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Spain´s debt dynamics and impact on the banking sector

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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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KEY FACTS

Economic indicators
Financial system indicators

Letter from the Editors

The elevated private debt level in Spain, and particularly of non-financial corporations (130% of GDP in 2013), is often cited by international institutions as the main obstacle to a sustained economic recovery. Given the significance of this problem, in the May issue of *Spanish Economic and Financial Outlook,* we focus on recent developments in Spain´s debt market and their possible implications for the country´s banking sector.

Beginning by taking a comparative snapshot across bank restructuring and recapitalization processes across Europe over the past years, our analysis shows that Spanish banks have undergone a deeper restructuring relative to their European peers. Now these efforts are paying off, as evidenced in part by restored confidence in the Spanish financial system and, subsequently, improved funding costs, better performance indicators relative to EU peers, and finally, larger economies of scale.

In this context, we examine the latest legislative measures for refinancing and restructuring Spanish corporate debt and their anticipated impact on banks´ balance sheets. The new measures aim to ensure survival of viable companies that cannot meet their debt servicing obligations due to the current economic climate, together with their elevated debt levels. Some of the most relevant measures include: haircuts or debt capitalizations, suspension of enforcement actions, elimination of effective veto powers held by minorities, tax exemptions and improvements to the treatment of provisions made by banks for refinanced and restructured credit. On the whole, the impact of the measures on the banking sector should be positive, as they facilitate the debt restructuring of viable companies and encourage an adequate analysis of operations and of their most sensitive aspects, which could improve banks' capital positions.

This SEFO also tracks the evolution of Spanish financial flows and debt dynamics. The heavy reliance of the private sector on bank debt, together with the combination of private sector

deleveraging and public sector leveraging, has led to a decreased reliance on bank finance, while leading to an increase in the relative share of securities market debt. However, market-based finance is still too low in the Spanish economy, and heavily biased toward the public sector.

Considering this trend, Spanish SMEs will need to be able to access new forms of finance outside traditional banking channels, on which they tend to be over-reliant. The May SEFO explores recent developments in the area of access to SME finance. The latest ECB survey data reveal that while most European companies perceive an improvement in access to credit, many still feel that overall credit conditions, such as interest and non interest rate costs, as well as collateral requirements, have deteriorated. This is particularly the case for SMEs versus large firms, and even more so the case for Spanish SMEs versus their euro area counterparts. Bank of Spain data confirm there has been a recovery of credit for Spanish SMEs, in line with the ECB survey results, however, given the importance of SME´s to the productive fabric of the Spanish economy, broadening their access to finance is key to sustain the economic recovery.

This month´s issue also takes a look at the adjustment in Spain´s labor market, providing evidence of some flexibility in Spanish wages in response to the crisis, and debunking the perception that the adjustment process has been the cause of growing income inequality. In fact, adjusting statistics for composition bias shows the burden of the adjustment has fallen more heavily on higher paid workers and workers in the public sector.

Finally, we assess the Spanish government´s medium-term fiscal consolidation strategy through 2017. Overall, the targets agreed upon with the EU seem feasible and credible. Nonetheless, under current economic projections, the fiscal consolidation process may be insufficient to ensure public debt sustainably. The accumulated debt stock, together with the low inflation rate imply higher real growth rates and/or primary surpluses are needed to stabilize the debt.

Has bank restructuring in Spain and Europe paid off?

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

The persistence of the credit crunch in the euro area, the uncertainty surrounding economic conditions and the ECB´s upcoming comprehensive assessment of banks underpin the common belief that a high degree of restructuring is still pending in the European banking sector. Spain´s more intense restructuring process relative to other countries probably explains increased competitive advantages for the Spanish banking sector.

Our analysis suggests that deleveraging is a major trend in Europe as the total assets of the banking sector in the euro area fell by 8% in 2013. Such a trend is expected to continue in 2014 and it will be likely reinforced by the ECB´s upcoming comprehensive assessment of banks. However, deleveraging does not only respond to regulatory pressures. It is also explained by the lack of bank restructuring in many European countries. Restructuring has not been in line with service capacity (measured by the fall in bank branches). In the case of Spain, adjustment between 2008 and 2009 reached 17%, while much more limited corrections have been observed in other large EU countries. Some of the estimates we provide in this article suggest that restructuring pays off, as Spanish banks have substantially improved their profits and efficiency relative to other European banking sectors and are currently enjoying larger economies of scale.

Restructuring as a strategic driver for the European banking sector

The health of the banks has again become a key issue for the European economy. Part of the reason is the comprehensive assessment of banks that the ECB will undertake in November 2014. This assessment will represent the debut of the ECB as the single supervisor within the European Banking Union. One of the main objectives of this analysis is to determine if EU banking sectors are in good enough condition to reestablish and reinforce the link between the financial system and the real economy.

As uncertainty remains surrounding the banks´ financial conditions, the ECB analysis is expected to offer some insights on the solvency of the euro area banks. The remaining doubts are motivated by a number of facts. One of them is the substantially unequal way in which the governments and supervision authorities in the euro area countries have implemented resolution mechanisms to restore financial stability. The resolution alternatives have largely been a combination of recapitalization and restructuring measures. As shown in Exhibit 1, there have been three main ways in which recapitalization and restructuring have been combined. One of the alternatives has been to develop an orderly

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

restructuring of the banks and a slow and late recapitalization, as in the case of Spain. The main problems related to this approach have been the probably larger bailout costs assumed for a late recapitalization as opposed to the costs that could have been assumed with prompt injections of capital. Additionally, such delay has also contributed to the need for a European assistance program for the banking sector, including a comprehensive set of conditionality measures. The advantages, however, have been an orderly planning of a new structure for the banking sector, which has implied a considerable correction of excess supply capacity.

A second model has been one combining an early recapitalization with a late restructuring. This has been, for example, the case of Ireland. Back in 2008 and 2009, Irish banks received large capital injections. However, the authorities soon realized that the solvency status of the banks was even worse than expected. The estimated losses calculated by the National Asset Management Agency (NAMA), Ireland´s bad bank, fell short. The capital needs were ultimately much higher, triggering Irish sovereign debt to reach record levels and motivating an EU-wide external assistance program for the country, including conditionality on both the banking sector and fiscal policies.

Finally, a third model combines early recapitalization with little to no restructuring. Germany and the U.K. are the main examples here. Considerable capital injections were made in 2008 and 2009 and, particularly in the U.K., some big banks were nationalized. However, the profitability and solvency of these and other banks in those countries have not improved as expected and some additional capital needs may emerge. Moreover, those banking sectors have not been subject to substantial restructuring measures even if the market analysis suggests there is a clear mismatch between supply and demand of financial services.

The heterogeneous effects of the different resolution alternatives have left the European banking sector with some pending work to be done in this area. In particular, there is still significant space for further restructuring and deleveraging. The supervision authorities are aware of this, and industry figures also show that restructuring is still a major trend in the EU banking industry.

Exhibit 1

Three ways of combining recapitalization and restructuring in European banking

Orderly restructuring and slow recapitalization	Early recapitalization but late restructuring	Early recapitalization but little restructuring
• Case: Spain. • Problems: Increasing bailout costs due to late intervention, EU conditionality. • Advantages: Orderly planning of the banking sector, European support, effective restructuring that corrects excess capacity.	• Case: Ireland. • Problems: Insufficient early recapitalization exacerbates credibility problems, larger bailout costs, EU conditionality. • Advantages: Gradual recovery of credibility with the EU-assistance program.	• Cases: Germany, U.K. • Problems: Lack of restructuring makes the sector unprofitable and likely to need further recapitalization. • Advantages: Little or no EU conditionality.

Source: Author's own elaboration.

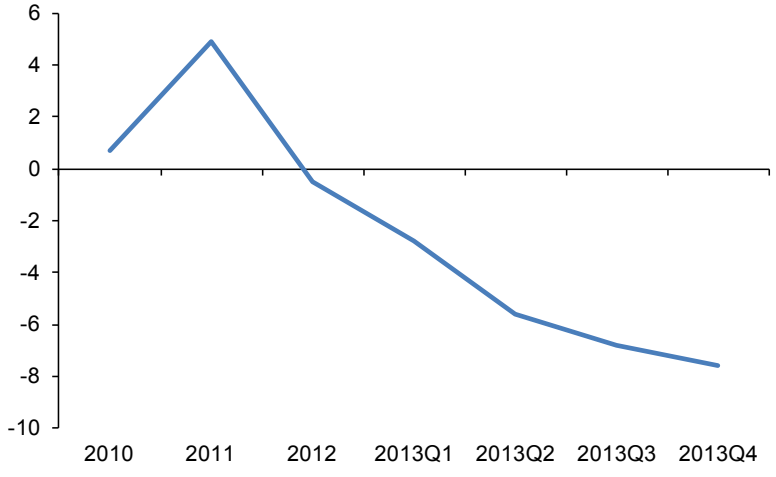
The heterogeneous effects of the different resolution alternatives have left the European banking sector with some pending work to be done in this area. The supervision authorities are aware of this, and industry figures also show that restructuring is still a major trend in the EU banking industry.

Mario Draghi´s recent speech at the Schumpeter Award ceremony, hosted by the Austrian Central Bank on March 13th, 2014,[3] illustrates this issue. Mr. Draghi made three points that deserve specific attention:

First, the extent to which deleveraging is still considered to be a major driver of banks´ strategic planning. In particular, one excerpt mentions that "from a policy perspective, the question presented to us is not whether we can avoid this deleveraging. It is universally accepted that too much debt had been built up in the run up to the crisis, by governments, non-financial firms, households and banks, and that we now have to work through the effect of the subsequent debt overhang. The correct question, in my view, is what form this deleveraging should take, and at what speed it should be allowed, or encouraged, to take place. Clearly, we do not want any excessively rapid deleveraging that involves disorderly fire sales of assets (...) At the same time, we do not want any excessively prolonged deleveraging, where banks reduce their loan book by curtailing new lending, while hoping that the underperforming assets they hold recover in value. Put bluntly, this would create "zombie" banks that do not lend, and the longer this persists, the longer credit conditions will interfere with the process of creative destruction described by Schumpeter. The "churn" process between firms entering and exiting the market that is a crucial driver of productivity would be disrupted." Hence, there seems to be a "good" (debt correction and financial stability enhancing) deleveraging *vs*. a "bad" (credit restrictive) deleveraging. Indeed, as shown in Exhibit 2, the total assets of the euro area banking

Exhibit 2

Total assets of banks in the euro area (annual growth, %)



Source: ECB and own elaboration.

[3] The title of the speech was, *Bank restructuring and the economic recovery* and it is available at: http://www.ecb.europa.eu/press/key/date/2014/html/sp140313_1.en.html

sector have been significantly diminishing since 2012 and by the end of 2013, the annual fall in total assets was estimated at 8%.

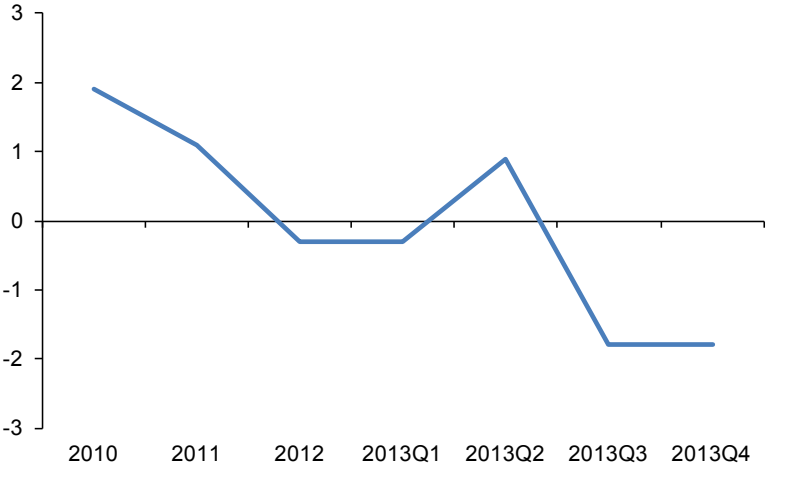
Second, such a significant deleveraging is having an impact on loan growth. As Mr. Draghi mentions, "there is some evidence that such credit misallocation is already occurring in the euro area, and it is creating an undesirable, even if only temporary, distortion to the detriment of small firms. Unlike large firms, small and medium-sized enterprises (SMEs) cannot easily replace bank funding with capital market financing. Banks perform a key role in reducing information asymmetries with respect to the creditworthiness of smaller borrowers." Exhibit 3 seems to confirm that the credit crunch in the euro area has intensified in 2013. This should be related to the deleveraging trend which, at the same time, is being fostered by the increasing solvency requirements ahead of the ECB´s comprehensive assessment in November 2014 and Basel III regulations.

Finally, it seems that the recapitalization of the European banking sector is still incomplete. However, this is not only due to the increasing regulatory pressures and the intensity of the supervision enforcement but also to the need for implementing further restructuring in many European banking sectors. As Mr. Draghi pointed out, "our comprehensive assessment of bank balance sheets is, in my view, creating the setting and incentives for achieving this. The assessment will shed light on bank assets, ensure that problematic assets are fully recognized and prompt timely corrective action in the form of bank restructuring and capital replenishment. (...) Well–capitalized banks are better able to end or restructure loans to firms with bad credit standing. This in turn ought to facilitate the process of selection of the firms that deserve to survive because they can thrive. Of course, credit conditions are not the only obstacle to innovation, and it is important to emphasize the role of structural and tax reforms in creating a business climate that is conducive to investment and job creation. Cleaning-up banks is not a sufficient condition for a return to sustained growth– but it is a necessary condition."

Therefore, bank restructuring implies both a proper clean-up of the assets in a given banking

Exhibit 3

Loans to the private sector of banks in the euro area (annual growth rate, %)



Source: ECB and own elaboration.

sector as well as the setting of a necessary equilibrium between demand and supply, by reducing the number of providers, mostly by integration processes and by asset deleveraging. Such processes have been widely discussed in previous issues of *Spanish Economic and Financial Outlook*. In any event, as a reference to illustrate how heterogeneous they have been, Exhibit 4 depicts the evolution of the ratio of bank branches in 2012 to the bank branches in 2008. This indicator reveals that Spain has adjusted its service capacity by 17% in five years, while other countries, such as Germany or the United Kingdom, have only reduced their branches by 5% and 3%, respectively.

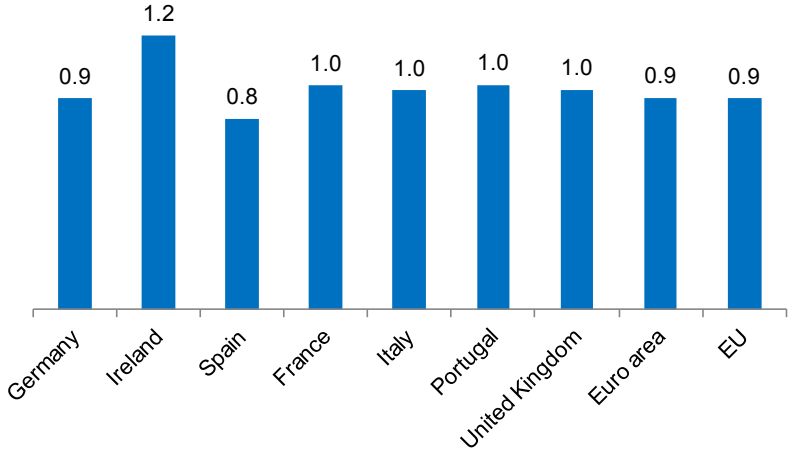
Bank restructuring implies both a proper clean-up of the assets in a given banking sector as well as the setting of a necessary equilibrium between demand and supply, by reducing the number of providers, mostly by integration processes and by asset deleveraging.

It is worthwhile considering the evolution of the branching network along with the evolution of the number of employees. In this context, the adjustment in the branch infrastructure has been accompanied by a reduction of 42,205 employees in Spain from 2008 to 2012. However, in other countries where the adjustment in the branch network has been rarely observed, the reduction in personnel has also been substantial. This is, for example, the case of Germany (-26,450 workers), Italy (-28,495) or the United Kingdom (-54,225). Such sharp contrast between no adjustment in network infrastructure and a substantial reduction in the work force suggest that many European banks are reluctant to truly adopt restructuring processes. Ultimately, the costs of the lack of restructuring have been assumed by the employees in those countries, while the structure still needs to be corrected to a large extent.

Ultimately, the costs of the lack of restructuring have been assumed by the employees in those countries, while the structure of the industry still needs to be corrected to a large extent.

Exhibit 4

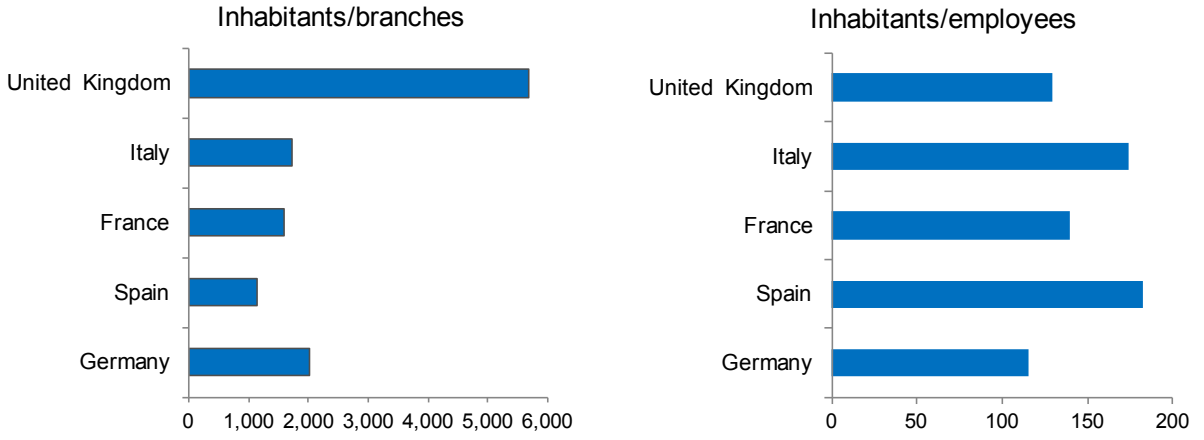
Ratio "branches 2012/branches 2008" in selected European banking sectors



Source: ECB and own elaboration.

Exhibit 5

Capacity indicators for selected European banking sectors



Source: ECB and own elaboration.

of the industry still needs to be corrected to a large extent.

Exhibit 5 suggests that the reduction of branches in Spain has permitted a certain "normalization" of service capacity so that the banking sector now has one of the lowest ratios of "inhabitants/branches" and one of the largest of "inhabitants/employees".

Upcoming stress tests reveal EU supervisor´s perceptions about banks´ operating climate

The previous section has described the restructuring process in Europe somehow as an endogenous process. However, there are also exogenous factors that have explained the variety of options and the uneven adjustment made across the European banking sectors. A major one is macroeconomic conditions. In April 2014, the European Banking Authority (EBA) released its methodology and macroeconomic scenarios for the 2014 EU-wide stress test, which will be one of the main elements of the comprehensive assessment of banks coordinated by the ECB.

One important feature regarding the EBA tests is that the macroeconomic scenarios designed reveal to some extent the perceptions of the European supervisor on how the economy can impact banks over the next years. As consumer choices "reveal" their relative preferences for some goods, the macro scenarios reveal the perceptions of the euro area supervisor about the environment in which banks will operate in the near future. In this sense, one interesting analysis consists in comparing the conditions envisioned for Spain with those of the euro area and the European Union. We make such analysis taking the worst–case scenario as a reference: the so–called "adverse scenario". The adverse scenario, according to the EBA, "reflects the systemic risks that are currently assessed as representing the most pertinent threats to the stability of the EU banking sector: (i) an increase in global bond yields amplified by an abrupt reversal in risk assessment, especially towards emerging market economies; (ii) a further deterioration of credit quality in countries with feeble demand; (iii) stalling policy reforms jeopardizing confidence

Table 1
Macroeconomic adverse scenario for the stress tests of November 2014 (%)

		GDP growth	Inflation	Unemployment	Residential property prices
	2014	-0.3	0.3	26.3	-7.4
Spain	2015	-1.0	0.4	26.8	-3.0
	2016	0.1	0.8	27.1	0.9
	2014	-0.7	1.0	12.3	-8.0
Eurozone	2015	-1.4	0.6	12.9	-5.7
	2016	0.0	0.3	13.5	1.5
	2014	-0.7	1.1	11.3	-7.9
European Union	2015	-1.5	0.6	12.3	-6.2
	2016	0.1	0.0	13.0	-2.1

Sources: ECB and national central banks.

in the sustainability of public finances; and (iv) the lack of necessary bank balance sheet repair to maintain affordable market funding."

As shown in Table 1, the adverse scenario seems to be "milder" for Spain compared to the euro area or the European Union average for most of the indicators considered with the only exception of unemployment. That means that, at least where economic growth is concerned, the future for Spanish banks does not impose further macroeconomic pressures as compared to other EU banking sectors where, in turn, bank restructuring is still pending.

Does it pay to restructure a banking sector?

As noted in the previous sections, bank restructuring can respond to a variety of factors. No matter if the reasons for the relatively larger restructuring in Spain are endogenous or exogenous, a relevant question would be – does it pay to restructure? The answer seems to be "yes" for various reasons. First, the clean-up of balance sheets and the new structure of Spanish banks in part contributed to restore confidence in the Spanish financial system and, subsequently, to the improvement in the funding costs of the country.[4]

A second reason is that Spanish banks have considerably improved their performance, even in a macroeconomic environment which is recovering but is still tough. As shown in Table 2, Spanish banks were among the most profitable in 2013 and also they were the most efficient. Additionally, their solvency is also better and is reaching the EU average.[5]

Finally, there is another benefit to restructuring – it contributes to matching the capacity of the banking sector to the demand for financial services. A good proxy of such improvement is economies of scale, which are estimated as the change in

[4] See the previous issue of *Spanish Economic and Financial Outlook* for a reference on how the listed Spanish banks have improved their market value over the last year and how the country risk premium has also fallen.
[5] Some more recent developments have also contributed to the increase in bank solvency in Spain, including the setting of rules to include differed tax assets as own resources and the limitations on dividend payouts set by the Bank of Spain.

Table 2

Country-level indicators: Profitability, efficiency and solvency indicators (2013) (% total assets)

	Germany	Ireland	Spain	France	Italy	Netherlands	Portugal	UK
Net interest income [full sample]	0.76	0.55	1.70	1.05	1.40	1.21	1.08	0.90
Total operating income [full sample]	1.52	1.05	2.82	2.09	2.84	1.58	2.17	2.10
Cost-to-income ratio [%]	-70.93	-63.73	-50.07	-67.68	-61.09	-63.29	-67.25	-63.40
Return on equity [%]	5.61	-4.50	8.02	6.85	1.39	5.34	-7.38	7.03
Return on assets [%]	0.20	-0.30	0.49	0.35	0.10	0.24	-0.47	0.37
Tier 1 ratio	14.78	17.38	10.76	12.64	10.92	12.78	11.71	13.18

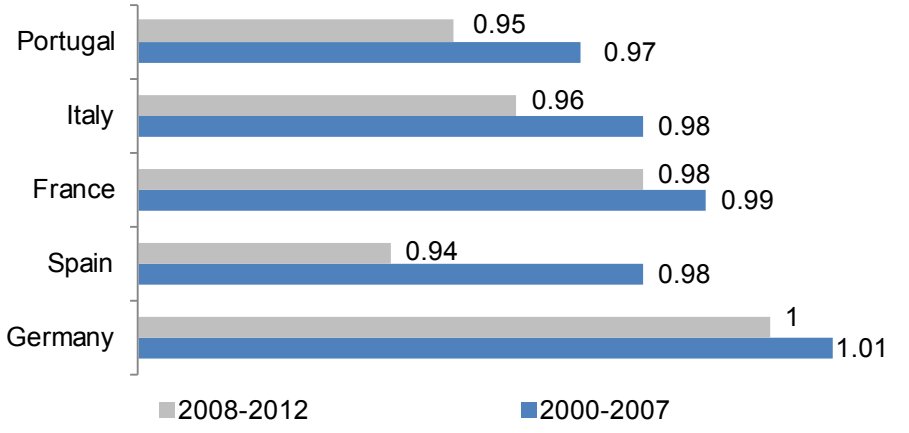
Sources: ECB and national central banks.

average costs given a unit change in total assets. Taking a representative sample of EU banks from the Bankscope database, we have estimated economies of scale in various European banking sector. The cost function has been estimated using a Fourier Flexible form. Economies of scale are found when their estimated value is smaller than 1, while diseconomies exist when the estimated value is larger than 1.

A common observation in most banking studies before the crisis was that the potential for economies of scale was exhausted in most European banking sectors. Our estimations –shown in Exhibit 6–

Exhibit 6

Economies of scale in the European banking sectors



Source: Authors' own estimation.

confirm that observation but reveal that some economies of scale have emerged in the last few years being much larger in the countries where restructuring has been more intense, as in the case of Spain. In particular, Spanish banks currently enjoy a 5% potential to reduce their costs by increasing their assets, while this advantage does not exist in Germany and it is very limited (below 2%) in other countries, such as France.

Our estimations reveals that some economies of scale have emerged in the last few years being much larger in the countries where restructuring has been more intense, as in the case of Spain.

Overall, our analysis suggests that the intense restructuring process that Spanish banks have gone through in the last years has imposed many sacrifices, but it may also bring many competitive advantages in the near future. It is actually already yielding significant benefits, but the most important ones are still to come, such as those related to the increase in lending to the real economy.

Recent measures for refinancing and restructuring Spain´s corporate debt: Opportunities and impact on the banking sector

María Romero and Itziar Sola[1]

Vol. 3, N.º 3 (May 2014)

The high level of Spain´s private debt, particularly of non-financial corporations, is often cited by international institutions as the main obstacle to a sustained economic recovery. The recent Royal Decree-Law 4/2014 adopts urgent measures in the area of corporate debt refinancing and restructuring, aimed precisely at opening new paths towards narrowing the gap between what banks can expect to recover and what viable companies can actually pay.

