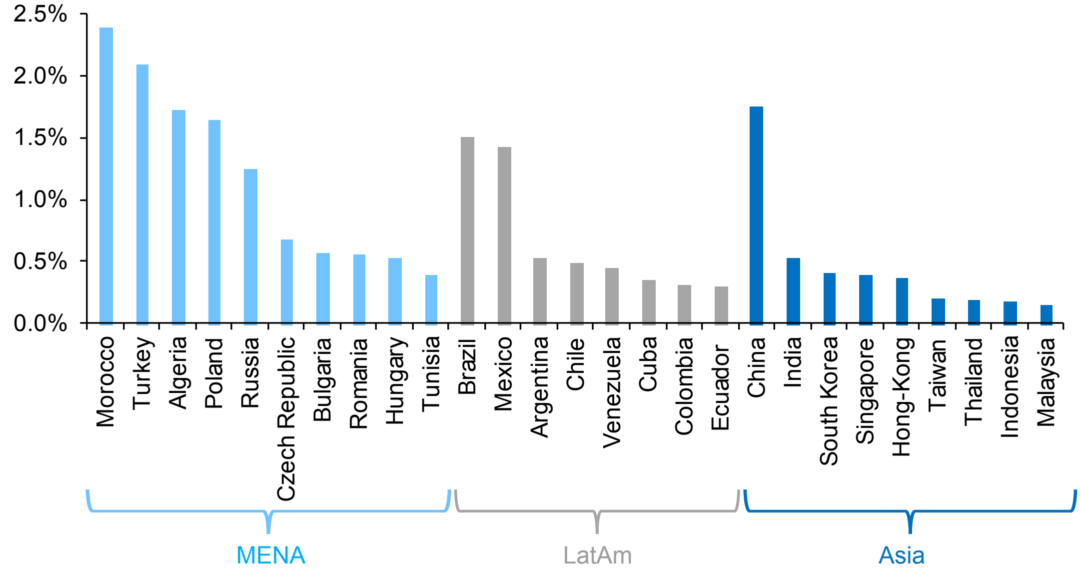
Less attractive countries for investment are those that have followed heterodox economic policies in recent years, like Argentina and Venezuela. In the bulk of these economies, authorities have imposed capital controls and restrictions on repatriation of dividends. In some extreme cases, they have ordered nationalization processes that impair the value of investment projects for multinational companies and erode the confidence of developed firms in these markets.

## Trade exposure of the Spanish economy to emerging markets

Spain’s trade exposure to emerging markets is smaller in terms of GDP, as it just barely accounts for 5% of GDP. However, when we compare the exposure of other developed markets, we find that Spain´s interests in the emerging bloc are not so small. In fact, of the four main euro area

Exhibit 5

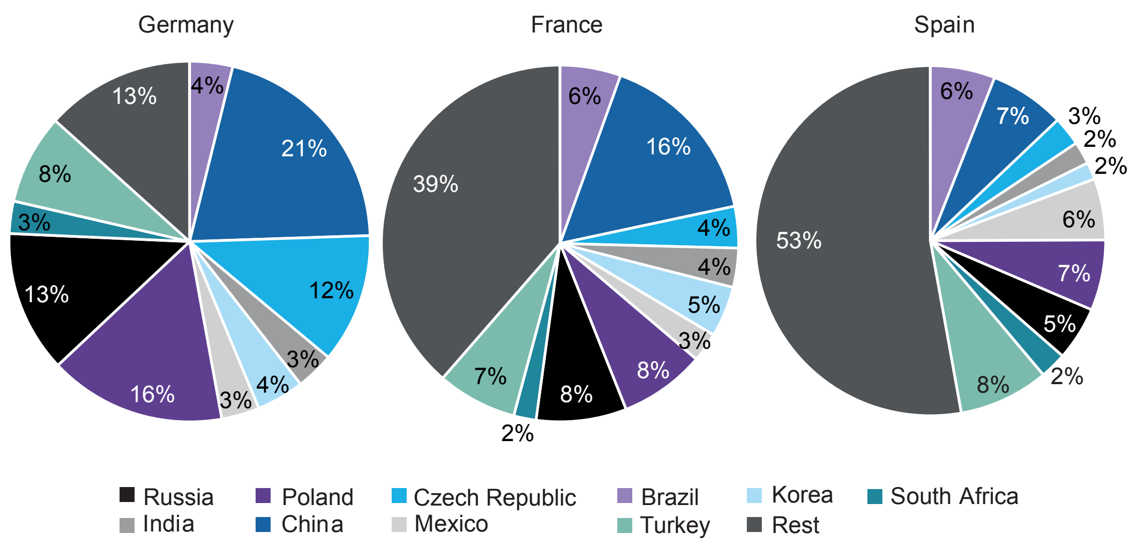
**Goods exports of Spain to emerging economies (% of total)**




*Sources: Ministry of Economy, AFI.*

Exhibit 6

**Exports distribution from Germany, France and Spain to emerging countries***




*Note: *The chart shows the weight of emerging countries in total exports to the emerging bloc of each country. The weight of the emerging bloc exports of each country is as follows: Germany (25.8%), France (20.5%) and Spain (25.1%). In the case of France and Spain, the "rest" consists mainly of the economies of North Africa.*

*Sources: AFI, Datastream.*

economies (Germany, France, Italy and Spain), Spain ranks second in exports to emerging economies. Exports to these countries represent 25% of Spain's total exports, a percentage that is similar to Germany's (near 26%), and slightly higher than France or Italy (near 20%).

An important issue to take into account at this point is that the external sector has been the main driver of growth for the Spanish economy during the crisis. The weight of exports in GDP has risen from 26% in Q108 to 35% in Q413. And export growth has averaged an astonishing 6.6% since 2010, thanks partly to emerging market growth. In the first half of 2013, emerging bloc exports accounted for up to 25% of export growth, and LatAm accounted for 6.5%.

Just as important as emerging bloc exposure, however, is specific country exposure. We have seen that the emerging bloc cannot be treated uniformly, and that different country groups can be easily distinguished by their macroeconomic and financial fundamentals. Some groups are better prepared to deal with the withdrawal of monetary stimulus in the United States, and others might struggle to maintain financial stability.

Fortunately, Spain's trade exposure is weighted towards emerging economies that are not likely to be the focal point of renewed financial stress in the emerging bloc. Central and Eastern Europe and MENA (Middle East and North Africa) countries are still at the top in the ranking of trade partners, and potentially "problematic" partners (Brazil, India, Turkey) account for a very small portion of exports to the emerging bloc.

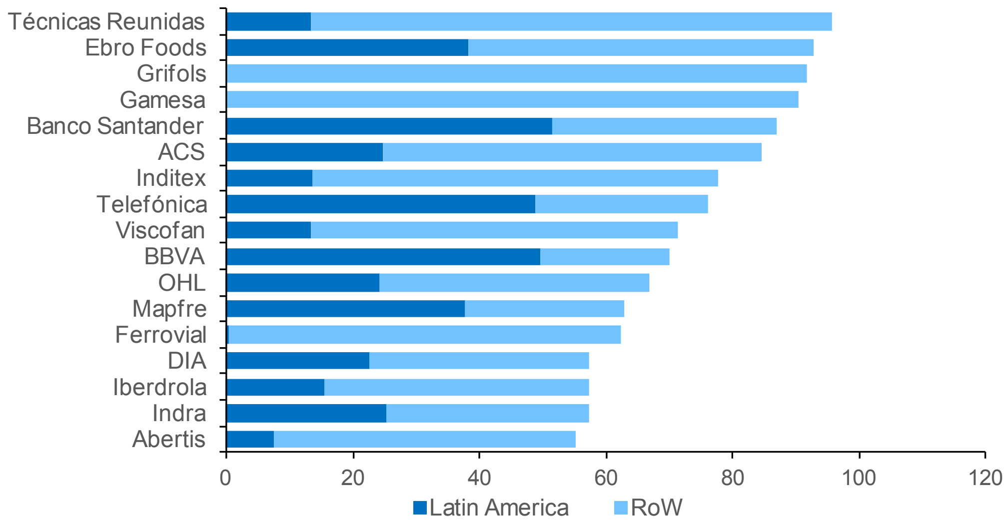
*Fortunately, Spain's trade exposure is weighted towards emerging economies that are not likely to be the focal point of renewed financial stress in the emerging bloc.*

## A brief review of earnings generated by main Spanish corporations (IBEX 35) in emerging markets

Business and earnings generated outside Spain and, specifically, in LatAm, are significant for some of the leading companies of the IBEX, particularly

Exhibit 7

**Revenue from rest of world (2012, % of total)**




*Sources: AFI, FacSet.*

for the banks BBVA and Santander. In the case of Santander, assets in LatAm represent 22% of the balance sheet, with a greater presence in Brazil (12%), followed by Mexico (4%) and Chile (3%). For BBVA, 34% of its assets are in Mexico (13%), other Latin American countries (13%) and Eurasia (8%), which includes Turkey and China. In both cases, these countries' contribution to income exceeds 50%.

## Conclusions

After the reduction of financial fragmentation in the euro area, the main risk faced by the region is a worsening of the slowdown in emerging markets.

The emerging bloc has been the main source of global growth since 2008, and it is expected to increase its share of world GDP in the coming years. However, growth since 2008 has not been as resilient as before, and the evolution of some financial variables, like credit to GDP, points to increasing financial vulnerability in some countries.

Easier liquidity conditions prompted by monetary policy decisions in the United States in the aftermath of the crisis have masked structural problems in vulnerable economies. These structural problems are likely to arise now in the form of slower growth and financial instability. While we think that a major crash is not imminent, and that financial resilience is now higher than in other episodes of emerging markets crises, global activity is likely to be hampered.

Not all the emerging countries can be categorized into a single group. Differences among emerging countries are too wide to consider them a unique and homogenous bloc. South Korea, for instance, has gained the status of a developed market in the last decades, but is often classified as an emerging country, together with very different economies like Nigeria, Brazil or Indonesia.

Also, vulnerabilities in one country have nothing to do with vulnerabilities in other nations. Eastern Europe has suffered the impact of the euro crisis and many economies in this area have been under extreme financial stress in recent years. Some of them have even requested financial aid from institutions like the International Monetary Fund, and have undertaken ambitious programs of fiscal consolidation and enacted reforms to boost potential GDP. The results of this economic policy strategy are still unclear.

Asia and LatAm economies have enjoyed a very favourable environment for attracting capital flows from developed markets. Lower yields in developed financial assets explain the attractiveness of these emerging markets to foreign investors, together with these regions' growth potential. But the change of monetary policy in the United States has threatened financial stability, and the first signs of "capital flight" are eroding market confidence in the ability of the emerging block to overcome the current crisis.

The slowdown in emerging areas is of the utmost importance to developed economies and particularly to the euro area and Spain. The reason is that, unlike economies like the United States or the United Kingdom, the euro area is only now starting to recover from its second recession since 2008. Moreover, the drivers of the recovery are rooted in the ability of the euro block to export, at least while domestic demand remains muted due to the combination of fiscal consolidation and weakness of domestic demand in the peripheral economies.

We have considered herein various channels of contagion to developed economies and Spain from the crisis in the emerging markets. The most obvious channel is through trade relationships, but other elements can hurt growth, such as the investment position of Spain in the emerging bloc (risk of impairments in external assets) or the weight of revenues collected abroad on the income statements of a good proportion of national companies, especially the biggest ones.

With regard to the investment position, it is noteworthy that the bulk of FDI is concentrated in Europe and LatAm. In order to assess the risk of potential losses arising from a major slowdown in these markets, it is necessary to take a country-by-country approach in the analysis instead of examining big trends in a region as a whole.

"Trade exposure" to emerging areas has increased notably in recent years as export growth rates to the emerging markets have systematically surpassed growth rates of exports to other developed markets. Currently, Spanish goods exports to these countries amount to 25% of the total, one of the biggest shares in the euro area. However, emerging "Europe" and MENA countries represent the bulk of the exposure in trade terms to the emerging block. Presumably, these countries are not likely to suffer the effects of monetary policy developments in the United States, or not to the same extent as the group of potentially "problematic" countries.

Overall, we think that growth prospects for Spain will remain intact even if the crisis in the emerging economies escalates further. Two assumptions are implicit in this statement. First, that the emerging block crisis does not significantly hamper the global growth outlook. Avoidance of economic policy mistakes in countries like China (which is managing a liquidity squeeze in some segments of the interbank market) and a solid recovery in the United States are necessary conditions in this sense. Second, that activity in the euro area gains momentum, allowing countries like Spain to maintain acceptable growth rates in exports even if growth in emerging markets falters.

In the absence of more growth in the euro area, or if growth disappoints in economies like China or the United States, the Spanish economy will suffer from the emerging market slowdown. Domestic demand is not yet ready to replace the external sector as a source of growth, and will not be ready to do so in the short term as the economy is still correcting the multiple disequilibria inherited from the boom years.

# The reform of the Spanish electricity sector

**Arturo Rojas and Pablo Mañueco**[1]

**The electricity tariff deficit of 2013 is expected to have reached 4.5 billion euros, below the 5.6 billion euros deficit of 2012, mostly due to energy taxes which entered into force on January 1st, 2013. Including the 2013 result, the accumulated debt stock is projected to rise above 30 billion euros. Recent regulatory measures aim to correct this imbalance through a deep cutback in revenues from renewable energies, but not without generating uncertainty over Spain´s investment climate, as well as the need for renegotiation of outstanding debt tied to renewables projects.**

*In this article, we analyze the measures included in the new Royal Decree being prepared by the Government, with the aim of ending the tariff deficit of the Spanish electricity sector, in other words, the difference between the electricity companies´ receivables and end-user tariffs. The reform is mainly focused on adjustments to the remuneration for renewables energies and the introduction of a toll on self-consumption. The new rule will also modify the current auction system for determining the cost of electricity for consumers.*

The electricity sector suffered a fall in demand of 2.3% in 2013, in addition to a decline of 1.5% in 2012 (Table 1). The dependence of demand on industrial consumption explains the larger decline in electricity demand relative to GDP for the first time since 2009. Falling demand has adverse consequences on the financial sustainability of the system, as more than half the sector's costs are fixed. The fact that this demand contraction continued into the first two months of 2014 –demand is down 0.8%, adjusted for calendar and temperature factors– is worrisome. Output under the special regime (renewable energies, co-generation, waste plants) increased by 8.1%, bringing its share of output up to 30.2%, compared to 25.5% in 2012. Output from strictly renewable energies increased by 14.3%, mainly due to meteorological conditions, as installed power only increased by 2% in 2013.

Bearing in mind that 61% of renewable energy output comes from wind, which is unpredictable and irregular, the system is approaching the limit of its capacity to absorb renewable energies. In fact, in 2013, Red Eléctrica, the system operator, had to manage hours in which high levels of wind and hydraulic output coincided with extremely low demand, thus forcing a cutback in output even in nuclear plants.

[1] Partners at A.F.I. – Analistas Financieros Internacionales, S.A.

Table 1
**Peninsular annual energy balance**

| GWh | 2013 | % 13/12 | 2012 | % 12/11 | 2011 |
|---|---|---|---|---|---|
| Hydro | 34,205 | 75.8 | 19,455 | -29.4 | 27,571 |
| Nuclear | 56,378 | -8.3 | 61,470 | 6.5 | 57,731 |
| Coal | 39,792 | -27.3 | 54,721 | 25.8 | 43,488 |
| Combined cycle | 25,409 | -34.2 | 38,593 | -23.9 | 50,734 |
| Gross production | 155,785 | -10.6 | 174,240 | -2.9 | 179,525 |
| Self-consumption | -6,241 | -20.9 | -7,889 | 8.9 | -7,247 |
| Hydro | 7,095 | 53.1 | 4,633 | -12.5 | 5,294 |
| Wind | 53,926 | 12.0 | 48,103 | 14.2 | 42,105 |
| Solar photovoltaic | 7,982 | 2.3 | 7,803 | 10.0 | 7,092 |
| Solar thermoelectric | 4,554 | 32.3 | 3,443 | 87.9 | 1,832 |
| Renewable thermal | 5,011 | 5.6 | 4,729 | 10.4 | 4,285 |
| Non-renewable thermal | 32,048 | -4.3 | 33,442 | 4.3 | 32,051 |
| Special regime | 110,616 | 8.1 | 102,152 | 10.2 | 92,660 |
| Net production | 260,160 | -3.1 | 268,503 | 1.3 | 264,938 |
| Pumped storage consumption | -5,769 | 14.9 | -5,023 | 56.2 | -3,215 |
| Peninsula-Balearic interc. | -1,266 | | -570 | | -500 |
| International exchanges | -6,958 | -37.9 | -11,200 | 83.9 | -6,090 |
| Demand (at power station busbars) | 246,166 | -2.3 | 251,710 | -1.5 | 255,633 |

*Source: Red Eléctrica.*

Table 2
**Year-on-year GDP and electricity demand in mainland Spain**

| Year | GDP | Electricity demand |
|---|---|---|
| 2008 | 0.9 | 1.1 |
| 2009 | -3.7 | -4.7 |
| 2010 | -0.3 | 3.1 |
| 2011 | 0.4 | 1.9 |
| 2012 | -1.4 | -1.5 |
| 2013 | -1.2 | -2.3 |

*Sources: INE and REE.*

The excellent rain year of 2013 decimated coal and natural gas energy output, which fell by 27% and 34%, respectively. With such low consumption levels, combined-cycle plants face a difficult operating environment. Combined cycle output is at its lowest in ten years, and installed capacity ten years ago was only 17% of the current level. Utilization in 2013 at full charge of 1,000 hours of combined-cycle plants versus 4,280 hours in 2008 and the 5,000 hours for which they were designed, is utterly insufficient to achieve profitability on an investment which has a useful life period of 25 years. Not even capacity payments, which are received irrespective of output, can make up for such severe under-use of the 25,353 MW of combined cycles, all built since 2001.

Nuclear plant output fell by 8.3% in 2013, the lowest level since 2009. Because nuclear technology is the only one that does not receive capacity payments, the fall in output is fully carried over to the income statement. Similarly, nuclear energy revenue has fallen as a result of the new taxes introduced by Law 15/2012, of tax measures, which entered into force on January 1st, 2013: the tax on the value of production (equivalent to 7% of revenue) and two new taxes on production and storage of spent nuclear fuel and other radioactive waste.

The tariff deficit of 2013 is expected to reach 4.5 billion euros, but it will fall short of the 5.6 billion euros deficit of 2012. In 2013, the reduction in the deficit was due to the taxes on energy which entered into force on January 1st, 2013 and whose purpose is to reduce the deficit subtracting income from generation activity. The 2013 deficit will be added to the accumulated debt of 26.1 billion euros, announced by the Spanish National Energy Commission, as of May 10th, 2013. Eliminating the annual deficit would require a 10% increase in the price of electricity, in a manner that is linear for all consumers, and a hike of somewhat more than 30% in access tolls, which are part of the tariff determined by the Ministry of Industry. This would come in addition to the 22% increase in tolls between 2004 and 2012, which has driven the price of electricity in Spain far above the European Union average. Reducing the accumulated deficit will require a recovery in electricity demand.

## Electricity Industry Act 24/2013

The Electricity Industry Act 24/2013, of December 26th, 2013, acknowledges the inability of previous measures to end the revenue deficit. Financial balance is finally to be attained by allowing greater flexibility in the remuneration of regulated activities, especially renewable energies, in order to adjust to changes in the electricity system and, in particular, to trends in the economy. Spain has therefore moved away from a sound and stable system that was predictable in the long term, and adopted a flexible model that will be subject to review every three years.

*Spain has moved away from a sound and stable system that was predictable in the long term, and adopted a flexible model that will be subject to review every three years.*

Law 24/2013 mandates that system revenues will be sufficient to cover all the costs of the electricity system, and it imposes on itself budgetary balance for any regulatory measure related to the electricity industry. From now on, an increase of costs for the electricity system or a reduction of revenues must include an equal reduction in other cost items to ensure system balance. Hence, it relies on automatic mechanisms in toll revisions to correct any deficits that should arise.

## Tolls on self-consumption

One controversial aspect of Law 24/2013 relates to self-consumption of customers connected to the electricity grid, who are obligated to contribute to covering system costs and services in the same amount as other consumers. That is, a kWh produced by a consumer will accrue the same toll payment as a kWh purchased from the grid. Both the National Energy Commission and the National Competition Commission have come out against self-consumption tolls, but the Ministry of Industry has decided to avoid the flight of consumer demand that would be caused by the incentive to save on the tolls. Only about 40% of the cost of electricity corresponds to market generation cost. Hence, if tolls need not be paid, the self-consumption saving would be substantial. For the Ministry of Industry, the economic burden of the annual deficit payments and of aid to renewable energies must be borne by all consumers connected to the grid in proportion to their electricity consumption, irrespective of the self-consumption component. A decrease in demand from self-consumption in addition to the fall in demand for electricity due to the economic crisis would make it impossible to balance the sector's revenues and costs without asking consumers to bear a larger burden, which would create an even larger incentive for self-consumption.

## Voluntary price for small consumers

Law 24/2013 creates a Voluntary Price for Small Consumers, which replaces the old last-resort tariff, except for consumers considered vulnerable, who can benefit from a social voucher, or for customers who, temporarily, have no current supply contract with an operator.

The last-resort tariff (TUR in its Spanish initials) is the maximum price that can be charged by operators designated as last-resort suppliers to entitled consumers. Until 2013, the TUR was determined by adding supply and access toll costs to the estimated cost of electricity through CESUR (Energy Contracts for the Supply of Last Resort) auctions.

In December 2013, the invalidation of the CESUR auction revealed the extra cost the auction system added to the last-resort tariff. Hence, consumers can save by turning directly to the deregulated market.

The name and conceptual change introduced by Law 24/2013 relating to the TUR is positive, as a regulated price is always an obstacle to market deregulation. Hence, the protection of a minimum benchmark price should be applied mainly to vulnerable customers. At the same time, mechanisms must be set up for suppliers to have incentives to buy energy at the lowest possible price, and for this price to be passed on to customers. Precisely one of the problems of the CESUR auctions was that forward purchases of energy took place through intermediaries.

Voluntary prices for small consumers will be uniform through the country: that is, in both the mainland and in offshore Spanish territories. That means tacit maintenance of subsidies for the islands, where the cost of production is greater than on the mainland. Voluntary prices will be set by the Ministry of Interior, but their calculation will observe the principle of income sufficiency, and the additive nature of costs, and the process will be monitored to prevent distortions in market competition. The voluntary price for small consumers will additively include the following items in its structure:

- The production cost of electricity, which will be determined on the basis of market mechanisms in relation to the average price forecast in the market of output during the regulatory period, and it will be subject to revision irrespective of other items.

- Access tolls and applicable charges.

- Supply costs.

The Ministry of Industry will have to define the new mechanism for calculating the cost of production, having ruled out the previous model of the CESUR auction. The aim is to minimize market fluctuations, but the cost of energy must also adequately reflect the costs of the defined period. If the time horizon is long –for example, three months, as in the previous CESUR auctions– the demand volume risk assumed by leading operators would be larger, and this cost has to be compensated to suppliers. An alternative for a quarterly period may involve combining several auctions with the futures market prices of the OMIP, the Iberian Energy Derivatives Exchange. A single quarterly auction, like the CESUR auction, is not advisable, because the result may be affected by atypical circumstances that distort the price, as was the case in December 2013. With three forward auctions carried out every month in the preceding quarter, the entire quarterly generation price would not be linked to the market conditions of just one day. The forward market is also a useful reference point for the generation cost to be allocated to the voluntary price. Both OTC and OMIP forward electricity markets in Spain operate with a high level of liquidity, and the mechanism would be accessible to all suppliers.

As with the last-resort tariff, the energy cost of the voluntary price will have to be established, adjusted for the different consumption time profile and the cost of adjustment services.

The auction mechanism can cover suppliers' market price risk, as fixed price sellers assume the risk. If the daily market price is lower than the auction price, sellers receive the difference and, conversely, if the market price during the period is higher than the auction price, the seller covers the difference.

## Remuneration of renewable energies

In the initial period of renewable energy regulation, the Government sought the promotion of such energies, starting with the Electricity Sector Act 54/1997 of November 27th until Royal Decree 661/2007. In the second period, from 2009, a 4.7% fall in electricity demand on the mainland revealed the need to rein in the increase in capacity.

*One of the cornerstones of the reform of the electricity sector is the reformulation of the remuneration of renewable energies.*

From 1998 to 2008 –that is, in the ten years prior to the economic crisis– installed capacity under the Special Regime, which includes renewable energies and co-generation, increased by a cumulative average of 17%. In the same period, mainland electricity demand increased at an average pace of 4% year-on-year. Between 2008 and 2012, with a less favorable regulatory framework, the capacity of the special regime slowed down its average growth rate to 7% year-on-year, but demand contracted by 1.3% on average every year.

Premiums on the market price of renewable energies, co-generation and waste management energy, amounted to approximately 9 billion euros in 2013. Although this amount represents a slowdown to 5.5% growth from 24.2% in 2012, the Ministry of Industry believes that a drastic reduction in aid to such energies is unavoidable in order to achieve a re-balancing of electricity sector revenues and costs.

Following the tax measures on energy introduced in 2013, which had the greatest impact on conventional energy, and the downward revision in 2012 of remuneration of distribution activity, the largest adjustment of the new regulation for 2014 is aimed at the Special Regime.

The draft Royal Decree unveiled the new methodology for determining facility revenue, as it constitutes a radical departure from the previous regulation. One of the frequent criticisms of the Spanish renewables model was that it awarded the same remuneration of all facilities of the same technology, wind or solar, regardless of the fact that returns varied widely, especially in wind. A good wind site achieves in excess of 3,000 hours of yearly production, while the average aggregate production of mainland facilities amounted to 2,380 hours. The same remuneration per kWh for all wind farms, regardless of their level of output, was a clear incentive for developers to seek out the best sites. There is no doubt that the growth of wind and solar facilities would not have been quite as strong without the incentive of capitalizing on the most attractive sites in the form of higher revenues.

Spain's leadership in developing certain technologies for electricity production based on renewable sources was possible thanks to the existence of a sound and stable –and, above all, predictable– economic and legal framework. It established the price of electricity for the entire lifetime of the facility, that is, between 20 and 25 years, based on an initial price that would have been revised with CPI less 0.25%, initially, and less 0.50% from 2012.

Following the steep fall in electricity demand in 2009, Royal Decree 1614/2010 laid down the first limit on the number of production hours with entitlement to the premium. For wind facilities, a maximum of 2,589 hours a year was set, provided the aggregate system average exceeded 2,350 hours. But at the end of 2010, some 86% of current facilities were already in operation. So the limitation on the number of hours could not have been taken into account at the time of the investment decision.

The initial long term certainty about the price at which a kWh of renewable energy was going be sold cleared the way for transactions in which the seller could make significant gains, as long as the plant had a few years in operation in order to prove average output.

Instead of a guaranteed price that would be updated on an annual basis according to inflation less 0.5%, the new regulation is going to guarantee a reasonable before-tax return throughout the regulatory lifetime of the project. The facility's year of operating authorization will be a key factor, as the reasonable return is measured from that date.

*The new regulation on remuneration of renewable energies will be comprised of the market price of the energy plus a rate per unit of installed power that covers the investment costs that cannot be recovered and an operating rate that covers the operating costs that cannot be recovered.*

Reasonable before-tax return is set at 7.398%, which is the average return between July 2003 and June 2013, of 10-year State bonds plus 300 basis points.

When the new regulation is approved, remuneration of renewable energies will be comprised of the market price of the energy plus a rate per unit of installed power that covers the investment costs that cannot be recovered and an operating rate that covers the operating costs that cannot be recovered. Investment costs are determined by the facility type based on a standard value of the initial investment in an efficient and orderly business.

The new regulation states that its aim is to increase legal certainty for a reasonable return, but it does not extend the same certainty to foreseeability of cash flows, as the draft Royal Decree provides no certainty about long-term prices, as the parameters are periodically revised. Six-year regulatory periods are established for revisions, with the first ending on December 31st, 2019, and such periods are divided into three sub-periods of three years. That is, the parameters for calculating revenue may change again in 2017.

The only defined parameters not subject to revision in regulatory periods are two: the useful life and the standard value of the initial investment. Hence, reasonable return may be revised upwards in the long term if conditions in the sector improve.

A rate of 1% will be used in revising operating costs from 2014, instead of CPI or, from 2013, core inflation (which does not include changes in the prices of unprocessed foods and domestic fuels), less an efficiency factor, except for items whose evolution is already regulated (tolls, 7% tax on revenue effective from 2013).

While the previous regulation set overall remuneration for each type of renewable energy (i.e., wind, photovoltaic, thermal solar), the proposed new regulation assigns to each facility different income levels on the basis of its specific characteristics. For example, for photovoltaic facilities built under Royal Decree 661/2007, the new regulation will take into account the specific technology installed (fixed panels or tracker panels with one or two axes), a factor that was irrelevant under the 2007 regulation. For photovoltaic facilities built under Royal Decree 1578/2008, the return will take into account the technology and the geographic area in relation to solar radiation.

Revenue to obtain reasonable return will not take into account regional taxes. At present, three Spanish regions –Castile La Mancha, Castile Leon, and Galicia– levy a surcharge on wind production.

Another novel aspect is the increase to 30 years of regulatory useful life of photovoltaic facilities, instead of the 25 years in which the highest remuneration was guaranteed in the initial regulation (Royal Decree 661/2007), or the 28 years that were established from 2011 (Royal Decree-law 14/2010). By increasing the number of years, the regulation reduces the amortization of the recognized investment and nominal revenue is lower, in exchange for maintaining the revenue flow for five more years. For thermo-solar plants and wind farms, the useful life remains the same in the period of higher revenue under the previous regulation, 25 and 20 years, respectively.

In the proposed new regulation, the combination of different categories of renewables –co-generation, wind, solar, hydroelectric, biomass, waste– with the characteristics of each facility –specific technology, start-up year, tender call, climate zone, hours of operation– results in 1,276 facility types, each with specific remuneration to achieve the reasonable return.

The degree of detail of renewable facilities introduced by the proposed new regulation is one of its weak points, as it ignores the fact that current investors –in the vast majority of cases– are not the ones who made the initial investment. Transactions between investors were made in accordance with the characteristics and specific performance of each facility. Hence, buyers paid a higher price for facilities that achieved higher returns on the initial investment. As no returns are guaranteed on the amount of such investment, investors that purchased the best-performing facilities –and, thus, paid for goodwill– are going to receive actual returns far below the reasonable level. In contrast, investors that purchased worse-performing facilities can obtain near-reasonable returns, as they did not pay for goodwill.

Under the new regulation, revenues from renewable energy facilities are going to decline considerably, in some cases by nearly 50%. To the extent that these projects involved a high degree of financial leverage, the debt must be restructured and the repayment period extended in order to adjust debt service to the new revenue levels. From a financing point of view, renewable projects remain viable because of their high cash generation capacity, as fuel is free, and, in photovoltaic facilities, the addition of another five years of useful life will allow for paying off the totality of the debt. However, owners' expectations are to lose the entire investment. Share value will be reduced to the value of options if the recovery of demand allows for improving remuneration in a more-or-less distant future.

## Conclusions

The Ministry of Industry is prepared to resolve the annual tariff deficit through a deep cutback in the revenue from renewable energies. The effort to homogenize facilities in terms of initial investment, operating costs and the characteristics of each plant will mean that the most profitable facilities under the previous regulation will see the largest loss of revenue. It would have been difficult for the Ministry to take into account, when applying the principle of reasonable returns, the amount paid by current facility owners, as this amount was higher than the initial theoretical investment in most cases. Investors that have paid for goodwill will have to amortize it and recognize the loss on their books. Debt-financed facilities will be unable to meet their repayment schedule, although the long remaining useful life will allow banks to recover both principal and interest. Owners now face battles on two fronts: the first is the court claim brought against the abandonment of the legal framework in which investments were made, as no renewable energy facility would have been built or financed without a certain outlook of sufficient remuneration over the long term. The second is the negotiation of debt conditions with financial institutions, with the aim of preventing default on payment of debt service, resulting in enforcement of guarantees and repossession of facilities by the bank. In this regard, a positive step can be seen in Royal Decree-Law of March 2014, with urgent measures to facilitate debt refinancing, aimed at assisting viable enterprises in renegotiating their debt through haircuts or conversions of debt into capital. Undoubtedly, enterprises with reasonable returns guaranteed by the Ministry of Industry must be considered viable.

# 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)**



## Bank of Spain Circular amending the Accounting circular (Circular 1/2014, published in the State Official Gazette (BOE) on February 5th, 2014)

This Circular aims to fulfil the provisions of Law 8/2012, October 30th, 2012, on the writing down and sale of the financial sector's property assets, as regards the adoption of measures for the allocation, to those assets the Bank of Spain so determines, of the **outstanding balance of the coverage set aside for lending relating to the real estate promotion and construction business in Spain, classified as normal risk on December 31st, 2011, which had not subsequently been applied as a result of a later reclassification (doubtful or substandard assets) or due to foreclosure or receipt of assets in settlement of debts**.

The main features of the Circular are:

- Institutions are to submit a report to the Bank of Spain with a breakdown of the amount set aside to cover normal risks and the amounts used as of December 31st, 2013, along with an analysis of the reasons for which the remaining balance corresponds to risks classified as normal at year-end 2013.
- The remaining balance will be credited as a recovery of unused provisions made and simultaneously an identical amount will be debited to cover or write-down the following assets: (i) financial assets classified as doubtful and real estate assets for which the minimum coverage is insufficient, and (ii) financial assets relating to investments in equity instruments not traded on organised markets in companies whose business is linked to the property sector.
- Certain statements have been eliminated from the Accounting circular (Bank of Spain Circular 4/2004, December 22nd, 2004, on public and confidential financial reporting rules, and standard formats for financial statements).

## Bank of Spain Circular on the exercise of various regulatory options contained in the Capital Requirements Regulation (Circular 2/2014, published in the BOE on February 5th, 2014)

Royal Decree-Law 14/2013, November 19th, 2013, on urgent measures to adapt Spanish law to European Union standards on the supervision and solvency of financial institutions, adapted Spanish legislation to the essential regulatory changes for the European standards on capital requirements known as CRR/CRD IV[1] to be operational as

[1] Regulation 575/2013 of the European Parliament and the Council, June 26th, 2013, on prudential requirements for credit institutions and investment firms, amending Regulation (EU) No 648/2012 (CRR) and Directive 2013/36/EU of the European Parliament and of the Council of June 26th, 2013, on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (CRD IV).

soon as they came into effect on January 1st, 2014. It also authorised the Bank of Spain, as the competent authority, to use the options assigned to it in the CRR.

To this end, Circular 2/2014 was published, **which determined what option and with what scope, with national discretionary powers, consolidated groups of credit institutions and Spanish credit institutions, whether forming part of a consolidated group or not, will be required to comply with**. Specifically, it referred to the national discretionary powers over capital requirements, leaving those concerning the capital ratio denominator (risk-weighted exposures) for subsequent implementation.

- The following **general points** stand out:
  - In the case of holdings of equity instruments in a financial sector entity, the Bank of Spain may authorise entities to not deduct them from their equity in exchange for their being subject to the applicable credit risk weighting (IRB or standard method). In the case of qualified holdings in non-financial entities, the weighting is 1,250%.
  - Under the CRR, entities may apply **exemptions to compliance with the limits on their large exposures** until the relevant legislation comes into effect or until December 31st, 2028. Nevertheless, making use of national discretion, the exemption will be for the full amount except in the case of certain exposures for which it will be 50%.
- As regards the **transitional arrangements**:
  - The Bank of Spain has not used its national discretionary powers to apply shorter intervals for the capital ratios, as between January 1st, 2014, and December 31st, 2014, entities will be required to maintain a common equity Tier 1 (CET1) ratio of 4.5% and a Tier 1 capital ratio of 6%.
  - The percentages established by the Bank of Spain for the application of prudential filters regarding losses and gains valued at fair value during the transitional period (from January 1st, 2014 to December 31st, 2017) are less demanding than those provided in the CRR.
    - ✓ For losses, 20% in the first year, and gradual increases up to December 31st, 2017, and for gains, 100% the first year, with gradual decrements until December 31st, 2017.
    - ✓ Moreover, during this period, entities will exclude from their equity 100% of the gains or losses measured at fair value arising from derivative liabilities and the results of changes in the entity's own credit standing.
  - The transitional treatment of CET1 deductions (between January 1st, 2014 and December 31st, 2017) will not be applicable to certain items, which will be deducted in full.[2] For all other elements, the percentages applicable to the CET1 item deductions during the transitional period are less demanding than those provided under CRR.
    - ✓ 20% the first year, with gradual increments up to December 31st, 2017.
    - ✓ In the case of tax assets depending on future earnings, and which existed prior to January 1st, 2014, it will be 0% the first year, with increments of 10% a year up until December 31st, 2017.
  - The Bank of Spain may authorise (between

[2] (i) Losses from the current year, (ii) certain intangible assets, (iii) own instruments of the CET1 held by an entity that has real or contingent obligations to acquire these instruments under a contractual commitment in force, and (iv) CET1 instruments of financial sector entities when an entity has a cross holding that, in the opinion of the competent authority, is destined to artificially inflate the entity's own funds.

January 1st, 2014, and December 31st, 2022) entities that, following an application stating their reasons, accredit that certain conditions have been met, to not deduce holdings in the capital of insurance companies, reinsurance companies and insurance portfolio companies. In such cases, a risk weight of 370% will be assigned.

- It also envisages provisions for the items eligible, prior to the CRR, as consolidable reserves or similar that do not meet the new conditions to be eligible as CET1.

- The circular repeals Bank of Spain Circular 7/2012 of November 30th, 2012, on minimum core capital requirements.

## Order adopting exemptions from certain technical and business requirements for transfers and direct debits in euros applicable until February 1st, 2016 (Order ECC 243/2014, published in the BOE on February 22nd, 2014)

Regulation (EU) No 260/2012 of the European Parliament and of the Council of March 14th, 2012, establishing technical and business requirements for credit transfers and direct debits in euro, forms part of the European legislation on payment services to promote the **SEPA** (Single Euro Payments Area) project, which aims to create a single internal market for euro payment services, in which cross-border payments within the European Union are to be treated in the same way as domestic payments. This is expected to save money and yield advantages for the wider European economy. This Regulation sets February 1st, 2014, as the deadline for migration of transfers and direct debits to SEPA, and introduces a series of mandatory common rules and technical requirements for payments made after that date. At the same time, it gives Member States the option to adopt some or all of the exemptions allowing application of the rules concerning certain technical requirements or products to be deferred.

In the case of **Spain**, the adoption of the community options will facilitate adaptation to the technical requirements required to achieve effective migration to SEPA within the deadlines set, and the most appropriate and prudent treatment of those products of greatest interest and operational complexity.

Up until February 1st, 2016, payment service providers will have the following commitments:

- They may offer retail customers free BBAN to IBAN conversion services for domestic operations only, and must provide customers with the IBAN code prior to the transaction.

- They must guarantee interoperability by converting payer and payee BBANs to IBANs using secure technical means.

- They may not charge retail payment service users any fees or commissions directly or indirectly related to these conversion services.

- They must inform users of the characteristics of the new service, and the consequences of the conversion.

Similarly, up until February 1st, 2016, compliance with certain requirements of transfers and direct debits will not be required in the case of transactions conducted with credit advances referred to in Notebook 58 of the series of banking procedures and rules and with bills included in Notebook 32 of the series of banking procedures and rules.

In relation to the formats of messages used in their communications with payment service suppliers, payment service users are not required to use standard ISO 20022 until February 1st, 2016.

# Spanish economic forecasts panel: March 2014[1]

**FUNCAS Economic Trends and Statistics Department**

## The growth estimate for 2014 has been raised a tenth of a percent to 1.0%

The indicators available for the first few months of 2014, basically Social Security system registration figures, business climate indices, and PMIs, suggest that the Spanish economy's recovery has gained strength in the first quarter. At the same time, the return on Spanish debt has continued to fall, in line with the risk premium. Consequently, the consensus GDP-growth forecast for 2014 has been revised upwards one tenth of a percent to 1.0%. Of the 19 participants in the consensus, 14 have revised their 2014 growth estimates upwards.

The expected composition of this growth has also changed. Domestic demand is now expected to make a positive contribution of 0.2 pp (previously expected to be negative) and the external sector 0.8 pp. All the components of domestic demand have been revised upwards significantly (public and private consumption, and gross fixed capital formation) as have imports (in keeping with the larger expected domestic demand), while exports have been revised downwards.

At the same time, the consensus estimate is that GDP will grow by 0.3% (Table 2) in the first quarter, a tenth of a point higher than in the previous Panel, and growth will stay at 0.4% until the end of the year.

## The forecast for 2015 stands at 1.8%

Forecasts for 2015 were requested for the first time in this Panel. The consensus forecast stands at 1.8%, which is higher than the figure given by international organisations. The contribution of domestic demand will be 1.3 pp, and that of the external sector 0.5 pp. Private consumption will advance by 1.4% and construction investment will increase for the first time since the start of the crisis. The expected quarterly profile is a stable rate of growth of 0.4% to 0.5%.

## Further improvement in the industrial activity forecast

Industrial activity, measured by the industrial production index, followed a modest upward trend in 2013. This was more pronounced in the specific case of the manufacturing industry, while in the energy sector the trend was negative. January's data –the most recent month for which data are available– confirm this path. The consensus forecast for this indicator's growth in 2014 has again been revised upwards to 1.4%, while in 2015 a 2.8% increase is expected.

## Inflation was lower than expected

Inflation remained very low during the first few months of 2014. The rate was even negative, if

[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.

foodstuffs and energy products are excluded. Despite the envisaged economic recovery, inflationary pressures on both the supply and demand sides will remain very weak in 2014, such that the forecast average rate is 0.6%, which is three tenths of a percentage point lower than in the previous Panel. The forecast for 2015 is 1.1%.

The year-on-year rate in December (Table 3) is expected to be 0.8% this year and 1.2% the next.

## The employment forecast has improved

According to Social Security registration figures, the timid growth in employment in the final months of 2013 picked up speed in January and February 2014. The outlook for employment has improved considerably, such that growth of 0.4% is expected this year –the previous forecast was for zero change– and 1.1% in 2015.

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 0.6% in 2014 and 0.7% in 2015, while ULCs, are expected to drop by 0.5% this year, and no change is anticipated next year. This implies a slowing of the rate of recovery of cost competitiveness.

## The trade surplus will increase in 2014 and 2015

Last year's balance of payments on the current account was a surplus of 0.7% of GDP, the result of a positive total trade balance –deficit in goods trade, but a surplus in the case of services– with negative balances on the income and current transfers accounts.

As a consequence of domestic demand's being stronger than expected, the forecast for 2014 has been revised downwards slightly, to a balance of 1.7% of GDP, while the projection for 2015 is now 2.0% of GDP.

## The government deficit targets will not be met

The public deficit data for 2013 have not yet been published, but in light of the information available to November, a slight deviation from the 6.5% of GDP target is expected. For 2014, a deviation of just one tenth of a percentage point is expected, i.e. a deficit of 5.9% of GDP. The deviation is likely to be larger in 2015, however, as a negative balance of 5.0% of GDP is projected, compared with a target of 4.2%.

## The external context is expected to improve

The recovery in the developed economies is gradually gaining strength. The United States continued to grow and create jobs, while the recovery in the euro area is consolidating, with a rise in GDP of 0.3% in the last quarter of 2013. The available PMI and confidence indicators suggest that this gained traction in the first quarter of this year. In the case of the emerging economies, however, the perception remains that of a loss of momentum.

The panellists' opinion on the current situation of the environment in the EU is that it is neutral, and the unanimous expectation is for the trend over the coming months to be one of improvement. In the case of the situation outside the EU, as in previous Panels, the opinion is also that it is neutral, and that the trend over the coming months will be towards an improvement.

## Interest rates on government debt are not expected to rise further

Short-term interest rates (three-month EURIBOR) have remained stable in recent weeks at around

0.29%, which is slightly higher than the monetary policy benchmark rate of 0.25%. However, the panellists think their current level could be considered low for the actual state of the Spanish economy. Rates are still expected to remain stable over the coming months.

In the case of long-term rates, their downward trend has become more pronounced in recent weeks, and they are now around 3.3%, enabling a narrowing of the spread over German debt, which has dropped to below 180 basis points. Consequently, whereas in previous panels it was estimated that the level was too high for the economy to recover, most panellists now take the view that the current level is appropriate.

## The euro is overvalued

The euro-dollar exchange rate, which most panellists have considered overvalued for a long time, has even appreciated in the last few weeks, reaching almost 1.39 dollars, despite the Federal Reserve's announcing the gradual withdrawal of its monetary stimulus.

The majority expect the likely trend in the coming months to be depreciation, although this will probably require much more aggressive monetary policy from the ECB.

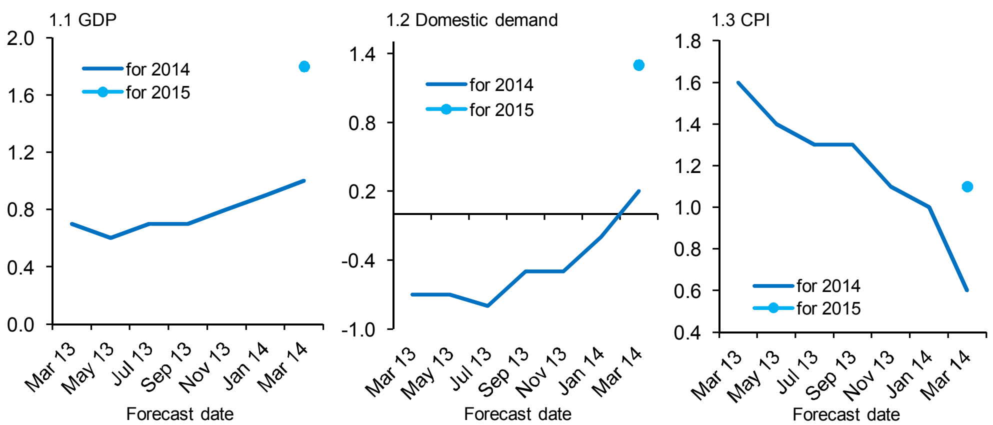
## Fiscal policy should be restrictive

As regards fiscal policy, it is unanimously considered to be restrictive, and that this orientation should be maintained. Almost all the opinions also suggest that monetary policy is expansionary, despite the limited effect this is having on the liquidity in circulation, due to the poor functioning of the transmission mechanisms, and the ECB's unwillingness to take quantitative easing measures. All the participants agree that the stance should be expansionary.

Exhibit 1

**Change in forecasts (Consensus values)**

Percentage annual change




*Source: FUNCAS Panel of forecasts.*

Table 1

## Economic Forecasts for Spain – March 2014

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 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 |
| Analistas Financieros Internacionales (AFI) | 0.8 | -- | 0.6 | -- | -1.3 | -- | -1.4 | -- | 2.6 | -- | -4.4 | -- | -0.2 | -- |
| Banco Bilbao Vizcaya Argentaria (BBVA) | 0.9 | 1.9 | 0.9 | 1.3 | -1.1 | 1.3 | 0.2 | 5.2 | 5.8 | 7.8 | -3.8 | 3.1 | 0.4 | 2.0 |
| Bankia | 1.1 | 1.5 | 1.0 | 1.1 | -1.6 | -0.6 | -1.0 | 2.6 | 5.4 | 7.0 | -4.7 | 0.0 | 0.0 | 1.0 |
| CatalunyaCaixa | 0.9 | 1.5 | 1.5 | 1.5 | -4.7 | -1.1 | 1.2 | 0.7 | 6.3 | 2.3 | -3.5 | -0.8 | 0.2 | 0.8 |
| Cemex | 1.1 | 1.7 | 1.1 | 1.5 | -2.1 | -0.2 | 1.5 | 3.1 | 4.6 | 5.5 | -2.3 | 0.0 | 0.5 | 1.4 |
| Centro de Estudios Economía de Madrid (CEEM-URJC) | 1.2 | 1.9 | 0.4 | 1.4 | -0.8 | 0.2 | -0.9 | 2.1 | 2.5 | 2.6 | -3.3 | 1.6 | -0.1 | 1.2 |
| Centro de Predicción Económica (CEPREDE-UAM) | 1.3 | 2.2 | 1.1 | 1.4 | -1.3 | 1.1 | 0.3 | 2.8 | 5.7 | 3.1 | -3.5 | 2.4 | 0.6 | 1.6 |
| CEOE | 1.2 | 1.8 | 1.4 | 1.6 | -1.7 | -1.4 | 0.3 | 3.9 | 8.6 | 8.1 | -5.9 | 0.9 | 0.5 | 1.5 |
| ESADE | 1.0 | -- | 1.2 | -- | -2.3 | -- | -1.2 | -- | -0.9 | -- | -3.6 | -- | -0.6 | -- |
| Fundación Cajas de Ahorros (FUNCAS) | 1.2 | 1.8 | 1.3 | 1.5 | -1.3 | -0.9 | 0.6 | 2.5 | 4.1 | 4.4 | -1.9 | 1.1 | 0.7 | 1.3 |
| Instituto Complutense de Análisis Económico (ICAE-UCM) | 0.9 | 1.7 | 0.8 | 1.3 | -1.5 | 0.0 | 0.2 | 2.0 | 4.5 | 6.0 | -3.5 | 0.0 | 0.1 | 1.4 |
| Instituto de Estudios Económicos (IEE) | 1.0 | -- | 0.6 | -- | -1.8 | -- | -0.1 | -- | 5.0 | -- | -5.0 | -- | -0.1 | -- |
| Instituto de Macroeconomía y Finanzas (Universidad CJC) | 1.0 | -- | 0.2 | -- | -1.9 | -- | 1.3 | -- | 7.6 | -- | -2.3 | -- | 0.0 | -- |
| Instituto Flores de Lemus (IFL-UC3M) | 0.9 | 1.6 | 1.5 | 1.8 | -3.4 | -0.5 | 0.3 | 1.3 | 7.7 | 5.8 | -4.8 | -1.8 | 0.3 | 1.2 |
| Intermoney | 1.1 | 2.1 | 1.2 | 1.5 | -1.9 | -0.5 | -1.0 | 2.6 | 4.1 | 6.2 | -4.7 | 0.4 | 0.8 | 1.9 |
| La Caixa | 1.0 | 1.5 | 1.1 | 0.8 | -3.6 | -0.5 | 1.0 | 1.4 | 6.6 | 3.6 | -2.4 | 0.0 | 0.1 | 0.6 |
| Repsol | 0.8 | 1.5 | 0.8 | 1.0 | -1.3 | -0.4 | -1.1 | 0.7 | 5.9 | 5.3 | -6.7 | -2.2 | 0.0 | 0.6 |
| Santander | 1.1 | 2.0 | 1.3 | 1.7 | -3.1 | -0.2 | 1.6 | 3.5 | 7.9 | 10.4 | -2.0 | 0.1 | 0.4 | 1.6 |
| Solchaga Recio & asociados | 1.3 | 2.0 | 1.2 | 1.6 | -1.4 | -0.5 | 0.4 | 2.6 | 5.7 | 6.6 | -3.3 | -0.3 | 0.4 | 1.3 |
| CONSENSUS (AVERAGE) | 1.0 | 1.8 | 1.0 | 1.4 | -2.0 | -0.3 | 0.1 | 2.5 | 5.2 | 5.7 | -3.8 | 0.3 | 0.2 | 1.3 |
| Maximum | 1.3 | 2.2 | 1.5 | 1.8 | -0.8 | 1.3 | 1.6 | 5.2 | 8.6 | 10.4 | -1.9 | 3.1 | 0.8 | 2.0 |
| Minimum | 0.8 | 1.5 | 0.2 | 0.8 | -4.7 | -1.4 | -1.4 | 0.7 | -0.9 | 2.3 | -6.7 | -2.2 | -0.6 | 0.6 |
| Change on 2 months earlier[1] | 0.1 | -- | 0.4 | -- | -0.4 | -- | 1.0 | -- | 1.6 | -- | 0.4 | -- | 0.4 | -- |
| - Rise[2] | 14 | -- | 16 | -- | 5 | -- | 12 | -- | 13 | -- | 11 | -- | 15 | -- |
| - Drop[2] | 0 | -- | 0 | -- | 8 | -- | 3 | -- | 1 | -- | 4 | -- | 0 | -- |
| Change on 6 months earlier[1] | 0.3 | -- | 1.0 | -- | 0.0 | -- | 1.1 | -- | 2.3 | -- | -0.1 | -- | 0.7 | -- |
| Memorandum ítems: | | | | | | | | | | | | | | |
| Government (September 2013) | 0.7 | -- | 0.2 | -- | -2.9 | -- | 0.2 | -- | -- | -- | -- | -- | -0.4 | -- |
| Bank of Spain (March 2013) | 0.6 | -- | -0.3 | -- | -1.5 | -- | -0.9 | -- | 1.4[3] | -- | -2.5 | -- | -0.6 | -- |
| EC (February 2014) | 1.0 | 1.7 | 0.6 | 1.1 | -0.9 | -0.2 | 0.1 | 2.0 | 5.8[3] | 6.7[3] | -- | -- | 0.2 | 1.0 |
| IMF (January 2014) | 0.6 | 0.8 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| OECD (November 2013) | 0.5 | 1.0 | -0.4 | 0.2 | -2.9 | -2.6 | -1.6 | -0.1 | -- | -- | -- | -- | -1.2 | -0.4 |

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

Table 1 (Continued)

## Economic Forecasts for Spain – March 2014

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

| | Exports goods & services | | Imports goods & services | | Industrial output | | CPI (annual av.) | | Labour costs[3] | | Jobs[4] | | Unempl. (% labour force) | | C/A bal. payments (% of GDP)[5] | | Gen. gov. bal. (% of GDP)[7] | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 |
| Analistas Financieros Internacionales (AFI) | 5.6 | -- | 3.2 | -- | -- | -- | 0.5 | -- | -- | -- | 0.6 | -- | 25.7 | -- | 1.5 | -- | -5.8 | -- |
| Banco Bilbao Vizcaya Argentaria (BBVA) | 6.5 | 6.7 | 5.2 | 7.4 | -- | -- | 0.5 | 1.0 | 0.2 | 0.5 | 0.3 | 0.9 | 25.6 | 24.8 | 1.6 | 1.7 | -5.8 | -5.1 |
| Bankia | 5.8 | 6.2 | 3.0 | 5.3 | 1.5 | 2.5 | 0.5 | 0.9 | 0.6 | 0.7 | 0.2 | 0.6 | 25.3 | 23.8 | 2.5 | 3.0 | -- | -- |
| CatalunyaCaixa | 5.6 | 5.5 | 4.3 | 5.2 | -- | -- | 0.6 | 1.5 | -- | -- | 0.3 | 0.5 | 25.7 | 25.0 | -- | -- | -- | -- |
| Cemex | 6.1 | 6.2 | 4.7 | 5.9 | -- | -- | 0.6 | 1.2 | -- | -- | 0.7 | 1.0 | 25.5 | 24.7 | 1.7 | 1.5 | -5.8 | -4.2 |
| Centro de Estudios Economía de Madrid (CEEM-URJC) | 5.7 | 5.3 | 2.2 | 3.5 | -- | -- | 0.4 | 0.7 | -- | -- | 0.7 | 1.2 | 25.2 | 24.1 | 2.0 | 2.7 | -5.7 | -4.8 |
| Centro de Predicción Económica (CEPREDE-UAM) | 5.4 | 6.5 | 3.5 | 5.0 | 1.1 | 2.2 | 0.8 | 1.6 | 0.2 | 0.7 | 0.5 | 1.3 | 25.3 | 24.3 | 1.8 | 2.6 | -6.6 | -6.5 |
| CEOE | 5.6 | 5.7 | 3.8 | 4.7 | 2.1 | 4.5 | 0.4 | 0.9 | 0.1 | 0.1 | 0.6 | 1.2 | 25.1 | 23.8 | 1.2 | 1.9 | -6.0 | -5.4 |
| ESADE | 4.5 | -- | 1.0 | -- | -- | -- | 1.0 | -- | -- | -- | 0.5 | -- | 25.5 | -- | 1.5 | -- | -5.9 | -- |
| Fundación Cajas de Ahorros (FUNCAS) | 3.6 | 4.8 | 2.3 | 3.5 | 1.5 | 2.4 | 0.3 | 0.6 | 0.4 | 0.5 | 0.5 | 1.1 | 25.1 | 23.5 | 1.3 | 1.7 | -6.0 | -5.5 |
| Instituto Complutense de Análisis Económico (ICAE-UCM) | 6.5 | 7.1 | 2.9 | 6.7 | 1.2 | 2.3 | 0.6 | 1.2 | -- | -- | 0.3 | 0.9 | 25.3 | 24.5 | 1.6 | 1.4 | -5.8 | -4.7 |
| Instituto de Estudios Económicos (IEE) | 6.0 | -- | 2.8 | -- | -- | -- | 0.5 | -- | 0.3 | -- | 0.1 | -- | 26.0 | -- | 2.1 | -- | -5.8 | -- |
| Instit. Macroec.y Finanzas (Univ. CJC) | 4.5 | -- | 1.6 | -- | 0.9 | -- | 0.9 | -- | -0.9 | -- | -0.5 | -- | 25.4 | -- | 2.0 | -- | -5.8 | -- |
| Instituto Flores de Lemus (IFL-UC3M) | 6.3 | 6.4 | 4.7 | 5.7 | 1.3 | 3.3 | 0.5 | 1.1 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Intermoney | 5.0 | 5.1 | 4.3 | 4.7 | 0.9 | 3.4 | 0.5 | 1.2 | -- | -- | 0.3 | 1.3 | 25.5 | 24.6 | 1.3 | 1.4 | -5.9 | -4.7 |
| La Caixa | 5.4 | 4.9 | 3.2 | 2.6 | 1.0 | 2.4 | 0.6 | 1.3 | 0.8 | 1.7 | 0.6 | 1.2 | 25.2 | 24.1 | 1.3 | 1.6 | -5.8 | -4.2 |
| Repsol | 5.1 | 6.8 | 3.0 | 4.7 | 1.9 | 1.7 | 0.4 | 1.1 | -0.2 | 0.4 | 0.1 | 0.5 | 25.6 | 24.5 | 1.7 | 2.4 | -6.0 | -- |
| Santander | 4.8 | 4.4 | 3.1 | 3.4 | 2.0 | 3.1 | 0.5 | 1.0 | 0.0 | 1.0 | 0.9 | 1.7 | 25.0 | 23.5 | 2.0 | 2.5 | -5.8 | -4.2 |
| Solchaga Recio & asociados | 5.5 | 6.4 | 3.5 | 5.1 | -- | -- | 0.5 | 1.0 | -- | -- | 0.5 | 1.5 | 24.9 | 23.4 | 1.4 | 1.5 | -5.8 | -6.1 |
| CONSENSUS (AVERAGE) | 5.4 | 5.9 | 3.3 | 4.9 | 1.4 | 2.8 | 0.6 | 1.1 | 0.1 | 0.7 | 0.4 | 1.1 | 25.4 | 24.2 | 1.7 | 2.0 | -5.9 | -5.0 |
| Maximum | 6.5 | 7.1 | 5.2 | 7.4 | 2.1 | 4.5 | 1.0 | 1.6 | 0.8 | 1.7 | 0.9 | 1.7 | 26.0 | 25.0 | 2.5 | 3.0 | -5.7 | -4.2 |
| Minimum | 3.6 | 4.4 | 1.0 | 2.6 | 0.9 | 1.7 | 0.3 | 0.6 | -0.9 | 0.1 | -0.5 | 0.5 | 24.9 | 23.4 | 1.2 | 1.4 | -6.6 | -6.5 |
| Change on 2 months earlier[1] | -0.4 | -- | 0.3 | -- | 0.6 | -- | -0.4 | -- | 0.0 | -- | 0.4 | -- | -0.2 | -- | -0.1 | -- | 0.0 | -- |
| - Rise[2] | 3 | -- | 10 | -- | 5 | -- | 0 | -- | 3 | -- | 15 | -- | 2 | -- | 5 | -- | 1 | -- |
| - Down[2] | 10 | -- | 4 | -- | 2 | -- | 16 | -- | 3 | -- | 0 | -- | 9 | -- | 8 | -- | 5 | -- |
| Change on 6 months earlier[1] | -0.5 | -- | 0.9 | -- | 1.4 | -- | -0.7 | -- | 0.0 | -- | 0.6 | -- | -0.5 | -- | -0.4 | -- | 0.0 | -- |
| Memorandum items: | | | | | | | | | | | | | | | | | | |
| Government (September 2013) | 5.5 | -- | 2.4 | -- | -- | -- | -- | -- | 0.3 | -- | -0.2 | -- | 25.9 | -- | 2.8 | -- | -5.8 | -4.2 |
| Bank of Spain (March 2013) | 5.4 | -- | 2.0 | -- | -- | -- | 1.0 | -- | -0.1 | -- | -0.6 | -- | 26.8 | -- | 3.5[6] | --[6] | -5.9 | -- |
| EC (February 2014) | 5.4 | 6.4 | 3.3 | 4.9 | -- | -- | 0.3 | 0.9 | 0.6 | 0.6 | 0.1 | 1.1 | 25.7 | 24.6 | 1.6 | 1.8 | -5.8 | -6.5 |
| IMF (January 2014) | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| OECD (November 2013) | 5.4 | 6.5 | 0.7 | 3.1 | -- | -- | 0.5 | 0.6 | -- | -- | -0.6 | 0.3 | 26.3 | 25.6 | 1.6 | 3.1 | -6.1 | -5.1 |

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

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

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

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

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

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

[7] Excluding financial entities bail-out expenditures.