Royal Decree-Law RDL 4/2014 adopts urgent measures on corporate debt refinancing and restructuring, aimed to ensure survival of viable companies that cannot make due on their debt servicing obligations due to the current economic climate together with their elevated debt levels. This article provides a brief analysis of the most important measures adopted, as well as an estimate of the impact of the reclassification of refinanced loans on the income statements and the solvency of Spanish banks. Results are highly sensitive to the percentage of debt converted into capital, or the loan's level of coverage. In most cases, however, the new treatment of restructured transactions would be positive, as it facilitates the debt restructuring of viable companies and encourages an analysis of operations, which could improve banks´ capital positions.

SEFO - Spanish Economic and Financial Outlook

Introduction

Royal Decree-Law RDL 4/2014 adopts urgent measures on corporate debt refinancing and restructuring aimed at facilitating refinancing arrangements outside formal insolvency processes. The objective is to ensure the survival of viable companies that, owing to their elevated debt levels and the economic climate, cannot sustain current debt servicing commitments.

The text envisages, inter alia, refinancing via haircuts or debt capitalizations, suspension of enforcement actions, elimination of effective veto powers held by minorities, tax exemptions and improvements to the treatment of provisions made by banks for refinanced and restructured credit.

With regard to the latter, the Bank of Spain has established that the outstanding amounts owed following a refinancing arrangement are to be

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

classified as "standard risk" as long as there are objective factors that point to the probable recovery of the loan.

Given the wide variety of channels of impact that this regulatory change may have on the income statements and solvency of Spanish banks, this article presents several quantitative and qualitative examples and analyzes their possible effects on banks' ability to generate capital. The results are highly sensitive to parameters, such as the percentage of debt converted into capital or the loan's level of coverage.

Current situation

The high level of private debt in Spain, particularly of non-financial corporations, is often cited by international institutions –such as the IMF, the European Commission, and the OECD– as the main obstacle to a sustained economic recovery. For some time, these international bodies have been calling for steps to narrow the gap between what banks can reasonably expect to recover on outstanding loans and what companies must record as debt on their balance sheets. This recognizes the reality that it makes no sense in the majority of cases to continue to assume that all the debt will be repaid.

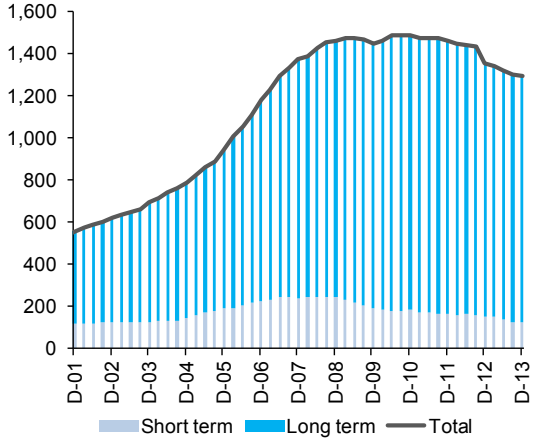
The elevated private debt level in Spain, and particularly of non-financial corporations (130% of GDP in 2013), is often cited by international institutions as the main obstacle to a sustained economic recovery.

First, it would be useful to analyse how much debt is recorded on the balance sheets of non-financial corporations, and how much they have managed to reduce since the onset of the crisis; and, second, how much credit (gross and net of provisions) is shown on banks' balance sheets.

With respect to the former, total borrowing amounted to 1.3 billion euros in 2013, equivalent to 130% of Spanish GDP. This volume has decreased by nearly 170 billion euros since 2008, although

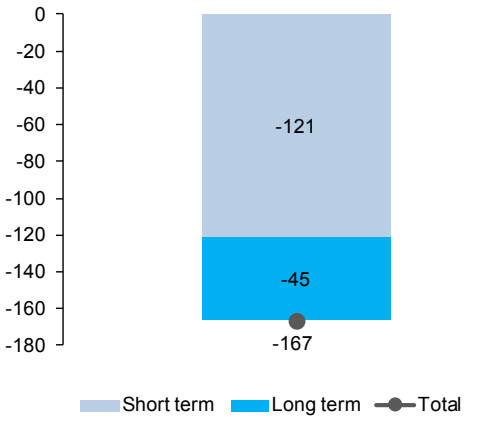
Exhibit 1

Corporate borrowing by type
(Millions of EUR)



Source: Bank of Spain, AFI.

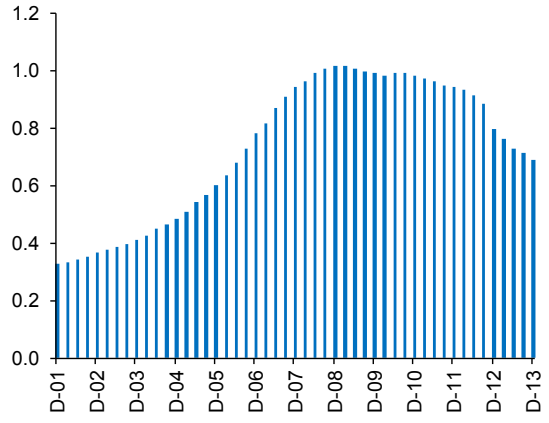
Cumulative change in corporate borrowing by type, Q308-Q413
(Billions of EUR)



Source: Bank of Spain, AFI.

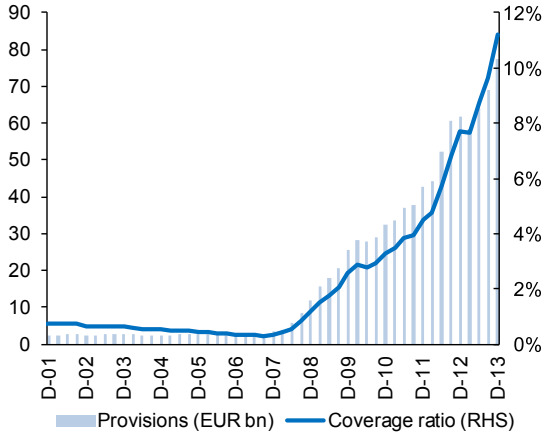
Exhibit 2

Bank credit to companies
(Billions of EUR)



Source: Bank of Spain, AFI.

Specific allowance provisions of bank credit to companies and coverage rate



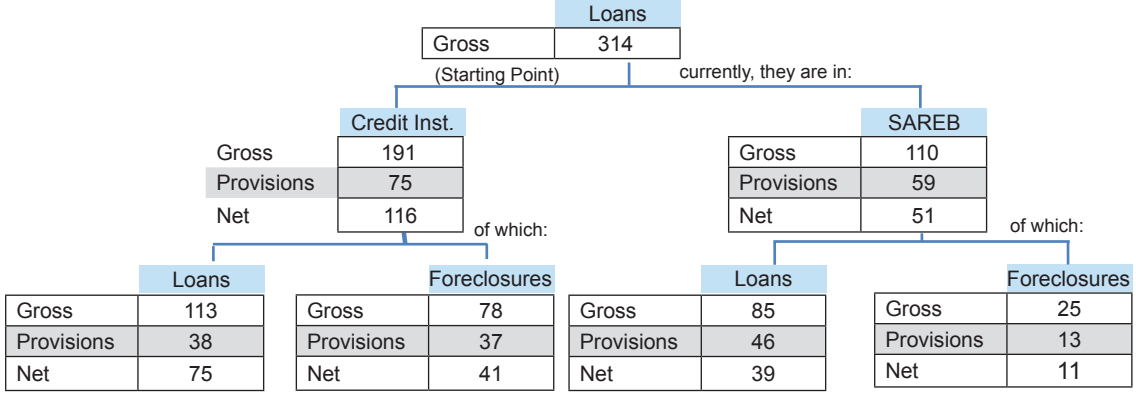
Source: Bank of Spain, AFI.

this is due to a larger decrease in performing rather than non-performing debt. However, the European Commission and the ECB[2] believe that Spain's corporate debt needs to fall further, by approximately the same amount again, in order to reach a sustainable level.

At the same time, the Spanish banking system reduced its outstanding credit balance with Spanish companies by some 240 billion euros between 2008 and 2013 through debt service, execution of guarantees (generally, real estate) and, above all, through the transfer of real estate credit to the

Exhibit 3

Bank exposure to real estate construction and development
(EUR billion)



Sources: Bank of Spain, CNMV and AFI.

[2] For further information, see the following: http://www.ecb.europa.eu/pub/pdf/other/art2_mb201402en_pp97-114en.pdf

SAREB (85 billion euros). In addition, the banking system has set aside provisions of nearly 80 billion euros up to 2013 (coverage of about 11%), which implies a clear recognition that the banking sector views the recovery of all outstanding debt as utterly impossible.

In the real estate, construction and development sector, the contrast between corporate debt and bank debt is, if anything, even more pronounced. The obligation to set aside provisions for credit to this sector at rates that are much higher than for other productive sectors (pursuant to Royal Decree-Law (RDL) 2/2012 and RDL 18/2012), as well as the transfer of a large proportion of these assets to the SAREB, have resulted in gross lending on banks´ balance sheets of just over 110 billion euros (75 billion euros net).

Opportunities arising from RDL 4/2014

The recent Royal Decree-Law 4/2014, of March 7th, adopts urgent measures in the area of corporate debt refinancing and restructuring, aimed precisely at opening new paths towards narrowing the gap between what banks can expect to recover and what viable companies can actually pay. The point is to facilitate agreements without entering into formal insolvency proceedings, which have proven to be slow, inefficient and hardly conducive to supporting the survival of companies – many of which are viable and key to the economic recovery, but are drowning under a burden of debt that they are unable to pay down under current conditions.

Royal Decree-Law RDL 4/2014 adopts urgent measures on corporate debt refinancing, such as: haircuts or debt capitalizations, suspension of enforcement actions, elimination of effective veto powers held by minorities, tax exemptions and improvements to the treatment of provisions made by banks for refinanced and restructured credit.

The measures enacted include the following:

- **Refinancing.** The regime of court-approved refinancing agreements will be modified. The required majority is reduced from 55% to 51% (i.e., a simple majority), and to 75% for syndicated loans, provided terms and conditions governing the syndication do not stipulate a lower majority. These refinancing arrangements may include the following measures:
  - **Haircuts or write-offs of part of the debt:** For example, at the same percentage as the debt provisioned.
  - **Debt capitalization.** Those who become equity holders due to a debt capitalization agreed as part of a refinancing arrangement will not be considered as subordinate.
  - **Deferrals or rescheduling** of a limited duration, which may affect the principal, interest or any other amount owed.
- **Suspension of enforcement.** During negotiations between the debtor and creditor, court foreclosures will be suspended for four months on assets that are necessary for the ongoing professional or business activity of the debtor. Likewise any other individual enforcement measures sought by financial creditors will also be suspended, provided that at least 51% of the creditors are in favor of the negotiations process. The aim is to allow negotiations to reach a successful conclusion and prevent the enactment of individual enforcement measures by creditors that are unwilling to negotiate.
- **Elimination of minorities' veto power over agreements.** Court-approved refinancing agreements may apply to dissident creditors if the following majorities are obtained:

Table 1

Extension of agreed terms of the refinancing agreement

% creditors who signed the agreement	Extension of agreed terms of the refinancing agreement					
	"Deferrals"	Debt reductions	Debt conversion into: Equity	Participation loans	Other assets	Transfer of property or rights
≥ 60%[1] (or 65%[2])	Period ≤ 5 years	No	No	Period ≤ 5 years	No	No
≥75%[1] (or 80%[2])	Period ≥ 5 years, but ≤10 years	Yes	Yes	Period ≥ 5 years, but ≤10 years	Yes	Yes

Notes: [1] If credit has no collateral, or the part that exceeds the value of the collateral.
[2] For the part of the credit that does not exceed the value of the collateral.
Source: BOE, AFI.

- **Improved treatment of fresh money provided in debt restructuring transactions.** To date, only 50% of the fresh money contributed to a refinancing qualified for preferential treatment in the case of insolvency. As an extraordinary and temporary measure, the new law increases the percentage to 100% of new cash inflows for the next two years. The aim is to strengthen the incentives for additional financing, as such funding is essential to ensure the transitional viability of the company and make any agreement feasible. Two years after the financing is granted, it is considered a loan against any future insolvency estate.

- **Tax exemptions and credits for debt refinancing:**

  - Corporate income tax (IS): The conversion of debts into capital will be exempt from this tax, unless the capitalization was purchased under a derivative acquired by the creditor at a value different from the nominal of the same. For income from haircuts and rescheduling, the new law sets out a system of deferred recognition of income generated in the taxable base, in accordance with financial expenses recognized.

    Further, we must recall that **Law 16/2013,** of October 29th, establishing certain measures on environmental taxation and adopting others on taxation and finance, **eliminated limits to offsetting tax losses on income from haircuts resulting from agreements with creditors.** These limits are 25% and 50% for companies with a turnover of more than 60 and 20 million euros, respectively.

  - Tax on Equity Transfers and Documented Legal Acts (ITP and ADJ in Spanish, respectively): Notarial instruments containing haircuts or reductions of loans, credits and other obligations will be exempt from payment of these taxes.

- **Extension of RDL 10/2008 for one year.** For calculating losses for a mandatory capital reduction, impairment losses on property, plant and equipment, real estate investments and inventories will not count. The measure will apply solely and exclusively to fiscal years that end in 2014. The measure affects not only real estate construction and development, but also a broad range of companies in other sectors, including the SAREB itself and, by extension, banks.

- **Improvement in treatment of provisions set aside by banks for refinancing and restructuring.** The Bank of Spain was entrusted with the task of establishing, within one month, standardized rules regarding the

Table 2
Corporate debts

				Refinanced loans					
	Loans	Total		Standars		Substandard		Doubtful	
	€ Bn	€ Bn	% Total loans	€ Bn	% Refinanced	€ Bn	% Refinanced	€ Bn	% Refinanced
Corporate	427	89	21	30	34	21	23	38	43
Real Estate	232	59	26	6	10	9	15	45	75
Total	659	149	23	36	24	30	20	83	56

Sources: Bank of Spain, AFI and reports of listed entities.

provisioning of the remaining debt following the refinancing agreement. We would note that, as stipulated by the Bank of Spain, refinanced or restructured debts in a normal situation were classified as substandard risk in September 2013. With respect to real estate, construction and development, the impact was more modest, meaning that the bulk of the provisions had already been allocated pursuant to RDL 2/2012 and RDL 18/2012.

The Bank of Spain has established that the outstanding amounts owed following a refinancing arrangement are to be classified as "standard risk" as long as there are objective factors that point to the probable recovery of the loan.

The Bank of Spain stated its position[3] on the latter point on March 18th, setting out general guidelines for the accounting treatment of outstanding debt following a refinancing agreement. Such outstanding amounts will be classified as follows:

– Standard risk, when objective factors exist that lead to the conclusion that the remaining amounts owed will likely be recovered following the application of the refinancing agreement. In this regard, it is important to carry out an evaluation of the effect of haircuts, or conversions of debt into capital on the possibilities of recovering the amount owed, as well as to take into account the debtor's business plan. A report by an independent expert may be used to provide objectivity in this matter.

– Risk other than normal (doubtful or "substandard"), if the future cash flows are likely to prove insufficient to meet the obligations undertaken in a refinancing arrangement. As soon as the grounds for such a classification no longer exist, the credit can be reclassified to a better risk category.

Channels of impact on profit and loss and solvency of banks

The impact on the income statements and solvency of Spanish banks is likely to vary quite widely, and will depend on the state of repair of balance sheets and the implementation of refinancing arrangements (haircuts, debt-for-equity conversions or grace periods) among other factors.

We will now set forth three examples of refinancing arrangements with debt-for-equity conversions, assuming that the initial operation was a loan to an SME classified as doubtful. In the first case, we assume that the conversion does not free up provisions. In the second case, all provisions are freed up except those related to the amount that is capitalized. In the final case, the totality of

[3] For further information, see the following: http://www.bde.es/bde/es/Home/Noticias/Criteriospara b81024ccd05d441.html

provisions are released – a scenario we consider less probable.

Capital generation will come from two different paths:

i. Equity release (ER) due to a reduction of the volume of risk-weighted assets, based on the assumption that the initial loan was originally classified as doubtful and, as a result of the refinancing agreement and application of the swap, would then become a normal risk.

ii. Provision release that, after taxes, would be taken to reserves, assuming no profits are distributed.

Based on these assumptions, all three cases yield a positive result following the application of the refinancing agreement, generating capital for the bank. It should be noted that, in the last two cases, the equity release due to the reduction of risk-weighted assets would yield a negative result. This is because the reduction of the risk weight reclassified as a performing loan would

Table 3

Examples of potential impacts of refinancing agreement through equity conversion (Million euros)

Assumption	
Amount of the operation (mil. euros)	100
Coverage (% provisioned)	40%
Weighting in RWAs and solvency	
Risk weighting of initial loan (doubtful)	100%
Risk weighting of final loan (normal)	57%
Risk weighting of equity	150%
Capital requirements	10.50%
Equity conversion	20%
Tax rate	30%
Scenarios	
Case 1	No provisions freed up
Case 2	All provisions released except those related to initial amount capitalised
Case 3	All provisions freed up

	Post-refinancing	Post-refinancing		
		Case 1	Case 2	Case 3
Loan (Net)	**60.0**	**40.0**	**60.0**	**80.0**
Gross loan	100.0	80.0	80.0	80.0
Provisions	-40.0	-40.0	-20.0	0.0
Investment in equity (net)	**0.0**	**20.0**	**20.0**	**20.0**
Gross loan	0.0	20.0	20.0	20.0
Deterioration	0.0	0.0	0.0	0.0
RWA	**60.0**	**52.8**	**64.2**	**75.6**
Consumption of capital	**6.3**	**5.5**	**6.7**	**7.9**
Capital freed up		**0.8**	**-0.4**	**-1.6**
Provisions freed up		0.0	20.0	40.0
Impact on net profits		**0.0**	**14.0**	**28.0**
Total impact on capital		**0.8**	**13.6**	**26.4**

Source: AFI.

not offset the increase in net balance resulting from the release of provisions. Nevertheless, this effect would be more than offset by the release of provisions.

Even so, it is important to take into account the very high sensitivity of capital generation to the proportion of debt converted into equity, as well as the initial coverage level of the loan.

As shown in the following tables, it is obvious in case 1 that the higher the level of coverage, the less beneficial it will be to the bank. Keeping the coverage level constant (e.g. at 40%), the larger the conversion of debt into equity, the worse the result will be for the bank. It may even be negative if the coverage is 60% or higher. This is due to the greater consumption of own resources by positions in capital than in loans. In any event,

Table 4

Sensitivity analysis: Impact on equity of the conversion of debt into equity according to percentage of conversion and level of coverage of the initial loan

(Million euros)

Case 1: No release of provisions corresponding to the conversion

Case 2: Provisions freed up except for those relating to amount capitalized

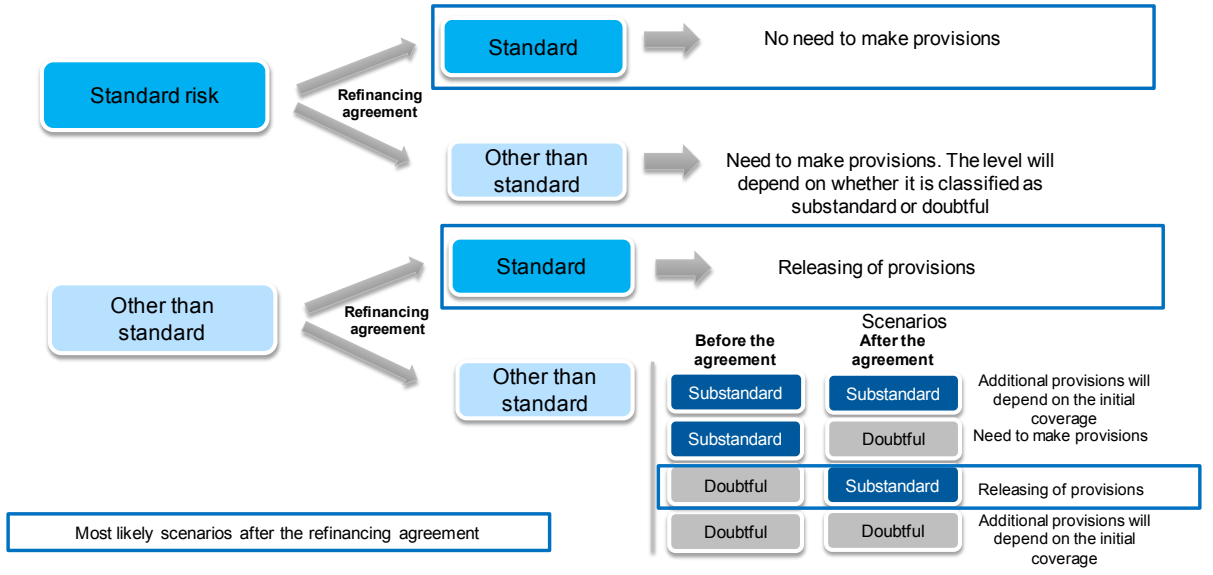
Case 3: Complete releasing of provisions

		Case 1				
		% conversion of debt to equity				
		0%	20%	40%	60%	80%
% Initial Loan Coverage	20%	3.6	1.7	-0.3	-2.2	-4.2
	40%	2.7	0.8	-1.2	-3.2	-5.1
	60%	1.8	-0.1	-2.1	-4.1	-6.0
	80%	0.9	-1.1	-3.0	-5.0	-6.9
		Case 2				
		% conversion of debt to equity				
		0%	20%	40%	60%	80%
% Initial Loan Coverage	20%	16.4	1.7	-0.3	-2.2	-4.2
	40%	28.3	13.6	-1.2	-3.2	-5.1
	60%	40.2	25.5	10.7	-4.1	-6.0
	80%	52.1	37.4	22.6	7.8	-6.9
		Case 3				
		% conversion of debt to equity				
		0%	20%	40%	60%	80%
% Initial Loan Coverage	20%	16.4	14.5	12.5	10.6	8.6
	40%	28.3	26.4	24.4	22.5	20.5
	60%	40.2	38.3	36.3	34.4	32.4
	80%	52.1	50.2	48.2	46.3	44.3

Source: AFI.

Exhibit 4

Impact on provisions of refinanced operations through deferrals of claims



Source: AFI.

we believe that, if a debt capitalization is included in a refinancing arrangement, the conversion percentage would not be very high because banks do not have the objective of becoming managers of companies, but rather to recover the largest possible amount of outstanding loans. That said, if coverage levels are already very high, the less likely the bank makes a debt-for-equity conversion agreement.

This would be similar in cases 2 and 3, as shown in the table above, where the final impact would be much larger due to the release of provisions.

In the event of a haircut instead of a conversion to equity, the impact would be closer to that of case 1 in the previous table. The effect would be more favorable if a rescheduling is agreed instead of a haircut.

In sum, in most cases the impact of the new treatment of restructured transactions would be positive for the banking sector for two reasons: (i) it facilitates the debt restructuring of viable companies, that is, the management of risk, and (ii) an adequate analysis of operations and of their most sensitive aspects could improve banks' capital positions.

Conclusions

Royal Decree-Law 4/2014, adopting urgent measures for debt refinancing and restructuring, extends Royal Decree-Law 10/2008 on the grounds for dissolution and elimination of limits on offsetting of tax losses for income from haircuts under Law 16/2013. This would make 2014 an opportune year for viable, indebted firms to negotiate with banks.

The recently approved law provides no miraculous solutions, but it does encourage the type of actions that can help create a framework for making what banks can actually expect to recover commensurate with what operationally-viable companies can actually pay.

For the banking sector, in most cases the impact of the new treatment of restructured transactions would be positive as it facilitates the debt restructuring of viable companies, and encourages an analysis of operations and of their most sensitive aspects, which could improve banks' capital positions.

Financial flows and debt dynamics in Spain

Sara Baliña and Ángel Berges[1]

Spain´s private sector continues its deleveraging process in contrast to increasing leverage in the public sector. Given heavy reliance of the private sector on bank debt, the relative importance of bank-based financing in the Spanish economy has decreased, while capital markets-based finance has increased, albeit still too low and public sector biased.

At year-end 2013, the Spanish economy reported net internal savings of 15 billion euros (1.5% of GDP), after 15 consecutive years of negative savings. The maximum negative position was reached in 2007, at 10% of GDP. The public sector sharply deteriorated its financial position, while both households and nonfinancial firms shifted from negative to positive, mainly as a consequence of a sharp downwards adjustment in net investment. Such symmetrical financial flows have resulted in very different debt dynamics. While households and firms have decreased their overall debt levels by 10% and 27% of GDP, respectively from the peak of the cycle, the public sector has almost doubled its level of indebtedness, leading to an increase in the overall debt level to reach close to 350% of GDP by end 2013. The combination of private sector deleveraging and public sector leveraging has led to a decreased reliance on bank finance, as well as trade finance, while leading to an increase in the relative share of securities market debt. However, market-based finance is still too low in the Spanish economy, and heavily biased toward the public sector. Current public debt is 80% securities based, while only 20% is bank based or trade finance based. On the opposite side, nonfinancial firms´ debt is heavily biased towards bank loans (70% of total liabilities excluding shares and other equity) and trade finance (25%) with less than 5% being raised in securities markets. The bias towards bank finance is even higher in the household sector, whose debt is 95% bank loans and 5% trade finance.

Closing the external financing gap

In 2013, the Spanish economy registered a positive net saving position of 15 billion euros (1.5% of GDP), the first positive position after 15 consecutive years of net negative savings. The largest imbalance was recorded in 2007, when the Spanish economy registered negative savings in excess of 10% of GDP. It has taken, therefore, six years of adjustment in savings and investment, where the bulk of the correction took place, to close the gap between these two variables. As a mirror of the current account balance, such an adjustment reflects the improvements in Spanish external competitiveness.

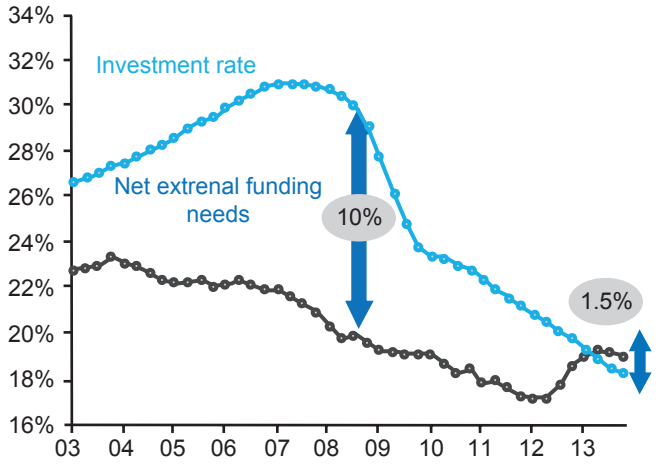
In this article, however, we are more interested in analyzing the pure financial flows and especially

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

Exhibit 1

Spanish savings and gross fixed investment rates

Percentage of GDP



Source: INE, AFI.

the debt dynamics that have been driving these flows, with implications for the net financial position in different sectors, as well as the relative importance of different financial segments, especially bank-oriented versus market-oriented, or even commercial trade finance.

Debt dynamics: Private *versus* public

Moving from a -10% to +1.5% of GDP net savings in just six years has necessarily changed the contribution from the main institutional sectors. In this context, we consider the public sector on the one hand and the private nonfinancial sector on the other, distinguishing between households and nonfinancial firms.

On aggregate, the household sector has changed from a negative savings position in 2007 (-2.8% of GDP) to a positive one (+2.5% of GDP) six years later. Even more outstanding has been the change in financial flows registered by the aggregate of nonfinancial firms, which registered in 2007 a negative savings of around 11% of GDP, and six years later have closed 2013 with a net savings of 44 billion euros (4.3% of GDP).

The opposite pattern can be seen in the public sector. In the last year prior to crisis, 2007, the public sector registered a net positive savings of 2% of GDP. Six years later, as a result of the strong deterioration of public finances, the net financial position of the public sector stood near -7% of GDP. In fact, that figure was even higher in 2012 (-10.5% of GDP), when financial assistance to banks was also added to the public sector´s negative savings position.

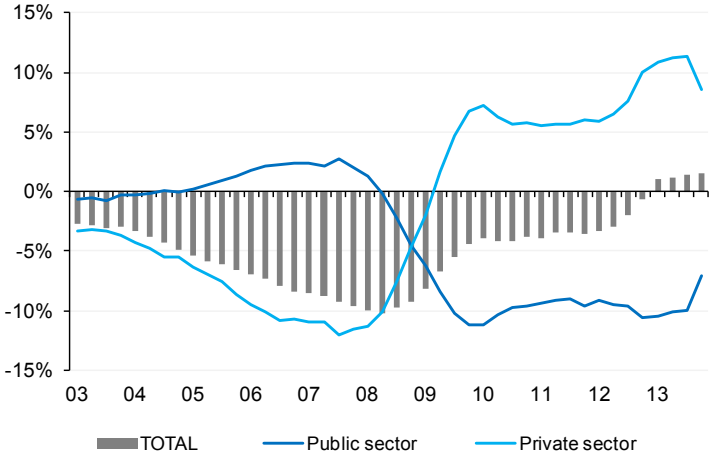
Such symmetrical behavior in net savings by the private and public sectors has some implications for the debt dynamics for each of them, sharply increasing the level of public debt, while decreasing private debt. We illustrate this trend by using data from the Spanish Financial Accounts from 2007 to 2013.

A first question is whether to use gross or net (of financial assets) debt. If we were analyzing a single company, or household, the appropriate measure

Exhibit 2

Spanish external funding (+)/ lending (-) capacity by institutional sector

Percentage of GDP



Source: INE, AFI.

for indebtedness would be net debt, as long as financial assets can be used to alleviate debt payments. In aggregate sector terms, however, it is much more accurate to use gross debt for several reasons. The first and most obvious is that it is not possible to net a household´s or a firm´s debt with other households´ or firms´ financial assets. In fact, there is probably a negative correlation between holdings of financial assets and liabilities across households and firms – the most indebted ones are the ones with fewer financial assets.

A second reason to use gross debt at the aggregate sector level has to do with financial stability concerns. In terms of systemic financial stability, gross debt is the relevant measure, regardless of who is the debtor or creditor, or type of debt instrument.

Under this reasoning, the exhibits below show the debt dynamics, from 2007 until today, for the public and private sectors, and expressed as a percentage of GDP.

Table 1

Spanish gross debt dynamics: Private and public

Percentage of GDP

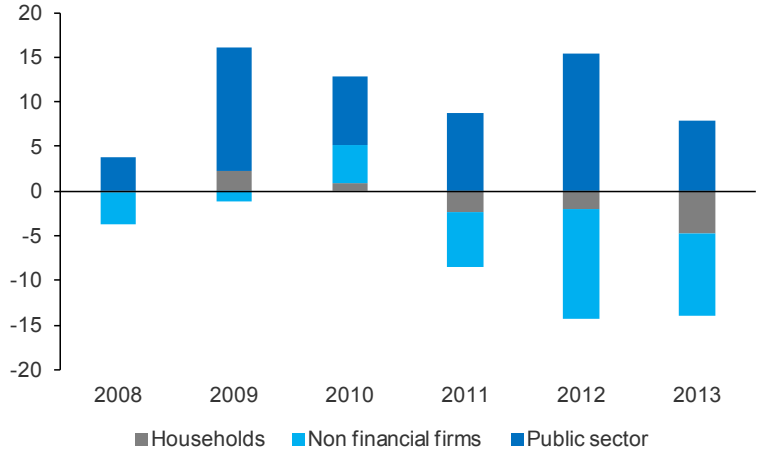
% GDP	2007	Peak of cycle (2010)	2013	2013-07 change	2013-peak of cycle change
Households	89	93	83	-6	-10
Non financial firms	200	198	171	-28	-27
Public sector	36		94	58	
Total	**325**		**348**	**23**	

Source: Bank of Spain, AFI.

Exhibit 3

Spanish gross debt dynamics: Private and public

Percentage of GDP



Source: Bank of Spain, AFI.

From those figures, we can infer that the Spanish economy entered the crisis with an overall debt level of 325% of GDP, the bulk of it (about 290% of GDP) being private debt and only 36% of GDP in public debt. Six years of crisis have produced an overall increase in the indebtedness of the Spanish economy to nearly 350% of GDP, with an intense rebalancing between private and public debt. From their peak at 2010, households have reduced their debt by 121 billion euros (10% of GDP), and firms by a much bigger amount, 328 billion euros (27% of GDP). This intense deleveraging by the main components of the private sector has been greatly surpassed by an increase in public leverage, increasing by almost 600 billion euros (close to 60% of GDP), reaching 94% of GDP at the close of 2013, when measured according to the so-called excessive deficit procedure (EDP) as dictated by the European Commission. Public debt is measured on a consolidated basis across different public administrations – otherwise loans made from the central government to regional or local governments would be double counted. Moreover, it is registered at face (nominal) value, while in the financial accounts it is estimated at the market price, which is higher than the nominal value as long as market interest rates remain considerably lower than at the time when most of the outstanding public debt was issued.

Debt instruments: Bank based/ market based/ trade based

The above discussion on public bonds leads us to the next issue discussed in the article – debt dynamics in Spain. Specifically, we analyze the relevance of different types of debt instruments. The literature on financial systems distinguishes between bank-oriented and market-oriented ones. In Spain, reliance has largely been on bank finance. Given the impact of the crisis on banks, adversely affecting their traditional function as credit providers to the economy, there are some concerns about the ability to find non-bank sources of finance to compensate the lack of bank funding.

The debt dynamics observed in the different institutional sectors is going to have a mutual double-effect with the relative role of bank *versus* nonbank finance in the economy. As long as a leverage

increase has taken place in the public sector, heavily biased towards market based finance (issuance of bonds and bills), while deleveraging has taken place in the private sector (households and firms) with a heavy bias towards bank finance, it is expected that the share of bank finance in overall debt finance has considerably decreased.

Bank debt is virtually unchanged as a percentage of GDP as a consequence of the very different dynamics in the private and public sectors. Nonfinancial firms and households have reduced their bank debt by around 10% of GDP since the start of the crisis, while the public sector has increased its bank debt by almost the same magnitude in the same period.

This is what emerges when we analyze debt dynamics, by debt instrument, in each of the three institutional sector. Bank debt is virtually unchanged as a percentage of GDP as a consequence of the very different dynamics in the private and public sectors. Since 2007, nonfinancial firms and households have reduced their bank debt by around 10% of GDP, while the public sector increased its bank debt by almost the same magnitude. Such an increase in bank debt by the public sector is completely attributable to regional and local governments, unable to access the market during the crisis years, they had to rely almost exclusively on bank debt.

On the contrary, the public sector at the central government level relied almost exclusively on securities (bonds and bills) issuance. Almost 50% of GDP has been raised by the public sector though securities issues since the crisis started.

A final source of debt is trade related finance. In the case of households, as well as in the public sector, this form of finance has been non-significant, and it has virtually stayed flat since the beginning of crisis.

For nonfinancial firms, however, trade finance has traditionally been an important source of finance, and continues to be so despite a sharp fall since the crisis started. Before the crisis, trade finance in nonfinancial firms represented around 65% of GDP, approximately half of bank debt, and much more important than debt in the form of securities. Since the crisis started, trade finance has fallen by one third, to around 42% of GDP currently.

Such a sharp fall in trade finance is probably a reflection of the fall in operational activity among nonfinancial companies, as well as the lack of credit worthiness among trade partners. It may also be adversely affected by more stringent conditions by banks in order to accept commercial paper as collateral for short-term finance.

Spanish debt dynamics by instrument and institutional sector (% GDP)

If we sum up the debt dynamics observed in the three institutional sectors, we end up with some interesting conclusions. Overall debt has increased by almost 40% of GDP, with a clear rebalancing among debtors and debt instruments.

Increased securities issues to finance the public sector, combined with decreased bank and trade finance for households and nonfinancial firms, has had an important effect in terms of characterizing the Spanish financial system. All new debt finance has been provided through securities issues, while bank loans stayed flat and trade finance shrank.

While private sectors (households and firms) went through an intense deleveraging process, amounting to more than 30% of GDP, such a

Table 2
Households

% GDP	2007	Peak of the cycle	2013	2013-07 change	2013-peak of cycle change
Bank debt	83	88	77	-6	-11
Securities	n.d.	n.d.	n.d.	-	n.d.
Commercial debt	6	7	6	-0	-1.0
Total	**89**		**83**	**-6**	

Source: Bank of Spain, AFI.

Table 3
Non-financial corporations

% GDP	2007	Peak of the cycle	2013	2013-07 change	2013-peak of cycle change
Bank debt	130	143	127	-4	-16
Securities	1	3	3	2	-0
Commercial debt	68	68	42	-26	-26
Total	**200**		**171**	**-28**	

Source: Bank of Spain, AFI.

Table 4
Public sector

% GDP	2007	Peak of the cycle	2013	2013-07 change	2013-peak of cycle change
Bank debt	7	21	19	13	-2
Securities	30	75	75	45	0
Total	**36**		**94**	**58**	

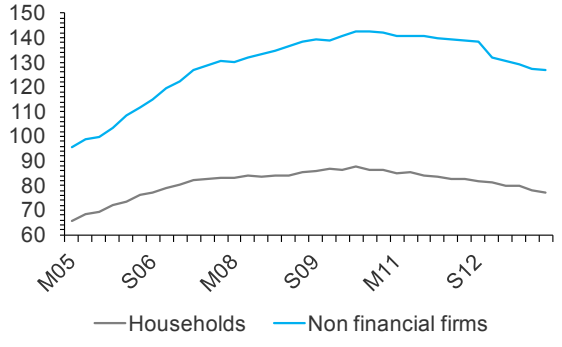
Source: Bank of Spain, AFI.

process was largely surpassed by the almost doubling of public sector leveraging.

Increased securities issues to finance the public sector, combined with decreased bank and trade finance for households and nonfinancial firms, has had an important effect in terms of characterizing the Spanish financial system as bank-oriented or market-oriented, given the share of securities-based finance has increased considerably versus bank-based finance. All new debt finance has been provided through securities issues, while bank loans stayed flat and trade finance shrank. As a consequence, market-based debt, which at the beginning of the crisis represented 25% of overall debt in the Spanish economy, has jumped to almost 40%.

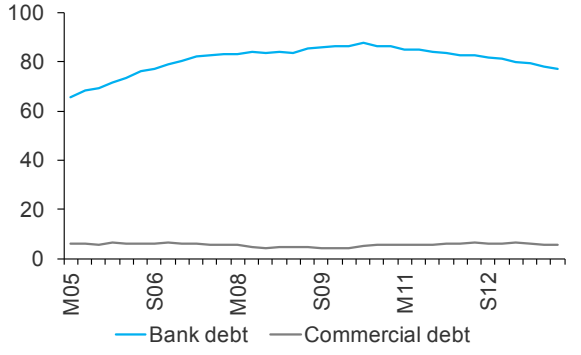
A word of caution should be given on the role of security markets as true channels of finance.

Exhibit 4
Banking debt
Percentage of GDP



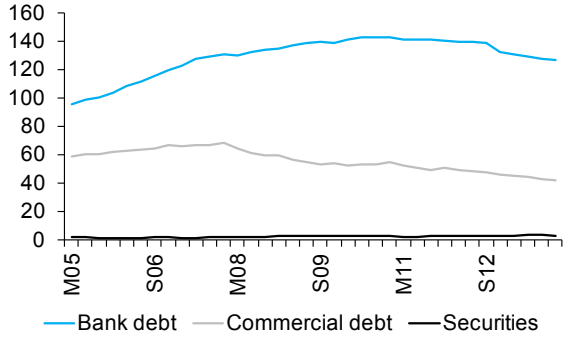
Source: Bank of Spain, AFI.

Exhibit 5
Households financial position
Percentage of GDP



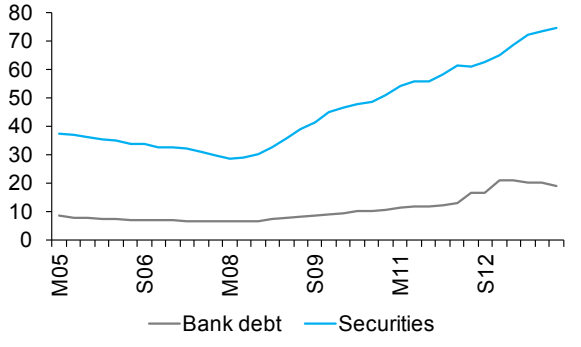
Source: Bank of Spain, AFI.

Exhibit 6
Non-financial firms financial position
Percentage of GDP



Source: Bank of Spain, AFI.

Exhibit 7
Public sector financial position
Percentage of GDP



Source: Bank of Spain, AFI.

Despite having behaved much better than bank finance in the last six years, their role as debt providers is only relevant for the public sector, as they represent almost 80% of total outstanding debt. When we talk about nonfinancial firms, however, the role of market-based debt is completely marginal (less than 5%), and only available for the largest companies. Only recently has the market started to increase appetite for debt issues by mid-sized companies, a trend that will have to intensify.

Spanish debt: Where is it heading?

Future debt dynamics in Spain will depend on the relative behavior of the different institutional sectors, as well as the relative role of banks and markets as providers of finance.

Table 5
Private indebtedness

% GDP	Euro area	France	Germany	Italy	Spain
Households	71	68	58	56	84
Non financial firms	68	68	43	78	99

Notes: Households: Includes all liabilities, not just loans.
Non-financial firms: Includes an adjustment for estimated intercompany loans.
Source: IMF.

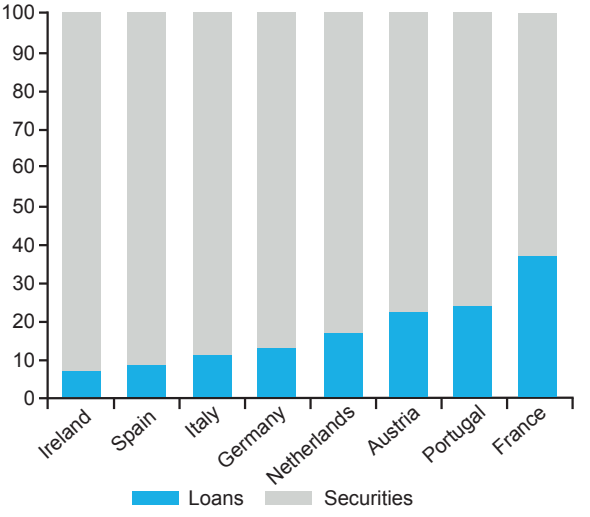
Starting with the public sector, we anticipate public debt will continue growing, though at a slower pace than in recent years, reaching a high of around 104% of GDP in 2017 –that is about 10% higher than today, and only then, starting a slow deleveraging process.

Regarding private sectors –households and nonfinancial firms– there are good reasons to believe that their deleveraging will continue. Despite having reduced their overall debt by almost 40% of GDP (10% households and almost 30% companies), overall private debt is considerably higher than in other large Eurozone countries, such as France, Germany or Italy, as recent data from the IMF show.

Private deleveraging, however, will proceed at a slower pace than has been the case in the latest years. In fact, nonfinancial companies, especially small and medium sized ones with export oriented activity, are progressively taking the lead towards potential recovery of the Spanish economy, given that an intense internal devaluation has taken place, allowing Spanish companies to gain international competitiveness.

The new role of SMEs rests on being able to access new forms of finance outside the banking system, which is not going to show up in net loan growth in the near term. Nonbanks sources of finance for SMEs are especially needed in Spain, whose over-reliance on bank financing is among the highest in Europe, as the IMF has systematically recalled, and as following Exhibit illustrates.

Exhibit 8
Sources of nonfinancial corporate credit, 2013:Q3
Percent of total



Note: Excludes estimated value of intercompany.
Source: IMF.

The relevance of company size in accessing bank finance: A determining factor for Spain´s SMEs

Joaquín Maudos[1]

Latest ECB data point to a general improvement in access to finance across the euro area, albeit more so for large companies than for SMEs. Nonetheless, many firms perceive a worsening of credit conditions, with SMEs seeing the greatest deterioration.

The most recent survey on access to finance conducted by the ECB published in April 2014 reveals improvement in the availability of credit to euro area companies relative to six months earlier. While survey data show firms are more optimistic regarding availability of credit now and in the near future, results indicate many firms still perceive credit conditions, such as interest costs, non-interest costs, and collateral requirements have worsened. This is particularly evident among the responses of SMEs. SMEs face financing constraints across all countries. However, the difference between financing conditions of large companies and SMEs in Spain is significant, with Spanish SMEs paying the highest spreads on bank loans versus *large companies within the euro area. Thus, although recent data show that new credit for SMEs is rising in Spain and perceptions of Spanish businesses about the future, including those of SMEs is improving, given the importance of SME´s to the productive fabric of the Spanish economy, broadening their access to finance is key to sustain the economic recovery.*

It is a well known fact that small and medium-sized enterprises (SMEs) have more difficulty accessing finance than larger firms. In principle there are arguments for the importance of size in obtaining external financing, one of them being information asymmetry. Thus, in the case of SMEs, lenders find it more difficult to obtain information about the firm and the project due to be financed (as they are smaller, unaudited companies, with less transparent information, less collateral, etc.), such that they tend to demand more collateral and charge higher borrowing costs to compensate for the moral hazard and the resulting adverse selection. In some cases, the lender may not be willing to provide finance at all, and consequently turn down the loan application.

In Spain, according to 2013 figures, 99.9% of firms are SMEs and they account for an above average share of employment (74.8%) and value-added (64.8%) relative to the EU-27.

[1] Professor of Economics at the University of Valencia and Researcher at the Ivie. This article is related to the research projects SEC2010-03333 of the Spanish Ministry of Science and Innovation and PROMETEO/2009/066 of the Valencian Government.

Although there are arguments justifying the constraints on SMEs' access to external financing, the data presented in this article suggest that the cost increment they pay is excessive. Moreover, costs vary widely from one country to another, suggesting that there are additional factors underlying the differences observed. As a result, specific measures targeting SMEs need to be implemented to improve their access to finance. This is all the more important given that in many countries the majority of firms are SMEs and they account for a large share of the economy's value-added and employment. This is the situation in Spain, where, according to 2013 figures, 99.9% of firms are SMEs and they account for an above average share of employment (74.8%) and value-added (64.8%) relative to the EU-27.

In this context, this article explores the differences that exist between SMEs and large Spanish businesses in terms of conditions of access, and compares the situation in the different countries of the euro area. One message that emerges clearly is that, whereas SMEs face tougher conditions accessing finance in all countries, the difference between the borrowing costs of large companies and SMEs is bigger in Spain, with the latter paying up to 229 b.p. more for bank loans than large companies – the greatest difference within the euro area. Consequently, given the importance of SMEs in the Spanish economy's productive fabric, improving their access to finance is essential in order to support the recovery.

SMEs face tougher conditions accessing finance in all countries, however, the difference between the borrowing costs of large companies and SMEs is bigger in Spain, with the latter paying up to 229 b.p. more for bank loans than large companies – the greatest difference within the euro area.

Firms' financial structure: SMEs *vs.* large companies

The most recent information available (2012) on Spanish businesses' financial structure disaggregated

Exhibit 1

Financial structure of non-financial corporations in Spain, 2012

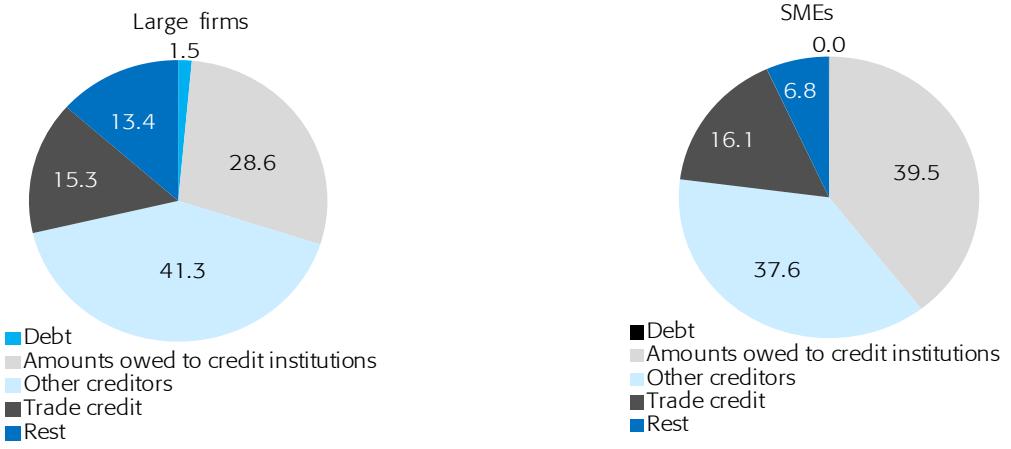
a) Percentage structure of total liabilities

Source: BACH.

Exhibit 1 (continued)

Financial structure of non-financial corporations in Spain, 2012

b) Percentage structure of debt



Source: BACH.

by size reveals the importance of financing from own resources for SMEs, as this represents 48.8% of total liabilities. This is 11.5 percentage points (pp.) more than among large companies (Exhibit 1), and is the first indicator of the difficulties SMEs have obtaining external finance.

As regards the composition of external finance, the main difference between large companies and SMEs is in the relative share of bank financing. This accounts for 11 pp. more of finance among Spanish SMEs' than large companies, making up 39.5% of total external finance. Non-bank lending (including intra-company loans) is more significant among large companies (41.3% *vs.* 37.6%), as in the case of debt financing, although it is somewhat less important in the case of Spain's large companies (1.5% of external finance). By contrast, trade credit represents a share of external finance that is somewhat higher among SMEs than large companies (16.1% *vs.* 15.3%).

Size and cost of bank finance

The tighter constraints SMEs face when accessing external financing translate into higher interest rates on bank loans. This fact can be illustrated using the ECB's information on bank lending rates for new transactions broken down by loan size. It is reasonable here to attribute loans of less than one million euros to SMEs and larger loans to large firms.

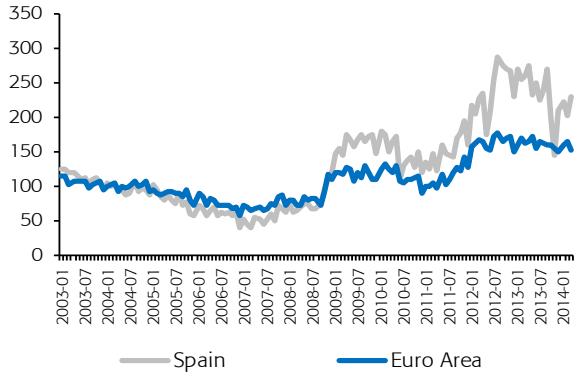
As Exhibit 2 shows, Spain's SMEs have always paid higher interest rates on their loans than the country's large companies. However, this cost increment has varied over time. Thus, in contrast to the narrowing of the spread between 2003 and 2007, the spread has grown as much as six fold since the financial crisis broke out in the summer of 2007, peaking at 288 b.p. in September 2012, compared with a level of around 50 b.p. in the first half of 2007. Since the peak, the spread has again narrowed, although in March 2014 it was still well in excess of pre-crisis levels (229 b.p.).

Exhibit 2

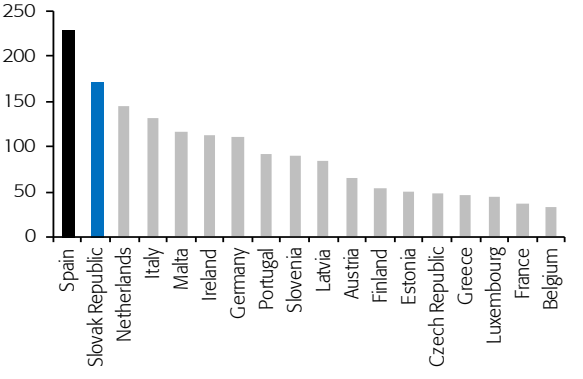
Difference in interest rates on loans of less and more than one million euros to non-financial corporations

Basis points

a) Spain *vs.* euro area



b) Ranking in March 2014



Source: ECB.

The higher cost of bank financing is a common feature of SMEs in the euro area, although during the crisis the effect of company size was more pronounced in Spain. Indeed, in March 2014 Spain was in first place on the euro area's rankings in terms of the difference between the interest rate on a loan of less than a million euros and one of over a million euros. The range of variation is extremely large, as there are countries in which the spread is less than 40 b.p. (e.g., France and Belgium) and others in which it is over 200 b.p. (Spain).