Table 2

## Quarterly Forecasts - March 2014[1]

Quarter-on-quarter change (percentage)

| | 14-Q1 | 14-Q2 | 14-Q3 | 14-Q4 | 15-Q1 | 15-Q2 | 15-Q3 | 15-Q4 |
|---|---|---|---|---|---|---|---|---|
| GDP[2] | 0.3 | 0.4 | 0.4 | 0.4 | 0.4 | 0.5 | 0.4 | 0.5 |
| Household consumption[2] | 0.1 | 0.2 | 0.2 | 0.4 | 0.3 | 0.4 | 0.4 | 0.5 |

*[1] Average of forecasts by private institutions listed in Table 1.*
*[2] According to series corrected for seasonality and labour calendar.*

Table 3

## CPI Forecasts – March 2014[1]

| Monthly change (%) | | | | Year-on-year change (%) | |
|---|---|---|---|---|---|
| Feb-14 | Mar-14 | Apr-14 | May-14 | Dec-14 | Dec-15 |
| 0.0 | 0.4 | 0.6 | 0.1 | 0.8 | 1.2 |

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

Table 4

## Opinions – March 2014

Number of responses

| | Currently | | | Trend for next six months | | |
|---|---|---|---|---|---|---|
| | Favourable | Neutral | Unfavourable | Improving | Unchanged | Worsening |
| International context: EU | 2 | 13 | 4 | 19 | 0 | 0 |
| International context: Non-EU | 5 | 12 | 2 | 13 | 5 | 1 |
| | Low[1] | Normal[1] | High[1] | Increasing | Stable | Decreasing |
| Short-term interest rate[2] | 11 | 5 | 3 | 1 | 17 | 1 |
| Long-term interest rate[3] | 2 | 9 | 8 | 1 | 13 | 5 |
| | Overvalued[4] | Normal[4] | Undervalued[4] | Appreciation | Stable | Depreciation |
| Euro/dollar exchange rate | 18 | 1 | 0 | 0 | 5 | 14 |
| | Is being | | | Should be | | |
| | Restrictive | Neutral | Expansionary | Restrictive | Neutral | Expansionary |
| Fiscal policy assessment[1] | 19 | 0 | 0 | 12 | 5 | 2 |
| Monetary policy assessment[1] | 1 | 2 | 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 | -2.1 | -2.3 | -5.1 | -9.6 | -8.0 | -10.9 | 1.7 | 4.9 | 0.4 | -2.7 | 1.5 |
| 2014 | | 1.2 | 1.3 | -1.3 | 0.6 | -1.9 | -4.8 | 0.3 | 4.0 | 3.6 | 2.3 | 0.7 | 0.5 |
| 2015 | | 1.8 | 1.5 | -0.9 | 2.5 | 1.1 | -1.7 | 3.1 | 4.3 | 4.8 | 3.6 | 1.3 | 0.5 |
| 2013 | I | -1.9 | -4.2 | -2.3 | -7.2 | -9.8 | -8.8 | -10.6 | -3.2 | 2.9 | -4.9 | -4.3 | 2.4 |
| | II | -1.6 | -3.0 | -3.4 | -5.8 | -10.1 | -8.1 | -11.9 | 0.6 | 9.5 | 3.2 | -3.6 | 2.0 |
| | III | -1.1 | -1.7 | 0.2 | -5.3 | -9.8 | -7.8 | -11.4 | 1.1 | 3.5 | 0.6 | -2.1 | 1.0 |
| | IV | -0.2 | 0.7 | -3.5 | -1.7 | -8.6 | -7.2 | -9.8 | 8.7 | 3.7 | 2.7 | -0.6 | 0.4 |
| 2014 | I | 0.5 | 1.3 | -1.9 | -0.9 | -5.5 | -6.5 | -4.7 | 5.6 | 4.8 | 4.2 | 0.2 | 0.3 |
| | II | 1.1 | 1.5 | -1.3 | 1.1 | -1.6 | -5.1 | 1.4 | 4.6 | 2.7 | 2.2 | 0.8 | 0.2 |
| | III | 1.5 | 1.2 | -2.1 | 1.2 | -0.4 | -4.2 | 2.6 | 3.3 | 3.1 | 1.4 | 0.8 | 0.6 |
| | IV | 1.7 | 1.1 | 0.2 | 1.2 | -0.1 | -3.2 | 2.3 | 2.7 | 3.7 | 1.7 | 1.0 | 0.7 |
| 2015 | I | 1.7 | 1.3 | -2.0 | 1.9 | 0.3 | -3.2 | 2.8 | 4.0 | 4.7 | 2.5 | 0.9 | 0.8 |
| | II | 1.8 | 1.4 | -0.7 | 2.6 | 0.9 | -1.9 | 3.0 | 4.6 | 4.6 | 3.8 | 1.4 | 0.4 |
| | III | 1.8 | 1.5 | 0.1 | 2.9 | 1.4 | -1.3 | 3.3 | 4.6 | 4.9 | 4.0 | 1.4 | 0.4 |
| | IV | 1.9 | 1.6 | -1.0 | 2.8 | 1.9 | -0.3 | 3.3 | 4.0 | 5.0 | 3.9 | 1.4 | 0.5 |
| **Chain-linked volumes, quarter-on-quarter percentage changes, at annual rate** | | | | | | | | | | | | | |
| 2013 | I | -1.2 | -1.6 | 4.1 | -4.8 | -12.4 | -4.3 | -18.8 | 7.6 | -16.7 | -17.3 | -1.1 | -0.1 |
| | II | -0.5 | 0.4 | -4.5 | -7.3 | -17.1 | -13.3 | -20.3 | 8.4 | 31.2 | 26.7 | -2.3 | 1.7 |
| | III | 0.3 | 2.1 | 2.3 | 2.8 | -3.6 | -5.4 | -2.0 | 11.9 | 2.5 | 8.5 | 2.2 | -1.9 |
| | IV | 0.7 | 2.1 | -14.6 | 2.7 | -0.4 | -5.6 | 4.2 | 7.0 | 3.2 | -2.2 | -1.2 | 1.9 |
| 2014 | I | 1.5 | 0.7 | 11.0 | -1.6 | 0.3 | -1.2 | 1.2 | -4.1 | -13.3 | -12.4 | 2.2 | -0.7 |
| | II | 1.7 | 1.0 | -2.1 | 0.5 | -2.4 | -8.2 | 2.2 | 4.3 | 21.2 | 17.5 | 0.3 | 1.4 |
| | III | 1.9 | 1.2 | -1.2 | 3.3 | 0.9 | -1.5 | 2.8 | 6.3 | 4.2 | 5.0 | 1.6 | 0.3 |
| | IV | 1.8 | 1.4 | -6.1 | 2.6 | 0.9 | -1.8 | 3.0 | 4.8 | 5.5 | -0.9 | 0.3 | 1.4 |
| 2015 | I | 1.6 | 1.5 | 1.4 | 1.2 | 1.6 | -1.0 | 3.4 | 0.6 | -9.7 | -9.6 | 1.5 | 0.1 |
| | II | 1.8 | 1.6 | 3.2 | 3.2 | 0.3 | -3.3 | 2.8 | 6.8 | 20.4 | 23.4 | 2.3 | -0.5 |
| | III | 2.0 | 1.7 | 2.3 | 4.4 | 2.8 | 1.0 | 4.0 | 6.4 | 5.5 | 5.9 | 2.5 | -0.5 |
| | IV | 2.2 | 1.8 | -10.3 | 2.5 | 2.8 | 2.1 | 3.2 | 2.2 | 6.0 | -1.4 | 0.0 | 2.2 |
| | | **Current prices (EUR billions)** | **Percentage of GDP at current prices** | | | | | | | | | | |
| 2007 | | 1,053.2 | 57.4 | 18.3 | 30.7 | 21.9 | 12.2 | 9.7 | 8.8 | 26.9 | 33.6 | 106.7 | -6.7 |
| 2008 | | 1,087.8 | 57.2 | 19.5 | 28.7 | 20.2 | 10.8 | 9.4 | 8.4 | 26.5 | 32.3 | 105.8 | -5.8 |
| 2009 | | 1,046.9 | 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 | | 1,029.3 | 59.3 | 20.2 | 19.2 | 11.5 | 5.2 | 6.3 | 7.7 | 32.6 | 31.9 | 99.3 | 0.7 |
| 2013 | | 1,023.0 | 59.2 | 20.1 | 17.7 | 10.1 | 4.4 | 5.6 | 7.7 | 34.1 | 31.7 | 97.6 | 1.5 |
| 2014 | | 1,040.4 | 59.3 | 19.6 | 17.5 | 9.6 | 4.0 | 5.6 | 7.9 | 35.2 | 32.0 | 96.9 | 3.1 |
| 2015 | | 1,066.4 | 59.2 | 19.1 | 17.6 | 9.5 | 3.8 | 5.7 | 8.1 | 36.4 | 32.8 | 96.3 | 3.7 |

**Seasonally and Working Day Adjusted.*
*(a) Contribution to GDP growth.*

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

**Chart 1.1.- GDP**
Percentage change

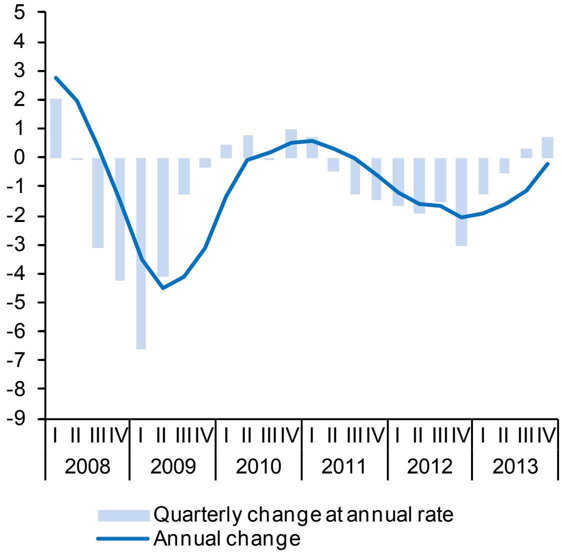



**Chart 1.2.- Contribution to GDP annual growth**
Percentage points

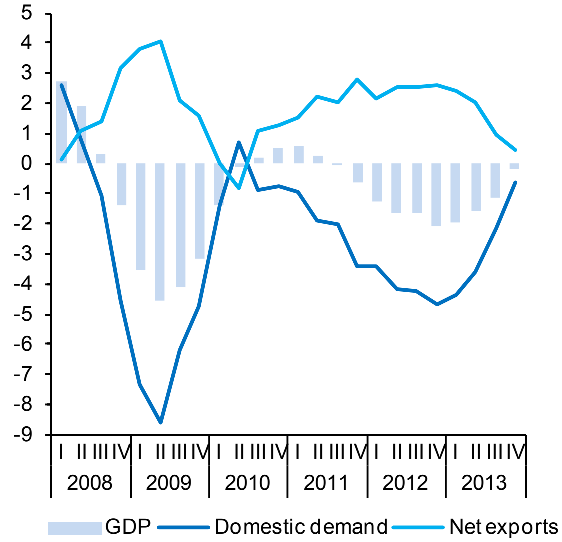



**Chart 1.3.- Final consumption**
Annual percentage change

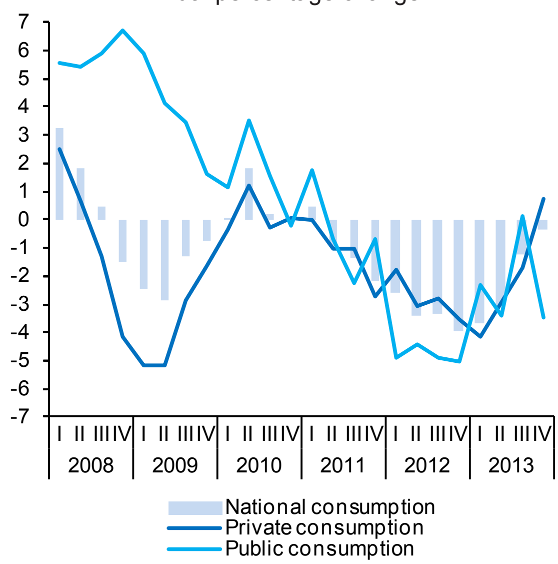



**Chart 1.4.- Gross fixed capital formation**
Annual percentage change

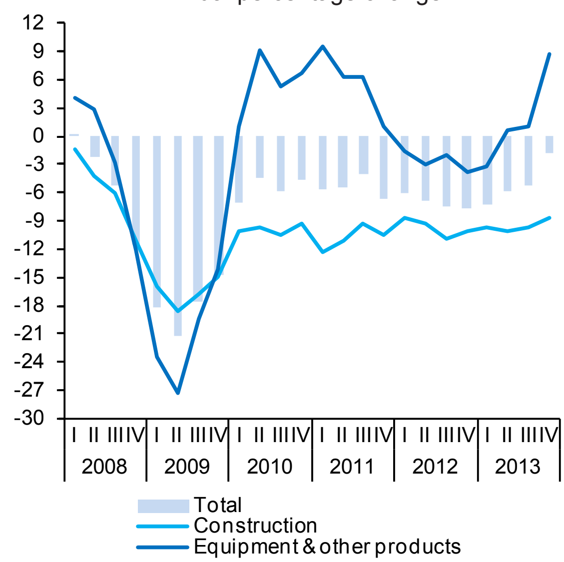


Table 2

## National accounts: Gross value added by economic activity SWDA*

Forecasts in blue

| | Gross value added at basic prices | | | | | | | | | | | | Taxes less subsidies on products |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Agriculture, forestry and fishing | Manufacturing, energy and utilities | Construction | Services | | | | | | | | |
| | | | | | Total | Trade, transport, accommodation and food services | Information and communication | Finance and insurance | Real estate | Professional, business and support services | Public administration, education, health and social work | Arts, entertainment and other services | |
| **Chain-linked volumes, annual percentage changes** | | | | | | | | | | | | | |
| 2007 | 3.8 | 7.0 | 0.5 | 1.8 | 5.0 | 4.3 | 3.4 | 11.9 | 2.8 | 8.0 | 4.5 | 2.2 | 1.0 |
| 2008 | 1.0 | -2.7 | -2.1 | -0.2 | 2.3 | 0.4 | 1.5 | 2.8 | 2.1 | 2.3 | 5.1 | 2.0 | -0.3 |
| 2009 | -3.7 | -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 | -1.2 | 1.1 | -1.2 | -7.7 | -0.5 | -0.2 | -0.3 | -3.3 | -0.2 | 0.0 | -0.6 | -0.9 | -1.2 |
| 2014 | 1.2 | 2.2 | 1.2 | -1.2 | 1.4 | 2.1 | 1.7 | 0.4 | 2.6 | 2.9 | -0.5 | 1.3 | 0.8 |
| 2015 | 1.9 | 1.4 | 2.4 | 1.7 | 1.8 | 2.9 | 2.0 | 1.9 | 2.4 | 2.4 | -0.5 | 1.5 | 1.3 |
| 2013 I | -1.9 | -4.1 | -2.5 | -7.0 | -1.1 | -1.9 | -0.7 | -3.7 | -0.3 | -0.8 | 0.4 | -2.7 | -2.0 |
| II | -1.6 | 3.9 | -2.1 | -8.3 | -0.9 | -0.2 | 1.0 | -4.1 | -0.6 | -0.7 | -2.0 | -0.6 | -1.0 |
| III | -1.2 | 0.9 | -0.8 | -7.8 | -0.6 | 0.2 | -1.6 | -2.7 | -0.7 | -0.5 | -0.8 | -0.7 | -0.8 |
| IV | -0.1 | 4.1 | 0.3 | -7.7 | 0.5 | 1.3 | -0.1 | -2.4 | 0.6 | 1.9 | -0.2 | 0.5 | -1.2 |
| 2014 I | 0.6 | 3.1 | 0.9 | -5.4 | 1.1 | 1.7 | 0.6 | -2.7 | 3.5 | 2.6 | 0.0 | -0.1 | -0.6 |
| II | 1.1 | 1.7 | 0.8 | -1.3 | 1.5 | 2.0 | 0.1 | -2.0 | 2.8 | 4.1 | 0.2 | 1.2 | 0.0 |
| III | 1.4 | 3.4 | 1.3 | 0.6 | 1.5 | 1.7 | 4.0 | 3.4 | 2.1 | 2.6 | -0.7 | 2.0 | 1.6 |
| IV | 1.7 | 0.5 | 1.8 | 1.6 | 1.7 | 3.2 | 2.3 | 3.3 | 2.1 | 2.1 | -1.4 | 2.0 | 2.4 |
| 2015 I | 1.8 | 1.1 | 2.4 | 1.5 | 1.7 | 3.1 | 2.4 | 1.7 | 2.2 | 2.1 | -1.0 | 1.5 | 1.4 |
| II | 1.8 | 1.4 | 2.5 | 1.7 | 1.7 | 2.7 | 1.8 | 1.7 | 2.3 | 2.3 | -0.3 | 1.6 | 1.0 |
| III | 1.9 | 1.5 | 2.3 | 1.8 | 1.8 | 2.9 | 1.9 | 1.9 | 2.4 | 2.4 | -0.4 | 1.4 | 1.1 |
| IV | 2.0 | 1.5 | 2.6 | 2.0 | 1.8 | 2.7 | 2.1 | 2.0 | 2.6 | 2.6 | -0.3 | 1.4 | 1.5 |
| **Chain-linked volumes, quarter-on-quarter percentage changes, at annual rate** | | | | | | | | | | | | | |
| 2013 I | -1.8 | 2.5 | -3.0 | -7.5 | -1.0 | 1.1 | -0.8 | 9.8 | -8.6 | -0.5 | -3.8 | 5.4 | 5.2 |
| II | -0.7 | 6.1 | 2.3 | -16.1 | 0.2 | 3.3 | 6.4 | -1.2 | 4.5 | -3.9 | -4.3 | -3.7 | 1.4 |
| III | 0.9 | -5.1 | 2.3 | -5.0 | 1.5 | 2.8 | -12.8 | -18.4 | 5.2 | 8.6 | 4.5 | -1.3 | -6.2 |
| IV | 1.2 | 13.7 | -0.1 | -1.7 | 1.4 | -2.0 | 8.5 | 2.4 | 2.0 | 4.0 | 3.2 | 1.6 | -4.7 |
| 2014 I | 1.0 | -1.2 | -0.8 | 2.3 | 1.4 | 2.7 | 1.6 | 8.4 | 2.2 | 2.2 | -3.3 | 3.2 | 7.7 |
| II | 1.5 | 0.4 | 2.0 | -0.4 | 1.6 | 4.5 | 4.5 | 2.0 | 2.0 | 2.0 | -3.3 | 1.2 | 4.0 |
| III | 2.1 | 1.2 | 4.5 | 2.4 | 1.5 | 1.7 | 1.6 | 1.1 | 2.1 | 2.2 | 0.7 | 2.1 | -0.3 |
| IV | 2.1 | 1.5 | 1.5 | 1.9 | 2.2 | 3.9 | 1.7 | 1.8 | 2.3 | 2.1 | 0.3 | 1.4 | -1.4 |
| 2015 I | 1.4 | 1.5 | 1.5 | 2.1 | 1.3 | 2.4 | 1.8 | 2.0 | 2.3 | 2.3 | -1.5 | 1.4 | 3.5 |
| II | 1.8 | 1.5 | 2.6 | 0.3 | 1.7 | 2.9 | 2.0 | 2.0 | 2.5 | 2.5 | -0.8 | 1.4 | 2.2 |
| III | 2.2 | 1.5 | 3.5 | 2.8 | 1.9 | 2.3 | 2.2 | 2.0 | 2.7 | 2.7 | 0.5 | 1.4 | 0.3 |
| IV | 2.4 | 1.5 | 2.6 | 2.8 | 2.4 | 3.4 | 2.4 | 2.0 | 3.0 | 3.0 | 0.5 | 1.4 | 0.0 |
| | **Current prices (EUR billions)** | **Percentage of value added at basic prices** | | | | | | | | | | | |
| 2007 | 946.0 | 2.7 | 17.3 | 13.9 | 66.1 | 23.0 | 4.2 | 5.3 | 6.9 | 7.2 | 16.1 | 3.4 | 11.3 |
| 2008 | 997.0 | 2.5 | 16.9 | 13.6 | 67.0 | 23.1 | 4.1 | 5.4 | 6.9 | 7.4 | 16.7 | 3.4 | 9.1 |
| 2009 | 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 | 933.2 | 2.6 | 17.5 | 7.8 | 72.1 | 25.9 | 4.0 | 3.9 | 8.4 | 7.8 | 18.3 | 3.8 | 9.6 |
| 2014 | 947.7 | 2.6 | 17.5 | 7.6 | 72.3 | 26.6 | 3.9 | 3.8 | 8.5 | 7.8 | 17.8 | 3.9 | 9.7 |
| 2015 | 970.8 | 2.6 | 17.6 | 7.5 | 72.3 | 26.9 | 3.8 | 3.9 | 8.7 | 7.9 | 17.2 | 3.9 | 9.7 |

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

**Chart 2.1.- GVA by sectors**
Annual percentage change

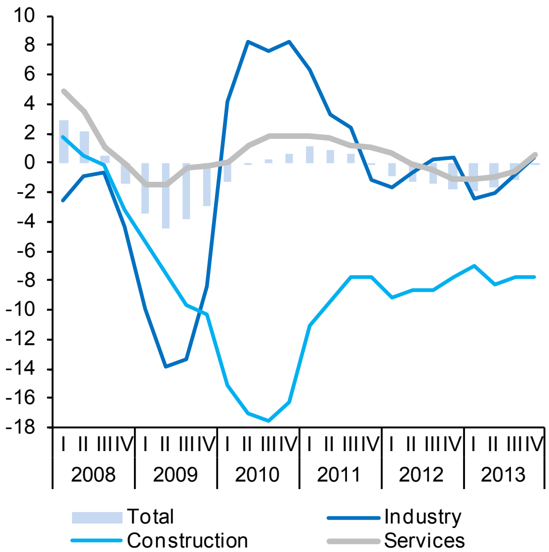



**Chart 2.2.- GVA, services (I)**
Annual percentage change

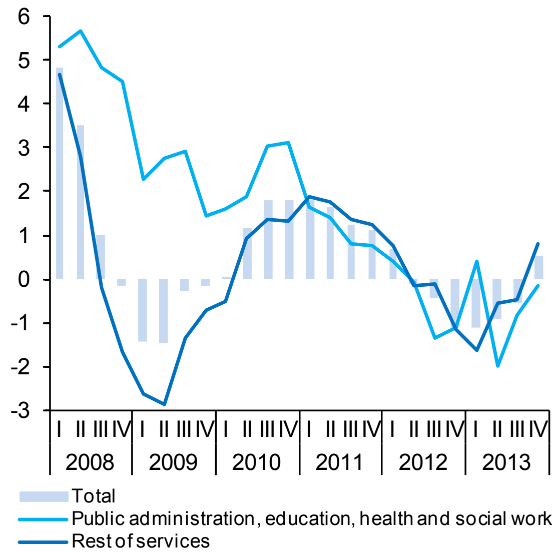





**Chart 2.3.- GVA, services (II)**
Annual percentage change

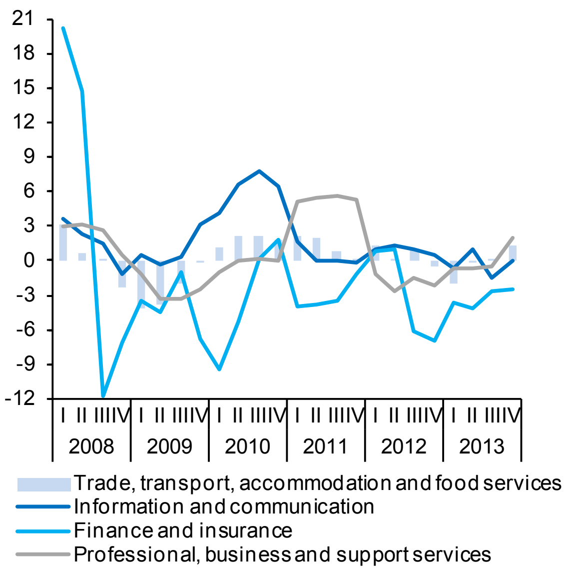



**Chart 2.4.- GVA, structure by sectors**
Percentage of value added at basic prices

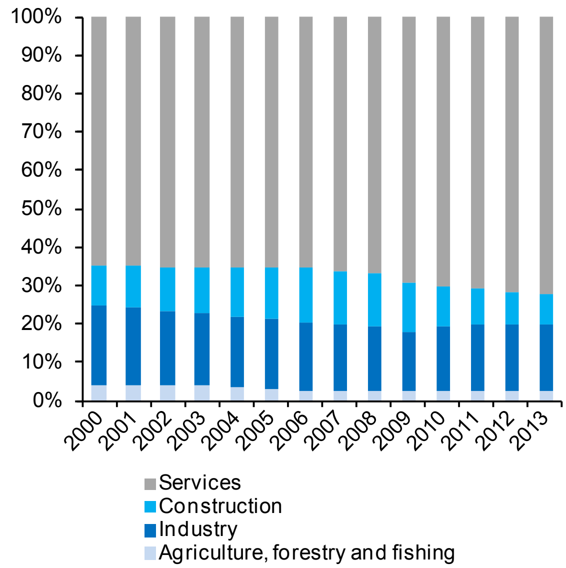


Table 3a

## National accounts: Productivity and labour costs (I)

Forecasts in blue

| | | Total economy | | | | | | Manufacturing industry | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | GDP, constant prices | Employment (jobs, full time equivalent) | Employment productivity | Compensation per job | Nominal unit labour cost | Real unit labour cost (a) | Gross value added, constant prices | Employment (jobs, full time equivalent) | Employment productivity | Compensation per job | Nominal unit labour cost | Real unit labour cost (a) |
| | | 1 | 2 | 3=1/2 | 4 | 5=4/3 | 6 | 7 | 8 | 9=7/8 | 10 | 11=10/9 | 12 |
| **Indexes, 2000 = 100, SWDA** | | | | | | | | | | | | | |
| 2007 | | 126.4 | 123.1 | 102.7 | 128.2 | 124.7 | 94.3 | 107.8 | 91.1 | 118.3 | 139.9 | 118.3 | 95.7 |
| 2008 | | 127.6 | 122.8 | 103.9 | 137.0 | 131.9 | 97.4 | 104.1 | 89.7 | 116.0 | 147.4 | 127.0 | 98.2 |
| 2009 | | 122.7 | 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 | 146.5 | 124.5 | 91.3 | 94.8 | 65.4 | 145.1 | 160.2 | 110.5 | 85.5 |
| 2014 | | 120.4 | 101.7 | 118.4 | 147.0 | 124.1 | 90.6 | 96.2 | -- | -- | -- | -- | -- |
| 2015 | | 122.6 | 102.8 | 119.2 | 147.7 | 123.9 | 89.8 | 98.6 | -- | -- | -- | -- | -- |
| 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 | 146.6 | 127.7 | 94.2 | 96.2 | 69.3 | 138.7 | 159.0 | 114.6 | 89.1 |
| | III | 120.3 | 104.4 | 115.2 | 146.4 | 127.1 | 93.6 | 95.8 | 68.8 | 139.3 | 158.7 | 113.9 | 89.5 |
| | IV | 119.4 | 102.8 | 116.2 | 142.7 | 122.8 | 90.5 | 93.8 | 67.7 | 138.6 | 158.0 | 114.0 | 85.4 |
| 2013 | I | 119.0 | 101.6 | 117.2 | 145.7 | 124.3 | 90.7 | 94.4 | 66.3 | 142.3 | 157.9 | 111.0 | 86.3 |
| | II | 118.9 | 101.0 | 117.7 | 146.5 | 124.5 | 91.2 | 95.1 | 65.8 | 144.6 | 161.0 | 111.3 | 86.3 |
| | III | 119.0 | 101.0 | 117.8 | 147.2 | 125.0 | 91.7 | 95.0 | 64.8 | 146.6 | 161.8 | 110.4 | 86.6 |
| | IV | 119.2 | 101.1 | 117.9 | 146.6 | 124.3 | 91.4 | 94.9 | 64.7 | 146.8 | 160.3 | 109.2 | 82.8 |
| **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 | -3.0 | -1.1 | -6.0 | 5.2 | 2.3 | -2.8 | -2.3 |
| 2013 | | -1.2 | -3.4 | 2.3 | 0.7 | -1.6 | -2.2 | -0.9 | -5.3 | 4.7 | 1.3 | -3.2 | -3.4 |
| 2014 | | 1.2 | 0.5 | 0.7 | 0.4 | -0.3 | -0.7 | 1.4 | -- | -- | -- | -- | -- |
| 2015 | | 1.8 | 1.1 | 0.7 | 0.5 | -0.2 | -0.9 | 2.5 | -- | -- | -- | -- | -- |
| 2012 | I | -1.2 | -4.3 | 3.2 | 1.7 | -1.4 | -1.3 | -2.8 | -4.9 | 2.3 | 2.6 | 0.4 | 0.6 |
| | II | -1.6 | -5.1 | 3.7 | 0.8 | -2.7 | -2.6 | -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 | -2.4 | -5.3 | -5.4 | 0.1 | -6.3 | 6.9 | 1.4 | -5.1 | -5.4 |
| 2013 | I | -1.9 | -4.7 | 2.9 | -0.5 | -3.2 | -4.3 | -2.5 | -5.7 | 3.3 | 0.7 | -2.5 | -4.1 |
| | II | -1.6 | -4.0 | 2.5 | -0.1 | -2.5 | -3.1 | -1.2 | -5.2 | 4.2 | 1.2 | -2.8 | -3.2 |
| | III | -1.1 | -3.3 | 2.2 | 0.5 | -1.6 | -2.1 | -0.8 | -5.7 | 5.2 | 2.0 | -3.1 | -3.2 |
| | IV | -0.2 | -1.6 | 1.5 | 2.7 | 1.2 | 1.0 | 1.2 | -4.5 | 5.9 | 1.4 | -4.2 | -3.0 |

*(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

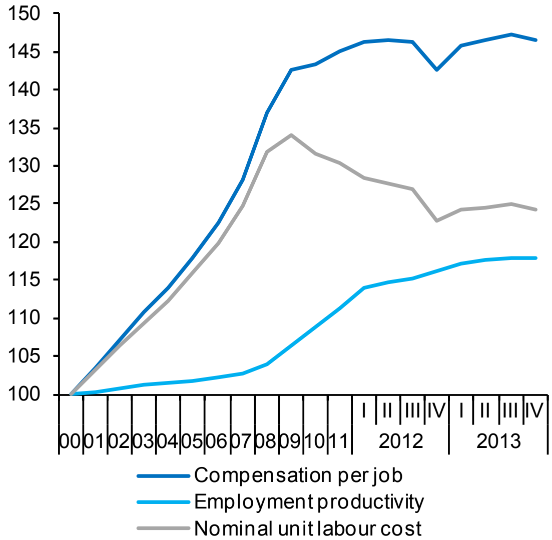
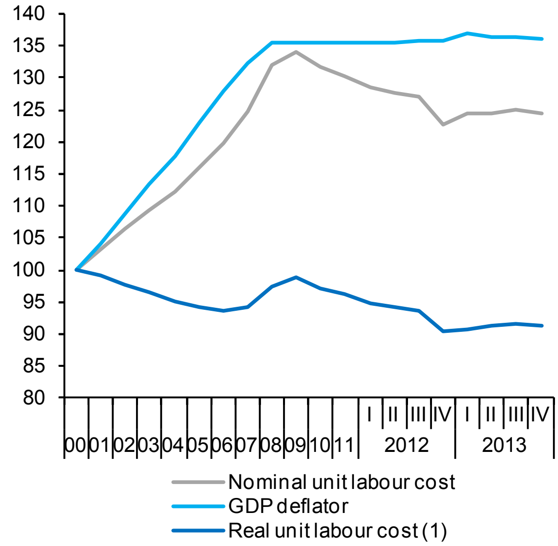



**Chart 3a.2.- Real ULC, total economy**
Index, 2000=100




(1) Nominal ULC deflated by GDP deflator.

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

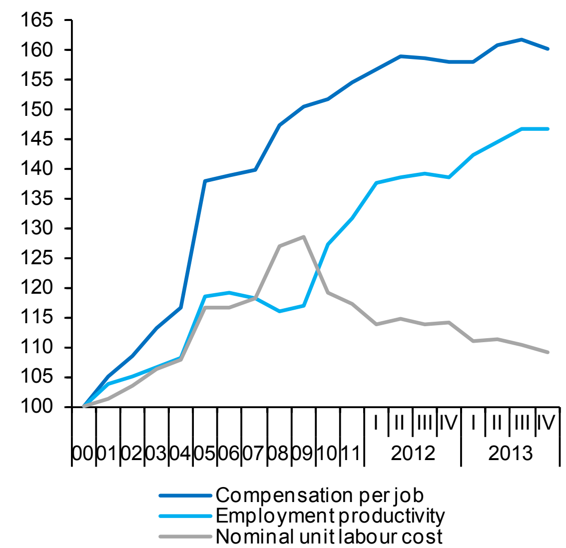
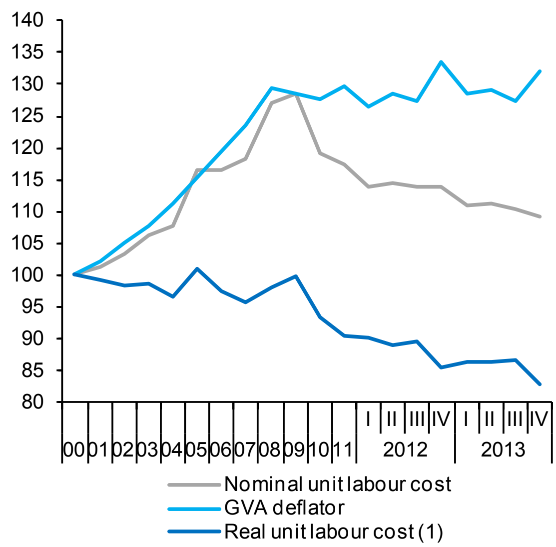



**Chart 3a.4.- Real ULC, manufacturing industry**
Index, 2000=100




(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 | | 82.6 | 52.9 | 156.0 | 178.2 | 114.2 | 75.6 | 134.7 | 122.7 | 109.8 | 139.2 | 126.8 | 93.5 |
| 2014 | | 81.6 | 51.3 | 159.2 | -- | -- | -- | 136.6 | 123.7 | 110.4 | -- | -- | -- |
| 2015 | | 83.0 | 51.7 | 160.5 | -- | -- | -- | 139.0 | 125.1 | 111.1 | -- | -- | -- |
| 2012 | I | 92.5 | 63.6 | 145.4 | 174.8 | 120.2 | 77.1 | 135.8 | 127.5 | 106.5 | 139.7 | 131.2 | 96.6 |
| | II | 89.7 | 61.9 | 144.9 | 180.1 | 124.3 | 80.4 | 135.6 | 126.0 | 107.6 | 139.3 | 129.4 | 95.6 |
| | III | 88.1 | 58.8 | 149.9 | 177.9 | 118.7 | 77.9 | 135.6 | 125.5 | 108.0 | 139.3 | 128.9 | 95.0 |
| | IV | 87.6 | 55.8 | 157.1 | 178.3 | 113.5 | 74.2 | 134.6 | 123.7 | 108.8 | 134.8 | 123.9 | 91.5 |
| 2013 | I | 85.9 | 54.9 | 156.6 | 173.0 | 110.5 | 72.2 | 134.3 | 122.9 | 109.3 | 138.6 | 126.9 | 92.5 |
| | II | 82.3 | 53.1 | 154.8 | 182.4 | 117.8 | 78.5 | 134.3 | 122.1 | 110.0 | 139.0 | 126.3 | 93.8 |
| | III | 81.2 | 52.3 | 155.3 | 178.2 | 114.7 | 76.5 | 134.8 | 122.8 | 109.8 | 139.8 | 127.3 | 93.9 |
| | IV | 80.9 | 51.4 | 157.3 | 179.6 | 114.2 | 75.5 | 135.3 | 122.9 | 110.1 | 139.3 | 126.5 | 93.8 |
| **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 | | -7.7 | -11.8 | 4.6 | 0.3 | -4.2 | -2.3 | -0.5 | -2.4 | 1.9 | 0.6 | -1.3 | -1.3 |
| 2014 | | -1.2 | -3.2 | 2.0 | -- | -- | -- | 1.4 | 0.9 | 0.6 | -- | -- | -- |
| 2015 | | 1.7 | 0.9 | 0.8 | -- | -- | -- | 1.8 | 1.1 | 0.6 | -- | -- | -- |
| 2012 | I | -9.1 | -21.1 | 15.2 | 3.4 | -10.3 | -7.5 | 0.7 | -2.5 | 3.2 | 1.3 | -1.9 | -1.8 |
| | II | -8.6 | -18.1 | 11.6 | 3.5 | -7.3 | -5.0 | -0.1 | -3.8 | 3.8 | 0.4 | -3.3 | -3.8 |
| | III | -8.7 | -18.9 | 12.6 | 3.3 | -8.3 | -4.9 | -0.4 | -3.4 | 3.1 | 0.3 | -2.7 | -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 | -7.0 | -13.7 | 7.7 | -1.0 | -8.1 | -6.4 | -1.1 | -3.6 | 2.6 | -0.8 | -3.3 | -4.3 |
| | II | -8.3 | -14.2 | 6.9 | 1.3 | -5.2 | -2.4 | -0.9 | -3.1 | 2.2 | -0.2 | -2.4 | -1.9 |
| | III | -7.8 | -11.0 | 3.6 | 0.2 | -3.3 | -1.8 | -0.6 | -2.2 | 1.7 | 0.4 | -1.3 | -1.2 |
| | IV | -7.7 | -7.8 | 0.1 | 0.7 | 0.6 | 1.8 | 0.5 | -0.6 | 1.2 | 3.3 | 2.1 | 2.5 |

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

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

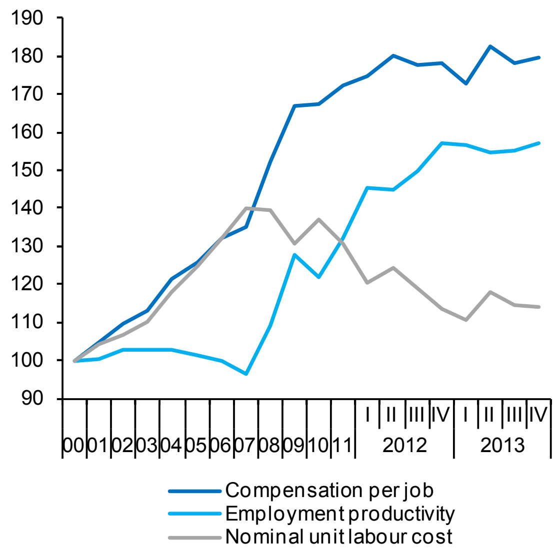
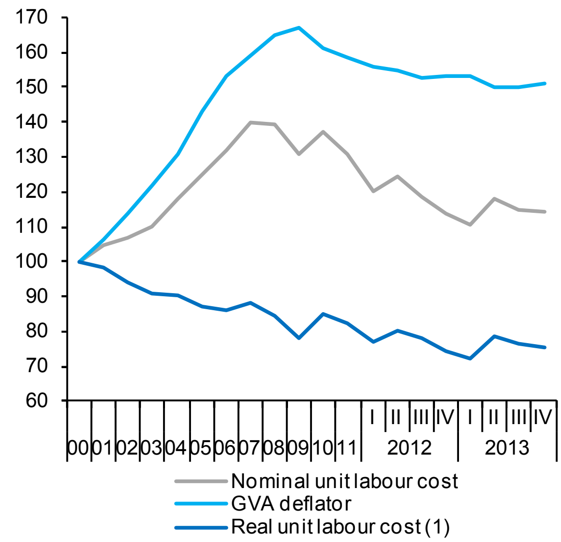



**Chart 3b.2.- Real ULC, construction**
Index, 2000=100




(1) Nominal ULC deflated by GVA deflator.

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

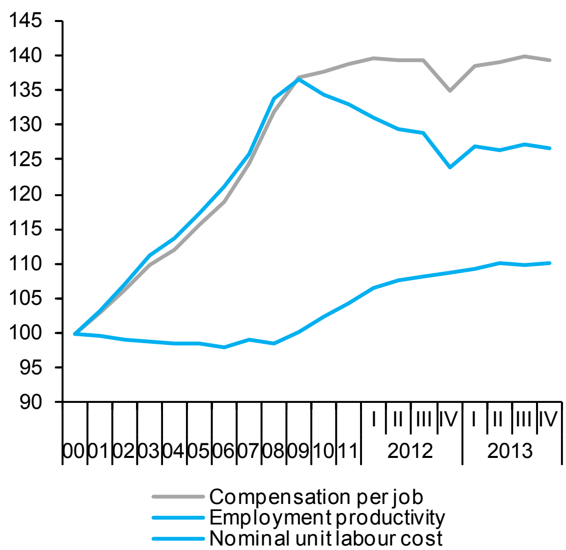
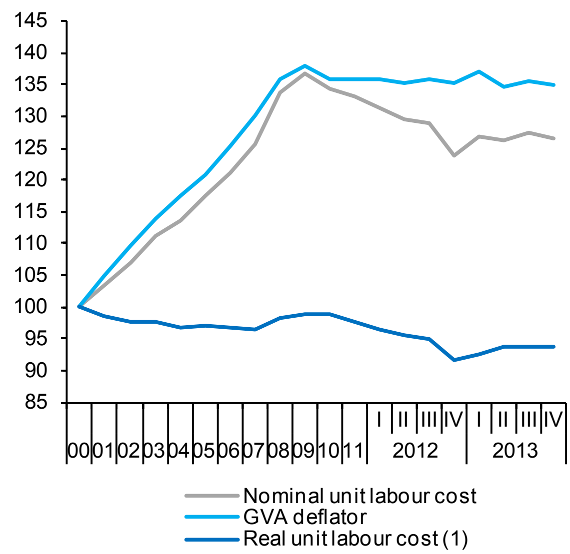



**Chart 3b.4.- Real ULC, services**
Index, 2000=100




(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 | | 1,029.3 | 482.6 | 452.4 | 94.3 | -15.3 | 1,014.0 | -4.8 | 1,009.2 | 818.3 | 190.8 | 46.9 | 44.0 | 9.2 |
| 2013 | | 1,023.0 | 465.8 | 458.1 | 99.1 | -11.4 | 1,011.6 | -5.1 | 1,006.5 | 811.6 | 194.9 | 45.5 | 44.8 | 9.7 |
| 2014 | | 1,040.4 | 469.7 | 469.5 | 101.2 | -12.4 | 1,028.0 | -5.6 | 1,022.4 | 820.4 | 202.0 | 45.1 | 45.1 | 9.7 |
| 2015 | | 1,066.4 | 476.9 | 485.1 | 104.4 | -13.5 | 1,052.9 | -6.0 | 1,046.9 | 834.0 | 213.0 | 44.7 | 45.5 | 9.8 |
| 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 | 1,029.3 | 482.6 | 452.4 | 94.3 | -15.3 | 1,014.0 | -4.8 | 1,009.2 | 818.3 | 190.8 | 46.9 | 44.0 | 9.2 |
| 2013 | I | 1,026.4 | 475.3 | 456.0 | 95.1 | -13.6 | 1,012.8 | -3.9 | 1,008.9 | 813.6 | 195.3 | 46.3 | 44.4 | 9.3 |
| | II | 1,023.9 | 468.4 | 457.9 | 97.7 | -12.9 | 1,011.0 | -4.6 | 1,006.4 | 809.3 | 197.1 | 45.7 | 44.7 | 9.5 |
| | III | 1,023.3 | 464.6 | 460.3 | 98.4 | -12.6 | 1,010.7 | -4.9 | 1,005.8 | 809.8 | 196.0 | 45.4 | 45.0 | 9.6 |
| | IV | 1,023.0 | 465.8 | 458.1 | 99.1 | -11.4 | 1,011.6 | -5.1 | 1,006.5 | 811.6 | 194.9 | 45.5 | 44.8 | 9.7 |
| | | **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 | | -1.6 | -5.6 | 1.6 | 4.4 | -35.5 | -0.8 | -30.5 | -0.6 | -2.0 | 5.7 | -1.9 | 1.4 | 0.5 |
| 2013 | | -0.6 | -3.5 | 1.3 | 5.2 | -25.2 | -0.2 | 5.4 | -0.3 | -0.8 | 2.1 | -1.4 | 0.8 | 0.5 |
| 2014 | | 1.7 | 0.8 | 2.5 | 2.1 | 8.3 | 1.6 | 10.0 | 1.6 | 1.1 | 3.7 | -0.4 | 0.3 | 0.0 |
| 2015 | | 2.5 | 1.5 | 3.3 | 3.2 | 8.7 | 2.4 | 7.5 | 2.4 | 1.7 | 5.4 | -0.4 | 0.4 | 0.1 |
| 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 | -1.6 | -5.6 | 1.6 | 4.4 | -35.5 | -0.8 | -30.5 | -0.6 | -2.0 | 5.7 | -1.9 | 1.4 | 0.5 |
| 2013 | I | -1.6 | -6.3 | 2.7 | 3.8 | -43.4 | -0.6 | -46.3 | -0.3 | -2.3 | 9.0 | -2.3 | 1.8 | 0.5 |
| | II | -1.3 | -6.4 | 2.5 | 7.9 | -41.9 | -0.5 | -39.7 | -0.2 | -2.4 | 10.4 | -2.5 | 1.7 | 0.8 |
| | III | -1.1 | -6.0 | 2.6 | 7.1 | -30.8 | -0.5 | -31.2 | -0.3 | -1.9 | 6.8 | -2.4 | 1.6 | 0.7 |
| | IV | -0.6 | -3.5 | 1.3 | 5.2 | -25.2 | -0.2 | 5.4 | -0.3 | -0.8 | 2.1 | -1.4 | 0.8 | 0.5 |

*(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

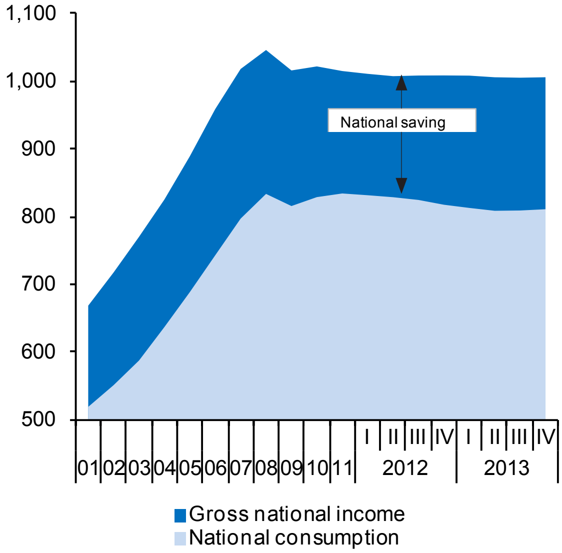



**Chart 4.2.- National income, consumption and saving rate**
Annual percentage change and percentage of GDP, 4-quarter moving averages

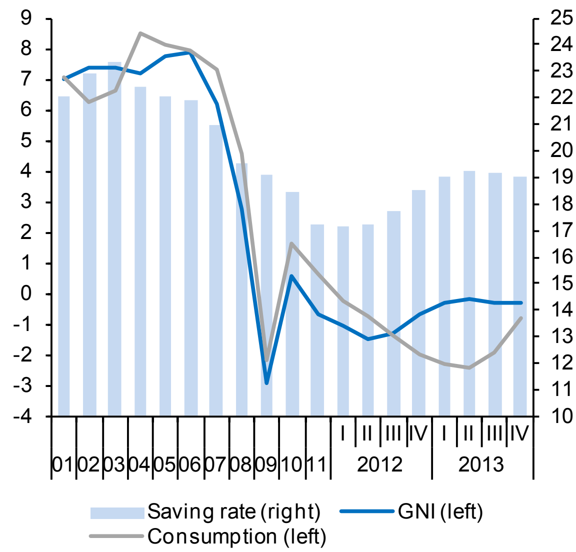



**Chart 4.3.- Components of National income (I)**
Annual percentage change

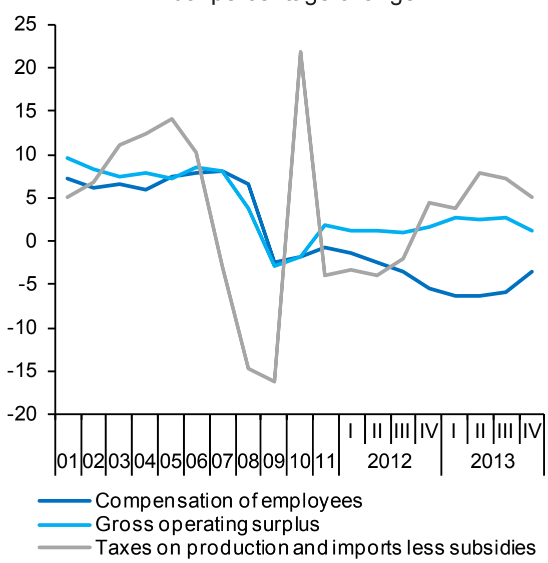



**Chart 4.4.- Functional distribution of income**
Percentage of GDP, 4-quarter moving averages

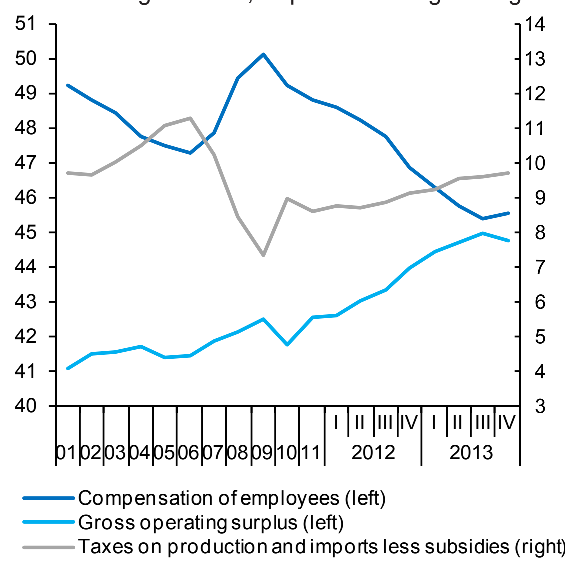


Table 5

## 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 | 4.7 | -37.0 | 180.6 | 222.3 | -41.6 |
| 2012 | | 7.7 | -25.8 | 33.8 | -0.4 | -15.3 | -4.8 | -12.5 | 5.8 | -6.7 | 190.8 | 203.3 | -12.5 |
| 2013 | | 24.7 | -11.9 | 35.3 | 1.3 | -11.4 | -5.1 | 8.2 | 7.5 | 15.7 | 194.9 | 186.7 | 8.2 |
| 2014 | | 32.2 | -7.2 | 36.8 | 2.6 | -12.4 | -5.6 | 14.2 | 6.8 | 21.0 | 202.0 | 187.8 | 14.2 |
| 2015 | | 38.3 | -4.3 | 38.9 | 3.8 | -13.5 | -6.0 | 18.9 | 6.8 | 25.7 | 213.0 | 194.1 | 18.9 |
| 2012 | I | -7.7 | -41.1 | 33.2 | 0.2 | -24.0 | -7.3 | -39.0 | 4.2 | -34.7 | 179.1 | 218.1 | -39.0 |
| | II | -5.1 | -38.1 | 33.2 | -0.1 | -22.2 | -7.6 | -34.9 | 4.0 | -30.9 | 178.6 | 213.5 | -34.9 |
| | III | 0.4 | -33.6 | 33.8 | 0.2 | -18.3 | -7.1 | -24.9 | 4.5 | -20.4 | 183.6 | 208.6 | -24.9 |
| | IV | 7.7 | -25.8 | 33.8 | -0.4 | -15.3 | -4.8 | -12.5 | 5.8 | -6.7 | 190.8 | 203.3 | -12.5 |
| 2013 | I | 14.8 | -19.2 | 34.1 | -0.1 | -13.6 | -3.9 | -2.7 | 6.2 | 3.5 | 195.3 | 198.0 | -2.7 |
| | II | 21.7 | -13.1 | 34.5 | 0.3 | -12.9 | -4.6 | 4.2 | 7.3 | 11.5 | 197.1 | 192.9 | 4.2 |
| | III | 24.7 | -10.8 | 34.9 | 0.6 | -12.6 | -4.9 | 7.2 | 7.1 | 14.3 | 196.0 | 188.8 | 7.2 |
| | IV | 24.7 | -11.9 | 35.3 | 1.3 | -11.4 | -5.1 | 8.2 | 7.5 | 15.7 | 194.9 | 186.7 | 8.2 |
| **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 | 0.4 | -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 | | 2.4 | -1.2 | 3.4 | 0.1 | -1.1 | -0.5 | 0.8 | 0.7 | 1.5 | 19.0 | 18.2 | 0.8 |
| 2014 | | 3.1 | -0.7 | 3.5 | 0.3 | -1.2 | -0.5 | 1.4 | 0.7 | 2.0 | 19.4 | 18.1 | 1.4 |
| 2015 | | 3.6 | -0.4 | 3.6 | 0.4 | -1.3 | -0.6 | 1.8 | 0.6 | 2.4 | 20.0 | 18.2 | 1.8 |
| 2012 | I | -0.7 | -3.9 | 3.2 | 0.0 | -2.3 | -0.7 | -3.7 | 0.4 | -3.3 | 17.2 | 20.9 | -3.7 |
| | II | -0.5 | -3.7 | 3.2 | 0.0 | -2.1 | -0.7 | -3.4 | 0.4 | -3.0 | 17.2 | 20.6 | -3.4 |
| | III | 0.0 | -3.3 | 3.3 | 0.0 | -1.8 | -0.7 | -2.4 | 0.4 | -2.0 | 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 | 1.4 | -1.9 | 3.3 | 0.0 | -1.3 | -0.4 | -0.3 | 0.6 | 0.3 | 19.0 | 19.3 | -0.3 |
| | II | 2.1 | -1.3 | 3.4 | 0.0 | -1.3 | -0.4 | 0.4 | 0.7 | 1.1 | 19.3 | 18.8 | 0.4 |
| | III | 2.4 | -1.1 | 3.4 | 0.1 | -1.2 | -0.5 | 0.7 | 0.7 | 1.4 | 19.2 | 18.5 | 0.7 |
| | IV | 2.4 | -1.2 | 3.4 | 0.1 | -1.1 | -0.5 | 0.8 | 0.7 | 1.5 | 19.0 | 18.2 | 0.8 |

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

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

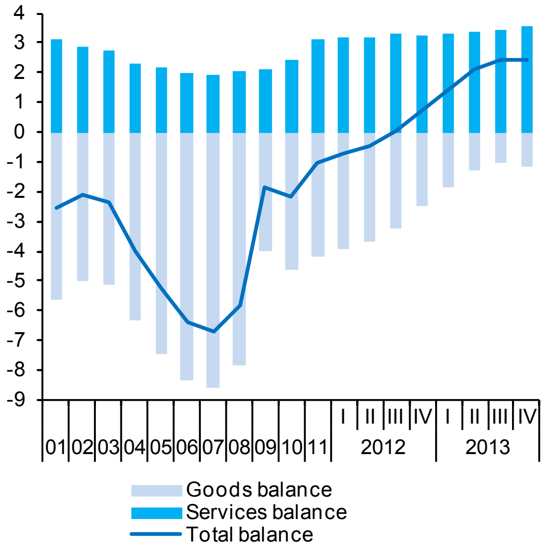



**Chart 5.2.- Services balance**
Percentage of GDP, 4-quarter moving averages

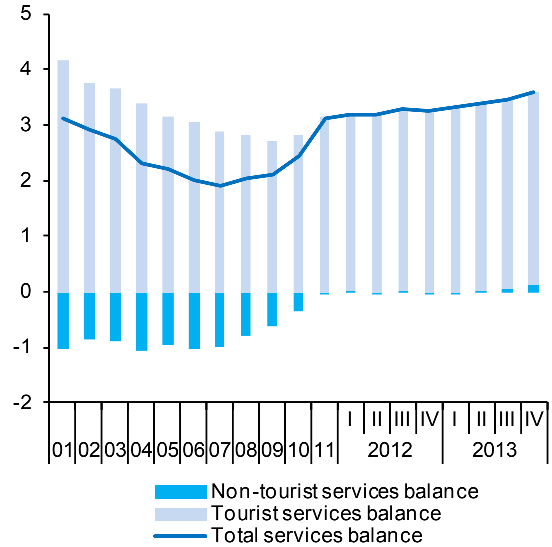



**Chart 5.3.- Net lending or borrowing**
Percentage of GDP, 4-quarter moving averages

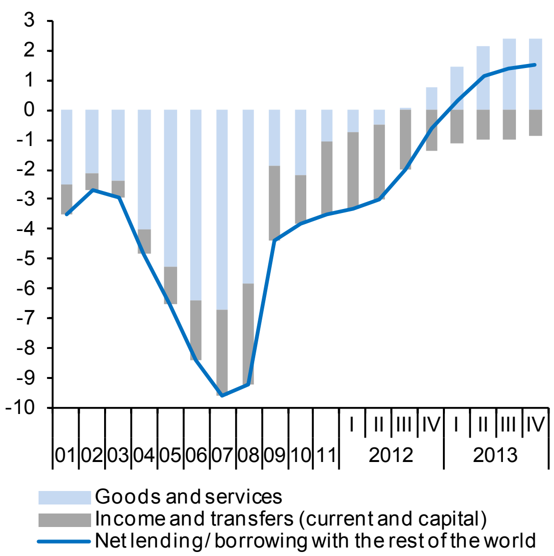



**Chart 5.4.- Saving, investment and current account balance**
Percentage of GDP, 4-quarter moving averages

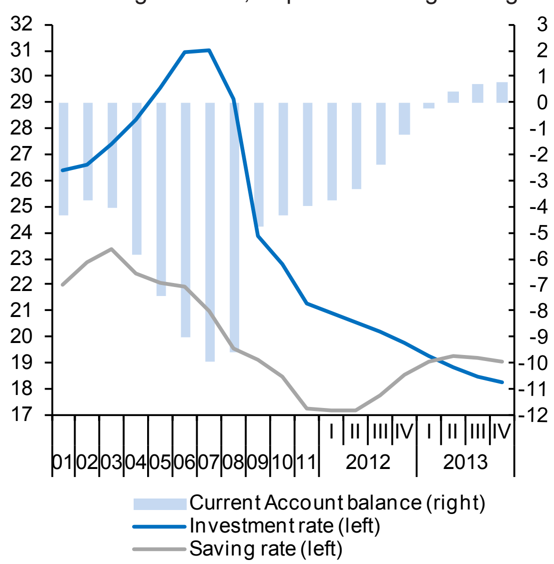


Table 6

## National accounts: Household income and its disposition

Forecasts in blue

| | Gross disposable income (GDI) | | | | | | Final con-sumption expen-diture | Gross saving (a) | Saving rate (gross saving as a percentage of GDI) | Net capital transfers | Gross capital formation | Net lending (+) or borro-wing (-) | Net lending or borrowing as a per-centage of GDP |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Compen-sation of employees (received) | Mixed income and net property income | Social benefits and other current transfers (received) | Social contribu-tions and other cu-rrent transfers (paid) | Per-sonal 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 | 677.9 | 465.8 | 244.1 | 246.8 | 195.6 | 83.3 | 605.9 | 70.0 | 10.3 | 2.0 | 44.2 | 27.8 | 2.7 |
| 2014 | 689.3 | 469.7 | 254.1 | 247.1 | 196.8 | 84.8 | 616.3 | 70.8 | 10.3 | 1.7 | 43.8 | 28.7 | 2.8 |
| 2015 | 705.7 | 476.9 | 264.4 | 249.8 | 200.1 | 85.4 | 630.7 | 72.7 | 10.3 | 1.5 | 44.7 | 29.5 | 2.8 |
| 2011 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 | 679.4 | 475.4 | 239.4 | 246.5 | 199.6 | 82.2 | 606.0 | 72.0 | 10.6 | 2.6 | 48.5 | 26.1 | 2.5 |
| II | 677.2 | 468.5 | 240.7 | 246.8 | 197.3 | 81.5 | 603.6 | 72.0 | 10.6 | 2.6 | 46.9 | 27.7 | 2.7 |
| III | 674.5 | 464.5 | 241.4 | 246.8 | 195.9 | 82.2 | 603.0 | 70.5 | 10.5 | 2.0 | 45.8 | 26.8 | 2.6 |
| **Annual percentage changes, 4-quarter cumulated operations** | | | | | | | | | **Differen-ce 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 | -0.7 | -3.5 | 2.4 | 0.7 | -2.7 | 0.8 | -0.7 | -0.9 | 0.0 | -25.0 | -8.3 | -- | 0.3 |
| 2014 | 1.7 | 0.8 | 4.1 | 0.1 | 0.6 | 1.8 | 1.7 | 1.1 | -0.1 | -15.0 | -0.9 | -- | 0.0 |
| 2015 | 2.4 | 1.5 | 4.1 | 1.1 | 1.6 | 0.7 | 2.3 | 2.7 | 0.0 | -10.0 | 2.1 | -- | 0.0 |
| 2011 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 | -2.9 | -6.2 | 0.2 | 1.9 | -3.1 | -0.2 | -1.1 | -16.1 | -1.7 | -15.7 | -7.2 | -- | -1.0 |
| II | -2.3 | -6.4 | 1.1 | 1.9 | -3.5 | -1.6 | -1.5 | -10.2 | -0.9 | -13.1 | -9.2 | -- | -0.3 |
| III | -2.3 | -6.0 | 1.4 | 0.7 | -3.9 | -1.0 | -1.4 | -9.4 | -0.8 | -13.2 | -8.7 | -- | -0.3 |

*(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

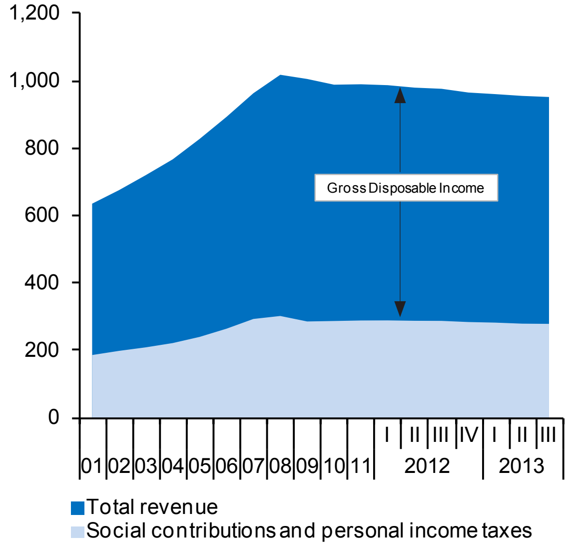
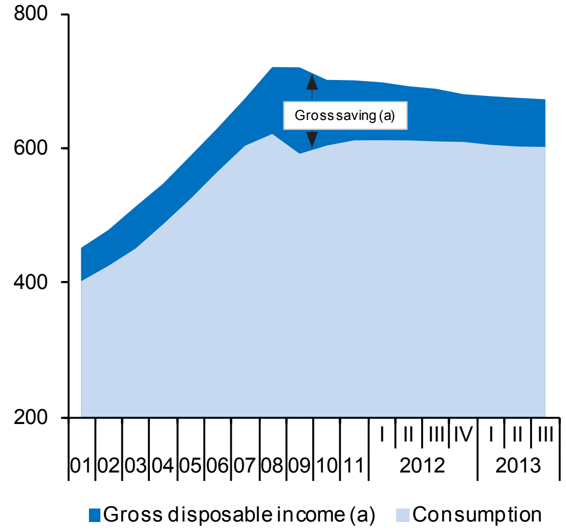



**Chart 6.2.- Households: Gross saving**
EUR Billions, 4-quarter cummulated




(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

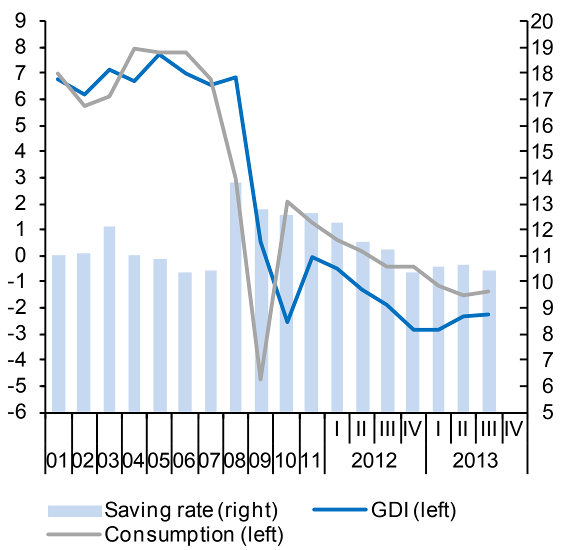
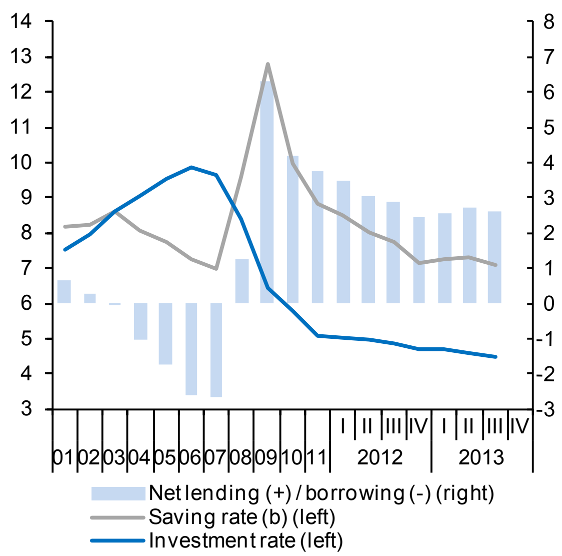



**Chart 6.4.- Households: Saving, investment and deficit**
Percentage of GDP, 4-quarter moving averages




(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 | | 503.2 | 290.7 | 212.5 | -40.6 | -8.9 | 18.0 | 144.9 | 10.4 | 119.5 | 35.8 | 3.5 | 42.2 | 23.7 |
| 2014 | | 511.9 | 295.9 | 216.0 | -35.4 | -8.7 | 19.0 | 152.9 | 10.6 | 120.6 | 42.9 | 4.1 | 42.2 | 23.6 |
| 2015 | | 523.8 | 304.0 | 219.9 | -32.7 | -9.0 | 19.6 | 158.6 | 10.6 | 125.0 | 44.2 | 4.1 | 42.0 | 23.9 |
| 2011 | 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 | 508.1 | 298.2 | 209.9 | -43.2 | -9.4 | 19.5 | 137.8 | 9.7 | 122.4 | 25.1 | 2.4 | 41.3 | 24.1 |
| | II | 505.8 | 294.6 | 211.2 | -38.7 | -9.3 | 20.2 | 143.0 | 10.0 | 120.9 | 32.1 | 3.1 | 41.8 | 23.9 |
| | III | 505.5 | 291.5 | 214.0 | -34.6 | -9.1 | 19.1 | 151.3 | 9.6 | 118.2 | 42.8 | 4.2 | 42.3 | 23.4 |
| | | **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 | | -1.4 | -4.2 | 2.8 | -14.0 | -6.8 | -8.8 | 11.3 | 12.0 | -6.6 | -- | 2.4 | 1.7 | -1.3 |
| 2014 | | 1.7 | 1.8 | 1.7 | -12.9 | -2.1 | 5.4 | 5.5 | 2.0 | 0.9 | -- | 0.6 | 0.0 | -0.2 |
| 2015 | | 2.3 | 2.7 | 1.8 | -7.6 | 3.0 | 3.1 | 3.8 | 0.0 | 3.7 | -- | 0.0 | -0.2 | 0.3 |
| 2011 | IV | 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 | I | 0.4 | -0.8 | 2.2 | 10.5 | -0.8 | 0.7 | -0.6 | -8.7 | 1.7 | -- | -0.4 | 0.7 | 0.3 |
| | II | -0.7 | -2.0 | 1.3 | 5.7 | -6.2 | 11.9 | -1.0 | -15.1 | 2.3 | -- | -0.6 | 0.8 | 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 | -1.4 | -5.2 | 4.5 | -17.7 | -6.3 | 20.8 | 12.8 | -1.6 | -5.8 | -- | 2.2 | 2.3 | -1.1 |
| | II | -1.4 | -5.3 | 4.6 | -24.7 | -4.1 | 18.7 | 15.5 | 1.5 | -7.7 | -- | 2.9 | 2.4 | -1.6 |
| | III | -1.0 | -5.2 | 5.4 | -32.6 | -5.7 | 16.6 | 20.2 | 9.1 | -9.6 | -- | 3.8 | 2.6 | -2.2 |

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

**Chart 7.1.- Non-financial corporations: Gross operating surplus**

EUR Billions, 4-quarter cummulated

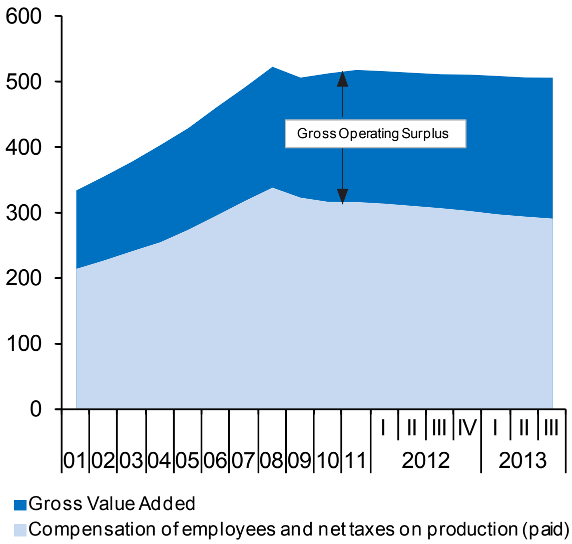



**Chart 7.2.- Non-financial corporations: GVA, GOS and saving**

Annual percentage change, 4-quarter moving averages

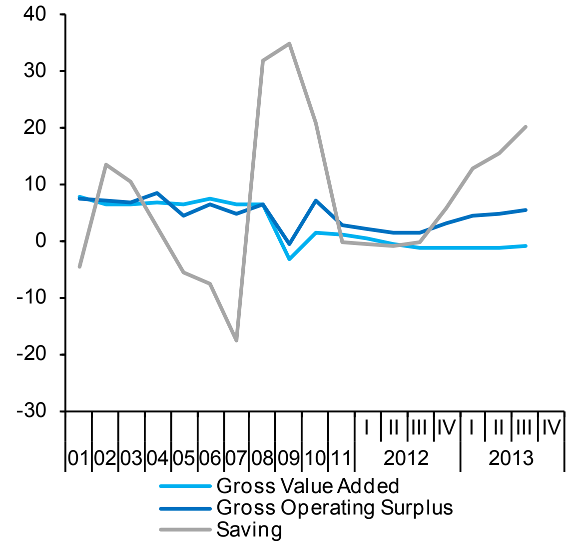
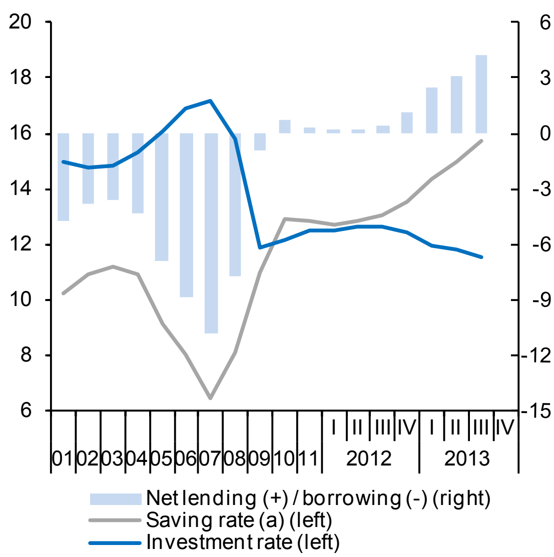



**Chart 7.3.- Non-financial corporations: Saving, investment and deficit**

Percentage of GDP, 4-quarter moving averages




(a) Including net capital transfers.