Business size and availability of finance

Although the ECB's six-monthly survey on conditions of access to company finance puts the emphasis on SMEs, it also offers disaggregated information for both large companies and SMEs in the main euro area countries (Germany, France, Italy and Spain), and distinguishes between micro, small and medium-sized enterprises[2]. The most recent survey, published on April 30th, 2014, refers to the position of companies between October 2013 and March 2014. And as well as offering information on the four countries mentioned, it also gives aggregates for euro area companies. The Exhibits below show information both from the last survey and the preceding one on the situation in April to September 2013. This makes it possible to see whether the conditions of access to bank credit have improved or worsened over the last six months.

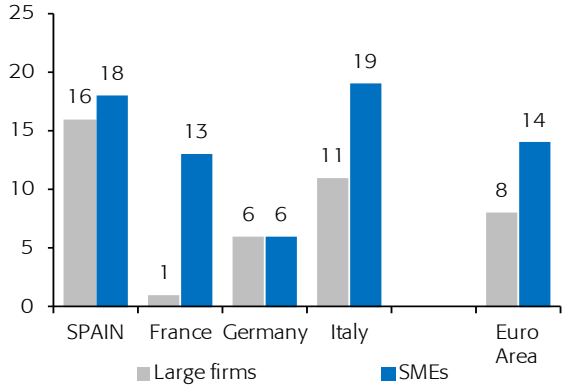
Exhibit 3 shows the percentage of companies stating that access to finance is the most pressing problem they face, where the alternatives were finding customers, competition, production costs, availability of qualified managers, and regulation.

[2] Microenterprises employ fewer than 10 workers and have a balance sheet or turnover of less than 2 million euros. Small enterprises employ between 10 and 49 workers and have a balance sheet or turnover of less than 10 million euros. Medium-sized enterprises employ fewer than 250 workers and have an annual turnover not exceeding 50 million euros, and/or an annual balance sheet total not exceeding 43 million euros.

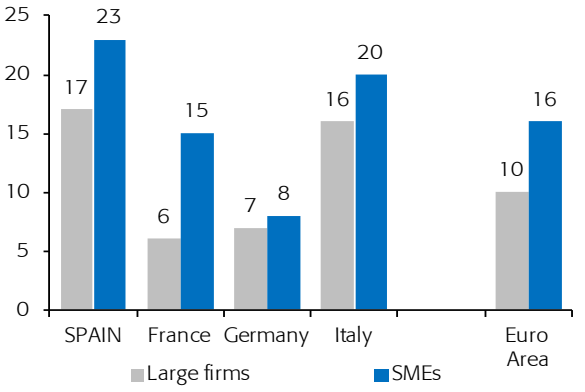
Exhibit 3

Percentage of firms whose main problem is access to finance

a) October 2013 to March 2014



b) April 2013 to September 2013



Source: ECB.

In the case of Spanish firms, 18% of SMEs identified access to finance as their main problem, compared with 16% of large companies. In the euro area the percentage of SMEs reporting external financing to be their main problem is also higher, at 14%, which is 6 pp. more than among large companies. Of the countries represented, the country in which the largest share of SMEs report this problem is Italy (19%, 1 pp. more than in Spain). In general, the problem of access to finance is most severe among SMEs, with the difference between large companies and SMEs also being considerable (12 pp.) in France. Only in Germany is there no difference between large companies and SMEs (6% identify access to finance as their main problem).

Fear of rejection: An indicator of credit constraints

The ECB survey offers evidence about the constraints companies face when seeking to obtain bank credit through the question of whether they have applied for a bank loan and, if not, whether this was due to fear of rejection.

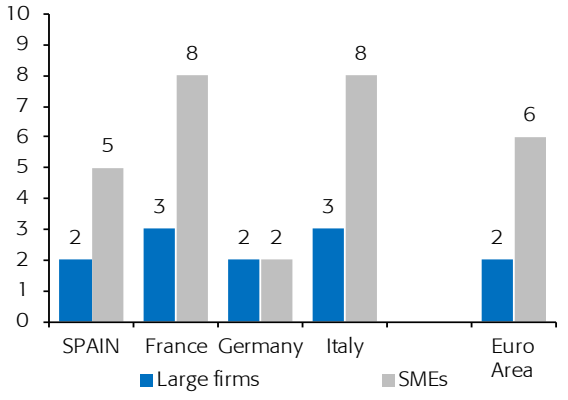
Exhibit 4 shows the answers to this question and again reveals how SMEs face more serious financing constraints than large companies. Across the euro area, an average of 6% do not apply for a loan out of fear of rejection, compared with 2% of large companies. In Spain, the difference is 3 pp. with percentages of 5% and 2%, respectively. The biggest difference is found in France and Italy, with a gap of 5 pp. between the 8% of SMEs and only 3% of large companies that do not apply out of fear of rejection. The smallest companies face the tightest restrictions on access to credit. In the case of Spanish firms, while 6% of microenterprises fear rejection, 3% of medium sized enterprises do.

What is the rejection rate once a company has applied for a bank loan? As Exhibit 5 shows, the difference in Spain's case is substantial, as whereas just 2% of large companies have their loan applications turned down, the rejection rate rises to 10% among SMEs. The difference between large companies and SMEs is also significant in the euro area (9 pp.) as a whole. However, in Germany, there is hardly any size-related difference in the rejection rate, as the percentage is 1% among SMEs and 2% among large companies.

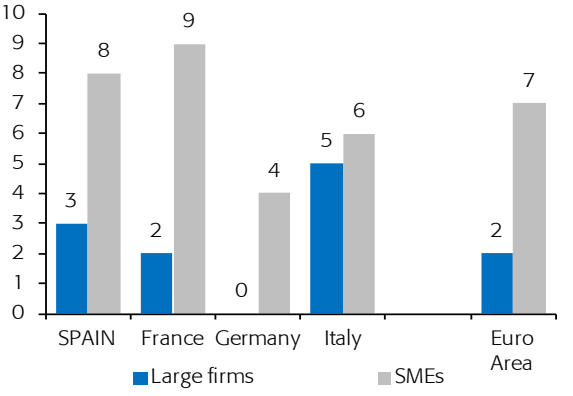
Exhibit 4

Percentage of firms that do not apply for a bank loan out of fear of rejection

a) October 2013 to March 2014



b) April 2013 to September 2013

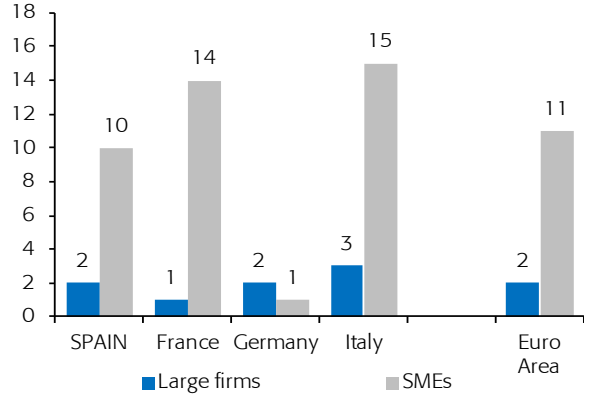


Source: ECB.

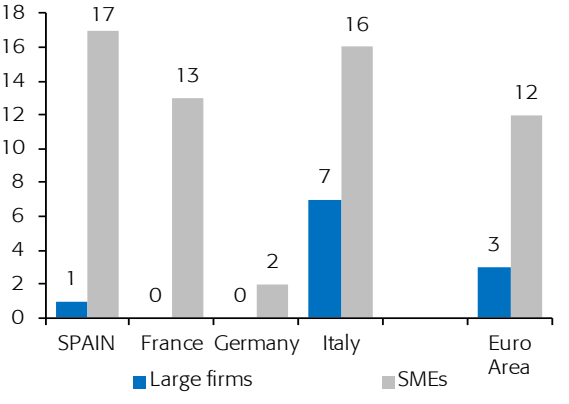
Exhibit 5

Percentage of firms whose loan application has been turned down

a) October 2013 to March 2014



b) April 2013 to September 2013



Source: ECB.

Availability of bank credit and borrowing conditions according to company size

Do firms consider the availability of bank lending to have improved? In the case of Spain, the situation in the latest ECB survey has improved considerably since the previous round. While the percentage of firms that consider the availability of credit to have improved currently exceeds that considering it to have worsened (the net difference in answers is 16 pp. among SMEs and 10 pp. among large companies), in the previous survey the opposite was the case (-7 pp. among SMEs and -6 pp. among large companies). Moreover,

given SMEs' worse starting point, it is good news that the net positive percentage of answers is higher among SMEs.

The improvement large firms have seen in access to bank lending in Spain in recent months is common to the euro area as a whole. However, this is not so in the case of SMEs. Thus, in the euro area the percentage of SMEs that consider the availability of credit to have worsened exceeds that considering it to have improved, with the difference being 4 pp. Moreover, among the countries examined, it is among Spanish SMEs that the perception of the availability of bank credit has improved most, in contrast to the situation of SMEs in France and Italy, which present net negative responses of -14 pp. and -9 pp., respectively.

Apart from the issue of the level of availability of bank credit, it is also important to determine the conditions under which this financing is given, in terms of aspects such as the interest rate on the loan, other costs of finance (such as commissions paid) or the collateral requirements. In the first case, companies considering interest rates to have increased exceeded those considering them to have fallen by 9 pp. among euro area SMEs, compared with -15 pp. among large firms. Consequently, there is a big difference in the cost of bank finance in the euro area depending upon company size, with an increase in the interest rates paid by SMEs and a fall in rates paid by large firms.

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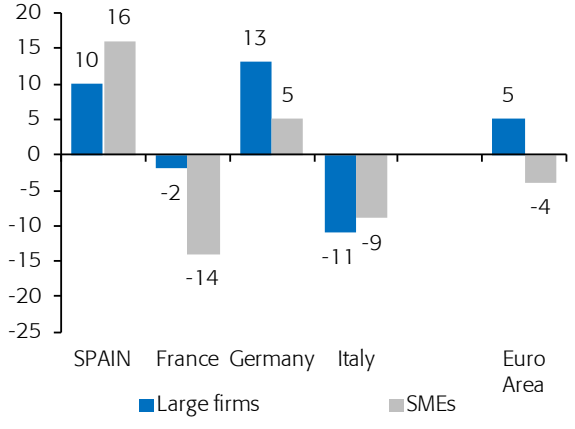
In Spain, the net percentage of responses from SMEs is much higher (31 pp.), as they have seen interest rates on bank financing rise to a much greater extent. The situation among large firms is completely different, as the percentage considering bank lending rates to have fallen

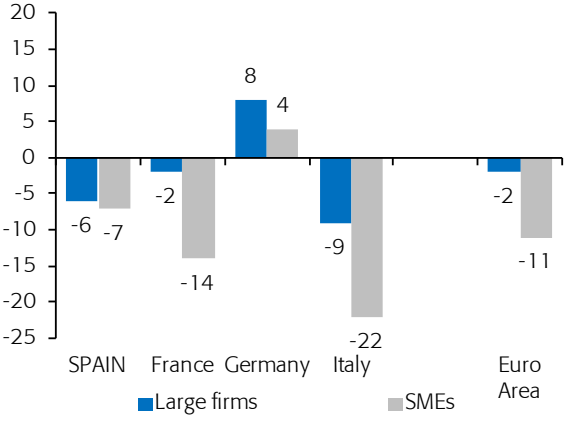
Exhibit 6

Net percentage of companies answering that they consider the availability of bank loans has improved-worsened

a) October 2013 to March 2014



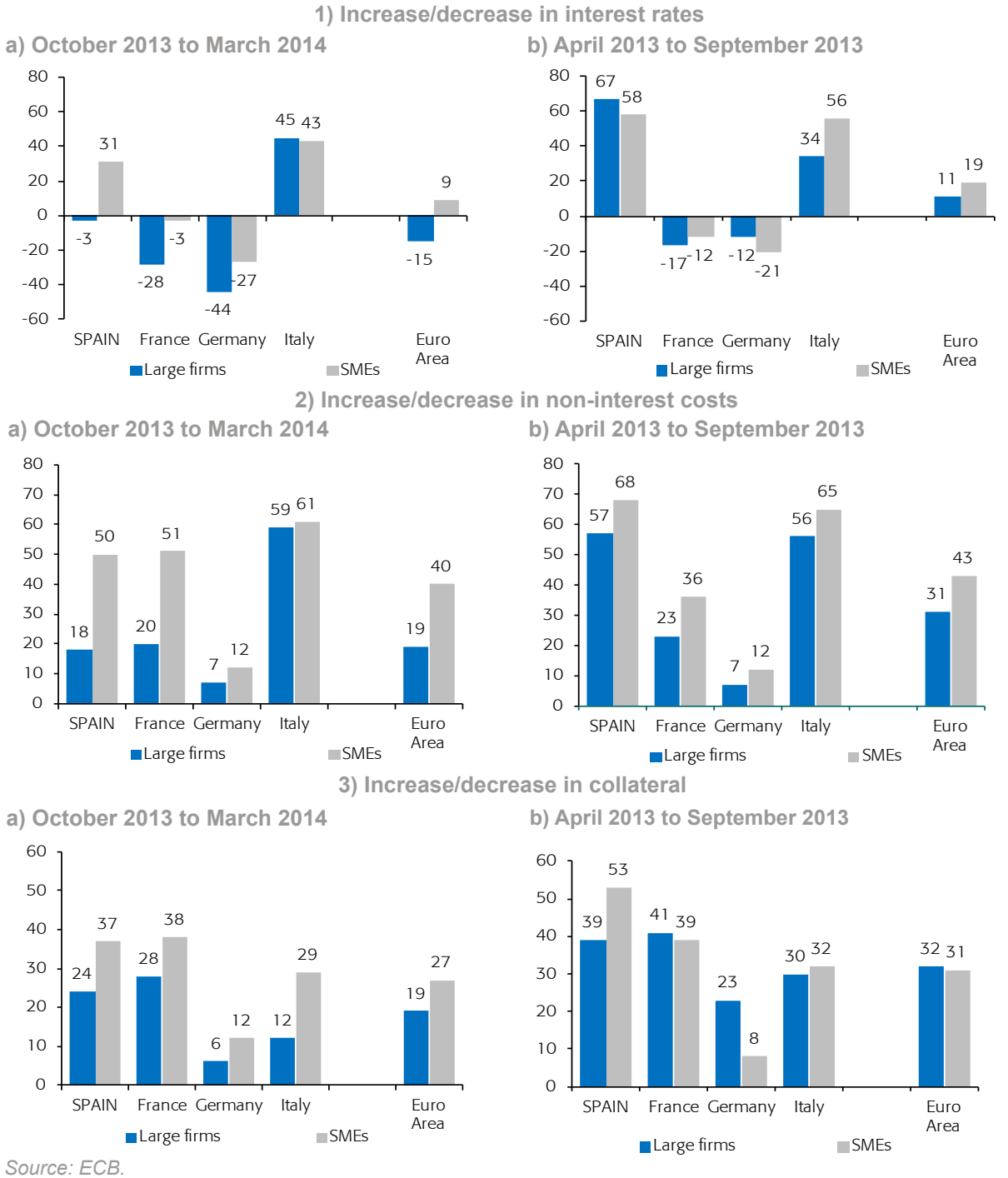
b) April 2013 to September 2013



Source: ECB.

Exhibit 7

Opinion of companies regarding the conditions of access to bank financing
Net percentage answers



Source: ECB.

predominates. The data for Spanish SMEs is in stark contrast to that of SMEs in Germany and France, where the majority of firms consider banks to have cut their interest rates.

In the case of non-interest costs, SMEs, particularly those in Spain, have seen the biggest increases. The net percentage of Spanish SMEs answering the question "has increased/decreased" by citing an increase is 50 pp. This is 32 pp. more than among large Spanish firms and 10 pp. more than among euro area firms of the same size. In the euro area, as in all the countries looked at, SMEs have seen their costs rise to a greater extent, with net percentages of positive replies to this question that are higher in all cases among SMEs than large firms.

Spanish SMEs have also seen the requirement for collateral rise most when applying for bank loans, with the net number of respondents to the question of whether they have increased or decreased being 37 pp. compared to 24 pp. among large companies. This share is common to euro area companies as a whole.

Firms' opinions over banks' willingness to provide finance

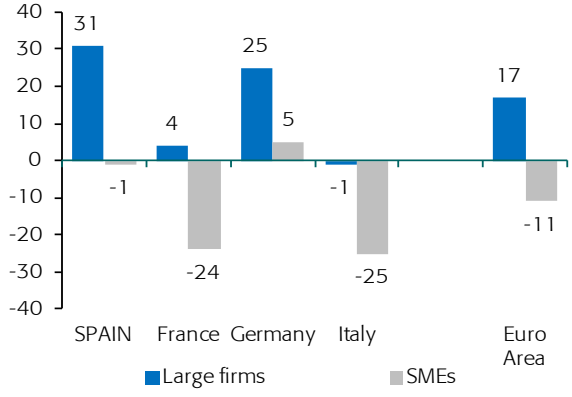
To shed some light on the exchange of accusations between the banks ("there is no solvent demand") and firms ("there is a restriction on supply") to explain the drop in bank credit, one of the questions of interest on the ECB survey is that asking firms to give their opinion about the banks' willingness to provide credit. As Exhibit 8 shows, SMEs blame the banks for the difficulties borrowing to a much larger extent, with a net "improved/worsened" response of -11 pp. in the euro area, compared with a positive response, in net terms, of 17 pp. among large firms. In Spain, the net percentage is also negative (-1 pp.) among SMEs, compared with a highly positive value (31 pp.) for large firms. In France and Italy too, SMEs that consider the banks to have become less willing to grant credit predominate, something that is not the case in Germany. In any event, even in Germany, large firms perceive a bigger improvement in banks' willingness to grant credit than do SMEs, with a net percentage of replies in this direction 20 pp. higher than that of SMEs.

Exhibit 8

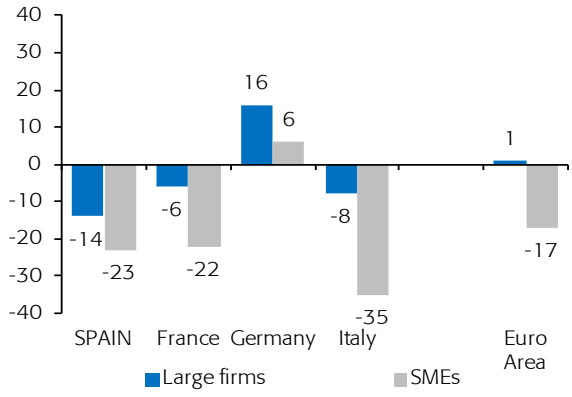
Firms' opinion of banks' willingness to provide finance

Net percentage answers (improved/worsened)

a) October 2013 to March 2014



b) April 2013 to September 2013



Source: ECB.

Firms' expectations about the recovery in credit

Will the availability of credit for businesses improve and are there differences according to company size? To answer this question, the ECB asked companies whether they expected access to bank finance to improve or worsen over the coming six months. As Exhibit 9 shows, the euro area's large firms are much more optimistic than its SMEs about future access to credit, as the difference in the percentage of firms that expect it to improve and those that do not is 11 pp., compared to 1 pp. in the case of SMEs.

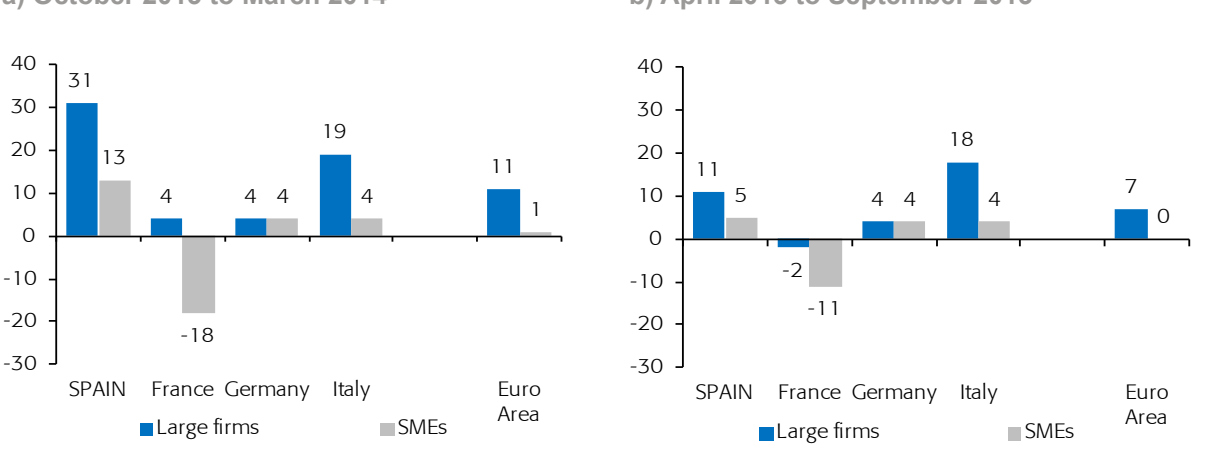
In this case, the number of Spanish businesses that are optimistic also exceeds the pessimists, with the difference higher than the euro area average (31 pp. *vs.* 11 pp.). SMEs have improved their expectations about the future of bank credit, although the difference between the improve/worsen responses is smaller (13 pp.), but higher than the European average (1 pp.). In the other countries, large firms in general are more optimistic about access to bank credit, although in Germany there is no difference between SMEs and large companies. The case of France is noteworthy, as it is the only country in which SMEs expecting the availability of bank credit to worsen predominate.

Bank credit to new financing operations: Large firms *vs.* SMEs

To round off this analytical tour of Spanish firms' access to bank credit as a function of size, it is worth examining recent developments in credit. The Bank of Spain provides information on new lending, distinguishing between transactions involving more or less than a million euros. This information needs to be interpreted with caution, as new transactions include refinancing, although under the Bank of Spain's new classification criteria in force since May 2013[3] these series will start to show the progress of genuinely "new credit" in recent months.

Exhibit 9

Firms expectations of availability of bank financing in the next six months
Net percentage answers (will improve/worsen)



Source: ECB.

[3] "Criterios para la aplicación de la Circular 4/2004 en materia de refinanciación y reestructuración de créditos" [Criteria for the application of Circular 4/2004 on refinancing and restructuring of credit] (Press release dated 31/04/2013).

Table1

New credit transactions for Spanish non-financial corporations

	Millions of euros			Annual growth rate (%)		
	Less than 1million €	More than 1million €	Total	Less than 1million €	More than 1million €	Total
May-13	11,362	19,153	30,515	-16.1	-44.4	-36.4
Jun-13	11,330	27,661	38,991	-12.4	-29.4	-25.2
Jul-13	12,442	21,409	33,851	-6.9	-31.2	-23.9
Aug-13	8,577	12,472	21,049	-6.4	-39.2	-29.1
Sep-13	10,517	20,771	31,288	-1.4	-0.8	-1.0
Oct-13	12,273	19,564	31,837	0.1	-24.2	-16.4
Nov-13	11,576	20,279	31,855	4.7	-9.8	-5.0
Dec-13	12,775	31,072	43,847	9.6	6.1	7.1
Jan-14	10,973	17,842	28,815	5.0	-16.9	-9.7
Feb-14	10,694	14,961	25,655	6.0	-31.0	-19.3
Mar-14	11,795	18,767	30,562	5.1	-16.7	-9.4

Source: Bank of Spain.

Table 1 sets out the volume of new credit granted to non-financial corporations, expressed as a year-on-year growth rate since May 2013, distinguishing transactions involving more than a million euros from smaller ones. In the case of smaller loans, credit has been recovering since May 2013, with an increase in value of new credit since October 2013, with the growth rate at 5.1% in March 2014. The situation is diametrically opposite in the case of larger loans, as except for a one-off positive year-on-year rate in December 2013, in all the other months since May 2013 the rate was negative, dropping to -16.7% in March 2014. For total new credit it is still not possible to talk of recovery, as in 2014 the year-on-year growth rates were still negative, given that of the total transactions, around 65% were loans of over a million euros, for which the growth rates are most strongly negative.

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Main messages and conclusions

The importance of SMEs in Spain and their high degree of dependence on bank financing makes an improvement in their access to finance essential to any strategy for economic recovery. The figures speak for themselves: 99.9% of Spanish businesses at the end of 2013 were SMEs and they accounted for 64.8% of value added (7 pp. more than in the EU-27 as a whole) and 74.8% of employment (8.2 pp. more than in the EU-27). And within SMEs, the majority are micro-enterprises (less than 10 employees and two million euros in assets), accounting for 40% of employment and 27.5% of the economy's value added. If we also take into account the fact that bank lending accounts for nearly 40% of Spanish

SMEs' external financing (just above 10 pp. more than for larger firms), it is clearly essential to improve their conditions of access to bank credit.

The data set out in this article lead to the conclusion that, in comparison with other euro area countries, the differences in the conditions of access to finance between SMEs and large firms are wider in Spain:

- Spain ranks first in the euro area in terms of the size of the difference between the interest rate paid by an SME (loan for less than one million euros) and that paid by a large company (loan for more than one million euros), with the spread in March 2014 standing at 229 b.p.

- 18% of Spanish SMEs report access to finance as their main problem, 4 pp. more than euro area SMEs and 2 pp. more than large companies.

- One indicator of the stricter financial constraints affecting SMEs than large companies is their fear of an application for a bank loan being turned down. In Spain, 5% of SMEs never even apply for a loan out of fear of being turned down, 3 pp. more than among large firms. And of firms that applied for a loan, just 2% of Spain's large firms said that they had been turned down, compared with 10% of SMEs.

- Spain's SMEs complain more than large firms about banks' increased demands for collateral and the bigger increase in non-interest costs (such as bank charges). Moreover, the percentage of Spanish SMEs (and also large firms) that state that the banks have tightened lending conditions is higher than the euro area average. SMEs also consider that the banks have become less willing to provide credit, which is in complete contrast with the perception of large companies.

These findings make it essential to put in place specific measures aimed at SMEs as soon as possible to improve their access to finance, in line with those set out in the draft bill on a law on business finance, and with some of the proposals recently made by the ECB in its latest report on financial integration. Europe is also very much aware of this problem, and has responded with European Commission initiatives to develop capital markets aimed at SMEs and those set out in its communication to the Council and the European Parliament on the long-term financing of the European economy.

Fortunately, the most recent data available show that new credit for SMEs (loans of less than one million euros) is rising in Spain, with positive year-on-year growth rates since October 2013, unlike the case of loans of more than one million euros. However, in the case of large firms, the contraction in bank credit can be offset by finance from other sources (intercompany loans, bond issues, etc.), which is difficult for SMEs whose ability to tap the markets directly for finance is limited.