**Chart 7.4.- Non-financial corporations: Profit share and investment rate**

Percentage of non-financial corporations GVA, 4-quarter moving averages

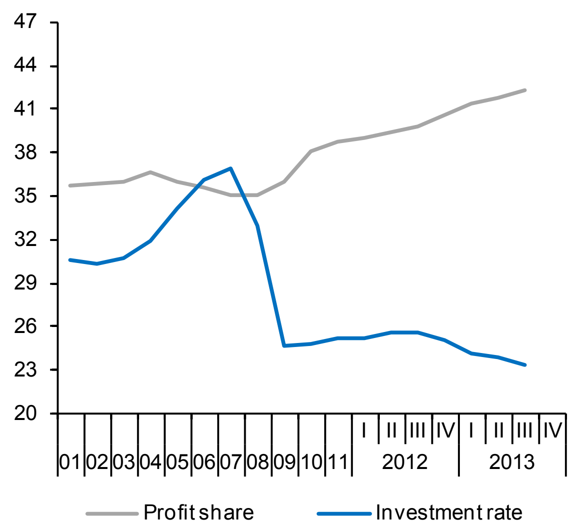


Table 8

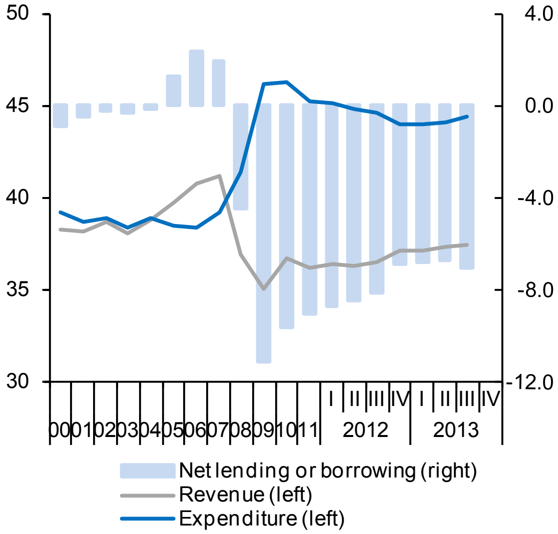
## National accounts: Public revenue, expenditure and deficit

Forecasts in blue

| | Gross value added | Taxes on produc-tion and imports receiva-ble | Taxes on income and weath receiva-ble | Social contribu-tions receiva-ble | Com-pen-sation of emplo-yees | Interests and other capital incomes payable (net) | Social be-nefits paya-ble | Sub-sidies and net current transfers payable | Gross disposable income | Final consump-tion expendi-ture | Gross saving | Net capital expendi-ture | Net len-ding(+)/ net borro-wing(-) | Net lending(+)/ net borrowing (-) excluding financial entities bail-out |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | 135.5 | 110.0 | 104.1 | 131.7 | 114.1 | 24.1 | 170.2 | 17.5 | 155.5 | 205.5 | -50.0 | 24.3 | -74.3 | -69.5 |
| 2014 | 135.7 | 111.7 | 106.8 | 134.0 | 113.3 | 24.5 | 170.9 | 17.0 | 162.4 | 203.8 | -41.4 | 21.0 | -62.4 | -62.4 |
| 2015 | 136.3 | 114.6 | 108.0 | 136.8 | 112.9 | 26.9 | 173.4 | 16.1 | 166.5 | 203.0 | -36.5 | 21.8 | -58.3 | -58.3 |
| 2011 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 | 135.4 | 107.7 | 105.0 | 132.9 | 114.7 | 21.4 | 168.3 | 17.8 | 158.9 | 207.0 | -48.1 | 60.8 | -108.9 | -69.8 |
| II | 133.4 | 110.1 | 104.9 | 131.1 | 112.7 | 22.3 | 168.9 | 18.0 | 157.6 | 205.0 | -47.4 | 57.6 | -105.0 | -68.5 |
| III | 133.0 | 111.1 | 104.9 | 130.6 | 112.4 | 22.7 | 170.5 | 19.0 | 154.9 | 205.6 | -50.6 | 54.7 | -105.4 | -71.4 |
| **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 | 13.2 | 10.8 | 10.2 | 12.9 | 11.1 | 2.4 | 16.6 | 1.7 | 15.2 | 20.1 | -4.9 | 2.4 | -7.3 | -6.8 |
| 2014 | 13.0 | 10.7 | 10.3 | 12.9 | 10.9 | 2.4 | 16.4 | 1.6 | 15.6 | 19.6 | -4.0 | 2.0 | -6.0 | -6.0 |
| 2015 | 12.8 | 10.7 | 10.1 | 12.8 | 10.6 | 2.5 | 16.3 | 1.5 | 15.6 | 19.0 | -3.4 | 2.0 | -5.5 | -5.5 |
| 2011 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 | 10.5 | 10.2 | 12.9 | 11.2 | 2.1 | 16.4 | 1.7 | 15.5 | 20.2 | -4.7 | 5.9 | -10.6 | -6.8 |
| II | 13.0 | 10.8 | 10.2 | 12.8 | 11.0 | 2.2 | 16.5 | 1.8 | 15.4 | 20.0 | -4.6 | 5.6 | -10.3 | -6.7 |
| III | 13.0 | 10.9 | 10.2 | 12.8 | 11.0 | 2.2 | 16.7 | 1.9 | 15.1 | 20.1 | -4.9 | 5.3 | -10.3 | -7.0 |

*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

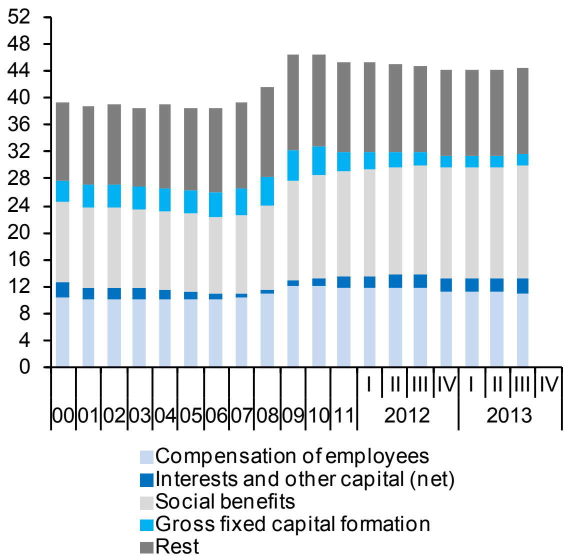
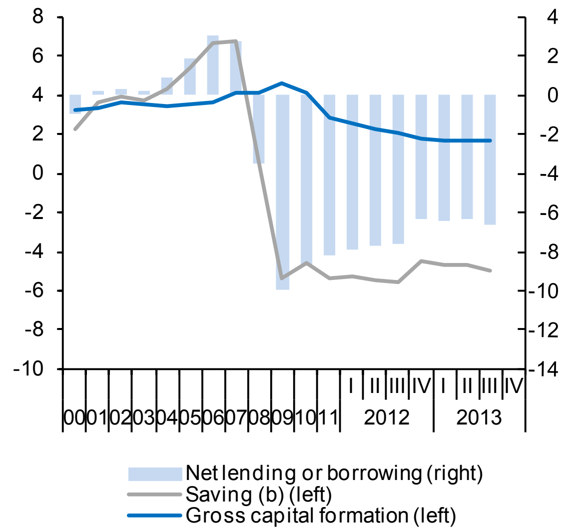



**Chart 8.4.- Public sector: Saving, investment and deficit**
Percentage of GDP, 4-quarter moving averages




(b) Including net capital transfers.

Table 9

## Public sector balances, by level of Government

Forecasts in blue

| | | Deficit (a) | | | | | 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 | | -36.5 | -54.6 | -8.2 | -0.7 | -100.0 | 622.3 | 142.3 | 35.4 | 17.2 | 737.4 |
| 2012 | | -82.8 | -18.8 | 2.4 | -10.2 | -109.4 | 760.2 | 185.5 | 41.9 | 17.2 | 884.7 |
| 2013 | | -48.7 | -17.4 | 5.1 | -13.3 | -74.3 | 836.1 | 206.8 | 41.5 | 17.2 | 960.6 |
| 2014 | | -38.5 | -13.5 | 3.1 | -13.5 | -62.4 | -- | -- | -- | -- | 1,037.6 |
| 2015 | | -37.5 | -10.7 | 2.1 | -12.3 | -58.3 | -- | -- | -- | -- | 1,112.2 |
| 2012 | I | -41.8 | -45.8 | -7.8 | -0.2 | -95.6 | 655.3 | 147.4 | 36.9 | 17.2 | 775.8 |
| | II | -53.2 | -43.2 | -4.6 | 2.6 | -98.4 | 680.2 | 169.2 | 45.0 | 17.2 | 805.5 |
| | III | -51.2 | -41.4 | -2.5 | -3.8 | -98.8 | 695.5 | 168.4 | 43.8 | 17.2 | 818.1 |
| | IV | -82.8 | -18.8 | 2.4 | -10.2 | -109.4 | 760.2 | 185.5 | 41.9 | 17.2 | 884.7 |
| 2013 | I | -79.3 | -19.9 | 2.0 | -11.6 | -108.9 | 797.2 | 190.5 | 42.8 | 17.2 | 924.1 |
| | II | -76.9 | -19.0 | 2.1 | -11.1 | -105.0 | 818.7 | 194.1 | 43.2 | 17.2 | 943.9 |
| | III | -77.2 | -18.3 | 1.9 | -11.8 | -105.4 | 831.7 | 196.7 | 41.8 | 17.2 | 954.9 |
| | IV | -- | -- | -- | -- | -- | 836.1 | 206.8 | 41.5 | 17.2 | 960.6 |
| | | **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 | | -3.5 | -5.2 | -0.8 | -0.1 | -9.6 | 59.5 | 13.6 | 3.4 | 1.6 | 70.5 |
| 2012 | | -8.0 | -1.8 | 0.2 | -1.0 | -10.6 | 73.9 | 18.0 | 4.1 | 1.7 | 86.0 |
| 2013 | | -4.8 | -1.7 | 0.5 | -1.3 | -7.3 | 81.7 | 20.2 | 4.1 | 1.7 | 93.9 |
| 2014 | | -3.7 | -1.3 | 0.3 | -1.3 | -6.0 | -- | -- | -- | -- | 99.7 |
| 2015 | | -3.5 | -1.0 | 0.2 | -1.2 | -5.5 | -- | -- | -- | -- | 104.3 |
| 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 | -7.7 | -1.9 | 0.2 | -1.1 | -10.6 | 77.7 | 18.6 | 4.2 | 1.7 | 90.0 |
| | II | -7.5 | -1.9 | 0.2 | -1.1 | -10.3 | 80.0 | 19.0 | 4.2 | 1.7 | 92.2 |
| | III | -7.5 | -1.8 | 0.2 | -1.2 | -10.3 | 81.3 | 19.2 | 4.1 | 1.7 | 93.3 |
| | IV | -- | -- | -- | -- | -- | 81.7 | 20.2 | 4.1 | 1.7 | 93.9 |

*(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

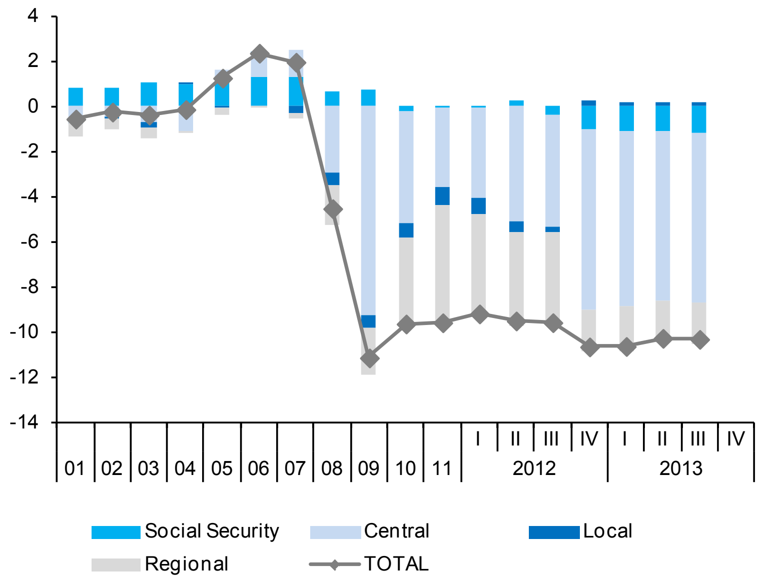



**Chart 9.2.- Government debt**
Percent of GDP

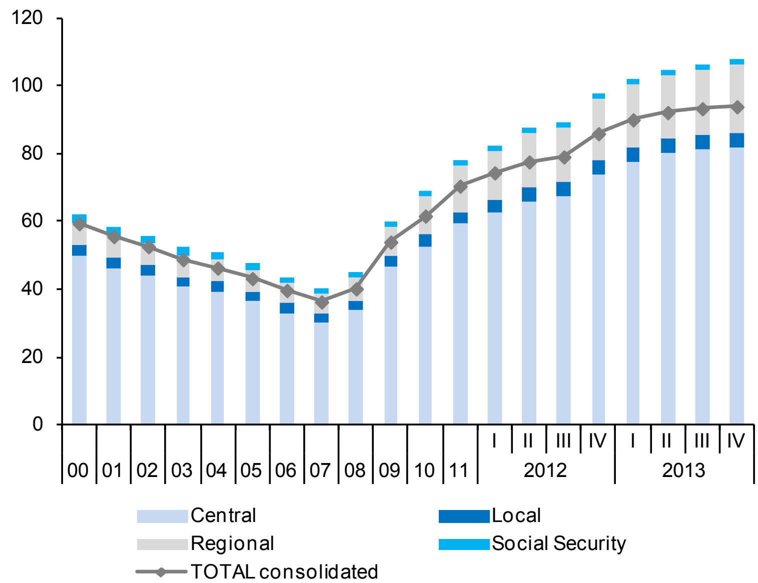


Table 10

## General activity and industrial sector indicators (a)

| | | General activity indicators | | | | Industrial sector indicators | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Economic Senti- ment Index | Composite PMI index | Social Security affiliates (f) | Electricity consumption (temperature adjusted) | Industrial pro- duction index | Social Secu- rity affiliates in industry | Manufacturing PMI index | Industrial confidence index | Turnover index deflated | Industrial orders |
| | | **Index** | **Index** | **Thousands** | **1000 GWH** | **2010=100** | **Thou- sands** | **Index** | **Balance of responses** | **2010=100 (smoothed)** | **Balance of responses** |
| 2008 | | 87.5 | 38.5 | 18,834 | 269.5 | 117.8 | 2,696 | 40.4 | -18.0 | 120.4 | -23.4 |
| 2009 | | 83.6 | 40.9 | 17,657 | 256.9 | 99.2 | 2,411 | 40.9 | -30.8 | 97.1 | -55.2 |
| 2010 | | 93.8 | 50.0 | 17,244 | 263.8 | 100.0 | 2,295 | 50.6 | -13.8 | 100.0 | -36.7 |
| 2011 | | 93.7 | 46.6 | 16,970 | 261.3 | 98.4 | 2,232 | 47.3 | -12.5 | 100.4 | -30.8 |
| 2012 | | 89.2 | 43.1 | 16,335 | 255.7 | 91.9 | 2,114 | 43.8 | -17.5 | 95.6 | -37.2 |
| 2013 | | 93.2 | 48.3 | 15,855 | 250.2 | 90.4 | 2,022 | 48.5 | -13.9 | 92.3 | -30.6 |
| 2014 (b) | | 100.3 | 54.3 | 15,753 | 46.3 | 89.0 | 1,997 | 52.4 | -8.8 | -- | -18.6 |
| 2012 | II | 90.0 | 41.7 | 16,427 | 64.2 | 92.6 | 2,133 | 42.2 | -17.4 | 96.2 | -36.2 |
| | III | 86.1 | 42.6 | 16,244 | 63.7 | 91.8 | 2,094 | 43.6 | -20.0 | 95.4 | -40.3 |
| | IV | 87.7 | 42.9 | 16,046 | 62.7 | 89.8 | 2,064 | 44.5 | -17.9 | 94.2 | -38.1 |
| 2013 | I | 89.2 | 45.5 | 15,905 | 62.6 | 90.2 | 2,041 | 45.7 | -15.9 | 93.3 | -33.9 |
| | II | 91.0 | 46.4 | 15,838 | 62.7 | 90.3 | 2,023 | 47.6 | -15.4 | 92.7 | -32.1 |
| | III | 95.3 | 49.7 | 15,816 | 62.3 | 90.9 | 2,013 | 50.5 | -12.8 | 92.2 | -29.1 |
| | IV | 97.3 | 51.6 | 15,869 | 62.7 | 90.8 | 2,010 | 50.1 | -11.6 | 91.8 | -27.4 |
| 2014 | I(b) | 100.3 | 54.3 | 15,942 | 41.3 | 91.1 | 2,013 | 52.4 | -8.8 | -- | -18.6 |
| 2013 | Dec | 100.5 | 53.9 | 15,893 | 21.0 | 91.0 | 2,010 | 50.8 | -8.8 | 91.7 | -25.2 |
| 2014 | Jan | 100.3 | 54.8 | 15,925 | 20.7 | 91.1 | 2,012 | 52.2 | -9.5 | -- | -18.5 |
| | Feb | 100.3 | 53.8 | 15,959 | 20.6 | -- | 2,015 | 52.5 | -8.1 | -- | -18.7 |
| | | | | | **Percentage changes (c)** | | | | | | |
| 2008 | | -- | -- | -0.6 | 0.7 | -7.6 | -2.2 | -- | -- | -8.2 | -- |
| 2009 | | -- | -- | -6.2 | -4.7 | -15.8 | -10.6 | -- | -- | -19.3 | -- |
| 2010 | | -- | -- | -2.3 | 2.7 | 0.8 | -4.8 | -- | -- | 3.0 | -- |
| 2011 | | -- | -- | -1.6 | -0.9 | -1.6 | -2.7 | -- | -- | 0.4 | -- |
| 2012 | | -- | -- | -3.7 | -2.2 | -6.7 | -5.3 | -- | -- | -4.8 | -- |
| 2013 | | -- | -- | -2.9 | -2.2 | -1.6 | -4.4 | -- | -- | -3.4 | -- |
| 2014 (d) | | -- | -- | 0.8 | -0.8 | 1.2 | -0.3 | -- | -- | -- | -- |
| 2012 | II | -- | -- | -4.7 | -4.5 | -5.9 | -5.8 | -- | -- | -4.7 | -- |
| | III | -- | -- | -4.4 | -2.8 | -3.5 | -7.1 | -- | -- | -3.6 | -- |
| | IV | -- | -- | -4.8 | -6.2 | -8.4 | -5.6 | -- | -- | -4.7 | -- |
| 2013 | I | -- | -- | -3.5 | -1.1 | 2.1 | -4.4 | -- | -- | -4.1 | -- |
| | II | -- | -- | -1.7 | 0.7 | 0.2 | -3.6 | -- | -- | -2.6 | -- |
| | III | -- | -- | -0.5 | -2.5 | 2.7 | -1.9 | -- | -- | -1.9 | -- |
| | IV | -- | -- | 1.3 | 2.7 | -0.4 | -0.7 | -- | -- | -1.8 | -- |
| 2014 | I(e) | -- | -- | 1.9 | -4.6 | 1.2 | 0.7 | -- | -- | -- | -- |
| 2013 | Dec | -- | -- | 0.2 | 0.8 | 0.0 | -0.7 | -- | -- | -0.1 | -- |
| 2014 | Jan | -- | -- | 0.2 | -1.7 | 0.0 | 1.5 | -- | -- | -- | -- |
| | Feb | -- | -- | 0.2 | -0.2 | -- | 3.5 | -- | -- | -- | -- |

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

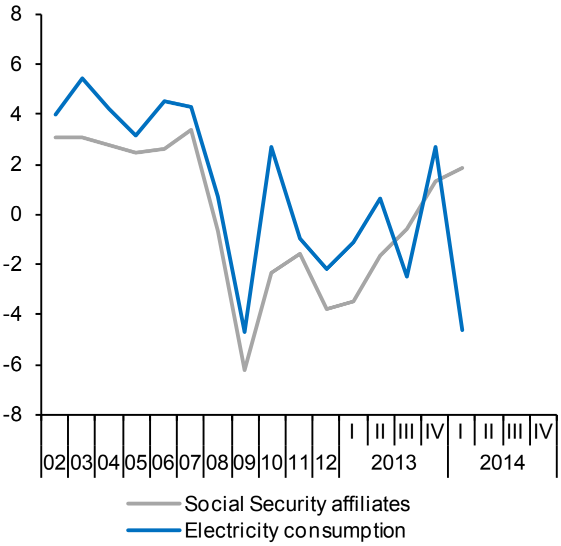



**Chart 10.2.- General activity indicators (II)**
Index

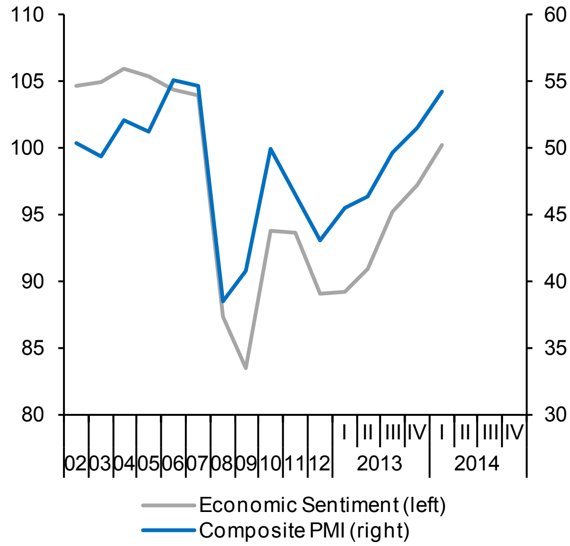



**Chart 10.3.- Industrial sector indicators (I)**
Annualized percent change from previous period

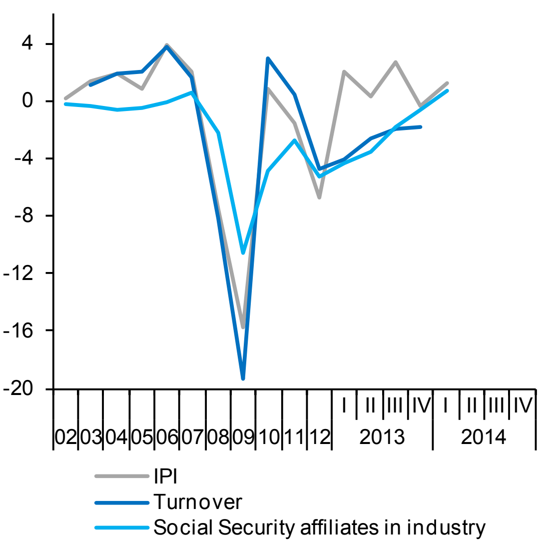



**Chart 10.4.- Industrial sector indicators (II)**
Index

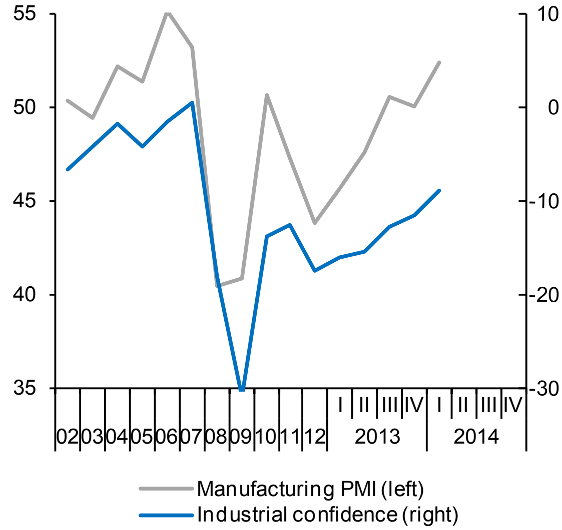


Table 11

## Construction and services sector indicators (a)

| | Construction indicators | | | | | | Service sector indicators | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Social Security Affiliates in construction | Consumption of cement | Industrial production index construction materials | Construction confidence index | Official tenders (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** | **2010=100 (smoothed)** | **Balance of responses** | **EUR Billions** | **Million m²** | **Thousands** | **2010=100 (smoothed)** | **Index** | **Million (smoothed)** | **Million (smoothed)** | **Balance of responses** |
| 2008 | 2,340 | 42.7 | 154.7 | -23.6 | 39.8 | 44.9 | 12,644 | 114.6 | 38.2 | 268.6 | 202.3 | -18.8 |
| 2009 | 1,800 | 28.9 | 115.9 | -32.3 | 39.6 | 19.4 | 12,247 | 99.2 | 41.0 | 253.2 | 186.3 | -29.7 |
| 2010 | 1,559 | 24.5 | 100.0 | -29.7 | 26.2 | 16.3 | 12,186 | 100.0 | 49.3 | 269.4 | 191.7 | -22.4 |
| 2011 | 1,369 | 20.4 | 91.6 | -55.4 | 13.7 | 14.1 | 12,176 | 98.9 | 46.5 | 286.8 | 203.3 | -20.8 |
| 2012 | 1,136 | 13.6 | 66.8 | -54.9 | 7.4 | 8.5 | 11,907 | 92.8 | 43.1 | 280.7 | 193.2 | -21.5 |
| 2013 | 997 | 11.0 | 63.0 | -55.6 | 9.1 | 6.7 | 11,728 | 90.9 | 48.3 | 285.9 | 186.4 | -15.3 |
| 2014 (b) | 947 | 0.8 | 54.1 | -52.1 | 1.1 | -- | 11,672 | -- | 54.3 | 12.8 | 10.9 | 5.5 |
| 2012 II | 1,160 | 3.5 | 68.1 | -52.2 | 2.4 | 2.2 | 11,950 | 93.7 | 42.4 | 69.8 | 48.5 | -19.6 |
| III | 1,105 | 3.3 | 64.7 | -55.5 | 1.7 | 1.9 | 11,863 | 92.2 | 42.6 | 69.2 | 47.6 | -26.6 |
| IV | 1,061 | 3.0 | 62.9 | -61.4 | 1.5 | 1.7 | 11,767 | 90.9 | 42.6 | 68.6 | 46.6 | -24.4 |
| 2013 I | 1,028 | 2.8 | 62.4 | -46.7 | 1.6 | 2.0 | 11,711 | 90.5 | 45.7 | 68.8 | 46.0 | -26.8 |
| II | 1,000 | 2.7 | 63.1 | -57.8 | 2.2 | 1.7 | 11,701 | 90.8 | 46.5 | 70.0 | 46.2 | -21.0 |
| III | 985 | 2.7 | 63.4 | -60.6 | 2.6 | 1.6 | 11,722 | 91.2 | 49.3 | 71.5 | 46.5 | -10.2 |
| IV | 975 | 2.7 | 63.0 | -57.4 | 2.8 | 1.5 | 11,781 | 91.2 | 51.8 | 72.9 | 46.9 | -3.1 |
| 2014 I(b) | 971 | 0.9 | 62.6 | -52.1 | 1.1 | -- | 11,833 | -- | 54.3 | 24.6 | 15.7 | 5.5 |
| 2013 Dec | 973 | 0.9 | 62.8 | -46.9 | 1.5 | 0.5 | 11,801 | 91.1 | 54.2 | 24.4 | 15.6 | 2.9 |
| 2014 Jan | 971 | 0.9 | 62.6 | -52.9 | 1.1 | -- | 11,821 | -- | 54.9 | 24.6 | 15.7 | 7.6 |
| Feb | 971 | -- | -- | -51.3 | -- | -- | 11,844 | -- | 53.7 | -- | -- | 3.3 |
| | | | | | | **Percentage changes (c)** | | | | | | |
| 2008 | -10.0 | -23.8 | -17.8 | -- | -1.3 | -56.6 | 1.5 | -3.7 | -- | -1.2 | -3.0 | -- |
| 2009 | -23.1 | -32.3 | -25.1 | -- | -0.4 | -56.8 | -3.1 | -13.4 | -- | -5.7 | -7.9 | -- |
| 2010 | -13.4 | -15.4 | -13.7 | -- | -33.9 | -16.1 | -0.5 | 0.8 | -- | 6.4 | 2.9 | -- |
| 2011 | -12.2 | -16.4 | -8.4 | -- | -47.9 | -13.2 | -0.1 | -1.1 | -- | 6.4 | 6.0 | -- |
| 2012 | -17.0 | -33.6 | -27.0 | -- | -45.5 | -39.9 | -2.2 | -6.2 | -- | -2.1 | -5.0 | -- |
| 2013 | -12.2 | -19.3 | -5.7 | -- | 22.8 | -20.9 | -1.5 | -2.0 | -- | 1.9 | -3.5 | -- |
| 2014 (d) | -1.3 | -13.6 | 1.1 | -- | 199.1 | -- | 1.5 | -- | -- | 7.6 | 2.6 | -- |
| 2012 II | -17.9 | -31.8 | -26.9 | -- | -37.2 | -42.8 | -3.3 | -7.2 | -- | -3.8 | -6.5 | -- |
| III | -17.9 | -17.5 | -18.2 | -- | -53.4 | -45.7 | -2.9 | -6.3 | -- | -3.3 | -7.3 | -- |
| IV | -15.0 | -35.0 | -11.0 | -- | -39.6 | -41.5 | -3.2 | -5.3 | -- | -3.2 | -8.5 | -- |
| 2013 I | -11.6 | -20.0 | -2.6 | -- | -9.1 | -27.7 | -1.9 | -2.0 | -- | 1.2 | -4.7 | -- |
| II | -10.6 | -11.2 | 4.3 | -- | -11.3 | -23.5 | -0.3 | 1.2 | -- | 7.4 | 1.5 | -- |
| III | -5.9 | -2.0 | 2.0 | -- | 48.9 | -16.8 | 0.7 | 2.0 | -- | 8.7 | 3.4 | -- |
| IV | -4.2 | -3.1 | -2.8 | -- | 83.8 | -11.6 | 2.0 | -0.1 | -- | 8.0 | 2.7 | -- |
| 2014 I (e) | -1.4 | -14.6 | -2.1 | -- | 199.1 | -- | 1.8 | -- | -- | 4.9 | 1.5 | -- |
| 2013 Dec | -1.5 | -3.2 | -0.3 | -- | 231.2 | -3.5 | 0.2 | -0.1 | -- | 0.6 | 0.2 | -- |
| 2014 Jan | -2.3 | -1.5 | -0.3 | -- | 199.1 | -- | 0.2 | -- | -- | 0.6 | 0.2 | -- |
| Feb | -0.3 | -- | -- | -- | -- | -- | 0.2 | -- | -- | 0.6 | -- | -- |