Finally, the recovery in credit to SMEs revealed by the latest data on the progress of new credit is in line with the improvement perceived in the latest ECB survey on access to finance. Thus, comparing the findings of the most recent survey, published in April 2014, with that of six months earlier reveals an improvement in the availability of credit, although a bigger share of firms still take the view that conditions of access to finance have worsened (increased interest rates, charges, collateral requirements, etc.) than those who think they have improved. Moreover, the perception of Spanish businesses (and those of the euro area) about future expectations of the availability of bank financing have also improved, although much more so among large companies than SMEs.

Fiscal consolidation in Spain: Situation and outlook

Santiago Lago Peñas[1]

The Spanish government´s fiscal consolidation strategy through 2017 looks promising, but falls short of guaranteeing debt sustainability.

The Spanish government´s fiscal consolidation strategy agreed with the EU over the coming years is feasible and credible. The government has demonstrated its political will through adopting extraordinary measures to correct slippage and has taken a firmer stance with sub national treasuries. Expected economic recovery already underway should also lend support to the adjustment process. However, existing uncertainties remain over the ultimate impact of planned tax measures, as well as the efficacy of further spending cuts. Finally, despite our optimism over the government´s ability to reach deficit targets, the question of Spain´s debt sustainability remains. The combination of the accumulated stock of public debt and the low inflation rate demand higher rates of real growth and/or primary surpluses to keep the debt to GDP ratio in check. Unless the EU plays its part through increased stimulus measures, Spain will need more ambitious fiscal targets.

Introduction

Spain's public finances are currently going through a particularly difficult period. Imbalances and structural challenges are taking place in parallel with the deep recession that began in late 2008 and from which the economy is only just beginning to recover. Some of Spain's challenges are similar to those faced by many other European Union (EU) countries. For example, the impact of an ageing population on the pensions system, health and long-term care is not significantly more serious in Spain than for its European peers. Moreover, like Spain, many EU countries also have in common the need to improve budgeting processes and public expenditure efficiency by aligning them more closely with social returns. Globalisation is also challenging their fiscal systems' ability to tax the earnings of multinational groups, the income of the wealthiest individuals, or electronic commerce. In this context, Spain is receiving significant attention in the areas where it is furthest below the European average: fiscal consolidation and public debt sustainability, on the one hand, and tax reform, on the other. In this article, we will focus on the budgetary and financial scenarios, leaving concerns about the tax system aside.

[1] Professor of Applied Economics and Director of GEN, University of Vigo.

The 2013 budget and the government´s outlook for the period 2014-2017

Table 1 shows the evolution of various budgetary aggregates as a percentage of gross domestic product (GDP) over the period 2012-2017. Final data for the first two years are taken from the National Audit Office (Intervención General del Estado, IGAE). Estimates for the four-year period 2014-2017 are drawn from the government's forecasts stated in its budgetary documents (Ministerio de Hacienda y Administraciones Públicas, 2014a and 2014b). The majority of the attention has been focused on non-financial income and expenditure data and the difference between them - the public deficit (as well as the primary deficit, or the public deficit ex-interest payments). The one-off cost of the financial reform has been excluded throughout, as it is not an ordinary recurrent public expenditure. Finally, the figures for the aggregate deficit of the autonomous regions and local authorities are also provided, along with the real GDP growth rate, estimated by the National Statistics Institute (INE) for the period 2012-2013 and by the government's forecast for the period 2013-2017.

There was a slight (-0.22%) reduction in the total public deficit in 2013, accounted for solely by the increase in income (+0.59%). The increase in the consumption tax rate explains this rise in a context of economic depression, in which GDP fell

Deficit reduction in 2013 was small relative to the starting point and the deficit slightly exceeded the limit finally agreed with the European Commission. However, this was achieved in a year in which the economy was in recession, the output gap widened, and there was a significant rise in interest payments on public debt.

in real terms (-1.2%). Moreover, if the increase in debt interest payments is discounted, expenditure would have remained constant. In short, deficit reduction in 2013 was small relative to the starting point and the deficit slightly exceeded the limit finally agreed with the European Commission (-6.50%). However, it should be borne in mind that

Table 1

Actual and forecast change in the deficit and its main components for 2012-2017. Figures as a percentage of GDP

	2012	2013	2014 (F)	2015 (F)	2016 (F)	2017 (F)
Total public deficit	-6.84	-6.62	-5.5	-4.2	-2.8	-1.1
Interest	3.06	3.43	3.5	3.6	3.7	3.8
Primary deficit (-) or surplus (+)	-3.78	-3.19	-2.0	-0.6	0.9	2.7
Non-financial income	37.17	37.76	38.5	38.8	38.9	39.0
Non-financial expenses	44.01	44.38	44.0	43.0	41.7	40.1
Memorandum item: Deficit of sub-national treasuries	-1.64	-1.13	-1.0	-0.6	-0.3	0.0

Notes: The expenditure and deficit figures exclude the one-off cost of the financial reform. (F) indicates a forecast.
Source: The author, based on Ministerio de Hacienda y Administraciones Públicas (2014a and 2014b).

this was achieved in a year in which the economy was in recession, the output gap widened, and there was a significant rise in interest payments on public debt. Moreover, the GDP data for 2013 are still an initial estimate. The final figure, after the usual statistical revisions envisaged by Eurostat, is likely to be slightly higher. Consequently, the ratio relative to GDP is expected to drop and thus the degree of achievement of the 2013 targets is expected to increase.

Looking at the breakdown, the items that grew most relative to GDP were interest (+0.37%), social-security benefits (+0.32%), primarily pensions; and employee compensation (+0.16%). These increases were more than offset by the drop in direct public investment (-0.24%) and intermediate consumption (-0.19%). On the income side, the increase in tax collection from consumption taxes (+0.62%) stands out, including both VAT and duties on specific products. This increase explains the overall growth in income and offsets the significant drop in social-security contributions (-0.25%).

As regards the period 2014-2017, the government has embarked on a course towards fiscal consolidation situating the public deficit below 3%. The rate of consolidation is progressive (a reduction of 1.1% of GDP in 2014, 1.3% in 2015, 1.4% in 2016, and 1.7% in 2017) and follows the anticipated process of economic recovery. The cut in the public deficit of 5.5% of GDP rests on the reduction in public expenditure. Revenues are expected to grow by 1.2% and expenditure to contract by 4.3%. Indeed, as interest payments are expected to rise by half a point, the spending adjustment would come to five percentage points of GDP (4.8%). In short, just a fifth of the adjustment would rest on the increase in revenues.

Is Spain´s fiscal consolidation process credible?

There are reasons for taking the optimistic view that the fiscal consolidation process is credible and feasible. First of all, the public deficit has fallen in the last two years, despite the increase in debt interest payments and the effect of the recession, which has made the process considerably more difficult.[2] Moreover, exceptional measures have been taken that were not planned for in the budget (in terms of employee compensation or tax rates) to correct the deviations from the objectives. Finally, the government has undertaken to devote any increase in tax collection or drop in cyclical expenditure produced by better than expected GDP growth to deficit reduction (Ministerio de Hacienda y Administraciones Públicas, 2013). There is therefore less doubt over the political will to achieve the budgetary objectives.

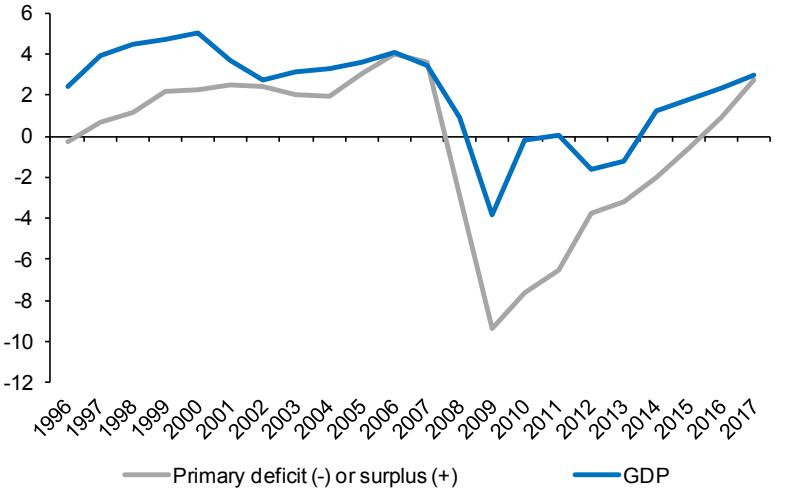
Secondly, the central government is excercising stricter control over sub-national treasuries. The government has not balked at paying the political price of a strategy many regional governments and nationalist parties perceive as an attempt at a political and financial recentralisation of Spain (Lago Peñas, 2013). The direct consequence of this

The government has not balked at paying the political price of a strategy many regional governments and nationalist parties perceive as an attempt at a political and financial recentralisation of Spain. The direct consequence of this greater control has been that sub-national treasuries' deficits have been cut substantially.

[2] According to Hernández de Cos and Moral-Benito (2013), the estimated public expenditure multipliers for the Spanish economy are higher than unity (1.4) in times of crisis and 0.6 in normal periods. These estimates are in line with more recent figures by Martínez and Zubiri (2014), which suggest a fiscal multiplier in the range of 1.3-1.7 during periods of stagnation and 1 in periods of growth.

Exhibit 1

Change in primary deficit as a percentage of GDP and real GDP growth rate (1996-2017)



Notes:The primary deficit excludes the one-off cost of the financial reform. EDP deficit estimates.

Sources: The author's calculations based on IGAE and INE for the period 1996-2013 and Ministerio de Hacienda y Administraciones Públicas (2014b) for forecasts.

greater control has been that sub-national treasuries' deficits have been cut substantially. The year ended with an aggregate deficit that slightly exceeded -1.1% and is comfortably below the targets agreed with the European Commission (-1.4%). The high degree of decentralisation of budget decision-making in Spain should therefore be regarded as less of a risk factor and cause for concern.

Thirdly, as can be seen clearly in Exhibit 1, which shows the change in real GDP and the primary deficit since 1996, the paths of these two variables are highly correlated. The anticipated trend in the deficit over the four-year period 2014-2017 is consistent with that of GDP.

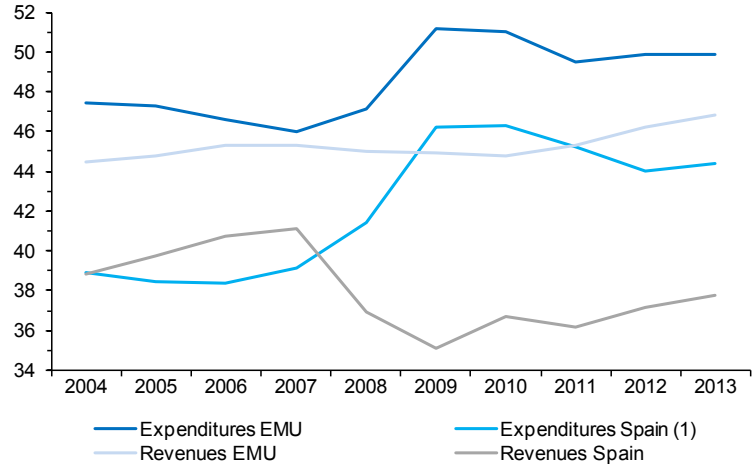
And fourthly, all the available indicators confirm that the Spanish economy has finally emerged from recession. The government's forecasts for 2014 and 2015 are in line with most of the available estimates. In March 2014, the consensus view of the analysts included in the FUNCAS *Panel forecast* predicted GDP growth of 1% in 2014 and 1.8% in 2015. Laborda and Fernández (2014) estimate the 2014 figure at 1.2%.

Having set out the grounds for optimism, it is also true that there are a number of factors that give rise to uncertainties that need to be cleared up or, at least, watched closely.

First of all, the quantitative impact of the measures announced by the government up to 2017 (Ministerio de Hacienda y Administraciones Públicas, 2013 and 2014b) is far from clear. On the revenue side, everything depends on how the announced tax reform is implemented. Official estimates on the effect of the tax reform reflect cuts in direct taxes, which are not fully compensated for by increases in indirect taxes. The slight increase in the revenues over GDP ratio would be explained by higher GDP growth rates. Hence most of the fiscal adjustment relies upon the cut in the expenditure over GDP ratio. This strategy does not fare well in comparisons with other European Monetary Union (EMU) countries (Exhibit 2). We will return to this point in the following section.

Exhibit 2

Public revenues and expenditures, Spain and EMU
Percentage of GDP



Note: (1) The expenditure figures for Spain exclude the one-off cost of the financial reform.
Source: Laborda (2014), based on Eurostat and Ministerio de Hacienda y Administraciones Públicas (2014a).

Setting aside the effect of economic growth on both the denominator of the expenditure over GDP ratio, and on automatic fiscal stabilizers, discretional planned measures on the expenditure side may not be enough. First of all, because GDP growth estimates for 2016 and 2017, when most of the deficit cut is planned, are quite optimistic. Especially taking into account the margin of potential error due to the uncertainty over the economic situation in the Euro zone.

The government's data on the adjustment looks at it from several perspectives. From the viewpoint of the economic classification of expenditure and in terms of the percentage of GDP, the item facing the deepest cuts between 2013 and 2017 is employee compensation (-1.8%), followed by social transfers (-1.2%), and intermediate consumption (-0.9%). Together, these total 3.9 percentage points, thus accounting for 70% of the deficit cut. The credibility of the adjustment therefore basically hinges on the credibility of the cuts in these three areas.

Let us start with staff costs. According to the *Labour Force Survey,* the total number of public sector employees in Spain at the end of 2013 was 2.79 million, down 13% from the peak in 2011. The level of public sector employment in late 2013 was similar to that in 2004. However, there has been no decrease in needs. Quite the opposite. With a similar range of public services and benefits, Spain's population has grown by 10% and its real GDP by 5%. In light of the sharp reduction in the number of employees and the successive salary cuts over the period 2011-2013, it is far from clear that it will be possible to balance the planned savings (-16% in GDP terms between 2013 and 2017) with maintaining the quality of services and public employees' work incentives. Moreover, the envisaged cut in intermediate consumption suggests that there are no plans to outsource service delivery to the private sector.

In the case of social-security benefits, despite recently enacted reforms, pensions, which are the main component, cannot be expected to shrink as

a share of GDP.[3] However, on this front it should be borne in mind that spending on unemployment benefits will drop as the economic recovery takes hold. According to La Caixa's forecasts (2014), the reduction in unemployment benefits spending could be in the 0.7% to 1% of GDP range between now and 2016.

The measures envisioned to have the most significant quantitative impacts are those related to local government reform. However, in real terms, spending by the autonomous regions is currently more than 20% down from its peak in 2009 and it is difficult to see where further cuts could be made without jeopardising the basic pillars of the welfare state.

The measures envisioned to have the most significant quantitative impact are those related to local government reform. However, preliminary assessments suggest that the projected savings may be overstated (IEB, 2014). Additionally, the significant cost-cutting effort already made by regional treasuries, which are financially responsible for the main public services (health, education and social services), should not be overlooked. In real terms, spending by the autonomous regions is currently more than 20% down from its peak in 2009 and it is difficult to see where further cuts could be made without jeopardising the basic pillars of the welfare state (Lago Peñas and Fernández Leiceaga, 2013). Moreover, it should not be forgotten that local and regional elections in 2015 could produce a temptation to delay promised adjustments to avoid being punished by voters.

Is the adjustment enough? Public debt sustainability

The basic conclusion of the preceding section is that the substantial improvement in the economic situation and the Spanish government's commitment in recent years make fulfilment of the consolidation scenario agreed with the European Commission feasible. The government's commitment offsets the doubts about the specific discretionary measures that have been announced so far, on both the expenditure and income sides.

However, the importance of fiscal consolidation goes beyond the need to comply with Spain's commitments: it is also crucial to reining in public debt and guaranteeing its sustainability. The question should therefore revolve around whether the cut in the deficit is sufficient to curb the rising debt-to-GDP ratio to first, start to bring it back to the euro area average, and second, to the 60% limit over the longer term.[4]

Given the foreseen combination of GDP growth, inflation, and cost of debt, Maudos (2014) concludes that a primary surplus of around 1.3% is needed to stabilise the debt-to-GDP ratio at the 94% level on which it ended 2013. The Spanish economy's extremely low inflation rate makes it particularly difficult to bring down the debt burden. For comparison, keeping all other factors equal, with a GDP deflator of around 2.5%, a primary balance would be sufficient. The problem, however, is that the targets for the period to 2017 are below this figure. Even without further deficit/debt adjustments, in a scenario of economic recovery and meeting the agreed fiscal consolidation targets, in 2016, Spain's public debt will pass the 100% of GDP threshold.

The sharp fall in the risk premium on Spanish public debt is good news and is helping curb the interest

[3] The State Budget for 2014 envisages pension expenditure growth of +4.9% compared with 2013 (Sanz-Sanz and Romero-Jordán, 2013).

[4] For a detailed analysis of the sustainability of Spain's public debt, see Gordo *et al*. (2013).

burden. However, it is insufficient, even in the scenario of a return to growth. The economy of the euro area in general and the Spanish economy in particular need to keep the fear of deflation at bay. This calls for more robust action by the European Central Bank (IMF, 2014) and fiscal expansion in those countries with sufficient leeway. If this does not happen, a further tightening of the screw looks inevitable, with the setting of more ambitious primary surplus targets, particularly for 2014 and 2015, if the escalating debt-to-GDP ratio is to be halted. In this regard, Exhibit 2 points towards the need for a more balanced recourse to measures on the expenditure and income sides in cutting the public deficit than proposed by the government's budgetary consolidation scenarios.

Concluding remarks

The last ten years have been the most extraordinary decade in the history of Spain's public finances. In the first part of the period, the rapid growth of income and nominal GDP produced significant primary surpluses and a drastic cut in the debt-to-GDP ratio, which dropped to 36% in 2007. Spain was one of the countries that best complied with the Stability and Growth Pact, making it the star pupil and a fiscal model. But the crisis changed everything abruptly. The deficit soared to unprecedented levels, and the debt began to climb, reaching 94% of GDP. Uncertainty as to the sustainability of Spain's public debt drove up the risk premium and the expectations of a bail out or a haircut.

Fortunately, over the past year the situation has improved considerably. The support from the European institutions, the incipient recovery of the Spanish economy, and the adjustment efforts on all levels of government have combined to ease international financial markets' fears and generate confidence that the public finances are getting back on track to sustainability. In this regard, the scenario agreed for the 2014-2017 period appears to set an achievable target, although much remains to be done to consolidate the path to adjustment. The fiscal reform currently being hammered out needs to take its contribution to fiscal consolidation into account, and this consolidation will likely need to go well beyond the Spanish government's current projections.

In any event, this successful fiscal consolidation may be insufficient to allow a simultaneous slowing and drop in the public debt-to-GDP ratio; unless the European Union and the ECB are able to implement stimulus measures promoting nominal GDP growth in the euro area and hence in Spain. The combination of the accumulated stock of public debt and the low inflation rate demand higher rates of real growth and/or primary surpluses to keep the ratio in check.

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Wage adjustment in Spain during the economic crisis

Daniel Fernández Kranz[1]

Eliminating composition bias reveals there has been some flexibility of wages in Spain in response to the economic crisis. However, the distribution of the adjustment has been uneven.

Spain´s economy has largely responded to the economic crisis through job destruction. However, data adjusted for composition bias show there has been some wage adjustment in response to the adverse demand shock of the recent recession, in part supported by measures of the February 2012 Labor reform. While the wage adjustment process in Spain has been uneven, it has not been the cause of an increase in income inequality. The burden of the wage adjustment process has fallen more heavily on workers in higher paying jobs before the crisis, as well as on workers in the public sector. Adjustment has also been larger in the construction sector and in provinces with the greatest increases in the unemployment rate.

Since 2008, Spain has lost more than 3.6 million jobs (17% of the total number of jobs in 2008). The job destruction process has been more severe in Spain than in any other developed economy and as a result of this, the unemployment rate increased in less than six years from around 8% to 26%. Spain has continued to destroy jobs in 2013 although the unemployment rate started to decrease in the first months of 2014.

Back in 1994, the Spanish unemployment rate was 24%. That year marked the peak of another economic recession that had its origins in another real estate bubble, the one of the early nineties which was spurred by the integration of Spain into European markets, and by events such as the *Universal Exposition of Seville* and the *Barcelona Olympic Games* in 1992. Then, as well as now, Spain's labor market has largely adjusted to the economic recession through massive job destruction. Other economies have navigated through the difficult years of the economic crisis slightly differently. There, wages have fallen to a larger extent and instead employment has remained relatively stable, at least compared to Spain.

Policymakers have reformed the Spanish labor market on several occasions, the last one in February 2012, in an attempt to make wages more flexible and to stop the loss of jobs. And yet, the issue as to whether wages in Spain have or have not adjusted downwards in recent years, and to what extent, remains a topic of interest.

Recently published statistics have shown a significant decrease of average labor earnings in Spain. But those statistics suffer from the so-called composition bias. They typically look at

[1] Associate Professor of Economic Environment, Chair of the Department of Economic Environment, and Fellow, Center for European Studies, IE Business School.

the average level of wages in a given industry, sector, or for a group of workers. But as millions of workers lose their jobs, individuals that remain employed in each industry or sector may be radically different from those that are laid off and this affects the calculation of average wages. For example, if high wage workers lose their jobs at a higher rate than low wage workers, then the average level of wages will show a declining trend simply because the survivors had lower wages to start with. The opposite will happen if low wage workers are the ones being laid off. Thus, statistics that suffer from this composition bias will underestimate or overestimate the degree of wage adjustment depending on whether it is the high or the low wage workers the ones that lose their jobs in larger numbers.

This article provides evidence on the wage adjustment process in Spain after removing the composition bias. This is done using work life histories of 39,188 individuals[2] observed working full-time each quarter for the same firm between 2008 and 2012.[3] The data comes from the Administrative records of the Spanish Social Security database (Muestra Contínua de Vidas Laborales in Spanish) and provides information about the gross monthly salary of each worker, each month, as well as individual and job-related characteristics. Wage trends are computed for each type of job by looking at the wages of workers who remained employed in the same firm during the entire sample period. Because individuals are the same ones during the entire sample period, the main advantage of this procedure is that the data does not suffer from the composition bias, which is present in other statistics.

The wage information comes from individuals that have worked full-time for the same firm, uninterrupted, during the first five years of the economic crisis. Therefore, the wage trends shown must be understood as wage rates for a given job (employee-firm match). These wage trends do not capture the evolution of labor income for a given worker. Workers that have lost their jobs or that were forced to change jobs may have suffered a wage loss considerably bigger than the one shown. To study the evolution of job wage rates, rather than workers' labor income, is interesting because this measure of wages offers a good idea of how the wage setting process has been affected in Spain as a result of the economic crisis.

Main findings

Data show that job wages in Spain continued to increase during most of 2008, 2009 and part of 2010. Wages of high paying jobs started to decrease in 2010, one year earlier than wages of low paying jobs. The increase of wage rates during the first two or three years of the economic crisis is quite shocking given that the economy was losing jobs at a very high speed during those years. Wages decreased in real terms (after controlling for inflation) an average of 4.1% between 2010 and 2012 and a very modest 1.4% since 2008. A big part of this decrease owes to the wage adjustment process in the public sector since private sector wages decreased only 3.4% since 2010 (compared to the 8% decrease in the public sector). This is a very modest adjustment which clearly contrasts with the rapid increase of the unemployment rate during those years.

The increase of wage rates during the first two or three years of the economic crisis is quite shocking given that the economy was losing jobs at a very high speed during those years.

Of the 4.1 percentage points decrease since 2010, 1.6 correspond to the period between 2010 and 2011 and 2.5 to the period between 2011 and 2012.

[2] All individuals are males.

[3] Unfortunately, information about 2013 is still unavailable and therefore the analysis covers the years of the economic crisis from 2008 and until 2012.

This indicates that the February 2012 reform has increased wage flexibility in Spain.

A general pattern in the data is that wages have fallen more in jobs that used to pay higher salaries at the beginning of the economic crisis. For example, wages decreased more in white collar jobs, in large firms, in the public sector, and in jobs with older and more educated workers. This last evidence runs counterintuitive to recent claims that the economic crisis has increased income inequality in Spain. If it did, this increase in inequality must have come from other channels, such as different groups of workers losing their jobs at different rates.

Finally, wages have adjusted to a larger extent in the construction sector and in Spanish provinces where the unemployment rate has increased the most. This reinforces the idea that Spanish wages are somewhat flexible in the sense that they have adjusted according to the severity of the negative demand shock in each sector and region.

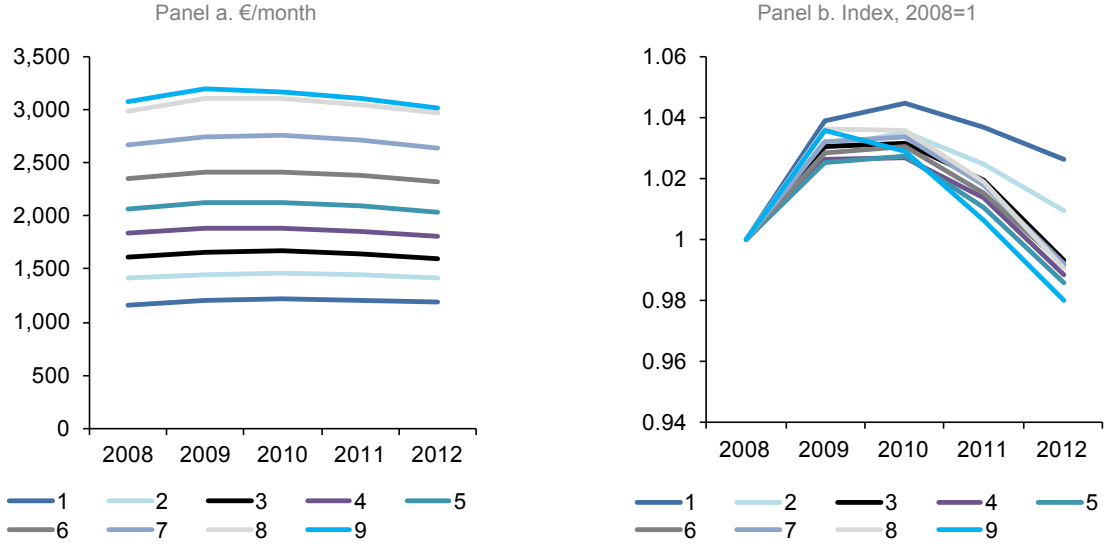
Wage adjustment across types of jobs

This section shows the wage adjustment process for different types of jobs defined by their initial wage level, the size of the firm and the type of contract that the workers in these jobs had at the beginning of the economic crisis in 2008. The exhibits in this section and in the rest of the article all have the same structure, with two panels each. Panel (a) shows the median monthly gross wage from 2008 to 2012[4] and panel (b) shows the rate of change of the same wages by normalizing their value to 1 in 2008.

Exhibit 1 shows the evolution of the gross monthly wage of jobs according to their position in the wage distribution in the first quarter of 2008. Jobs are split in 10 groups. Decile 1 corresponds to the 10% of jobs that paid the least in 2008, decile 10 corresponds to the 10% of jobs that paid the most in 2008, etc.[5] The figure shows that for the majority of jobs, wages increased until 2010. For example,

Exhibit 1

Monthly gross salary by position (decile) in the wage distribution: 2008-2012



Source: Author´s own elaboration and Social Security database *(Muestra Contínua de Vidas Laborales).*

[4] Wages are expressed in real terms (2008€) and deflated using the *Consumer Price Index.*

[5] The figure omits workers in the 10th decile due to topcoding (i.e., the data does not capture the changes in the salaries of those workers because the information is top coded in Social Security records).

for the median income group (decile 5), salaries increased 2.7% from 2008 to 2010.

A usual claim is that the economic crisis has caused an increase of income inequality in Spain. Data indicate this increase of income inequality is not due to the wage setting process.

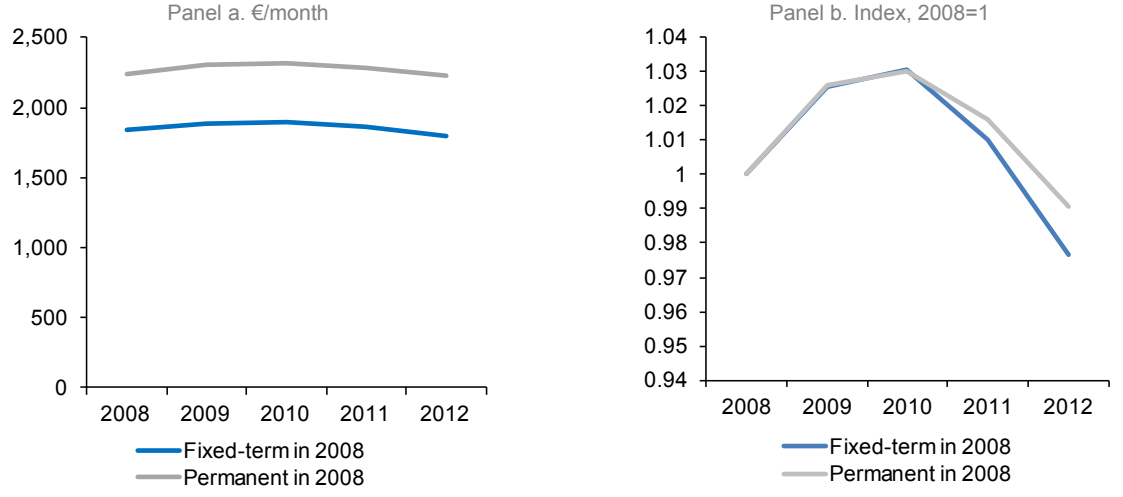
A usual claim is that the economic crisis has caused an increase of income inequality in Spain. The data in Exhibit 1 indicate this increase of income inequality is not due to the wage setting process. In fact, from the figure we can see that wages of low paying jobs (low deciles) increased more than the rest during 2008 and 2009 and continued to increase in 2010 when the wages of high paying jobs started to decline. Furthermore, and since 2010, wage rates decreased more in high paying jobs than in other jobs. For example, whereas the wages of jobs in the 1st decile of the wage distribution declined 1.8%, wages of jobs in the 4th decile decreased 3.8% and top paying jobs, in the 9th decile, lost 4.8%.[6] As a result of this, the ratio of wages of jobs in the 9th decile to jobs in the 1st decile went from 2.64 in 2008 to 2.52 in 2012. The reasons for these trends are unclear, but probably they have to do with wage floors imposed by different types of regulations and the wage setting process in Spain, which ensures that the wages of workers in the low positions of the wage distribution do not fall below a certain level.

It is important to remember that the exhibit shows the wages of jobs by looking at workers that remained employed full-time and for the same firm from 2008 to 2012. Income inequality could still increase if workers that lose their full-time jobs have to rely on lower paying part-time jobs or if displaced workers have to accept lower paying full-time jobs in other firms.

Exhibit 2 shows the change of wages of jobs according to the type of contract (permanent or

Exhibit 2

Monthly gross salary by type of contract in 2008 and year: 2008-2012

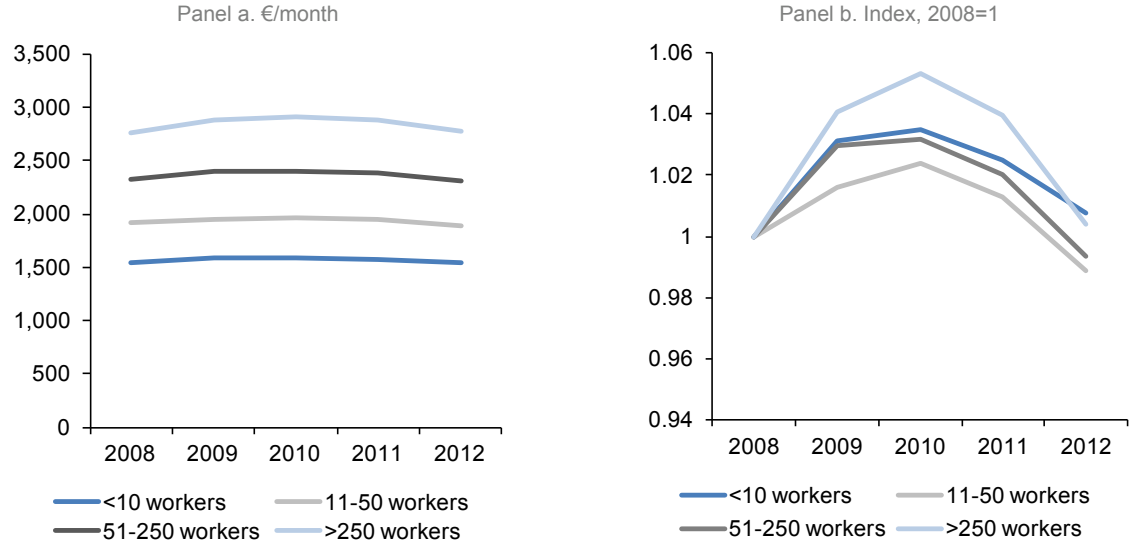


Source: Author´s own elaboration and Social Security database *(Muestra Contínua de Vidas Laborales).*

[6] This data probably underestimates the decrease of the wages of high paying jobs. The reason is that the wage measure in the dataset does not include overtime pay and bonus pay, which is likely more important for high paying jobs and which was probably cut during the economic crisis.

Exhibit 3

Monthly gross salary by firm size and year: 2008-2012



Source: Author´s own elaboration and Social Security database *(Muestra Contínua de Vidas Laborales).*

fixed-term) at the beginning of the economic crisis in 2008. Both types of jobs show the same rate of wage increase until 2010. Since then, the wages of fixed-term jobs have decreased more than the wages of permanent jobs. Wages of fixed-term jobs decreased 5.4% from 2010 to 2012 compared to 3.9% for permanent. According to this evidence, a permanent contract has protected workers in those jobs not only against the possibility of being laid off, but also against a more intense wage reduction.

Exhibit 3 shows the evolution of wages of jobs grouped according to the size of the firm. Although wages of jobs in medium-size firms have experienced the largest loss since 2008, the figure clearly shows that wages have become more flexible in larger firms, with a 5.3% decrease in the last two years. The reasons for this are probably varied. On the one hand, and as the figure shows, real wages in firms of more than 250 employees had increased significantly before 2010. On the other hand, the February 2012 reform has allowed firms to deviate from collective agreements signed at the sector or regional level. Although all firms can potentially use the leeway granted by the reform, it is large firms the ones better endowed with the skills and resources to negotiate their own wage agreement. Finally, wages are on average higher in very large firms, which gives those firms more scope for wage reductions in the midst of a recession.

Wage adjustment across jobs defined by worker characteristics

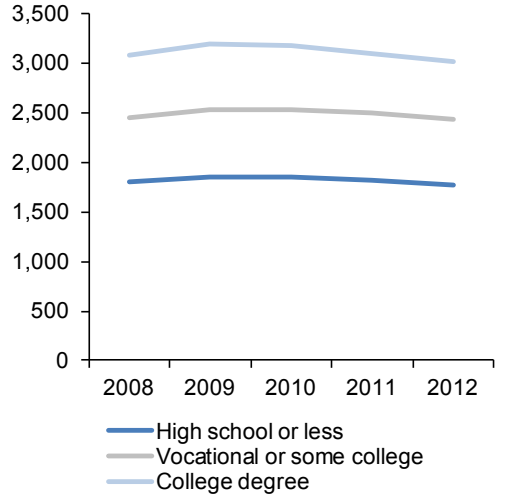
This section looks at the evolution of wages of jobs according to the characteristics of workers in those jobs: their level of education, the type of occupation they had in 2008 and their age in 2008. In general, workers with higher initial earnings have suffered a more drastic wage decline in the period between 2010 and 2012. Wages have decreased more in white collar jobs, in jobs with more educated workers and for older workers.

Exhibit 4, shows the wage evolution of jobs of workers with different levels of education. The salaries of jobs with college educated workers

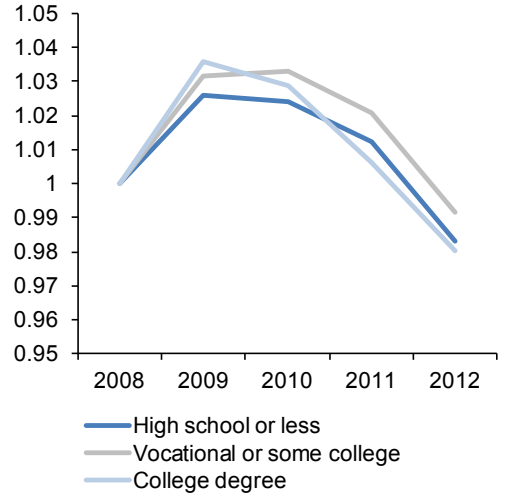
Exhibit 4

Monthly gross salary of workers by their level of education: 2008-2012

Panel a. €/month



Panel b. Index, 2008=1

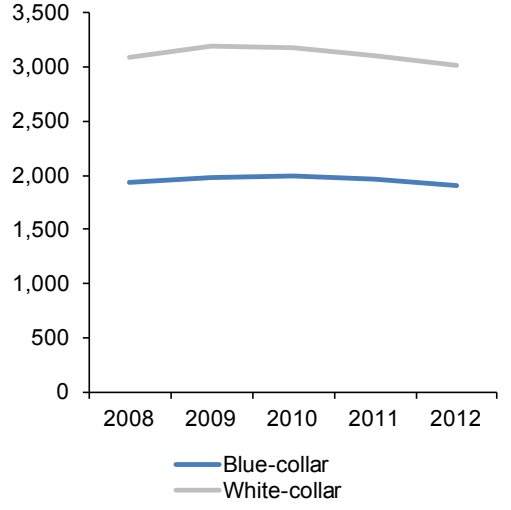


Source: Author´s own elaboration and Social Security database *(Muestra Contínua de Vidas Laborales).*

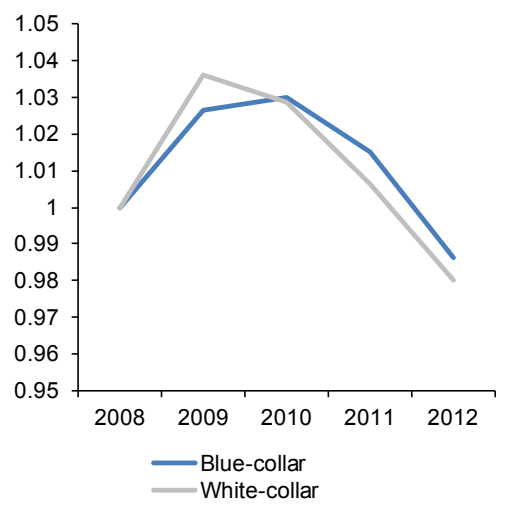
Exhibit 5

Monthly gross salary of workers by their type of occupation in 2008: 2008-2012

Panel a. €/month



Panel b. Index, 2008=1

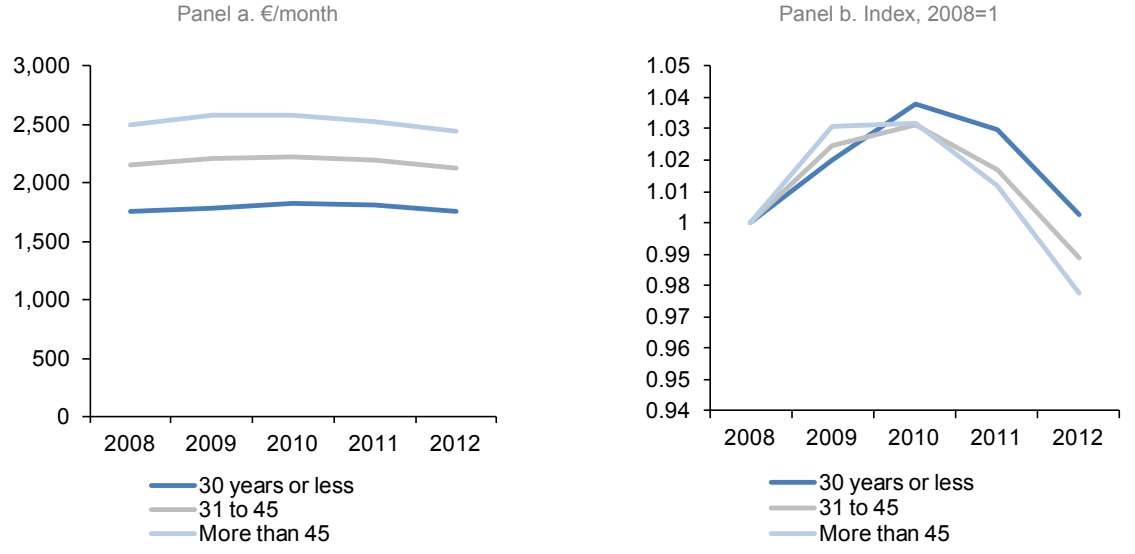


Source: Author´s own elaboration and Social Security database *(Muestra Contínua de Vidas Laborales).*

have decreased the most. Since their peak value in 2009, wages in those jobs have declined 5.6%. Instead, wages of jobs with less educated workers have lost on average 4.2% during the same years. The pattern is similar if instead of looking at the level of education, we focus on the type of occupation in 2008. This is shown in Exhibit 5. Whereas wages of blue-collar jobs decreased

Exhibit 6

Monthly gross salary of workers by their age in 2008: 2008-2012



Source: Author´s own elaboration and Social Security database *(Muestra Contínua de Vidas Laborales).*

4.3% since 2010, white collar wages declined 5.6% and started to decrease one year earlier. Finally, Exhibit 6 shows that jobs with older workers have lost 5.4% compared to jobs with workers less than 30, who lost 3.5% in real terms. This evolution implies a significant reduction of wage inequality between workers of different ages. For example, whereas in 2008 workers above 45 earned 42% more on average than workers below 30, this gap decreased to 38% five years later.

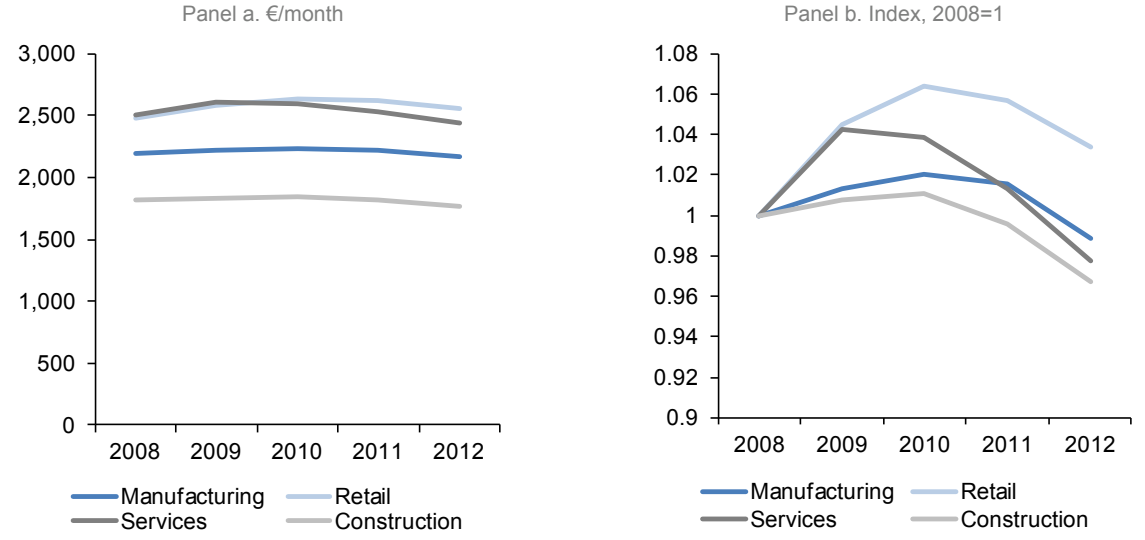
Wage adjustment by sector and region of employment

This section examines the evolution of wages of jobs in different sectors of the economy and in different regions. The recession has affected each economic sector and region with different intensity. For example, job destruction has been particularly severe in the construction sector where 65% of the jobs in 2008 are lost. Also, each Spanish province has seen its unemployment rate increase at a different speed, which probably reflects their different sector specialization as well as labor supply components. An interesting question is whether wages have adjusted downwards more in sectors or in provinces where the job destruction process has also been more intense. After all this is what one would expect in a flexible labor market where wages respond to demand and supply conditions.

Exhibit 7 shows the wages of jobs in manufacturing, retail, services or construction. Construction jobs are the ones experiencing the biggest drop in wages since 2008 (3.3% since 2008 and 4.4% since the peak value in 2010). This is consistent with the idea that wages have fallen more in the sectors more severely hit by the economic recession. The same idea arises from Exhibit 8, from comparing across the 52 Spanish provinces the change in wages from 2010 to 2012 with the increase of the rate of unemployment. The figure includes the linear trend that best fits the data. On average, wages decreased more in the provinces that had the largest increase of unemployment. The correlation coefficient between these two variables is negative and large (-0.39).

Exhibit 7

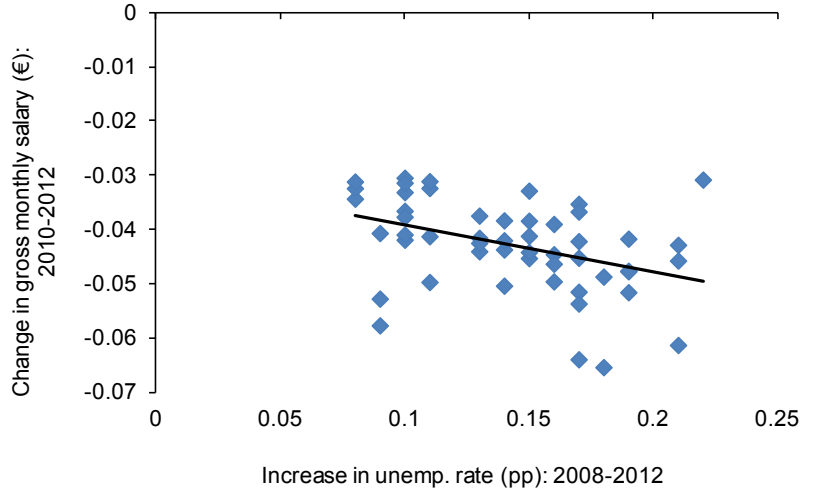
Monthly gross salary of workers by their sector of employment in 2008: 2008-2012



Source: Author´s own elaboration and Social Security database *(Muestra Contínua de Vidas Laborales).*

Exhibit 8

Change in salaries and change in the rate of unemployment across Spanish provinces: 2008-2012



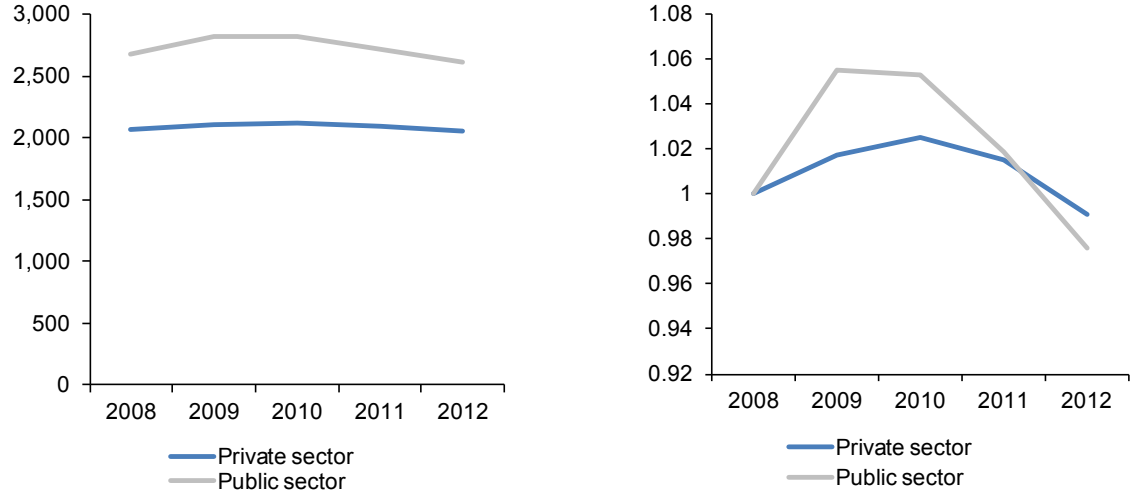
Source: Author´s own elaboration and Social Security database *(Muestra Contínua de Vidas Laborales).*

Wage trends in the public and the private sectors

Public sector wages have traditionally behaved independently of the economic cycle. Wages in the public sector are set by law, rather than by demand and supply forces and therefore could potentially be quite rigid in the face of a changing economic situation. However, the Spanish government has been under stress due

Exhibit 9

Wage trends in the public and the private sectors: 2008-2012



Source: Author´s own elaboration and Social Security database *(Muestra Contínua de Vidas Laborales)*.

to its growing deficit and public debt. International financial markets and international institutions have pushed the Spanish government to take significant fiscal consolidation measures since 2010. An important question is whether the evolution of wages in the public sector reflects these fiscal consolidation efforts and whether wages in the public sector behaved differently or not from wages in the private sector.

An important question is whether the evolution of wages in the public sector reflects fiscal consolidation efforts and whether wages in the public sector behaved differently or not from wages in the private sector. All in all, the wage adjustment process has been more intense in the public sector than in the private sector since 2008.

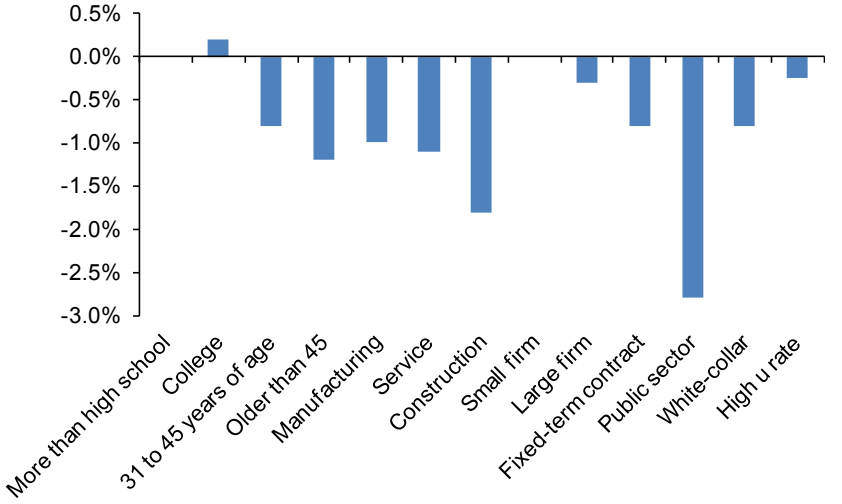
Exhibit 9 shows how differently wages in the public sector behaved compared to the wages in the private sector. In the public sector, wages increased a remarkable 5.5% during 2009, to then decrease 8% until 2012. This contrasts with wages in the private sector, which decreased a more modest 3.4% since its peak value in 2010. All in all, the wage adjustment process has been more intense in the public sector than in the private sector since 2008, with public sector jobs losing 2.4% compared to 0.8% in the private sector.

Regression analysis

Exhibits 1 to 9 have looked at the impact of job characteristics on the evolution of wages. The problem of this type of analysis is that often one or more of those characteristics are correlated with each other, which complicates the interpretation of the results. For example, wages decreased more in the public sector and in white collar jobs. But if public sector jobs are mainly white collar jobs, we do not know if the result that we find is due to the fact that these jobs are public sector jobs, or to their white collar attribute (or to both). Regression analysis offers a solution to this problem by looking at the effect of one variable after controlling for the value of others. Exhibit 10 shows the result of this type of analysis.

Exhibit 10

Impact of each job related attribute on the rate of wage decrease



Source: Author´s own elaboration and Social Security database *(Muestra Contínua de Vidas Laborales)*.

Exhibit 10 shows the coefficient or the magnitude of the impact of each variable on the rate of change of wages since 2010, the years of the biggest drop in salaries. The results of this analysis in general confirm the previous findings. With the only exception being education, which now is not a significant factor, wages decreased more in jobs of older workers, in jobs in construction, in white collar jobs, in large firms, in the public sector and in provinces where unemployment increased the most.