*(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

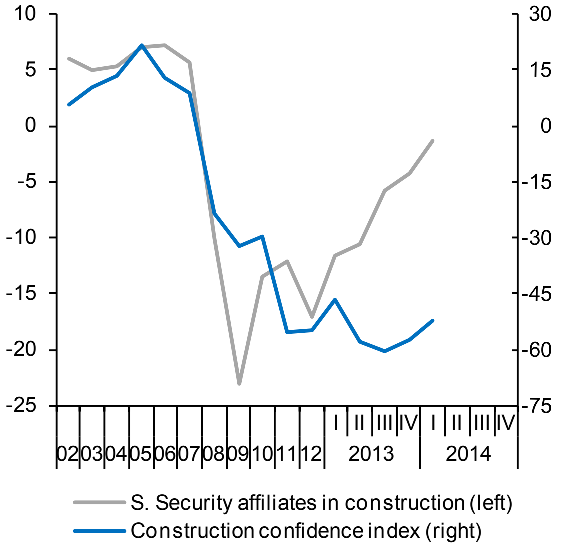



**Chart 11.2.- Construction indicators (II)**
Annualized percentage changes from previous period

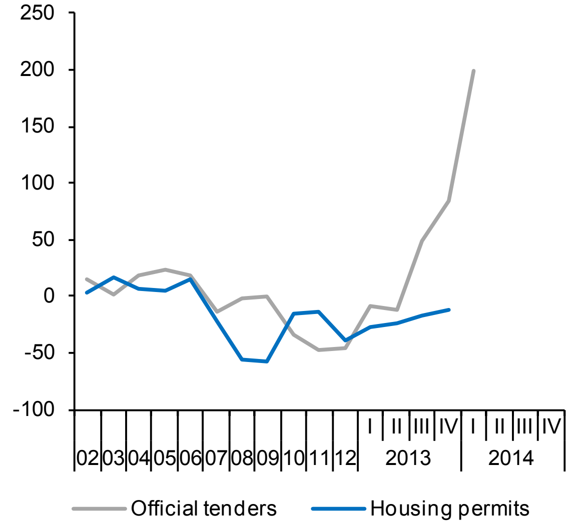



**Chart 11.3.- Services indicators (I)**
Percentage changes from previous period

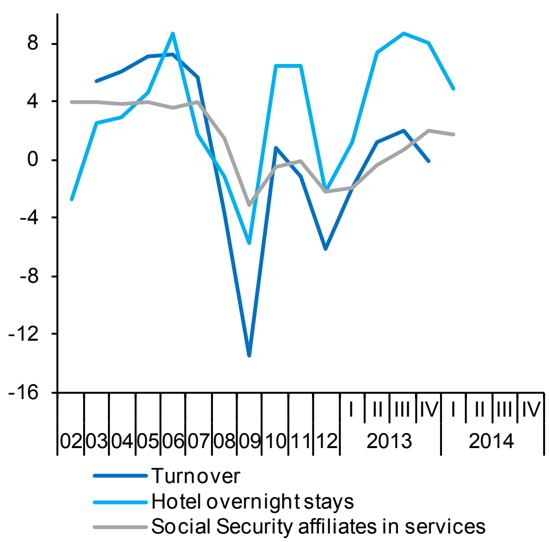



**Chart 11.4.- Services indicators (II)**
Index

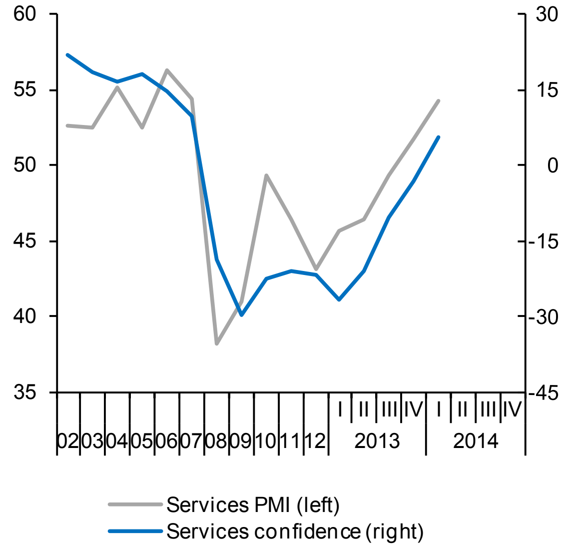


Table 12

## 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) |
| | **2010=100 (smoothed)** | **Thousands (smoothed)** | **Balance of responses** | **Million** | **Balance of responses** | **Thousands (smoothed)** | **Balance of responses** | **2005=100 (smoothed)** |
| 2008 | 107.5 | 1,185.3 | -33.8 | 113.2 | -21.0 | 236.9 | -4.5 | 89.6 |
| 2009 | 101.8 | 971.2 | -28.3 | 110.1 | -40.2 | 142.1 | -50.8 | 65.5 |
| 2010 | 100.0 | 1,000.1 | -20.9 | 113.6 | -26.7 | 152.1 | -31.1 | 58.4 |
| 2011 | 94.4 | 808.3 | -17.1 | 111.5 | -21.7 | 142.0 | -23.0 | 54.1 |
| 2012 | 87.4 | 710.6 | -31.7 | 102.1 | -24.2 | 107.7 | -38.6 | 48.2 |
| 2013 | 84.0 | 740.0 | -25.3 | 100.4 | -21.9 | 107.3 | -33.7 | 46.1 |
| 2014 (b) | 86.7 | 124.3 | -13.6 | 4.5 | -8.7 | 19.0 | -23.3 | -- |
| 2012 II | 88.8 | 179.9 | -29.0 | 25.6 | -20.9 | 27.4 | -37.3 | 47.7 |
| III | 86.5 | 170.8 | -35.2 | 25.0 | -23.4 | 25.5 | -44.3 | 46.9 |
| IV | 84.3 | 167.5 | -37.8 | 23.9 | -25.9 | 24.4 | -41.1 | 45.8 |
| 2013 I | 83.6 | 172.5 | -32.6 | 24.3 | -22.3 | 24.4 | -39.0 | 45.0 |
| II | 84.0 | 178.9 | -28.7 | 24.9 | -24.6 | 25.6 | -33.1 | 46.3 |
| III | 84.5 | 184.4 | -20.5 | 25.1 | -20.5 | 27.3 | -26.9 | 49.2 |
| IV | 84.3 | 190.6 | -19.4 | 25.4 | -20.1 | 29.2 | -35.6 | -- |
| 2014 I (b) | 84.1 | 131.3 | -13.6 | 8.2 | -8.7 | 20.6 | -23.3 | -- |
| 2013 Dec | 84.2 | 64.3 | -17.1 | 8.5 | -16.1 | 10.0 | -32.1 | -- |
| 2014 Jan | 84.1 | 65.2 | -12.4 | 8.2 | -5.5 | 10.2 | -15.7 | -- |
| Feb | -- | 66.1 | -14.7 | -- | -11.9 | 10.4 | -30.9 | -- |
| | | | | **Percentage changes (c)** | | | | |
| 2008 | -6.0 | -27.5 | -- | -2.9 | -- | -43.6 | -- | -21.0 |
| 2009 | -5.4 | -18.1 | -- | -2.7 | -- | -40.0 | -- | -26.9 |
| 2010 | -1.7 | 3.0 | -- | 3.1 | -- | 7.0 | -- | -10.9 |
| 2011 | -5.6 | -19.2 | -- | -1.8 | -- | -6.6 | -- | -7.3 |
| 2012 | -7.4 | -12.1 | -- | -8.5 | -- | -24.2 | -- | -11.0 |
| 2013 (d) | -3.9 | 4.1 | -- | -1.6 | -- | -0.4 | -- | -4.3 |
| 2014 (d) | 0.6 | 12.8 | -- | 0.7 | -- | 33.4 | -- | -- |
| 2012 II | -8.4 | -18.5 | -- | -18.9 | -- | -30.2 | -- | -12.5 |
| III | -10.0 | -18.7 | -- | -9.9 | -- | -25.4 | -- | -6.6 |
| IV | -9.5 | -7.5 | -- | -15.8 | -- | -15.9 | -- | -8.5 |
| 2013 I | -3.3 | 12.3 | -- | 7.0 | -- | -0.1 | -- | -7.5 |
| II | 2.0 | 15.9 | -- | 8.9 | -- | 20.7 | -- | 12.3 |
| III | 2.0 | 12.7 | -- | 4.0 | -- | 29.9 | -- | 28.1 |
| IV | -0.8 | 14.2 | -- | 4.8 | -- | 30.6 | -- | -- |
| 2014 I (e) | -1.0 | 14.0 | -- | -10.9 | -- | 24.7 | -- | -- |
| 2013 Dec | -0.1 | 1.2 | -- | -2.7 | -- | 2.2 | -- | -- |
| 2014 Jan | -0.1 | 1.4 | -- | -3.0 | -- | 2.2 | -- | -- |
| Feb | -- | 1.5 | -- | -- | -- | 2.2 | -- | -- |

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

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

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

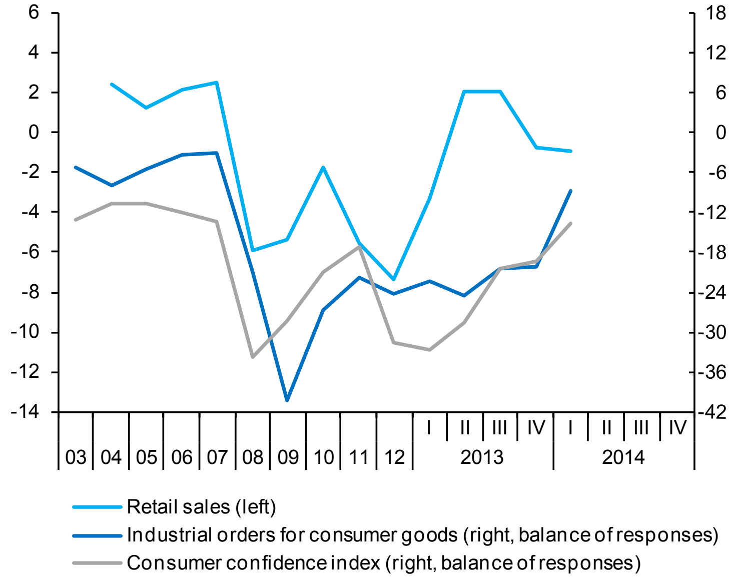



**Chart 12.2.- Investment indicators**
Percent change from previous period and balance of responses

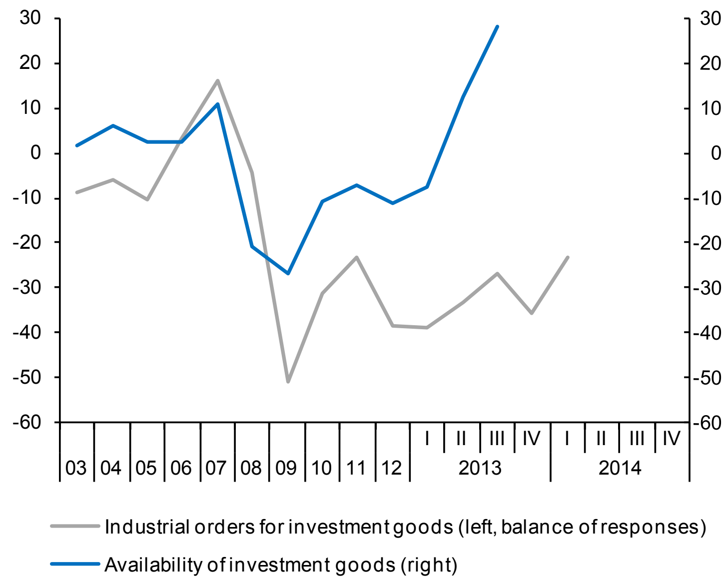


Table 13a

## Labour market (I)

Forecasts in blue

| | | Population aged 16-64 | Labour force | | Employment | | Unemployment | | Participation rate 16-64 (a) | Employment rate 16-64 (b) | Unemployment rate (c) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | Total | Aged 16-24 | Spanish | Foreign |
| | | | Original | Seasonally adjusted | Original | Seasonally adjusted | Original | Seasonally adjusted | Seasonally adjusted | | | | | |
| | | 1 | 2=4+6 | 3=5+7 | 4 | 5 | 6 | 7 | 8 | 9 | 10=7/3 | 11 | 12 | 13 |
| | | **Million** | | | | | | | **Percentage** | | | | | |
| 2007 | | 30.4 | 22.2 | -- | 20.4 | -- | 1.8 | -- | 72.6 | 66.6 | 8.3 | 18.2 | 7.6 | 12.2 |
| 2008 | | 30.8 | 22.8 | -- | 20.3 | -- | 2.6 | -- | 73.7 | 65.3 | 11.3 | 24.6 | 10.2 | 17.5 |
| 2009 | | 30.9 | 23.0 | -- | 18.9 | -- | 4.1 | -- | 74.0 | 60.6 | 18.0 | 37.8 | 16.0 | 28.4 |
| 2010 | | 30.8 | 23.1 | -- | 18.5 | -- | 4.6 | -- | 74.4 | 59.4 | 20.1 | 41.6 | 18.2 | 30.2 |
| 2011 | | 30.7 | 23.1 | -- | 18.1 | -- | 5.0 | -- | 74.7 | 58.5 | 21.6 | 46.4 | 19.6 | 32.8 |
| 2012 | | 30.5 | 23.1 | -- | 17.3 | -- | 5.8 | -- | 75.1 | 56.2 | 25.0 | 53.2 | 23.1 | 36.0 |
| 2013 | | 30.1 | 22.7 | -- | 16.7 | -- | 6.0 | -- | 75.0 | 55.2 | 26.4 | -- | -- | -- |
| 2014 | | 29.8 | 22.5 | -- | 16.9 | -- | 5.7 | -- | 75.1 | 56.2 | 25.1 | -- | -- | -- |
| 2015 | | 29.8 | 22.3 | -- | 17.1 | -- | 5.2 | -- | 75.1 | 57.4 | 23.5 | -- | -- | -- |
| 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 | 35.7 |
| | 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 | 75.2 | 56.0 | 25.5 | 53.8 | 23.7 | 35.9 |
| | IV | 30.3 | 22.9 | 22.9 | 17.0 | 17.0 | 6.0 | 6.0 | 75.1 | 55.4 | 26.1 | 55.3 | 24.3 | 36.5 |
| 2013 | I | 30.2 | 22.8 | 22.8 | 16.6 | 16.8 | 6.2 | 6.0 | 75.0 | 55.0 | 26.5 | 56.2 | 24.5 | 37.9 |
| | II | 30.2 | 22.8 | 22.8 | 16.8 | 16.7 | 6.0 | 6.0 | 74.9 | 55.0 | 26.4 | 55.5 | 24.8 | 36.0 |
| | III | 30.1 | 22.7 | 22.7 | 16.8 | 16.7 | 5.9 | 6.0 | 75.1 | 55.2 | 26.4 | 55.8 | 24.6 | 37.8 |
| | IV | 30.0 | 22.7 | 22.7 | 16.8 | 16.8 | 5.9 | 5.9 | 75.1 | 55.4 | 26.1 | 55.3 | 24.4 | 36.6 |
| | | **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 | | -1.2 | -1.3 | -- | -3.1 | -- | 3.9 | -- | 0.0 | -1.0 | 1.3 | -- | -- | -- |
| 2014 | | -1.1 | -1.0 | -- | 0.6 | -- | -5.7 | -- | 0.1 | 1.0 | -1.2 | -- | -- | -- |
| 2015 | | 0.0 | -1.0 | -- | 1.2 | -- | -7.5 | -- | 0.0 | 1.2 | -1.6 | -- | -- | -- |
| 2012 | I | -0.6 | 0.0 | -0.5 | -4.0 | -5.0 | 14.9 | 15.8 | 0.4 | -2.0 | 3.1 | 6.5 | 2.8 | 4.9 |
| | II | -0.5 | -0.1 | 0.2 | -4.8 | -4.6 | 17.8 | 17.1 | 0.3 | -2.6 | 3.8 | 7.2 | 3.8 | 4.0 |
| | III | -0.7 | -0.2 | -0.2 | -4.6 | -4.0 | 16.1 | 12.1 | 0.4 | -2.4 | 3.5 | 6.6 | 3.9 | 2.0 |
| | IV | -1.0 | -0.7 | -2.3 | -4.8 | -5.6 | 13.1 | 7.6 | 0.3 | -2.2 | 3.2 | 6.5 | 3.5 | 1.7 |
| 2013 | I | -1.2 | -1.0 | -2.1 | -4.6 | -4.1 | 10.0 | 3.6 | 0.1 | -1.9 | 2.7 | 5.3 | 2.8 | 2.2 |
| | II | -1.2 | -1.5 | -1.3 | -3.6 | -0.9 | 5.0 | -2.5 | -0.2 | -1.4 | 1.6 | 2.8 | 2.0 | 0.0 |
| | III | -1.3 | -1.6 | -0.6 | -2.9 | -0.9 | 2.2 | 0.0 | -0.1 | -0.8 | 1.0 | 2.0 | 0.9 | 2.0 |
| | IV | -1.2 | -1.2 | -0.6 | -1.2 | 1.2 | -1.2 | -5.5 | 0.0 | 0.1 | 0.0 | -0.1 | 0.1 | 0.1 |

*(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

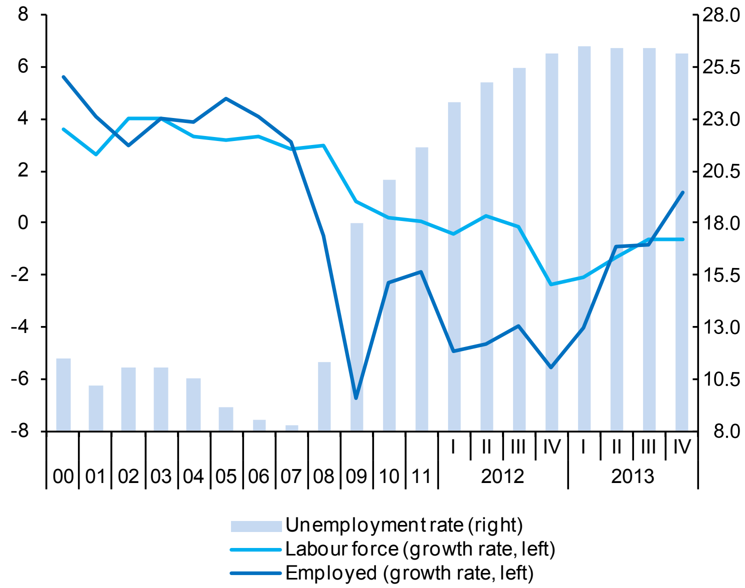



**Chart 13a.2.- Unemployment rates, SA**
Percentage

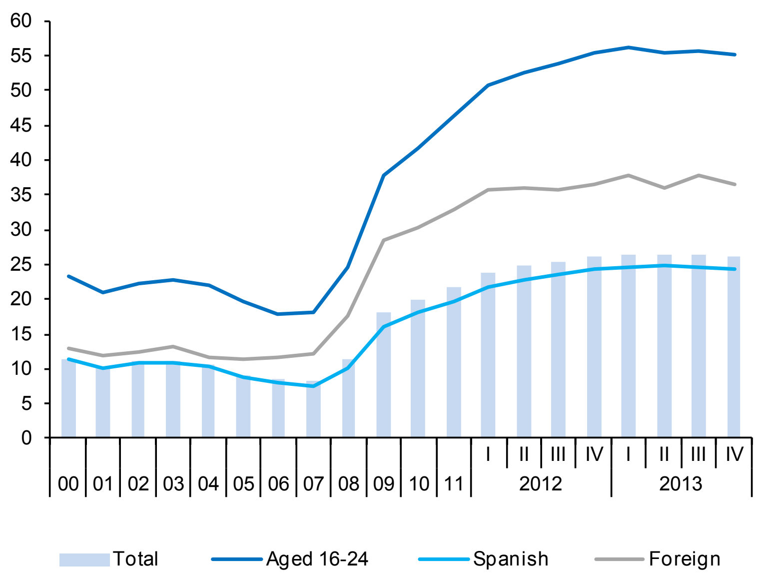


Table 13b
## Labour market (II)

| | | Employed by sector | | | | Employed by professional situation | | | | | Employed by duration of the working-day | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Employees | | | | Self- employed | | | |
| | | | | | | | By type of contract | | | | | | |
| | | Agriculture | Industry | Construction | Services | Total | Temporary | Indefinite | Temporary employment rate (a) | Self- employed | 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) | | 0.75 | 2.29 | 1.02 | 12.70 | 13.71 | 3.20 | 10.50 | 23.4 | 3.04 | 14.06 | 2.69 | 16.03 |
| 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 |
| | IV | 0.79 | 2.27 | 0.98 | 12.71 | 13.74 | 3.29 | 10.45 | 23.9 | 3.02 | 14.02 | 2.74 | 16.34 |
| **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) | | -1.1 | -5.7 | -11.4 | -2.0 | -3.8 | -4.8 | -3.4 | -0.3 | 0.1 | -4.5 | 5.4 | 1.3 |
| 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 |
| | IV | 0.9 | -4.6 | -8.9 | 0.0 | -1.4 | 2.5 | -2.5 | 0.9 | -0.3 | -2.4 | 5.4 | 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

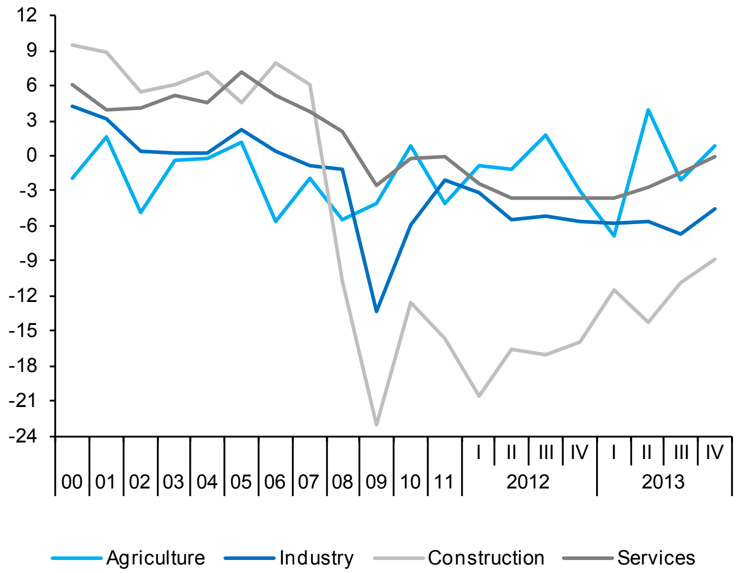



**Chart 13b.2.- Employment by type of contract**
Annual percentage changes and percentage over total employees

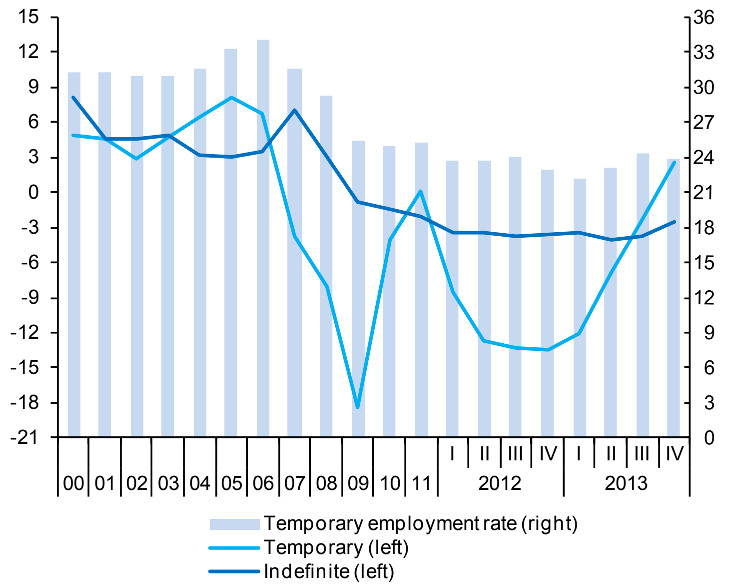


Table 14
## Index of Consumer Prices
Forecasts in blue

| | | 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 2014 | | 100.0 | 66.14 | 81.21 | 26.33 | 39.81 | 15.07 | 6.68 | 12.11 | 21.75 |
| **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 | 103.0 | 101.4 | 102.9 | 106.2 | 105.9 | 108.9 | 106.1 |
| 2014 | | 104.2 | 102.4 | 103.2 | 101.1 | 103.1 | 107.3 | 106.9 | 109.3 | 107.2 |
| **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 | 1.4 | 0.6 | 1.4 | 3.1 | 3.6 | 0.0 | 3.2 |
| 2014 | | 0.3 | 0.0 | 0.2 | -0.3 | 0.1 | 1.0 | 1.0 | 0.4 | 1.0 |
| 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 | 0.2 | -0.1 | 0.4 | -0.4 | 0.1 | 2.5 | 0.4 | -0.7 | 1.9 |
| | Dec | 0.3 | -0.2 | 0.2 | -0.5 | 0.0 | 2.3 | 0.6 | 0.2 | 1.8 |
| 2014 | Jan | 0.2 | -0.2 | 0.2 | -0.3 | -0.1 | 1.7 | 0.9 | 0.0 | 1.4 |
| | Feb | 0.0 | -0.1 | 0.1 | -0.4 | 0.0 | 1.3 | 1.2 | -1.7 | 1.3 |
| | Mar | 0.0 | -0.3 | 0.0 | -0.4 | -0.2 | 1.2 | 1.8 | -1.1 | 1.4 |
| | Apr | 0.4 | 0.0 | 0.2 | -0.4 | 0.2 | 1.1 | 1.5 | 1.7 | 1.2 |
| | May | 0.4 | -0.1 | 0.1 | -0.5 | 0.2 | 1.0 | 0.2 | 2.9 | 0.7 |
| | Jun | 0.3 | -0.1 | 0.1 | -0.5 | 0.1 | 0.9 | -0.8 | 2.6 | 0.4 |
| | Jul | 0.1 | 0.0 | 0.2 | -0.3 | 0.1 | 0.9 | -1.8 | 0.8 | 0.1 |
| | Aug | 0.0 | 0.0 | 0.2 | -0.2 | 0.2 | 0.9 | -2.2 | -0.3 | -0.1 |
| | Sep | 0.2 | 0.1 | 0.2 | -0.1 | 0.2 | 0.9 | 1.8 | -0.8 | 1.1 |
| | Oct | 0.4 | 0.2 | 0.3 | 0.0 | 0.3 | 0.8 | 3.2 | 0.0 | 1.5 |
| | Nov | 0.5 | 0.2 | 0.3 | 0.0 | 0.3 | 0.9 | 3.4 | 0.8 | 1.6 |
| | Dec | 0.5 | 0.2 | 0.3 | 0.0 | 0.3 | 1.0 | 3.0 | 0.2 | 1.6 |

*Sources: INE and FUNCAS (Forecasts).*

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

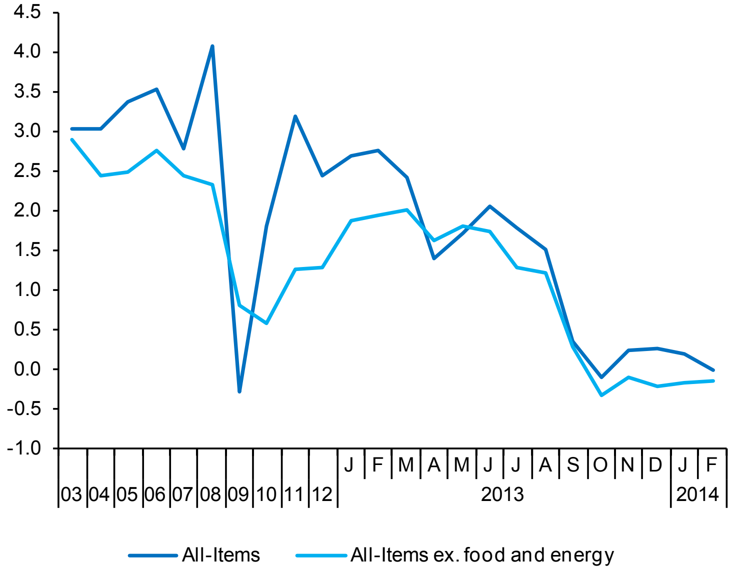





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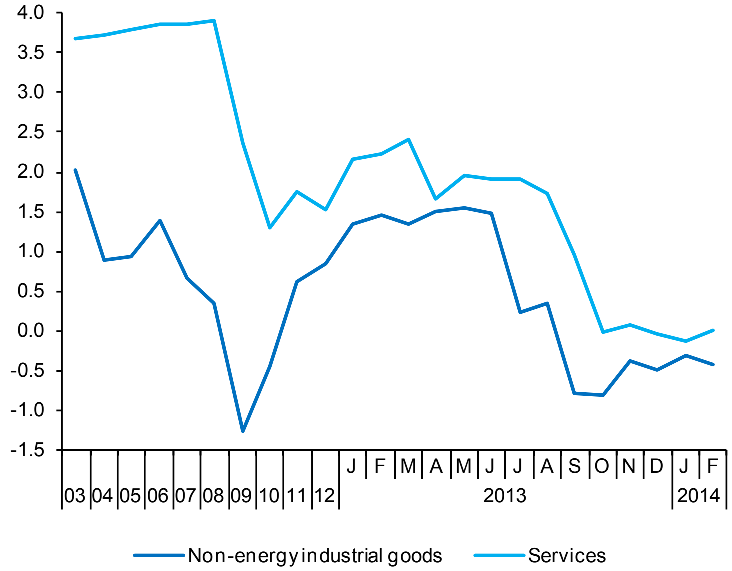
**Chart 14.2.- Inflation rate (II)**
Annual percentage changes




SEFO - Spanish Economic and Financial Outlook

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 | 2010=100 | | 2007=100 | | | 2000=100 | | | | |
| 2008 | | 135.4 | 99.8 | 100.5 | 98.5 | 100.7 | 91.1 | 137.5 | 134.8 | 145.6 | 142.6 | -- |
| 2009 | | 135.5 | 96.4 | 98.2 | 91.9 | 93.2 | 85.8 | 142.3 | 139.2 | 151.9 | 150.0 | -- |
| 2010 | | 135.6 | 100.0 | 100.0 | 90.1 | 89.6 | 74.8 | 142.8 | 140.4 | 150.2 | 151.3 | -- |
| 2011 | | 135.6 | 106.9 | 104.2 | 83.4 | 84.6 | 69.8 | 144.5 | 141.9 | 152.5 | 154.7 | -- |
| 2012 | | 135.6 | 111.0 | 105.9 | 72.0 | 77.2 | 65.4 | 143.6 | 141.1 | 151.3 | 154.6 | -- |
| 2013 | | 136.5 | 111.7 | 106.7 | 64.3 | 72.7 | 55.1 | 143.8 | 141.1 | 152.2 | 155.1 | -- |
| 2014 (b) | | -- | 110.6 | 105.8 | -- | -- | -- | -- | -- | -- | -- | -- |
| 2012 | II | 135.5 | 110.2 | 105.7 | 73.0 | 78.1 | 70.2 | 146.5 | 145.3 | 150.4 | 153.0 | -- |
| | III | 135.7 | 111.7 | 106.4 | 70.2 | 76.1 | 60.4 | 138.8 | 135.2 | 149.7 | 159.8 | -- |
| | IV | 135.8 | 111.5 | 106.8 | 69.2 | 74.5 | 67.3 | 146.9 | 145.8 | 150.3 | 159.2 | -- |
| 2013 | I | 137.1 | 112.2 | 107.3 | 64.7 | 73.7 | 56.4 | 140.3 | 135.5 | 154.9 | 145.5 | -- |
| | II | 136.4 | 110.7 | 106.9 | 64.2 | 73.1 | 58.0 | 145.9 | 144.4 | 150.6 | 151.9 | -- |
| | III | 136.3 | 112.2 | 106.5 | 64.7 | 72.7 | 53.0 | 139.1 | 134.9 | 151.9 | 160.4 | -- |
| | IV | 136.0 | 111.5 | 106.0 | 63.8 | 71.3 | 53.1 | 149.9 | 149.5 | 151.3 | 162.7 | -- |
| 2014 | I(b) | -- | 110.6 | 105.8 | -- | -- | -- | -- | -- | -- | -- | -- |
| 2013 | Nov | -- | 110.7 | 106.0 | -- | -- | -- | -- | -- | -- | -- | -- |
| | Dec | -- | 112.0 | 105.8 | -- | -- | -- | -- | -- | -- | -- | -- |
| 2014 | Jan | -- | 110.6 | 105.8 | -- | -- | -- | -- | -- | -- | -- | -- |
| **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 | 5.2 | 2.3 |
| 2010 | | 0.1 | 3.7 | 1.8 | -2.0 | -3.9 | -12.8 | 0.4 | 0.9 | -1.1 | 0.9 | 1.5 |
| 2011 | | 0.0 | 6.9 | 4.2 | -7.4 | -5.6 | -6.7 | 1.2 | 1.0 | 1.6 | 2.3 | 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 | | 0.6 | 0.6 | 0.7 | -10.6 | -5.8 | -15.7 | 0.2 | 0.0 | 0.6 | 0.3 | 0.6 |
| 2014 (c) | | -- | -1.8 | -1.3 | -- | -- | -- | -- | -- | -- | -- | 0.6 |
| 2012 | II | -0.1 | 3.1 | 1.2 | -14.4 | -8.3 | -8.6 | -0.3 | 0.1 | -1.3 | 0.0 | 1.7 |
| | III | 0.2 | 3.9 | 1.7 | -15.2 | -9.5 | -0.7 | -0.1 | 0.3 | -1.0 | 0.3 | 1.3 |
| | IV | 0.1 | 3.5 | 2.5 | -12.8 | -10.0 | 2.7 | -3.2 | -3.6 | -1.8 | -2.6 | 1.3 |
| 2013 | I | 1.2 | 1.6 | 2.3 | -14.3 | -8.1 | -11.5 | -1.3 | -1.7 | 0.0 | -0.5 | 0.6 |
| | II | 0.7 | 0.5 | 1.1 | -12.0 | -6.4 | -17.4 | -0.4 | -0.6 | 0.2 | -0.7 | 0.7 |
| | III | 0.4 | 0.4 | 0.1 | -7.9 | -4.5 | -12.4 | 0.2 | -0.2 | 1.4 | 0.3 | 0.6 |
| | IV | 0.2 | 0.0 | -0.8 | -7.8 | -4.2 | -21.1 | 2.1 | 2.5 | 0.7 | 2.2 | 0.6 |
| 2014 | I(c) | -- | -1.5 | -1.4 | -- | -- | -- | -- | -- | -- | -- | 0.6 |
| 2013 | Nov | -- | -0.5 | -0.7 | -- | -- | -- | -- | -- | -- | -- | 0.6 |
| | Dec | -- | 0.6 | -1.0 | -- | -- | -- | -- | -- | -- | -- | 0.6 |
| 2014 | Jan | -- | -1.8 | -1.3 | -- | -- | -- | -- | -- | -- | -- | 0.6 |