In sum, this analysis confirms that wages in Spain have adjusted downwards in response to adverse demand shocks of various degrees across sectors and provinces. It also confirms the finding that the burden of the wage adjustment process has fallen more heavily on public sector workers and on workers in jobs that paid higher wages before the economic crisis started.

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)

National Securities Market Commission (CNMV) Circular on requirements for internal organisation and control functions in entities providing investment services (Circular 1/2014, published in the BOE on April 3rd, 2014)

The Circular primarily includes measures affecting the compliance function in credit institutions providing investment services. In broad terms, the main features of this regulation are:

- Its **scope** includes Spanish investment firms and EU investment firms operating in Spain, credit institutions, branches of credit institutions and investment firms from Member States of the European Union, and agents established in Spain acting for entities incorporated in other EU countries.

- The **administrative or management body** of entities providing investment services will be responsible for establishing and maintaining an appropriate organisational structure and implementing the internal organisation requirements, which include the requirement that a unit performing the regulatory compliance function be set up and maintained.

- The **tasks** that units performing regulatory compliance, risk management, and internal audit functions **are to carry out,** and their obligations regarding reporting to senior management and the CNMV are set out.

- The requirements applicable to the **delegation of control** functions are addressed, and entities are required to have internal manuals setting out the policies and procedures established. These manuals must be made available to the CNMV.

CNMV Circular 3/2013 of June 12th, 2013, on the implementation of certain obligations to provide information to investment services clients, in relation to the assessment of the suitability of financial instruments, has also been amended. In particular its scope has been narrowed such that it is **no longer applicable to certain professional clients.** Entities do not need to obtain a handwritten statement when conducting transactions with clients of this type.

The Circular is applicable to **credit institutions** in so far as they provide investment services or auxiliary services, and solely with regard to the scope of these services, while bearing in mind their nature, scale and complexity. Specifically, the Circular's provisions on **internal organisation requirements** are applicable to credit institutions operating in Spain. Consequently, the sixth (risk management function), seventh (internal audit function), eighth (delegation of control functions and other obligations) and ninth (limits to scope of application) rules are not applicable.

Therefore, credit institutions providing investment services are mainly affected by the **measures concerning the compliance function.**

The regulation establishes that entities providing investment services must **adapt their structure**

to the Circular's requirements by **December 31st, 2014.**

Finally, CNMV **Circular 1/1998,** of June 10th 1998, on internal systems for the ongoing risk control, monitoring and assessment, is repealed.

Royal Decree-Law adopting urgent measures on the refinancing and restructuring of corporate debt (Royal Decree-Law 4/2014, published in the BOE on March 8th, 2014)

This Royal Decree-Law aims to help companies clean up their balance sheets and return to financial health, such that their remaining debt is sustainable, so as to allow companies to meet their commitments in the course of trade. It also introduces mechanisms whereby debt can be converted into capital. As a consequence, the Royal Decree-Law makes improvements to the legal framework for pre-bankruptcy refinancing agreements, amending Law 22/2003 of July 9th, 2003, on Bankruptcy (referred to here as the Bankruptcy Law).

1. Amendments to the Bankruptcy Law

- Submission of a **notice of commencement of negotiations** towards a refinancing agreement is sufficient to suspend the court's awarding of assets necessary for the continuation of the debtor's professional or business activity as settlement of debts during the envisaged duration of the negotiations.

  Individual claim proceedings by creditors holding financial liabilities may not be commenced or shall be suspended, provided that holders of not less than 51% of the financial liabilities are accredited to expressly support the negotiations towards the signing of the refinancing agreement, with the undertaking not to begin or continue individual claims against the debtor while negotiations are under way.

- Proceedings to recover shares or holdings in companies solely engaged in the holding of an asset or liability necessary for its financing are excluded from the **suspension of claims against collateral backed assets,** such that this suspension is limited to those assets that are necessary for the continuation of the debtor's professional or business activity.

- The **requirement for an independent expert report is eliminated,** it being replaced by a certificate accrediting that the majority required for adoption has been obtained. However, both the debtor and the creditors may request the **appointment of an independent expert** to report on the feasibility plan, the proportionality of the guarantees, or any other circumstances.

- A new category of **refinancing agreements that are deemed irrevocable,** subject to certain conditions, has been introduced. Court-approved financing agreements are also deemed irrevocable.

- **Legitimacy** for proceedings to challenge an agreement remains limited to the receiver in bankruptcy and may only apply in the absence of the conditions stipulated in the regulations. Other legal challenges are also limited to the receiver in bankruptcy.

- As a means of creating incentives for new financing, **all new cash inflows** are given the status of **credit with a claim against the estate,** including those from a refinancing agreement and cash flows from the debtor or closely related parties, excluding capital increases. This measure has been adopted on a **temporary and extraordinary basis** for all new cash inflows taking place in the two years following the entry into force of the Royal Decree-Law.

- It is envisaged that parties becoming shareholders as a result of the conversion of debt into capital through a refinancing operation

should not be considered **closely related parties** for the purposes of classifying the financing granted as a result of this operation as subordinated.

Similarly, creditors who have signed the refinancing agreement for obligations assumed by the debtor in relation to the feasibility plan **shall not be considered de facto directors.**

- In order to encourage the **transformation of debt into capital,** a new case is added in which **fraud or gross negligence** is presumed when the debtor refuses, without good cause, to capitalise credits, securities issues, or convertible instruments, thereby hampering the achievement of a refinancing agreement.

- A **revision of the system of court approval of refinancing agreements** has been undertaken, whereby the scope of application is expanded to include all types of financial liabilities, excluding creditors for commercial operations and creditors for public liabilities.

  The extension to **dissenting creditors** (those who have not signed the refinancing agreement or have stated their disagreement with it) of **moratoriums** is enabled, and, with a greater percentage of liabilities, of other measures agreed within the refinancing agreement, as is the case of **haircuts, debt-equity swaps, and transfers of assets** in/for payment of debt.

  The possibility of extending the effects of the agreement to certain creditors with collateral is envisaged and the **approval procedure has been simplified** such that the court hears the application directly. In order not to undermine the value of the guarantee in the event of default by the debtor, special rules have been established allocating the remainder to the creditor.

  In addition, a measure has been established to avoid the overweighting of certain minority shareholdings in **syndicated financing agreements,** defining a limit on the percentage of votes in favour in the syndicate in the case of an overall refinancing agreement for the debtor.

2. Other provisions

- The Bank of Spain is authorised to establish and publish uniform criteria for the **classification of restructured operations** resulting from refinancing agreements **as normal risk,** within a period of one month.

- **Transitional arrangements:** in the case of refinancing agreements that are being negotiated at the time this Royal Decree-Law comes into force, the previous rules shall be applicable if the debtor has aleady applied to the mercantile registrar for the appointment of an **independent expert,** unless the parties opt for the same in the refinancing agreement.

- Other rules, such as the Code of Civil Procedure or various tax rules, have also been modified.

Draft Bill of a law to promote corporate finance

On March 5th, the Government published the draft bill for a law to promote corporate finance, containing a series of measures to enhance access and flexibility of bank finance for SMEs and stimulate a recovery of bank credit. It also incorporates measures to promote the development of alternative means of financing.

Broadly, the text regulates the following points:

- **Credit institutions are required to give** at least three months **advance notice** and specific information on the credit status of those SMEs whose financing is due to be cancelled or substantially reduced.

- **The functioning of mutual guarantee societies is to be enhanced** through the capitalisation

vis-à-vis the creditor of the reguarantee of the Compañía Española de Reafianzamiento, in the case of default by the mutual guarantee society on first demand. Additionally, to bolster these companies' management, professionalism and good governance, the requirements of good repute, knowledge and experience applicable to directors of credit institutions will extend to them.

- The bill adapts the **legal framework applicable to finance companies** as a result of their loss of the status of credit institutions under CRR and CRD IV. The aim is to provide these entities with a more effective legal framework so as to maintain and promote their activity, which is geared towards corporate and consumer finance through alternative channels to the banks.

- Three-pronged **improvement to securitisation regulations:** firstly, unifying the regulatory dispersion on the subject to ensure consistency; secondly, bringing Spain's legal framework closer to that of neighbouring countries; and, finally, offering maximum legal security and legal support to customary operations in the securitisation area, strengthening requirements in terms of transparency and investor protection.

- **Promoting the operation of the alternative stock market** (MAB), by facilitating the transition of companies listed on the stock exchange to this alternative trading platform. To do so, the requirement to submit an offer for the delisting of the company will be replaced by a less burdensome procedure, guaranteeing adequate protection of minority shareholders.

- The **bond issue system** will be improved, with the introduction of a variety of company regulation measures to facilitate Spanish companies' direct access to debt markets by lifting issue limits.

- Participatory financing platforms known as **"crowdfunding"** are being regulated in Spain for the first time. The aim is to regulate this phenomenon, already present in neighbouring countries, whereby investors and projects seeking funding are put in direct contact with one another via electronic platforms. The objective is to promote this new tool for direct financing of business projects in their early stages of development, while protecting investors. To this end, these platforms are required to be transparent and to provide investors with adequate information. Limits are also set on individual investors' investments per project of 3,000 euros and per platform of 6,000 euros a year.

This bill is currently being debated in parliament, so may undergo amendments.

Spanish economic forecasts panel: May 2014[1]

FUNCAS Economic Trends and Statistics Department

The growth estimate for 2014 has been raised a tenth of a percent to 1.1%

According to the preliminary quarterly national accounts data, GDP grew by 0.4% in the first quarter of 2014, beating the consensus estimate in the previous Forecasts Panel by one tenth of a percentage point. The only indicators available for the second quarter are the number of people registered with the social security system, registered unemployment, and PMI confidence indices for April, which all point towards a continuation of the upward trend.

The consensus GDP growth forecast for 2014 has been raised one tenth of a percent to 1.1%. Eight of the panel's participants have revised their estimates upwards.

This revision is due to faster than expected growth in domestic demand, which is projected to make a contribution to growth of 0.4 percentage points (pp), while the external sector's projected contribution dropped to 0.7 pp. All the components of domestic demand –public and private consumption, and gross fixed capital formation– have been revised upwards, as have imports –in line with the faster anticipated growth of domestic demand.

However, the consensus view is that quarter-on-quarter growth will stay at 0.4% throughout the year.

The forecast for 2015 has risen to 1.9%

The consensus forecast for 2015 has also been raised one tenth of a percentage point, to 1.9%, while its composition has also been changed, with an increase in the expected contribution of domestic demand and decrease in that of the external sector. A quarter-on-quarter growth rate of 0.5% is expected throughout the period, which is only slightly higher than that envisaged for 2014.

Further improvement in the industrial activity forecast

The industrial production index in the first quarter of 2014 rose by 2% (in annualised terms) compared with the previous quarter. This rise was 5.2% in the case of the manufacturing industry, as the change in the energy production component was highly negative.

The consensus forecast for this indicator's growth in 2014 has been revised upwards again, to 1.7%, while in 2015 a 2.8% increase is expected (which is the same as in the previous Panel).

Inflation was lower than expected

The inflation rate turned negative in March due to the Easter calendar effect, turning positive again, albeit low, in April once the effect had passed. Despite the expected economic recovery, inflationary pressures on both the supply and

[1] The Spanish Economic Forecasts Panel is a survey run by FUNCAS which consults the 18 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 18 individual contributions. The forecasts of the Spanish Government, the Bank of Spain, and leading international organisations are also included for comparison, but do not form part of the consensus forecast.

demand sides will remain very weak, such that the forecast average rate for 2014 is 0.4%, which is two tenths of a percentage point lower than in the previous Panel, and the rate forecast for 2015 is 1.0%, one tenth of a percentage point lower.

The year-on-year rate for the end of the year (Table 3) has also been revised downwards, to 0.7% in December 2014 and 1.2% in December 2015.

The employment forecast has improved

The two main statistics measuring employment in Spain (Labour Force Survey and social security enrolments) yield contradictory results for the first quarter of 2014: the LFS shows a drop in employment both on a seasonally adjusted quarter-on-quarter basis and on a year-on-year basis, while the social security enrolment figures show growth in both quarter-on-quarter and year-on-year terms. This growth continued and intensified at the start of the second quarter.

In any event, the outlook for this variable has again been revised upwards, as was the case in the previous Forecast Panels, with growth of 0.5% this year and 1.2% the next. The forecast for the unemployment rate has dropped substantially, and is down by four and five tenths of a percent to 25.0% and 23.7% in 2014 and 2015, respectively. This is basically due to the fact that the National Statistics Institute (INE) recently updated the population figures, resulting in a three tenths of a percentage point drop in the unemployment rate for 2013. The sharp contraction in the labour force in the first quarter of the year may also have been a factor.

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 both 2014 and 2015, while ULCs, are expected to drop by 0.5% this year, and rise marginally (by 0.1%) next year. This suggests that the rate of recovery of cost competitiveness is moderating.

The trade surplus will increase in 2014 and 2015

The expected current account surplus has been revised downwards to 1.4% of GDP in 2014 and 1.7% in 2015, in line with expected faster growth in domestic demand. In any event, both figures represent an improvement on the 0.8% registered in 2013.

The public deficit is forecast to be smaller

The public deficit, excluding aid to financial institutions, came to 6.6% of GDP in 2013, overshooting its target by a tenth of a percentage point. In the months to February 2014, the combined deficit of the central government, the autonomous regions, and the social security administration was 0.9% of GDP, one tenth of a percentage point less than in the same period the previous year. However, the early months of the year tend not to be very representative.

The government's forecast in the Stability Programme presented on April 30th is for the total general government deficit to come to 5.5% of GDP this year, three tenths of a percent below the target. According to the consensus forecast, the deficit will hit the initial target exactly, at 5.8% (the previous Panel forecast was 5.9%). The deficit forecast for 2015 is 4.8%, two tenths of a percent lower than in the previous Panel, but still somewhat higher than the 4.2% target.

The external context is expected to improve

U.S. GDP grew by just 0.1% in the first quarter of 2014, although this was negatively affected by the adverse weather conditions during the winter, while the economy of the euro area, according to the available indicators, gained strength. In the case of the emerging economies, however, the perception remains that of a loss of momentum. The atmosphere in the financial markets has been euphoric in recent weeks, with sharp rises in both fixed income and equities, and a drop in peripheral countries' risk premiums, to the extent

that even Greece was able to return to the markets with a bond issue. Although the upward trend began several months ago, in recent weeks it was boosted by the President of the European Central Bank saying that there was unanimity on the ECB's governing council over the need to take unconventional monetary policy measures if the inflation rate were to remain at very low levels for an extended period of time. Only tensions in the Ukraine have periodically slowed the rise.

The panellists' opinion on the current situation of the environment in the EU is that it is neutral, and the 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 maintained their gradual upward trend, due to the reduction in excess liquidity in the euro area. However, the panellists think its current level could be considered low for the current state of the Spanish economy. Rates are still expected to remain stable over the coming months.

In the case of long-term rates, following the President of the European Central Bank's remarks, the downward trend in yields and the risk premium on Spanish public debt has intensified, dropping to historic lows. This drop, together with the more favourable perception of domestic economic conditions, has led to most panellists viewing the level to be appropriate. It is expected to remain stable over the coming months.

The euro is overvalued

The euro, which most panellists have considered to be overvalued against the dollar for some time, reached its highest level for two and a half years. After the latest ECB meeting, which opened up the way for a future rate cut, the rise has slowed, and the majority view as to its future course anticipates a depreciation over the coming months.

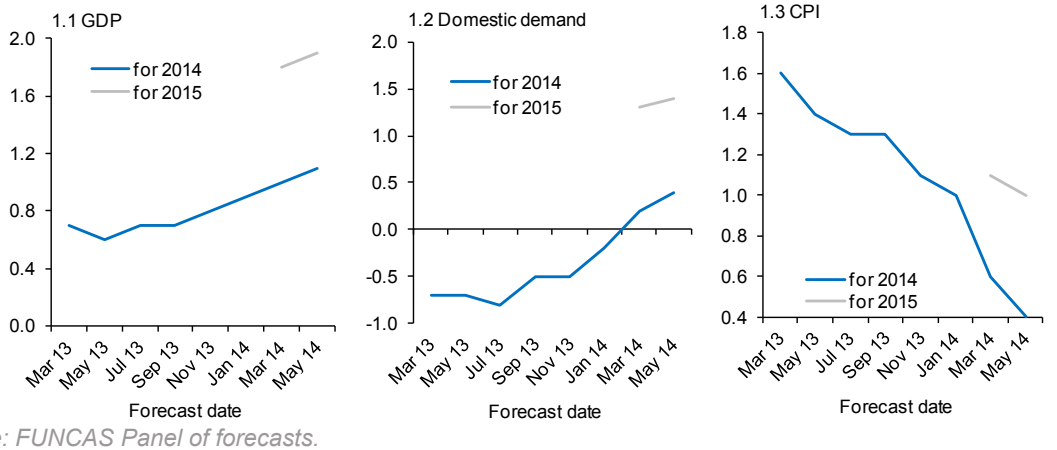
Fiscal policy should be restrictive

As regards fiscal policy, it is unanimously considered to be restrictive, and that this orientation should be maintained. Again, almost all the panellists regard current monetary policy to be expansionary, and they unanimously agree that this is the right approach.

Exhibit 1

Change in forecasts (Consensus values)

Percentage annual change



Source: FUNCAS Panel of forecasts.

Table 1

Economic Forecasts for Spain – May 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)	1.1	1.9	1.4	1.3	-1.6	1.4	1.0	4.7	7.9	6.9	-3.8	2.8	0.7	1.9
Bankia	1.3	1.8	1.3	1.6	-1.6	-0.8	0.0	3.0	7.3	7.6	-4.1	0.3	0.4	1.4
CatalunyaCaixa	1.0	1.7	1.5	1.5	-3.1	-0.9	1.5	1.2	6.4	3.1	-3.5	-0.8	0.3	0.9
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	1.1	1.6	-1.0	-0.5	-0.8	2.2	2.0	2.8	-2.8	1.7	0.3	1.2
Centro de Predicción Económica (CEPREDE-UAM)	1.3	2.2	1.1	1.3	-1.4	1.1	0.1	3.2	4.9	3.6	-3.4	2.7	0.5	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	0.7	2.5	4.1	4.4	-1.9	1.1	0.7	1.3
Instituto Complutense de Análisis Económico (ICAE-UCM)	1.1	1.8	1.2	1.4	-1.7	0.0	0.2	2.6	5.3	6.1	-3.5	0.5	0.5	1.6
Instituto de Estudios Económicos (IEE)	1.2	--	1.3	--	-1.8	--	0.2	--	6.3	--	-4.5	--	0.5	--
Instituto de Macroeconomía y Finanzas (Universidad CJC)	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
Instituto Flores de Lemus (IFL-UC3M)	1.2	2.1	1.1	1.3	-1.9	-0.6	-0.7	3.0	4.5	6.1	-4.3	1.3	0.9	1.9
Intermoney	1.2	1.7	1.3	0.9	-3.3	-0.4	2.0	2.3	7.9	4.8	-1.7	0.7	0.5	0.9
La Caixa	1.2	1.8	1.4	1.5	-1.2	-1.1	-0.2	1.5	5.9	7.1	-5.0	-1.7	0.5	0.9
Repsol	1.1	2.0	1.3	1.7	-2.6	-0.2	1.7	3.6	7.9	10.4	-2.0	0.1	0.6	1.6
Santander	1.3	2.1	1.2	1.6	-1.4	-0.5	0.4	3.3	5.7	6.6	-3.3	1.0	0.4	1.4
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)	1.1	1.9	1.2	1.5	-1.9	-0.4	0.3	2.8	5.5	5.9	-3.6	0.6	0.4	1.4
Maximum	1.3	2.2	1.5	1.8	-1.0	1.4	2.0	4.7	8.6	10.4	-1.7	2.8	0.9	1.9
Minimum	0.8	1.6	0.6	0.9	-3.4	-1.4	-1.4	1.2	-0.9	2.8	-5.9	-1.8	-0.6	0.9
Change on 2 months earlier[1]	0.1	0.1	0.2	0.1	0.1	-0.1	0.2	0.3	0.3	0.2	0.2	0.3	0.2	0.1
- Rise[2]	8	6	7	5	4	3	10	10	7	7	7	8	10	6
- Drop[2]	0	0	1	2	4	4	1	1	2	2	0	1	1	1
Change on 6 months earlier[1]	0.3	--	1.0	--	0.3	--	1.1	--	2.3	--	0.2	--	0.9	--
Memorandum ítems:														
Government (April 2014)	1.2	1.8	1.4	1.8	-1.3	-1.9	0.5	3.0	5.5	4.5	-3.3	1.8	--	--
Bank of Spain (March 2014)	1.2	1.7	1.1	1.2	-1.5	-2.5	0.0	4.2	6.3[3]	7.5[3]	-4.4	1.7	--	--
EC (May 2014)	1.1	2.1	1.3	1.6	-0.8	-0.7	-1.4	4.2	6.5[3]	8.2[3]	--	--	0.4	1.6
IMF (April 2014)	0.9	1.0	1.2	0.9	-1.7	-2.2	0.6	1.2	--	--	--	--	0.5	0.3
OECD (May 2013)	1.0	1.5	1.0	1.0	-3.6	-2.5	0.3	2.0	--	--	--	--	-0.1	0.5

[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 – May 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)	6.0	5.1	5.4	5.4	--	--	0.3	0.9	-1.0	1.2	0.2	1.1	25.1	24.2	1.3	1.5	-5.8	-5.1
Bankia	5.8	6.1	3.5	5.3	1.4	2.2	0.3	0.9	0.5	0.7	0.4	1.0	24.8	23.2	1.8	2.0	--	--
CatalunyaCaixa	4.0	5.5	2.8	5.2	--	--	0.4	1.4	--	--	0.4	1.0	25.2	24.4	--	--	--	--
Cemex	6.1	6.2	4.7	5.9	--	--	0.4	1.2	--	--	0.5	1.0	25.5	24.7	1.7	1.5	-5.5	-4.2
Centro de Estudios Economía de Madrid (CEEM-URJC)	5.7	6.1	3.3	4.8	--	--	0.4	0.7	--	--	0.7	1.2	25.2	24.1	1.6	2.3	-5.7	-4.8
Centro de Predicción Económica (CEPREDE-UAM)	5.5	6.5	3.5	5.0	1.6	2.5	0.8	1.6	0.3	0.5	0.4	1.3	24.9	23.5	1.0	0.5	-5.9	-4.3
CEOE	5.6	5.7	3.8	4.7	2.1	4.5	0.2	0.8	0.3	0.4	0.4	1.4	24.7	23.3	1.2	1.9	-5.6	-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	0.1	0.5	0.4	0.5	0.5	1.1	24.5	22.7	1.4	2.0	-5.6	-4.8
Instituto Complutense de Análisis Económico (ICAE-UCM)	5.7	5.8	3.5	5.6	1.6	2.8	0.4	1.1	--	--	0.3	1.1	25.2	24.1	1.4	1.4	-5.9	-5.0
Instituto de Estudios Económicos (IEE)	5.3	--	3.2	--	--	--	0.5	--	0.3	--	0.5	--	25.1	--	1.5	--	-5.8	--
Instit. Macroec.y Finanzas (Univ. CJC)	6.3	6.4	4.7	5.7	2.7	3.4	0.3	1.0	--	--	--	--	24.6	22.9	--	--	--	--
Instituto Flores de Lemus (IFL-UC3M)	5.0	5.1	4.3	4.7	1.5	3.4	0.5	1.2	--	--	0.5	1.3	25.0	24.1	1.3	1.4	-5.9	-4.5
Intermoney	5.4	4.9	3.6	2.8	1.0	2.4	0.5	1.3	0.3	0.9	0.8	1.3	24.8	23.6	1.3	1.6	-5.8	-4.2
La Caixa	5.4	6.6	3.8	4.6	1.9	1.7	0.3	1.1	0.0	0.4	0.4	1.0	25.2	24.1	1.7	2.4	-5.5	-5.0
Repsol	4.8	4.4	3.3	3.4	2.0	3.1	0.5	1.0	0.0	1.0	0.6	1.7	24.6	23.2	1.4	1.9	-5.8	-4.2
Santander	5.5	6.4	3.5	5.1	--	--	0.2	0.8	--	--	0.5	1.5	24.6	23.1	1.4	1.5	-5.8	-6.1
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)	5.3	5.7	3.5	4.8	1.7	2.8	0.4	1.0	0.1	0.7	0.5	1.2	25.0	23.7	1.4	1.7	-5.8	-4.8
Maximum	6.3	6.6	5.4	5.9	2.7	4.5	1.0	1.6	0.5	1.2	0.8	1.7	25.7	24.7	1.8	2.4	-5.5	-4.2
Minimum	3.6	4.4	1.0	2.8	1.0	1.7	0.1	0.5	-1.0	0.4	0.2	1.0	24.5	22.7	1.0	0.5	-5.9	-6.1
Change on 2 months earlier[1]	-0.1	-0.2	0.2	-0.1	0.3	0.0	-0.2	-0.1	0.0	0.0	0.1	0.1	-0.4	-0.5	-0.3	-0.3	0.1	0.2
- Rise[2]	2	1	8	2	4	3	0	0	3	2	6	7	0	0	1	1	5	3
- Down[2]	4	4	1	3	1	1	11	7	3	2	5	0	13	12	7	5	1	1
Change on 6 months earlier[1]	-0.4	--	1.1	--	1.3	--	-0.7	--	0.0	--	0.7	--	-0.8	--	-0.7	--	0.1	--
Memorandum items:																		
Government (April 2014)	5.0	6.1	3.6	5.0	--	--	--	--	0.2	0.6	0.6	1.2	24.9	23.3	1.4	1.7	-5.5	-4.2
Bank of Spain (March 2014)	5.1	6.1	3.0	4.4	--	--	--	--	--	--	0.4	0.9	25.0	23.8	2.1[6]	2.5[6]	-5.8	-5.5
EC (May 2014)	5.5	6.7	3.4	5.8	--	--	0.1	0.8	0.2	0.3	0.4	1.2	25.5	24.0	1.4	1.5	-5.6	-6.1
IMF (April 2014)	5.4	5.6	4.5	4.1	--	--	0.3	0.8	--	--	0.3	0.4	25.5	24.9	0.8	1.4	-5.9	-4.9
OECD (May 2013)	5.6	6.3	2.6	3.8	--	--	0.1	0.5	0.1	0.3	0.3	0.8	25.4	24.4	1.6	2.0	-5.5	-4.5

[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 - May 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]	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5
Household consumption[2]	0.2	0.2	0.3	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 – May 2014[1]

Monthly change (%)				Year-on-year change (%)	
Apr-14	May-14	Jun-14	Jul-14	Dec-14	Dec-15
0.7	0.2	0.1	-0.4	0.7	1.2

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

Table 4

Opinions – May 2014

Number of responses

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

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

[2] Three-month Euribor.