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

*Sources: M. of Public Works, M. of Labour and INE (National Statistics Institute).*

**Chart 15.1.- Housing and Urban land prices**
Index (2007=100)

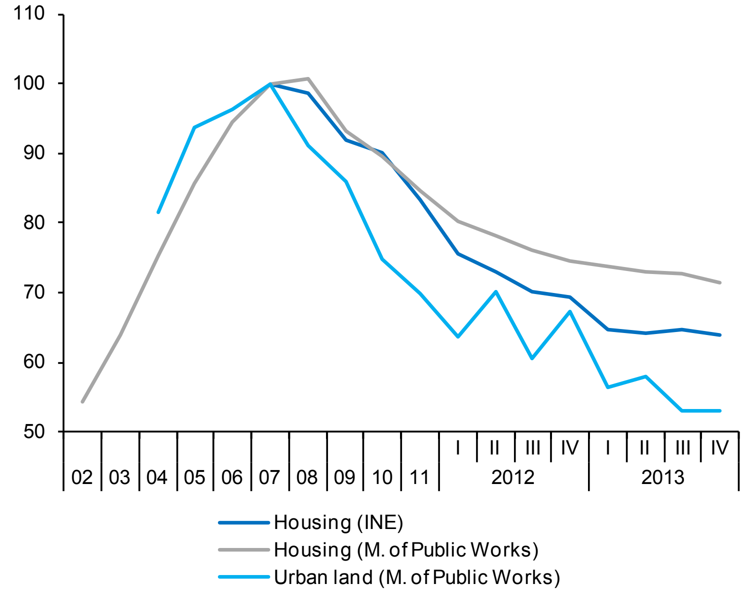



**Chart 15.2.- Wage costs**
Annual percent change

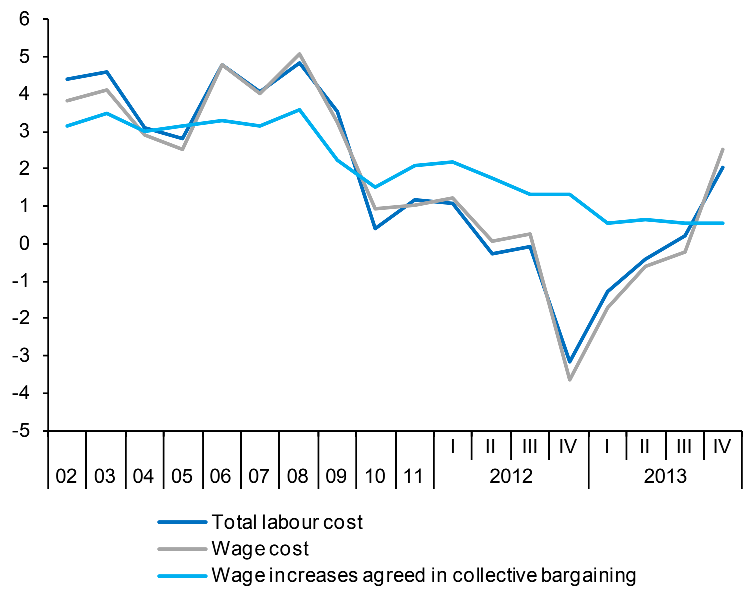


Table 16

## External trade (a)

| | Exports of goods | | | Imports of goods | | | Exports to EU countries | Exports to non-EU countries | Total Balance of goods | Balance of goods excluding energy | Balance of goods with EU countries |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Nominal | Prices | Real | Nominal | Prices | Real | | | | | |
| | **EUR Billions** | **2005=100** | | **EUR Billions** | **2005=100** | | **EUR Billions** | | | | |
| 2008 | 189.2 | 109.0 | 112.0 | 283.4 | 109.1 | 111.5 | 131.0 | 58.2 | -94.2 | -50.7 | -26.0 |
| 2009 | 159.9 | 101.6 | 101.5 | 206.1 | 96.2 | 92.0 | 110.7 | 49.2 | -46.2 | -18.8 | -8.9 |
| 2010 | 186.8 | 103.2 | 116.7 | 240.1 | 100.6 | 102.4 | 126.5 | 60.3 | -53.3 | -17.9 | -4.8 |
| 2011 | 215.2 | 108.2 | 128.4 | 263.1 | 109.1 | 103.5 | 142.6 | 72.6 | -47.9 | -4.0 | 3.6 |
| 2012 | 226.1 | 110.4 | 132.2 | 257.9 | 114.2 | 97.0 | 143.2 | 82.9 | -31.8 | 14.3 | 12.2 |
| 2013 | 234.2 | 110.2 | 138.5 | 250.2 | 109.3 | 98.9 | 146.6 | 87.6 | -16.0 | 26.0 | 17.7 |
| 2014 (b) | 18.4 | 108.5 | 143.0 | 21.2 | 104.8 | 109.9 | 12.0 | 6.4 | -2.8 | 0.8 | 1.2 |
| 2012 II | 54.8 | 108.3 | 130.9 | 62.9 | 112.8 | 96.3 | 34.4 | 20.3 | -8.1 | 3.9 | 2.8 |
| III | 57.0 | 110.6 | 133.4 | 63.7 | 114.9 | 95.9 | 34.5 | 22.5 | -6.8 | 4.0 | 2.6 |
| IV | 58.6 | 112.5 | 134.8 | 61.1 | 114.5 | 92.2 | 35.6 | 22.9 | -2.5 | 6.1 | 4.5 |
| 2013 I | 57.1 | 108.9 | 135.6 | 61.4 | 111.1 | 95.4 | 35.0 | 22.1 | -4.3 | 7.4 | 4.6 |
| II | 61.6 | 109.8 | 145.2 | 63.4 | 107.0 | 102.4 | 38.4 | 23.2 | -1.8 | 8.3 | 6.0 |
| III | 59.4 | 110.8 | 138.8 | 63.3 | 110.1 | 99.3 | 36.8 | 22.5 | -3.9 | 5.6 | 3.8 |
| IV | 59.0 | 111.4 | 137.2 | 62.3 | 109.5 | 98.2 | 36.7 | 22.4 | -3.2 | 4.6 | 3.2 |
| 2014 I (b) | 20.0 | 108.5 | 143.0 | 22.2 | 104.8 | 109.9 | 12.7 | 7.3 | -2.3 | 0.8 | 1.2 |
| 2013 Nov | 19.1 | 110.9 | 133.7 | 20.5 | 109.2 | 97.2 | 12.0 | 7.1 | -1.4 | 1.3 | 1.1 |
| Dec | 19.6 | 110.7 | 137.3 | 20.3 | 111.0 | 94.8 | 12.1 | 7.4 | -0.8 | 1.3 | 0.5 |
| 2014 Jan | 20.0 | 108.5 | 143.0 | 22.2 | 104.8 | 109.9 | 12.7 | 7.3 | -2.3 | 0.8 | 1.2 |
| | **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 | -15.4 | -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 | 5.1 | 2.0 | 3.0 | -2.0 | 4.6 | -6.3 | 0.5 | 14.1 | -3.1 | 1.4 | 1.2 |
| 2013 | 5.2 | -0.2 | 5.4 | 5.7 | -4.2 | 3.1 | 4.7 | 6.1 | -1.6 | 2.5 | 1.7 |
| 2014 (d) | 3.1 | -2.2 | 5.4 | -0.6 | -6.7 | 6.5 | 5.3 | -0.6 | -- | -- | -- |
| 2012 II | -0.5 | -6.5 | 6.7 | -16.3 | -6.9 | -10.1 | -11.3 | 22.0 | -3.2 | 1.5 | 1.1 |
| III | 17.2 | 9.0 | 7.8 | 5.5 | 7.7 | -1.9 | 0.8 | 49.4 | -2.6 | 1.6 | 1.0 |
| IV | 11.8 | 7.1 | 4.2 | -15.4 | -1.3 | -14.4 | 13.8 | 8.8 | -1.0 | 2.4 | 1.8 |
| 2013 I | -9.9 | -12.3 | 2.6 | 1.6 | -11.5 | 14.5 | -7.5 | -13.6 | -1.7 | 2.9 | 1.8 |
| II | 35.8 | 3.3 | 31.4 | 13.9 | -13.7 | 32.6 | 45.6 | 21.4 | -0.7 | 3.3 | 2.3 |
| III | -13.7 | 3.7 | -16.5 | -0.7 | 11.8 | -11.4 | -15.3 | -11.0 | -1.5 | 2.2 | 1.5 |
| IV | -2.3 | 2.2 | -4.4 | -6.3 | -1.9 | -4.4 | -1.8 | -3.2 | -1.3 | 1.8 | 1.3 |
| 2014 I (e) | 6.2 | -10.0 | 17.8 | 31.7 | -16.1 | 56.8 | 16.6 | -9.3 | -- | -- | -- |
| 2013 Nov | -6.2 | -1.4 | -4.9 | -4.6 | 0.6 | -5.2 | -3.9 | -9.9 | -- | -- | -- |
| Dec | 2.4 | -0.2 | 2.7 | -0.8 | 1.7 | -2.4 | 1.0 | 4.9 | -- | -- | -- |
| 2014 Jan | 2.1 | -1.9 | 4.1 | 9.4 | -5.5 | 15.9 | 4.6 | -2.0 | -- | -- | -- |

*(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

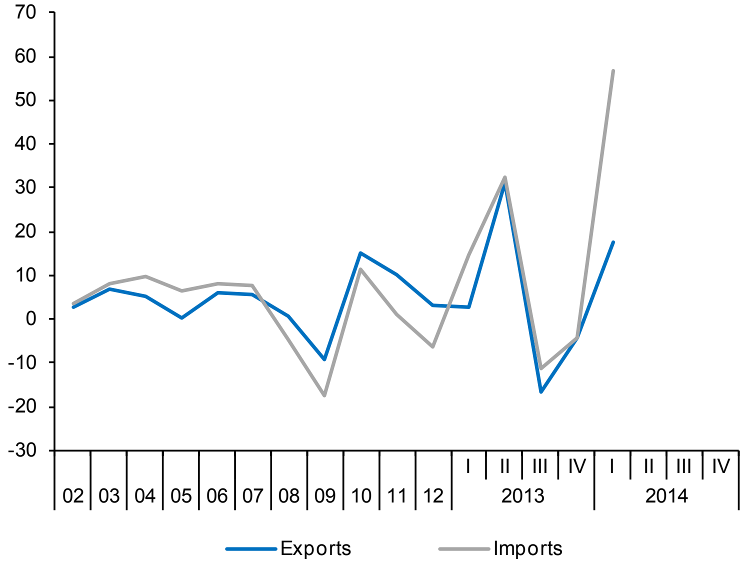





**Chart 16.2.- Trade balance**
EUR Billions, moving sum of 4 quarters

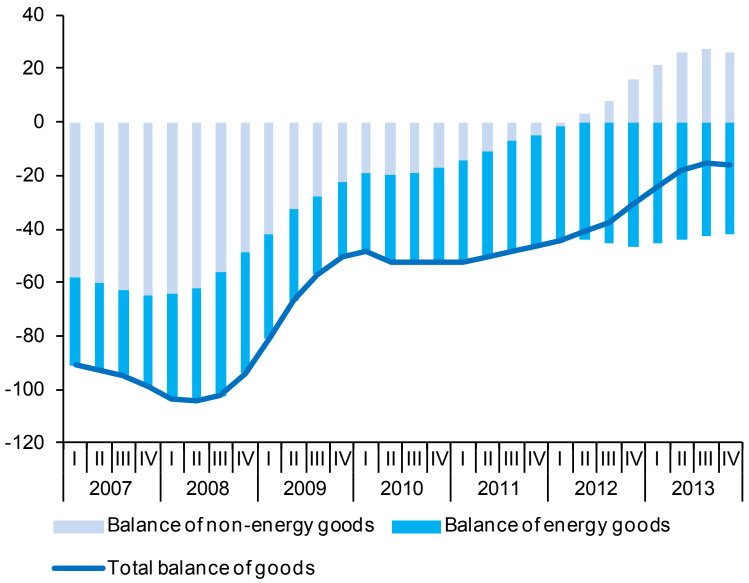


Table 17

## Balance of Payments (according to IMF manual)

(Net transactions)

| | | Current account | | | | | Capital account | Current and capital accounts | Financial account | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | Financial account, excluding Bank of Spain | | | | | Bank of Spain | Errors and omissions |
| | | 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** | | | | | | | | | | | | | | | |
| 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 | | 7.13 | -11.55 | 40.34 | -16.11 | -5.55 | 7.60 | 14.73 | 88.76 | 12.31 | 43.80 | 29.51 | 3.13 | -114.27 | 10.78 |
| 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 | 3.05 | -0.71 | 9.94 | -3.72 | -2.46 | 2.53 | 5.58 | 0.68 | 4.96 | -10.22 | 4.75 | 1.19 | -11.74 | 5.48 |
| | III | 4.10 | -4.29 | 15.15 | -4.18 | -2.58 | 1.27 | 5.37 | 2.10 | 4.28 | 14.67 | -18.41 | 1.56 | -10.51 | 3.04 |
| | IV | 4.66 | -4.07 | 8.83 | -3.42 | 3.32 | 2.42 | 7.09 | 44.78 | -1.34 | 38.87 | 6.90 | 0.34 | -53.25 | 1.39 |
| 2013 | Oct | 1.71 | -0.92 | 4.54 | -1.72 | -0.19 | 0.62 | 2.33 | 1.02 | 4.65 | 0.32 | -4.73 | 0.79 | -3.75 | 0.39 |
| | Nov | 0.87 | -1.19 | 2.30 | -1.93 | 1.70 | 0.40 | 1.28 | 23.82 | 1.61 | 17.39 | 4.76 | 0.06 | -22.61 | -2.49 |
| | Dec | 2.08 | -1.95 | 1.99 | 0.23 | 1.81 | 1.40 | 3.48 | 19.94 | -7.60 | 21.16 | 6.87 | -0.50 | -26.90 | 3.48 |
| **Percentage of GDP** | | | | | | | | | | | | | | | |
| 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 |
| 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 | 0.5 | -1.3 | 16.4 | 1.8 | 0.2 | 14.5 | 0.0 | -15.5 | 0.3 |
| | II | 1.2 | -0.3 | 3.8 | -1.4 | -0.9 | 1.0 | 2.1 | 0.3 | 1.9 | -3.9 | 1.8 | 0.5 | -4.5 | 2.1 |
| | III | 1.7 | -1.7 | 6.1 | -1.7 | -1.0 | 0.5 | 2.2 | 0.8 | 1.7 | 5.9 | -7.4 | 0.6 | -4.3 | 1.2 |
| | IV | 1.8 | -1.5 | 3.4 | -1.3 | 1.3 | 0.9 | 2.7 | 17.0 | -0.5 | 14.8 | 2.6 | 0.1 | -20.3 | 0.5 |

*Source: Bank of Spain.*

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

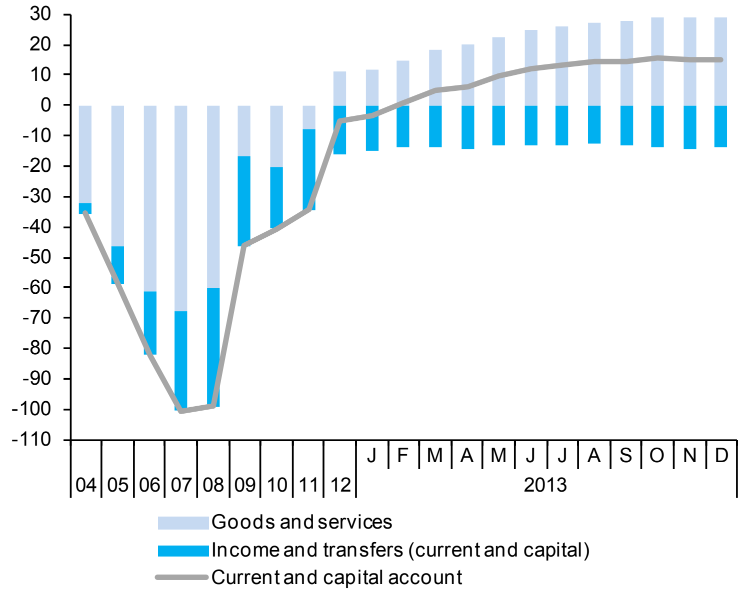



**Chart 17.2.- Balance of payments: Financial account**
EUR Billions, 12-month cumulated

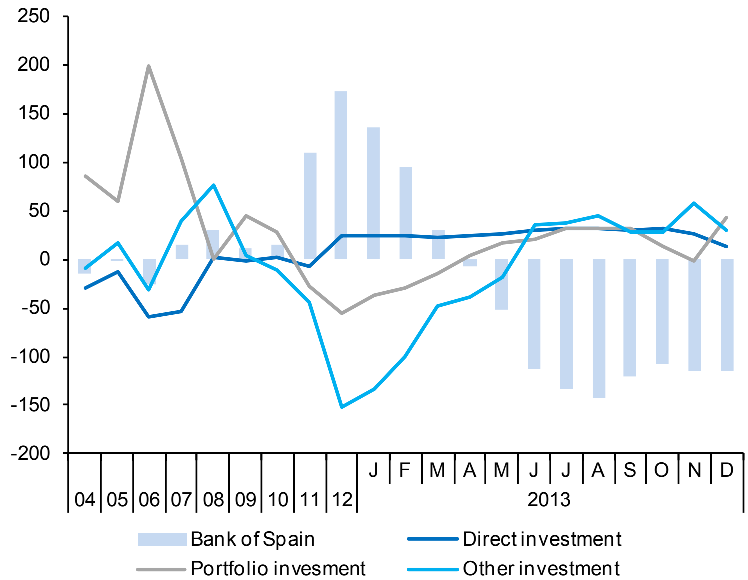


Table 18

## State and Social Security System budget

| | State | | | | | | | Social Security System | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | National accounts basis | | | Revenue, cash basis (a) | | | | Surplus or deficit | Accrued income | | Expenditure | |
| | Surplus or deficit | Revenue | Expenditure | Total | Direct taxes | Indirect taxes | Others | | Total | of which, social contributions | Total | of which, pensions |
| | 1=2-3 | 2 | 3 | 4=5+6+7 | 5 | 6 | 7 | 8=9-11 | 9 | 10 | 11 | 12 |
| **EUR billions, 12-month cumulated** | | | | | | | | | | | | |
| 2008 | -32.4 | 131.8 | 164.2 | 188.7 | 102.0 | 70.7 | 16.0 | 14.6 | 124.2 | 108.7 | 109.7 | 86.9 |
| 2009 | -98.0 | 105.4 | 203.4 | 162.5 | 87.5 | 55.7 | 19.3 | 8.8 | 123.7 | 107.3 | 114.9 | 92.0 |
| 2010 | -50.4 | 141.6 | 192.0 | 175.0 | 86.9 | 71.9 | 16.3 | 2.4 | 122.5 | 105.5 | 120.1 | 97.7 |
| 2011 | -31.5 | 135.9 | 167.4 | 177.0 | 89.6 | 71.2 | 16.1 | -0.5 | 121.7 | 105.4 | 122.1 | 101.5 |
| 2012 | -44.4 | 121.5 | 165.9 | 215.4 | 96.2 | 71.6 | 47.7 | -5.8 | 118.6 | 101.1 | 124.4 | 105.5 |
| 2013 (b) | -40.6 | 111.1 | 151.7 | 171.8 | 84.2 | 69.7 | 17.9 | 0.9 | 112.4 | 90.1 | 111.5 | 95.4 |
| 2013 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 |
| Oct | -47.1 | 127.8 | 174.9 | 192.0 | 94.2 | 74.5 | 23.2 | -7.2 | 122.0 | 98.6 | 129.2 | 109.8 |
| Nov | -47.6 | 127.9 | 175.5 | 192.1 | 94.3 | 74.7 | 23.2 | -7.6 | 121.6 | 98.5 | 129.3 | 110.2 |
| **Annual percentage changes** | | | | | | | | | | | | |
| 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 | -5.6 | 7.7 | -0.7 | 29.1 | -15.7 | -- | -1.0 | -1.7 | 4.5 | 6.2 |
| 2011 | -- | -4.0 | -12.8 | 1.1 | 3.1 | -0.9 | -0.8 | -- | -0.7 | -0.1 | 1.7 | 3.9 |
| 2012 | -- | -10.6 | -0.9 | 21.7 | 7.3 | 0.5 | 195.9 | -- | -2.5 | -4.0 | 1.9 | 3.9 |
| 2013 (c) | -- | 6.1 | 6.8 | -12.0 | -2.2 | 4.6 | -57.8 | -- | 2.8 | -2.8 | 4.5 | 5.2 |
| 2013 Sep | -- | -8.0 | -2.1 | -7.0 | 3.8 | 8.4 | -51.0 | -- | 1.4 | -4.5 | 3.6 | 4.7 |
| Oct | -- | -8.7 | 1.4 | -7.1 | 2.5 | 8.3 | -49.3 | -- | 0.8 | -4.5 | 3.5 | 4.5 |
| Nov | -- | -9.5 | 6.2 | -7.7 | 1.4 | 7.3 | -49.1 | -- | 0.6 | -4.3 | 3.3 | 4.7 |
| **Percentage of GDP, 12-month cumulated** | | | | | | | | | | | | |
| 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 | -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 | -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 (b) | -4.0 | 10.9 | 14.8 | 16.8 | 8.2 | 6.8 | 1.7 | 0.1 | 11.0 | 8.8 | 10.9 | 9.3 |
| 2013 Sep | -4.3 | 12.5 | 16.8 | 18.6 | 9.1 | 7.3 | 2.2 | -0.6 | 12.0 | 9.6 | 12.6 | 10.7 |
| Oct | -4.6 | 12.5 | 17.1 | 18.8 | 9.2 | 7.3 | 2.3 | -0.7 | 11.9 | 9.6 | 12.6 | 10.7 |
| Nov | -4.7 | 12.5 | 17.2 | 18.8 | 9.2 | 7.3 | 2.3 | -0.7 | 11.9 | 9.6 | 12.6 | 10.8 |

*(a) Including the regional and local administrations share in direct and indirect taxes. (b) Cumulated since January. (c) 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

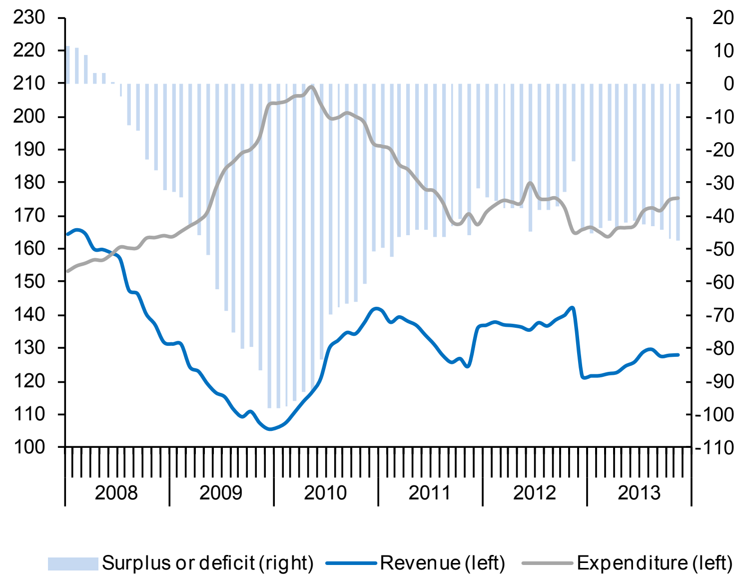







**Chart 18.2.- Social Security System: Revenue, expenditure and deficit**
EUR Billions, 12-month cumulated

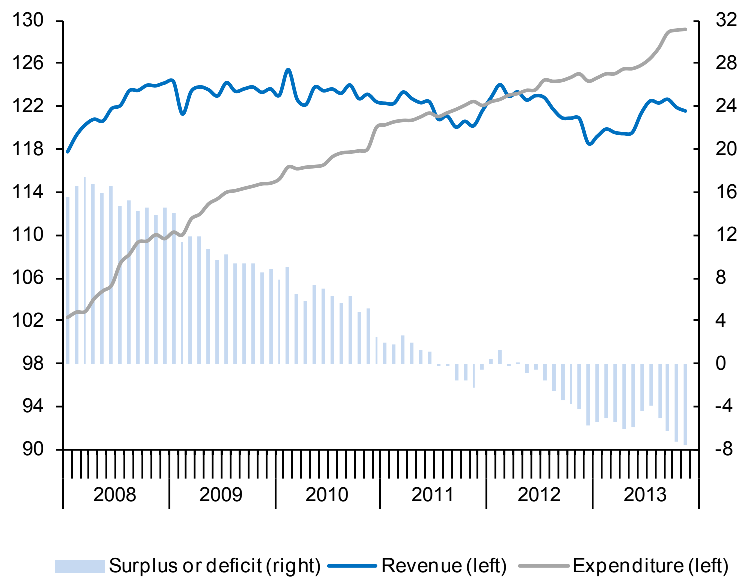


Table 19

## 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 | 70.4 | 3.4 | 10.5 | 4.7 | 2,767.2 | 565.1 | 1,298.8 | 903.3 | -- | 11,940.0 |
| 2010 | 4.2 | 146.6 | 2.6 | 8.6 | 4.3 | 2,845.9 | 644.7 | 1,303.1 | 898.1 | -- | 9,859.1 |
| 2011 | 5.4 | 277.8 | 3.5 | 8.6 | 5.1 | 2,866.6 | 737.4 | 1,258.3 | 871.0 | -- | 8,563.3 |
| 2012 | 5.8 | 427.9 | 3.4 | 9.1 | 5.6 | 2,860.2 | 884.7 | 1,141.6 | 833.8 | -- | 8,167.5 |
| 2013 | 4.6 | 293.3 | 3.2 | 9.7 | 5.5 | 2,816.3 | 960.6 | 1,069.7 | 786.0 | -- | 9,916.7 |
| 2014 (a) | 3.7 | 194.9 | 3.3 | 9.6 | 5.4 | 2,831.5 | 979.3 | 1,070.8 | 781.5 | -- | 10,114.2 |
| 2012 I | 5.2 | 334.7 | 3.8 | 9.7 | 5.5 | 2,890.5 | 775.8 | 1,255.9 | 858.7 | -- | 8,008.0 |
| II | 6.2 | 462.8 | 3.5 | 8.7 | 5.7 | 2,898.1 | 805.5 | 1,236.8 | 855.7 | -- | 7,102.2 |
| III | 6.4 | 500.5 | 3.3 | 9.2 | 5.7 | 2,872.8 | 818.1 | 1,214.0 | 840.8 | -- | 7,708.5 |
| IV | 5.6 | 413.6 | 3.1 | 8.8 | 5.5 | 2,860.2 | 884.7 | 1,141.6 | 833.8 | -- | 8,167.5 |
| 2013 I | 5.1 | 353.5 | 3.2 | 9.5 | 5.6 | 2,859.3 | 924.1 | 1,115.7 | 819.4 | -- | 7,920.0 |
| II | 4.5 | 308.9 | 3.2 | 9.6 | 5.7 | 2,863.2 | 943.9 | 1,105.1 | 814.2 | -- | 7,762.7 |
| III | 4.5 | 274.2 | 3.2 | 9.9 | 5.5 | 2,840.8 | 954.9 | 1,088.8 | 797.0 | -- | 9,186.1 |
| IV | 4.2 | 236.6 | 3.2 | 9.7 | 5.3 | 2,816.3 | 960.6 | 1,069.7 | 786.0 | -- | 9,916.7 |
| 2013 Dec | 4.1 | 230.1 | 3.2 | 9.5 | 5.2 | 2,816.3 | 960.6 | 1,069.7 | 786.0 | -- | 9,916.7 |
| 2014 Jan | 3.8 | 199.6 | 3.3 | 9.6 | 5.4 | 2,831.5 | 979.3 | 1,070.8 | 781.5 | -- | 9,920.2 |
| Feb | 3.6 | 190.2 | -- | -- | -- | -- | -- | -- | -- | -- | 10,114.2 |
| | | | | | | **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 | -- | -- | -- | -- | -- | -0.8 | 8.6 | -5.1 | -5.1 | -4.4 | 21.4 |
| 2014 (a) | -- | -- | -- | -- | -- | 0.0 | 10.7 | -4.6 | -5.0 | -4.8 | 22.9 |
| 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 | -- | -- | -- | -- | -- | 1.1 | 19.1 | -6.7 | -4.0 | -0.5 | -3.0 |
| II | -- | -- | -- | -- | -- | 0.8 | 17.2 | -6.3 | -4.3 | -0.4 | -2.0 |
| III | -- | -- | -- | -- | -- | 1.0 | 16.7 | -5.8 | -4.6 | 0.2 | 18.3 |
| IV | -- | -- | -- | -- | -- | -0.8 | 8.6 | -5.1 | -5.1 | -4.4 | 8.0 |
| 2013 Dec | -- | -- | -- | -- | -- | -0.8 | 8.6 | -5.1 | -5.1 | -4.4 | 0.8 |
| 2014 Jan | -- | -- | -- | -- | -- | 0.0 | 10.7 | -4.6 | -5.0 | -4.8 | 0.0 |
| Feb | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 2.0 |

*(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

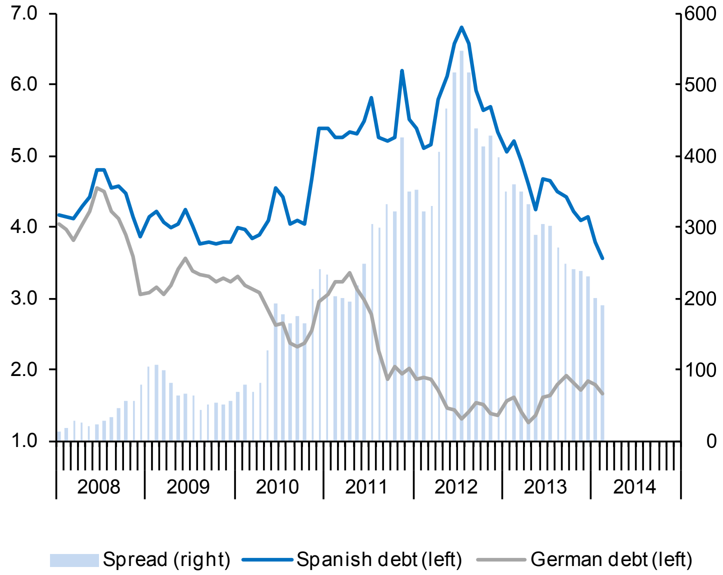



**Chart 19.2.- Credit stock growth**
Annual percentage change

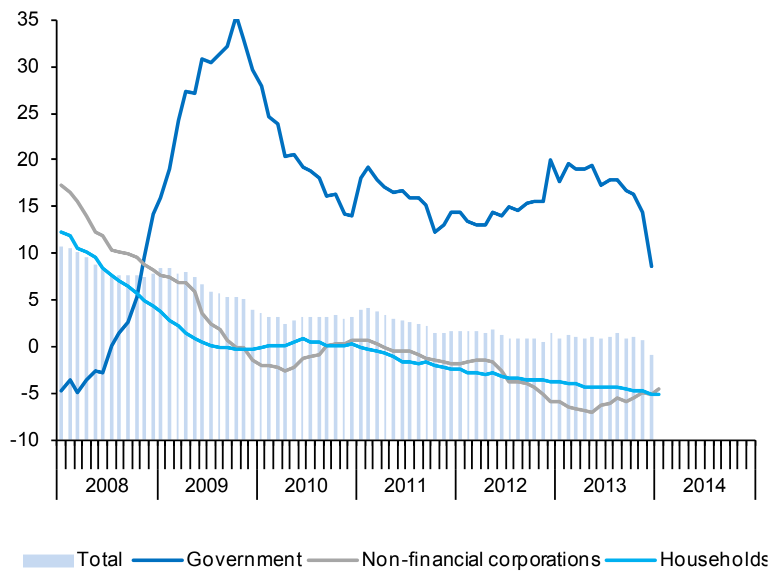


Table 20

## 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** | | | **2010=100** | | | **1999 I =100** |
| 2007 | | 93.0 | 110.8 | 119.1 | 106.5 | 104.4 | 102.1 | 94.1 | 96.8 | 97.2 | 111.9 |
| 2008 | | 94.2 | 112.5 | 119.4 | 110.9 | 107.8 | 102.9 | 99.5 | 101.6 | 98.0 | 114.5 |
| 2009 | | 99.9 | 111.3 | 111.3 | 110.6 | 108.1 | 102.4 | 96.2 | 97.0 | 99.2 | 114.0 |
| 2010 | | 99.6 | 110.5 | 110.9 | 112.9 | 109.8 | 102.8 | 100.0 | 100.0 | 100.0 | 112.9 |
| 2011 | | 100.9 | 109.0 | 108.1 | 116.3 | 112.8 | 103.1 | 106.5 | 105.2 | 101.2 | 113.1 |
| 2012 | | 105.2 | 107.9 | 102.6 | 119.2 | 115.6 | 103.1 | 110.1 | 107.9 | 102.0 | 111.7 |
| 2013 | | -- | -- | -- | 121.0 | 117.2 | 103.2 | 109.9 | 107.3 | 102.4 | 113.4 |
| 2014 (a) | | -- | -- | -- | 119.3 | 116.7 | 102.2 | 108.7 | 106.6 | 102.0 | 112.7 |
| 2012 | II | -- | -- | -- | 119.4 | 115.9 | 103.1 | 109.5 | 107.7 | 101.7 | 111.8 |
| | III | -- | -- | -- | 119.3 | 115.7 | 103.1 | 110.7 | 108.2 | 102.3 | 111.1 |
| | IV | -- | -- | -- | 121.4 | 116.7 | 104.0 | 110.4 | 108.2 | 102.1 | 113.1 |
| 2013 | I | -- | -- | -- | 119.9 | 116.4 | 103.0 | 110.9 | 108.1 | 102.5 | 112.7 |
| | II | -- | -- | -- | 121.6 | 117.5 | 103.5 | 109.3 | 107.2 | 101.9 | 113.7 |
| | III | -- | -- | -- | 120.9 | 117.3 | 103.1 | 110.3 | 107.3 | 102.8 | 113.2 |
| | IV | -- | -- | -- | 121.6 | 117.6 | 103.4 | 109.6 | 106.8 | 102.6 | 114.0 |
| 2014 | I(a) | -- | -- | -- | 119.3 | 116.7 | 102.2 | 108.7 | 106.6 | 102.0 | 112.7 |
| 2013 | Dec | -- | -- | -- | 121.7 | 117.9 | 103.2 | 109.9 | 106.9 | 102.9 | 114.0 |
| 2014 | Jan | -- | -- | -- | 119.4 | 116.6 | 102.4 | 108.7 | 106.6 | 102.0 | 112.7 |
| | Feb | -- | -- | -- | 119.3 | 116.9 | 102.0 | -- | -- | -- | -- |
| | | **Annual percentage changes** | | | | | **Differential** | **Annual percentage changes** | | **Differential** | |
| 2007 | | 0.4 | 4.9 | 4.5 | 2.8 | 2.1 | 0.7 | 3.2 | 2.1 | 1.1 | -- |
| 2008 | | 1.3 | 1.6 | 0.2 | 4.1 | 3.3 | 0.9 | 5.7 | 4.9 | 0.8 | -- |
| 2009 | | 6.0 | -1.1 | -6.8 | -0.2 | 0.3 | -0.5 | -3.3 | -4.5 | 1.2 | -- |
| 2010 | | -0.3 | -0.7 | -0.4 | 2.0 | 1.6 | 0.4 | 3.9 | 3.1 | 0.9 | -- |
| 2011 | | 1.3 | -1.3 | -2.6 | 3.1 | 2.7 | 0.3 | 6.5 | 5.2 | 1.3 | -- |
| 2012 | | 4.3 | -1.0 | -5.1 | 2.4 | 2.5 | -0.1 | 3.4 | 2.6 | 0.8 | -- |
| 2013 | | -- | -- | -- | 1.5 | 1.4 | 0.2 | -0.1 | -0.5 | 0.4 | -- |
| 2014 (b) | | -- | -- | -- | 0.2 | 0.7 | -0.5 | -2.2 | -1.4 | -0.9 | -- |
| 2012 | II | -- | -- | -- | 1.9 | 2.5 | -0.6 | 2.9 | 2.3 | 0.6 | -- |
| | III | -- | -- | -- | 2.8 | 2.5 | 0.2 | 3.5 | 2.4 | 1.1 | -- |
| | IV | -- | -- | -- | 3.2 | 2.3 | 0.9 | 3.1 | 2.1 | 1.0 | -- |
| 2013 | I | -- | -- | -- | 2.8 | 1.9 | 0.9 | 1.2 | 0.7 | 0.5 | -- |
| | II | -- | -- | -- | 1.8 | 1.4 | 0.4 | -0.2 | -0.4 | 0.2 | -- |
| | III | -- | -- | -- | 1.3 | 1.3 | 0.0 | -0.4 | -0.9 | 0.5 | -- |
| | IV | -- | -- | -- | 0.2 | 0.8 | -0.6 | -0.8 | -1.2 | 0.4 | -- |
| 2014 | I(b) | -- | -- | -- | 0.2 | 0.7 | -0.5 | -2.2 | -1.4 | -0.9 | -- |
| 2013 | Oct | -- | -- | -- | 0.3 | 0.8 | -0.5 | -0.3 | -1.0 | 0.7 | -- |
| | Nov | -- | -- | -- | 0.3 | 0.8 | -0.5 | -2.2 | -1.4 | -0.9 | -- |
| | Dec | -- | -- | -- | 0.1 | 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

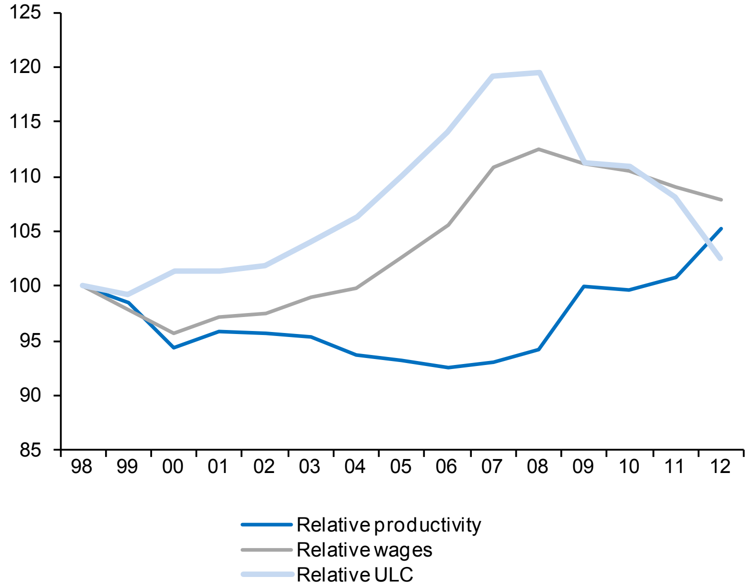



**Chart 20.2.- Harmonized Consumer Prices**
Annual growth in % and percentage points

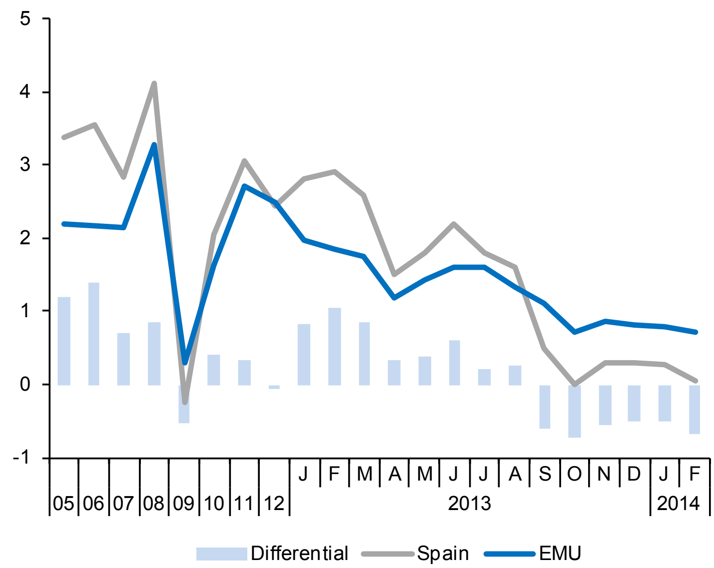


Table 21a

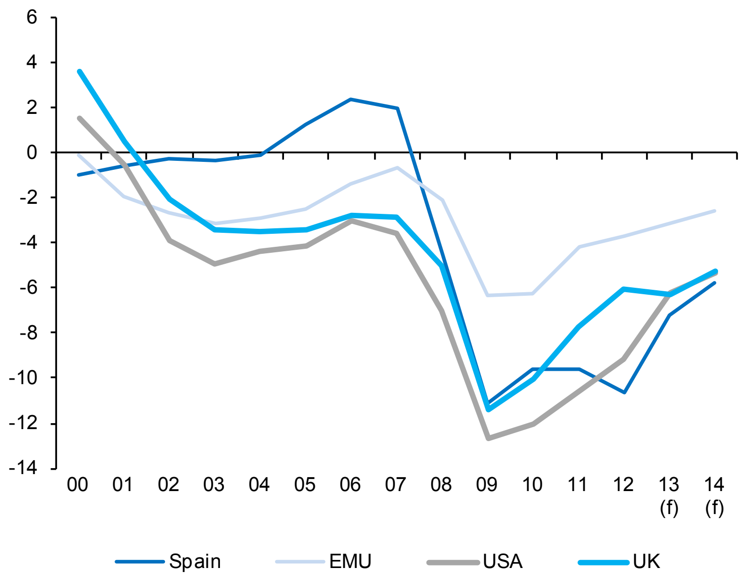
## Imbalances: International comparison (I)

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 | 11.7 | -204.7 | -544.2 | -43.7 | 392.5 | 5,750.7 | 8,502.9 | 532.3 | -67.8 | 34.8 | -703.4 | -23.6 |
| 2006 | 23.2 | -116.7 | -412.9 | -37.5 | 391.1 | 5,888.8 | 8,837.5 | 576.3 | -88.9 | 38.8 | -580.4 | -38.3 |
| 2007 | 20.7 | -60.6 | -515.4 | -40.3 | 382.3 | 5,996.5 | 9,328.4 | 624.3 | -105.2 | 34.0 | -729.2 | -31.2 |
| 2008 | -49.1 | -197.7 | -1,035.1 | -73.2 | 437.0 | 6,494.9 | 10,797.1 | 758.7 | -104.3 | -67.2 | -777.5 | -13.8 |
| 2009 | -116.4 | -568.7 | -1,829.0 | -161.5 | 565.1 | 7,145.3 | 12,445.9 | 951.0 | -50.0 | 8.7 | -453.4 | -20.1 |
| 2010 | -100.5 | -570.6 | -1,798.6 | -149.6 | 644.7 | 7,862.1 | 14,236.9 | 1,165.4 | -45.7 | 30.3 | -497.6 | -40.0 |
| 2011 | -100.1 | -392.8 | -1,645.6 | -118.2 | 737.3 | 8,305.9 | 15,457.3 | 1,295.9 | -41.6 | 37.2 | -403.3 | -22.5 |
| 2012 | -109.6 | -350.5 | -1,486.4 | -95.3 | 884.7 | 8,798.6 | 16,708.2 | 1,387.9 | -12.5 | 168.5 | -422.0 | -58.5 |
| 2013 | -73.2 | -300.3 | -1,049.9 | -101.7 | 961.6 | 9,166.3 | 17,447.9 | 1,482.7 | 11.3 | 254.9 | -391.7 | -60.9 |
| 2014 | -59.9 | -252.4 | -941.2 | -88.9 | 1,023.7 | 9,429.6 | 18,389.1 | 1,582.3 | 16.6 | 268.4 | -367.0 | -56.5 |
| **Percentage of GDP** | | | | | | | | | | | | |
| 2005 | 1.3 | -2.5 | -4.2 | -3.4 | 43.2 | 70.5 | 64.9 | 41.7 | -7.5 | 0.4 | -5.4 | -1.8 |
| 2006 | 2.4 | -1.4 | -3.0 | -2.8 | 39.7 | 68.6 | 63.8 | 42.7 | -9.0 | 0.5 | -4.2 | -2.8 |
| 2007 | 2.0 | -0.7 | -3.6 | -2.8 | 36.3 | 66.2 | 64.4 | 43.7 | -10.0 | 0.4 | -5.0 | -2.2 |
| 2008 | -4.5 | -2.1 | -7.0 | -5.0 | 40.2 | 70.1 | 73.3 | 51.9 | -9.6 | -0.7 | -5.3 | -0.9 |
| 2009 | -11.1 | -6.4 | -12.7 | -11.4 | 54.0 | 79.9 | 86.3 | 67.1 | -4.8 | 0.1 | -3.1 | -1.4 |
| 2010 | -9.6 | -6.2 | -12.0 | -10.1 | 61.7 | 85.6 | 95.2 | 78.4 | -4.4 | 0.3 | -3.3 | -2.7 |
| 2011 | -9.6 | -4.2 | -10.6 | -7.7 | 70.5 | 87.9 | 99.5 | 84.3 | -4.0 | 0.4 | -2.6 | -1.5 |
| 2012 | -10.6 | -3.7 | -9.2 | -6.1 | 86.0 | 92.6 | 102.9 | 88.6 | -1.2 | 1.8 | -2.6 | -3.7 |
| 2013 | -7.2 | -3.1 | -6.2 | -6.3 | 94.3 | 95.5 | 103.8 | 91.4 | 1.1 | 2.7 | -2.3 | -3.8 |
| 2014 | -5.8 | -2.6 | -5.4 | -5.2 | 98.9 | 95.9 | 104.8 | 93.4 | 1.6 | 2.7 | -2.1 | -3.3 |

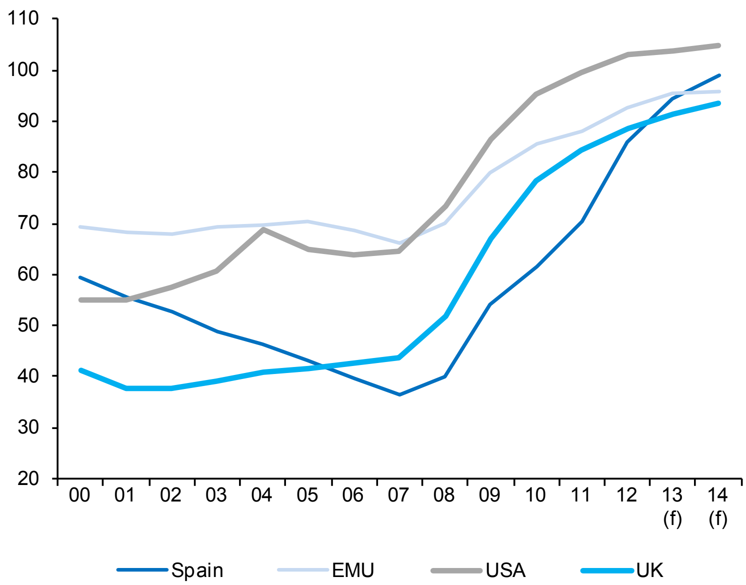
*Source: European Commission.*

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




(f) European Commission forecast.

**Chart 21a.2.- Government gross debt**
Percentage of GDP




(f) European Commission forecast.

Table 21b

## Imbalances: International comparison (II)

| | Household debt (a) | | | | Non-financial corporations debt (a) | | | | Financial corporations debt (a) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Spain | EMU | USA | UK | Spain | EMU | USA | UK | Spain | EMU | USA | UK |
| **Billions of national currency** | | | | | | | | | | | | |
| 2005 | 653.5 | 4,770.1 | 11,721.4 | 1,157.4 | 951.5 | 7,009.8 | 8,683.4 | 1,128.4 | 528.3 | 8,435.8 | 12,958.0 | 2,403.7 |
| 2006 | 780.7 | 5,188.8 | 12,946.5 | 1,276.0 | 1,191.4 | 7,680.6 | 9,651.8 | 1,226.4 | 753.9 | 9,437.6 | 14,261.3 | 2,644.4 |
| 2007 | 876.6 | 5,555.7 | 13,830.0 | 1,388.6 | 1,385.3 | 8,500.3 | 10,975.5 | 1,309.4 | 980.4 | 10,833.5 | 16,204.9 | 3,161.0 |
| 2008 | 913.4 | 5,806.3 | 13,848.7 | 1,437.2 | 1,477.4 | 9,154.1 | 11,660.5 | 1,508.6 | 1,038.9 | 11,842.8 | 17,102.5 | 3,613.8 |
| 2009 | 906.1 | 5,932.1 | 13,574.2 | 1,437.6 | 1,465.2 | 9,128.0 | 11,320.5 | 1,457.3 | 1,119.9 | 12,271.9 | 15,689.8 | 3,558.8 |
| 2010 | 901.7 | 6,107.2 | 13,198.3 | 1,439.4 | 1,501.0 | 9,387.4 | 11,419.8 | 1,435.8 | 1,107.1 | 12,383.8 | 14,487.0 | 3,706.6 |
| 2011 | 874.3 | 6,195.9 | 13,017.3 | 1,448.6 | 1,478.3 | 9,557.3 | 11,966.9 | 1,444.6 | 1,125.0 | 12,843.0 | 14,046.5 | 3,598.7 |
| 2012 | 836.8 | 6,184.8 | 12,979.6 | 1,468.5 | 1,374.4 | 9,650.2 | 12,733.3 | 1,452.2 | 1,154.6 | 13,110.6 | 13,910.7 | 3,689.6 |
| 2013 (b) | 799.5 | 6,158.4 | 13,105.1 | 1,471.4 | 1,337.3 | 9,595.8 | 13,621.8 | 1,470.9 | 1,001.2 | 12,719.9 | 14,081.1 | 3,653.7 |
| **Percentage of GDP** | | | | | | | | | | | | |
| 2005 | 71.9 | 58.5 | 89.5 | 90.6 | 104.6 | 85.9 | 66.3 | 88.4 | 58.1 | 103.4 | 99.0 | 188.3 |
| 2006 | 79.2 | 60.5 | 93.4 | 94.6 | 120.9 | 89.5 | 69.6 | 90.9 | 76.5 | 110.0 | 102.9 | 196.0 |
| 2007 | 83.2 | 61.4 | 95.5 | 97.2 | 131.5 | 93.9 | 75.8 | 91.7 | 93.1 | 119.7 | 111.9 | 221.4 |
| 2008 | 84.0 | 62.7 | 94.1 | 98.3 | 135.8 | 98.8 | 79.2 | 103.2 | 95.5 | 127.8 | 116.2 | 247.2 |
| 2009 | 86.6 | 66.4 | 94.1 | 101.4 | 140.0 | 102.1 | 78.5 | 102.8 | 107.0 | 137.3 | 108.8 | 251.1 |
| 2010 | 86.2 | 66.5 | 88.2 | 96.9 | 143.6 | 102.2 | 76.3 | 96.6 | 105.9 | 134.8 | 96.8 | 249.5 |
| 2011 | 83.6 | 65.6 | 83.8 | 94.3 | 141.3 | 101.2 | 77.0 | 94.0 | 107.5 | 136.0 | 90.4 | 234.1 |
| 2012 | 81.3 | 65.1 | 79.9 | 93.7 | 133.5 | 101.5 | 78.4 | 92.7 | 112.2 | 137.9 | 85.6 | 235.4 |
| 2013 (b) | 78.2 | 64.2 | 78.0 | 90.7 | 130.7 | 100.0 | 81.1 | 90.6 | 97.9 | 132.5 | 83.8 | 225.2 |

*(a) Loans and securities other than shares, excluding financial derivatives. (b) Spain, EMU and UK: 3rd quarter.*

*Sources: European Central Bank and Federal Reserve.*

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

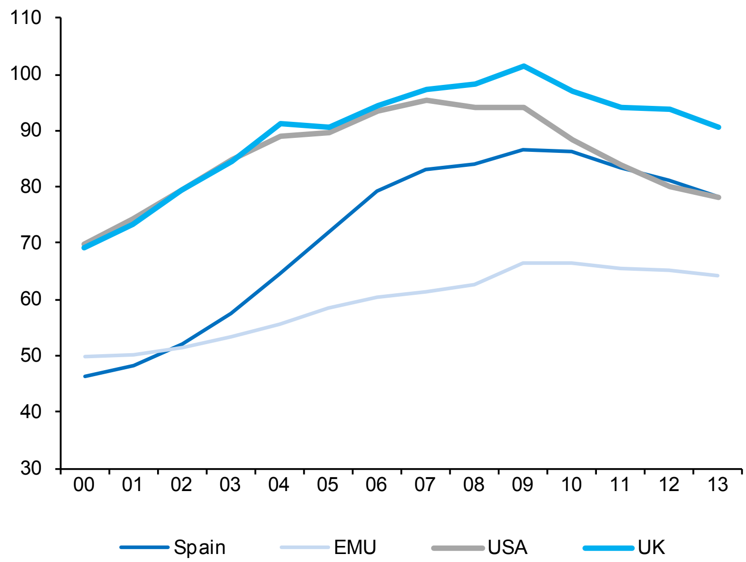
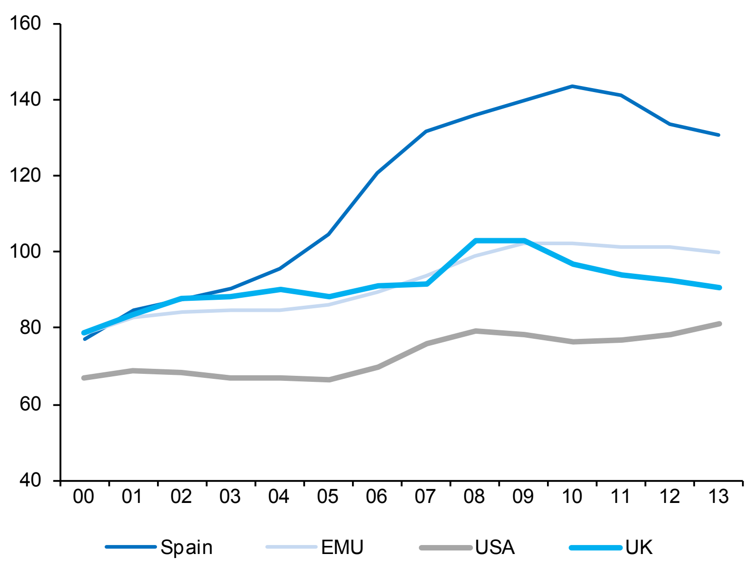







**Chart 21b.2.- Non-financial corporations debt**
Percentage of GDP



## KEY FACTS: 50 FINANCIAL SYSTEM INDICATORS

Updated: March 15th, 2014

### Highlights

| Indicator | Last value available | Corresponding to: |
|---|---|---|
| Bank lending to other resident sectors (monthly average % var.) | -1.9 | December 2013 |
| Other resident sectors' deposits in credit institutions (monthly average % var.) | -0.7 | December 2013 |
| Doubtful loans (monthly % var.) | 2.4 | December 2013 |
| Recourse to the Eurosystem (Eurozone financial institutions, million euros) | 634,781 | February 2014 |
| Recourse to the Eurosystem (Spanish financial institutions, million euros) | 188,792 | February 2014 |
| Recourse to the Eurosystem (Spanish financial institutions million euros) - Main L/T refinancing operations | 14,491 | February 2014 |
| "Operating expenses/gross operating income" ratio (%) | 46.73 | September 2013 |
| "Customer deposits/employees" ratio (thousand euros) | 5,035.92 | September 2013 |
| "Customer deposits/branches" ratio (thousand euros) | 33,068.17 | September 2013 |
| "Branches/institutions" ratio | 221.62 | September 2013 |

A. Money and interest rates

| Indicator | Source: | Average 1998-2011 | 2012 | 2013 | 2014 February | 2014 March 15th | Definition and calculation |
|---|---|---|---|---|---|---|---|
| 1. Monetary Supply (% chg.) | ECB | 6.0 | 3.0 | 2.3 | - | - | M3 aggregate change (non-stationary) |
| 2. Three-month interbank interest rate | Bank of Spain | 2.9 | 0.6 | 0.22 | 0.29 | 0.29 | Daily data average |
| 3. One-year Euribor interest rate (from 1994) | Bank of Spain | 3.1 | 1.1 | 0.54 | 0.55 | 0.55 | End-of-month data |
| 4. Ten-year Treasury bonds interest rate (from 1998) | Bank of Spain | 4.5 | 5.8 | 4.6 | 3.76 | 3.33 | Market interest rate (not exclusively between account holders) |
| 5. Corporate bonds average interest rate | Bank of Spain | 4.5 | 5.8 | 3.9 | 2.50 | - | 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 remained stable in the first fortnight of March, at 0.29% and 0.55% respectively. The European Central Bank has not anticipated any change towards laxer monetary conditions although it considers that the current situation of low interest rates will last for some considerable time. As for the Spanish 10-year bond yield, it has fallen significantly to 3.33%, which is more than one percentage point since the end of 2013.

B. Financial markets

| Indicator | Source: | Average 1997-2010 | 2011 | 2012 | 2013 | 2014 January | Definition and calculation |
|---|---|---|---|---|---|---|---|
| 6. Outright spot treasury bills transactions trade ratio | Bank of Spain | 20.1 | 81.6 | 84.7 | 83.3 | 87.3 | (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 | 54.1 | 88.1 | (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 | 1.4 | 1.8 | (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 | 1.2 | 2.2 | (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 | 0.3 | 0.2 | 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 | 846.3 | 868.3 | Outright transactions in the market (not exclusively between account holders) |
| 12. Madrid Stock Exchange Capitalization (monthly average % chg.) | Bank of Spain and Madrid Stock Exchange | 0.9 | -0.8 | 3.9 | 1.9 | 0.4 | 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 | -10.1 | 24.21 | 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 | 1,011.98 | 1,004.4(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 | 9,916.17 | 9,812.0(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 | 33.1 | 17.4(a) | Madrid Stock Exchange Ratio “share value/ capital profitability” |

B. Financial markets (continued)

| Indicator | Source: | Average 1997-2010 | 2011 | 2012 | 2013 | 2014 January | Definition and calculation |
|---|---|---|---|---|---|---|---|
| 17. Long-term bonds. Stock trading volume (% chg.) | Bank of Spain and Madrid Stock Exchange | 2.8 | 15.1 | -15.1 | -20.1 | -9.5 | Variation for all stocks |
| 18. Commercial paper. Trading balance (% chg.) | Bank of Spain and AIAF | 1.8 | 59.24 | 73.9 | -1.9 | -1.8 | AIAF fixed-income market |
| 19. Commercial paper. Three-month interest rate | Bank of Spain and AIAF | 3.2 | 1.9 | 2.3 | 2.6 | 2.7 | AIAF fixed-income market |
| 20. IBEX-35 financial futures concluded transactions (% chg.) | Bank of Spain | 1.3 | -15.8 | -10.8 | -13.8 | 37.8 | IBEX-35 shares concluded transactions |
| 21. IBEX-35 financial options concluded transactions (% chg.) | Bank of Spain | 8.3 | -25.9 | 54.1 | 43.9 | 40.7 | IBEX-35 shares concluded transactions |

(a) Last data published: March 15th 2014.

Comment on "Financial Markets": During the last month, there has been an increase of 87.3% in transactions with outright spot and forward T-bills and with forward government bonds and debenture transactions, and of spot government bonds transactions of 88.1%. The stock market has lost some momentum due, in part, to the situation in the Ukraine and the emerging markets (in particular, in China) with the IBEX-35 closing below the 10,000 level at 9,812 points on March 15th and the General Index of the Madrid Stock Exchange at 1,004. Additionally, there was a 37.8% increase in financial IBEX-35 future transactions and a 40.7% increase in transactions with IBEX-35 financial options.

C. Financial Savings and Debt

| Indicator | Source: | Average 2004-2010 | 2011 | 2012 | 2013 Q 2 | 2013 Q 3 | Definition and calculation |
|---|---|---|---|---|---|---|---|
| 22. Net Financial Savings/GDP (National Economy) | Bank of Spain | -6.7 | -3.4 | -0.2 | 1.1 | 1.5 | 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 | 2.9 | 4.0 | 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 | 325.9 | 327.0 | 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 2 | 2013 Q 3 | 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 | 79.8 | 78.2 | 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 | 0.2 | 3.2 | 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 | -0.9 | -2.1 | Total liabilities percentage change (financial balance) |

Comment on “Financial Savings and Debt”: During 2013Q3, there was a 1.5% 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 falling to 78.2%. Finally, the stock of financial assets on households’ balance sheets registered a slight increase of 0.5%, while there was a 2.1% drop in the stock of financial liabilities.

D. Credit institutions. Business Development

| Indicator | Source: | Average 1997-2010 | 2011 | 2012 | 2013 November | 2013 December | Definition and calculation |
|---|---|---|---|---|---|---|---|
| 28. Bank lending to other resident sectors (monthly average % var.) | Bank of Spain | 14.1 | -3.8 | -10.4 | 0.3 | -1.9 | 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 | -0.7 | 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 | -2.3 | -5.4 | 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 | -1.1 | 2.5 | Asset-side equity and shares percentage change for the sum of banks, savings banks and credit unions |
| 32. Credit institutions. Net position (difference between assets from credit institutions and liabilities with credit institutions) (% of total assets) | Bank of Spain | -0.5 | -4.3 | -9.0 | -6.9 | -5.9 | Difference between the asset-side and liability-side “Credit System” item as a proxy of the net position in the interbank market (month-end) |

D. Credit institutions. Business Development (continued)

| Indicator | Source: | Average 1997-2010 | 2011 | 2012 | 2013 November | 2013 December | Definition and calculation |
|---|---|---|---|---|---|---|---|
| 33. Doubtful loans (monthly average % var.) | Bank of Spain | 30.8 | 28.3 | 20.0 | 0.9 | 2.4 | 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 | 4.1 | 16.0 | 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 | -0.3 | 1.3 | 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 December 2013 show a 1.9% decrease in bank credit to the private sector and also a 0.7% decrease in financial institutions deposit-taking from the previous month. Holdings of debt securities have decreased by 5.4% while shares and equity have increased by 2.5%. Also, doubtful loans grew 2.4% compared to the previous month.

E. Credit institutions. Market Structure and Eurosystem Refinancing

| Indicator | Source: | Average 1997-2010 | 2011 | 2012 | 2013 June | 2013 September | Definition and calculation |
|---|---|---|---|---|---|---|---|
| 36. Number of Spanish credit institutions | Bank of Spain | 215 | 189 | 173 | 160 | 159 | 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 | 36,115 | 35,238 | 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 | 712,189 | 634,781(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 | 241,089 | 188,792(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 June | 2013 September | 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 | 18,528 | 14,491(a) | Open market operations: main long term refinancing operations. Spain total |

(a) Last data published: February 2014.

Comment on “Credit institutions. Market Structure and Eurosystem Refinancing”: In February 2014, the recourse to Eurosystem funding by Spanish credit institutions accounted for 29.74% of net total funds borrowed from the ECB by the Eurozone. The figure was 29.60% in January, which means the latest data show an interruption of the fall observed over the last few months.

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

| Indicator | Source: | Average 1997-2010 | 2011 | 2012 | 2013 June | 2013 September | Definition and calculation |
|---|---|---|---|---|---|---|---|
| 43. “Operating expenses/gross operating income” ratio | Bank of Spain | 54.53 | 49.85 | 47.18 | 44.67 | 46.73 | 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 | 5,601.33 | 5,035.92 | Productivity indicator (business by employee) |
| 45. “Customer deposits/ branches” ratio (Euro thousands) | Bank of Spain | 16,424.04 | 29,171.23 | 30,110.18 | 32,427.99 | 33,068.17 | Productivity indicator (business by branch) |
| 46. “Branches/ institutions" ratio | Bank of Spain | 193.19 | 205.38 | 219.09 | 225.72 | 221.62 | Network expansion indicator |
| 47. “Employees/ branches” ratio | Bank of Spain | 6.08 | 6.5 | 6.9 | 6.4 | 6.6 | Branch size indicator |
| 48. Equity capital (monthly average % var.) | Bank of Spain | 0.10 | 0.40 | -0.12 | 1.18 | 0.11 | Credit institutions equity capital variation indicator |
| 49. ROA | Bank of Spain | 0.88 | 0.06 | -1.93 | 0.24 | 0.16 | Profitability indicator, defined as the “pre-tax profit/average total assets” |
| 50. ROE | Bank of Spain | 13.23 | 3.28 | -18.74 | 1.28 | 2.20 | Profitability indicator, defined as the “pre-tax profit/equity capital” |

Comment on “Credit institutions. Efficiency and Productivity. Risk and Profitability”. In September 2013, most of the profitability and efficiency indicators improved for Spanish banks although they still face a tough business and macroeconomic environment. Productivity indicators have also improved due to the restructuring process of the Spanish banking sector.

Orders and information:

SPANISH SAVINGS BANKS FOUNDATION
Caballero de Gracia, 28
28013 Madrid
Spain
Phone: 91 596 54 81
Fax: 91 596 57 96
publica@funcas.es
www.funcas.es

funcas