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

[4] Relative to theoretical equilibrium rate.

KEY FACTS:

Table 1

National accounts: GDP and main expenditure components SWDA*

Forecasts in blue

		GDP	Private consumption	Public consumption	Gross fixed capital formation					Exports	Imports	Domestic Demand (a)	Net exports (a)
						Construction							
					Total	Total	Housing	Other 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	3.5	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	3.5	1.2	0.6
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	0.6	1.3	-1.9	-0.9	-5.5	-6.5	-4.7	5.6	7.4	6.5	0.1	0.4
	II	1.1	1.5	-1.3	1.1	-1.6	-5.1	1.4	4.6	1.9	1.4	0.9	0.2
	III	1.4	1.2	-2.1	1.2	-0.4	-4.2	2.6	3.3	2.3	0.2	0.7	0.7
	IV	1.7	1.1	0.2	1.2	-0.1	-3.2	2.3	2.7	2.8	1.5	1.2	0.5
2015	I	1.7	1.3	-2.0	1.9	0.3	-3.2	2.8	4.0	4.5	3.2	1.2	0.5
	II	1.7	1.4	-0.7	2.6	0.9	-1.9	3.0	4.6	4.6	3.5	1.2	0.5
	III	1.8	1.5	0.1	2.9	1.4	-1.3	3.3	4.6	4.9	3.6	1.3	0.6
	IV	1.9	1.6	-1.0	2.8	1.9	-0.3	3.3	4.0	5.0	3.8	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	1.7	0.7	11.0	-1.6	0.3	-1.2	1.2	-4.1	-4.0	-4.3	2.0	-0.3
	II	1.6	1.0	-2.1	0.5	-2.4	-8.2	2.2	4.3	6.2	4.2	0.5	1.1
	III	1.7	1.2	-1.2	3.3	0.9	-1.5	2.8	6.3	4.1	3.4	1.5	0.3
	IV	1.8	1.4	-6.1	2.6	0.9	-1.8	3.0	4.8	5.3	3.0	0.7	1.1
2015	I	1.7	1.5	1.4	1.2	1.6	-1.0	3.4	0.6	2.6	2.2	1.3	0.3
	II	1.8	1.6	3.2	3.2	0.3	-3.3	2.8	6.8	6.5	5.2	2.1	-0.3
	III	2.0	1.7	2.3	4.4	2.8	1.0	4.0	6.4	5.2	4.0	2.4	-0.4
	IV	2.2	1.8	-10.3	2.5	2.8	2.1	3.2	2.2	5.6	3.7	0.5	1.7
		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		1,041.1	59.3	19.6	17.5	9.6	4.0	5.6	7.9	35.1	32.0	96.9	3.1
2015		1,069.0	59.2	19.1	17.6	9.5	3.8	5.7	8.1	36.4	32.7	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

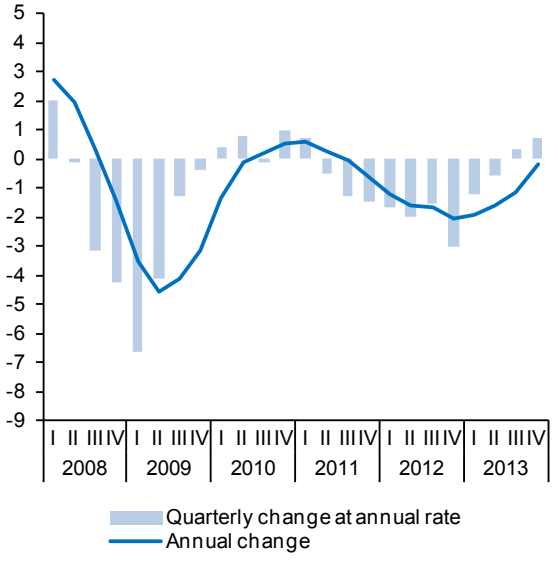


Chart 1.2.- Contribution to GDP annual growth
Percentage points

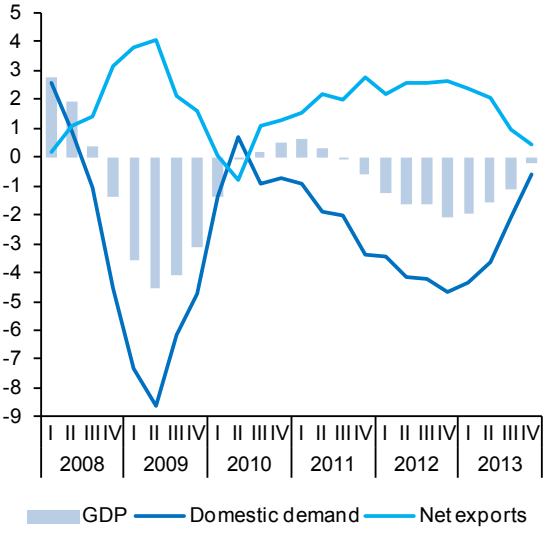


Chart 1.3.- Final consumption
Annual percentage change

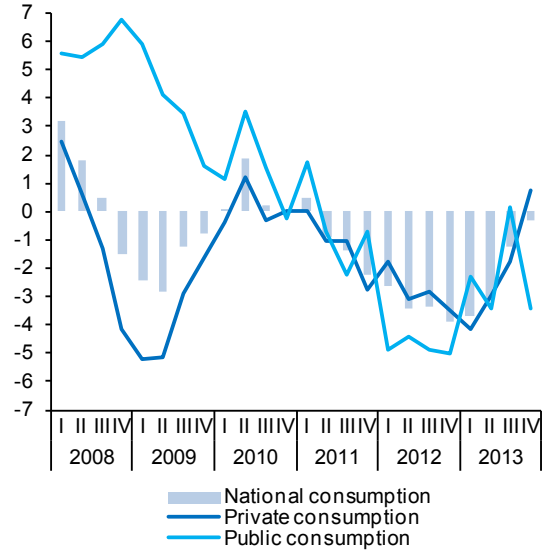


Chart 1.4.- Gross fixed capital formation
Annual percentage change

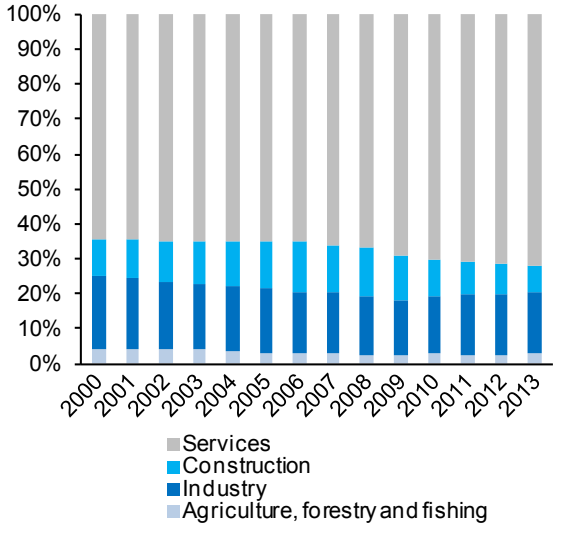


Table 2

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	1.5	2.2	1.7	0.4	2.6	2.9	-0.5	1.3	0.8
2015	1.8	1.4	2.4	1.7	1.7	2.8	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	0.7	3.1	0.9	-5.4	1.2	1.9	0.6	-2.7	3.5	2.6	0.0	-0.1	-0.6
II	1.2	1.7	0.8	-1.3	1.5	2.1	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	1.7	1.1	2.4	1.5	1.6	2.9	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	2.6	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	2.8	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	1.2	-1.2	-0.8	2.3	1.7	3.7	1.6	8.4	2.2	2.2	-3.3	3.2	7.7
II	1.4	0.4	2.0	-0.4	1.5	4.0	4.5	2.0	2.0	2.0	-3.3	1.2	4.0
III	1.9	1.2	4.5	2.4	1.3	1.0	1.6	1.1	2.1	2.2	0.7	2.1	-0.3
IV	2.1	1.5	1.5	1.9	2.3	4.0	1.7	1.8	2.3	2.1	0.3	1.4	-1.4
2015 I	1.5	1.5	1.5	2.1	1.4	2.7	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	2.3	3.2	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	947.9	2.6	17.5	7.6	72.3	26.7	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

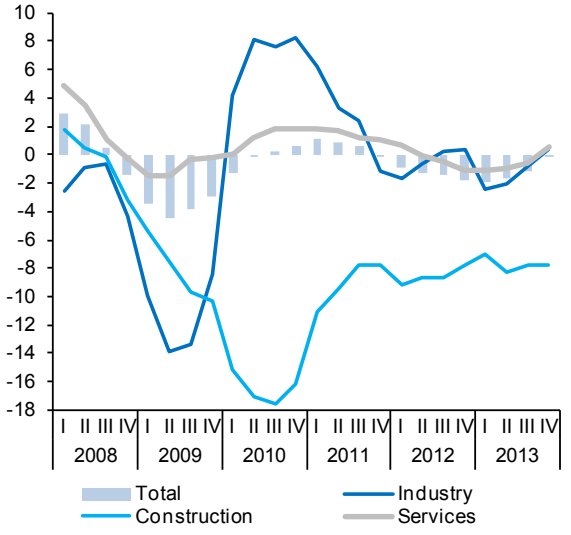


Chart 2.2.- GVA, services (I)
Annual percentage change

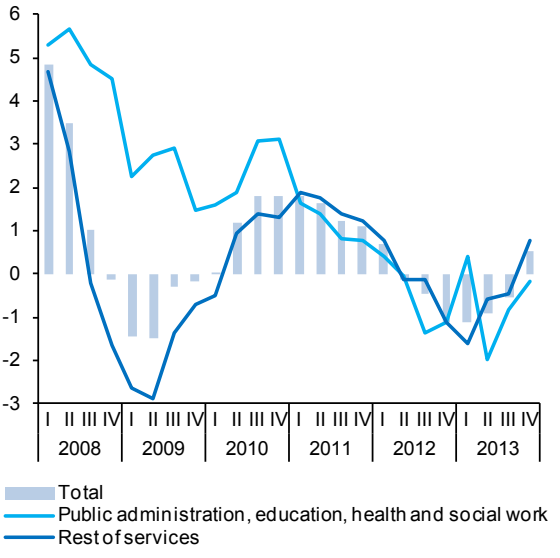


Chart 2.3.- GVA, services (II)
Annual percentage change

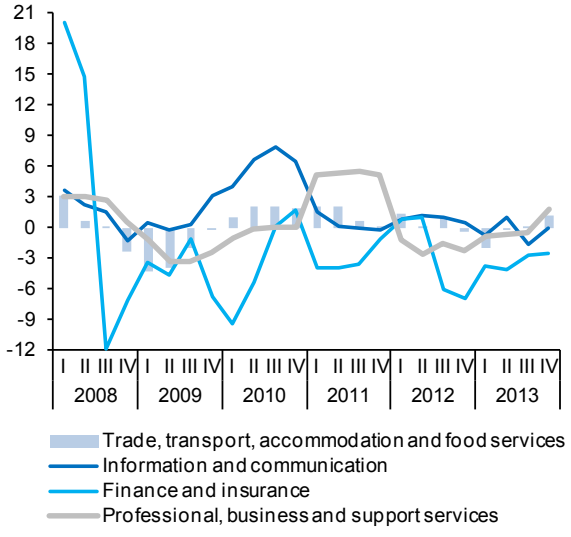


Chart 2.4.- GVA, structure by sectors
Percentage of value added at basic prices

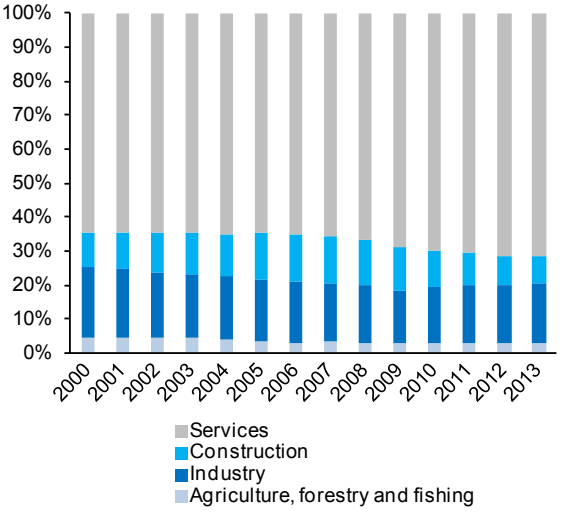


Table 3a

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	119.3	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	-0.8	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

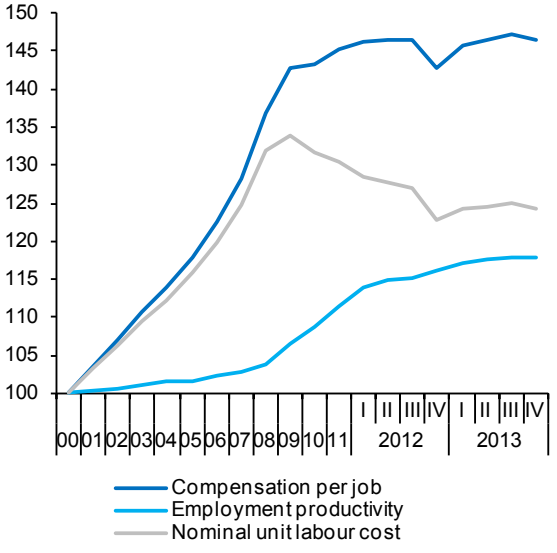
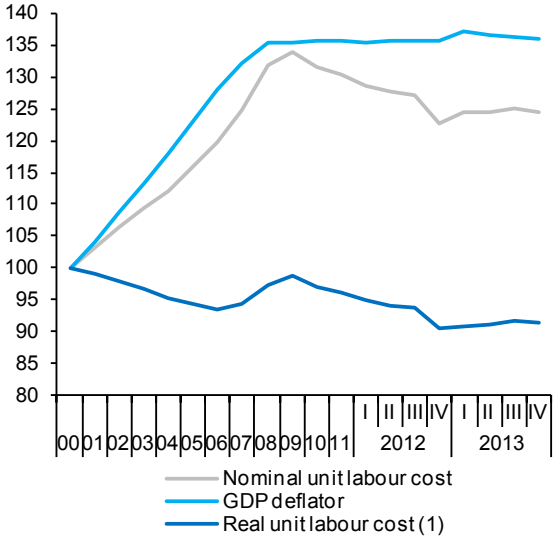


Chart 3a.2.- Real ULC, total economy
Index, 2000=100



(1) Nominal ULC deflated by GDP deflator.

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

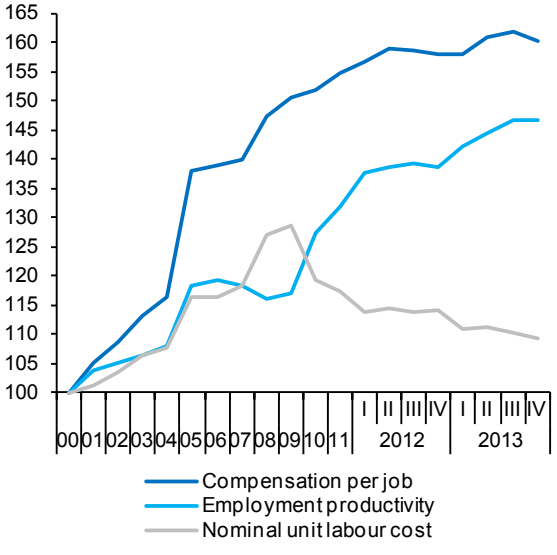
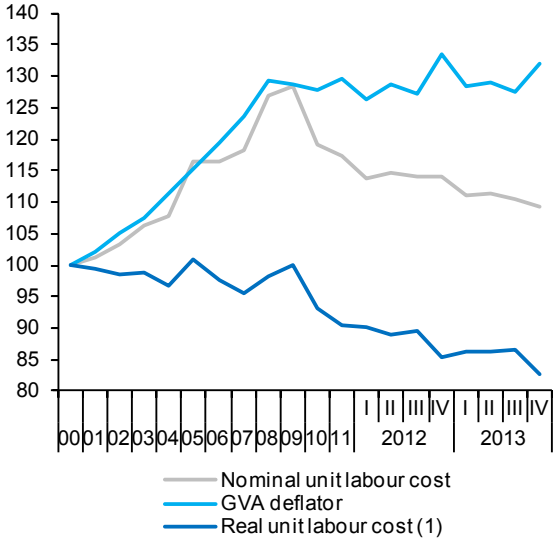


Chart 3a.4.- Real ULC, manufacturing industry
Index, 2000=100



(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	--	--	--	136.7	123.7	110.5	--	--	--
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	--	--	--	1.5	0.9	0.6	--	--	--
2015		1.7	0.9	0.8	--	--	--	1.7	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

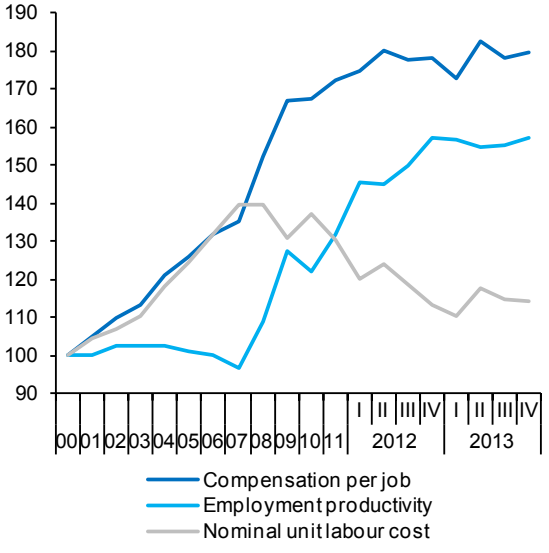
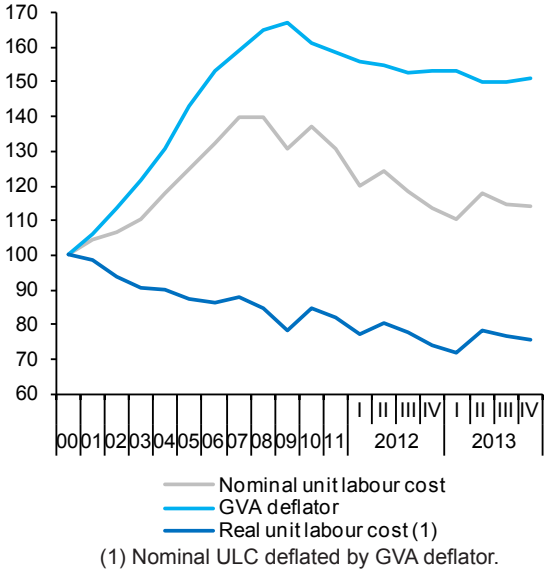


Chart 3b.2.- Real ULC, construction
Index, 2000=100



(1) Nominal ULC deflated by GVA deflator.

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

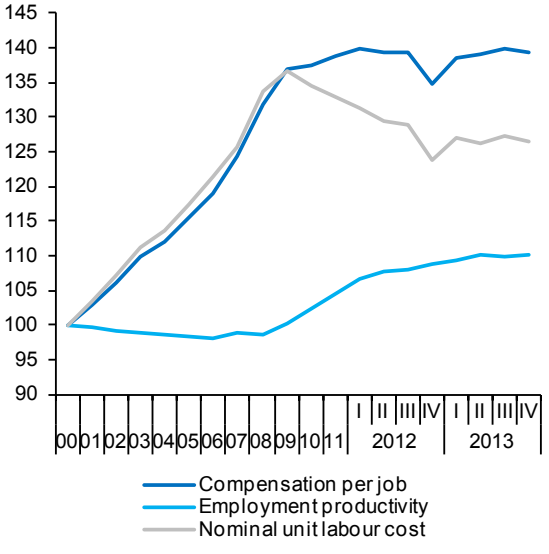
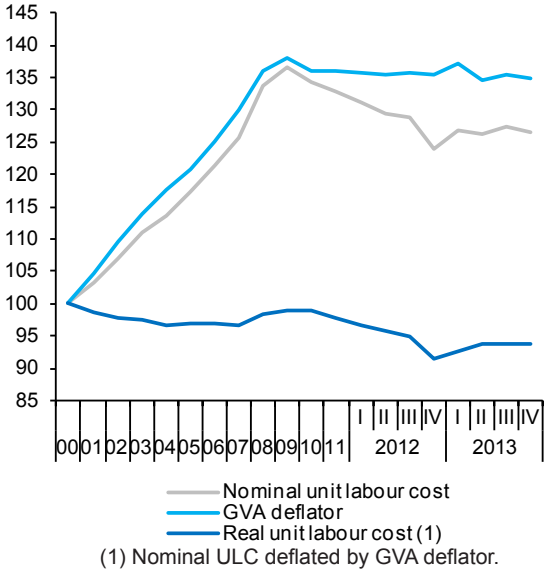


Chart 3b.4.- Real ULC, services
Index, 2000=100



(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	1,041.1	469.7	469.7	101.8	-12.3	1,028.8	-5.6	1,023.2	820.4	202.9	45.1	45.1	9.8
2015	1,069.0	476.9	486.2	105.9	-12.9	1,056.1	-6.0	1,050.1	834.0	216.1	44.6	45.5	9.9
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	1.8	0.8	2.5	2.7	7.8	1.7	10.0	1.7	1.1	4.1	-0.4	0.3	0.1
2015	2.7	1.5	3.5	4.0	4.3	2.7	7.5	2.6	1.7	6.5	-0.5	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

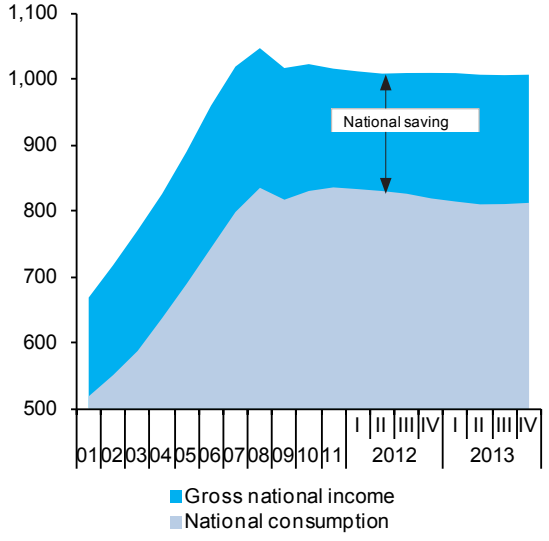


Chart 4.2.- National income, consumption and saving rate
Annual percentage change and percentage of GDP, 4-quarter moving averages

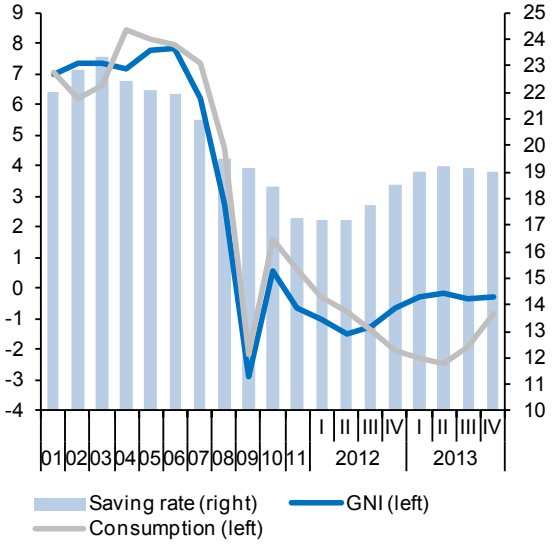


Chart 4.3.- Components of National income (I)
Annual percentage change

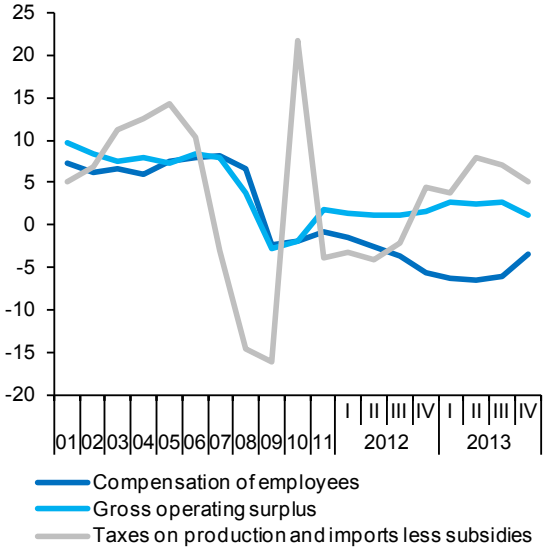


Chart 4.4.- Functional distribution of income
Percentage of GDP, 4-quarter moving averages

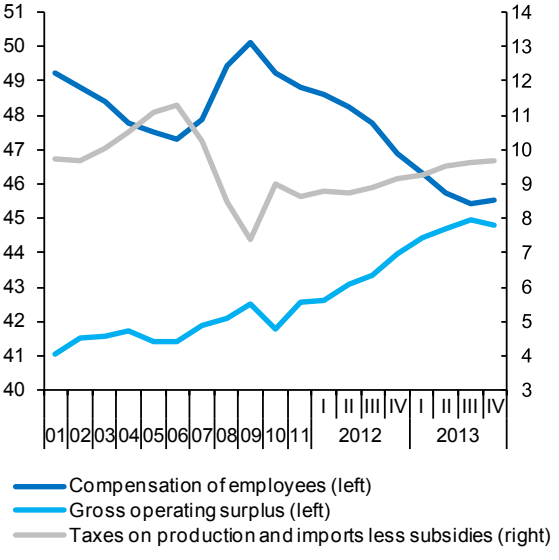


Table 5

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		33.0	-6.4	36.8	2.6	-12.3	-5.6	15.0	6.8	21.8	202.9	187.8	15.0
2015		41.0	-1.7	38.9	3.8	-12.9	-6.0	22.1	6.8	28.9	216.1	194.0	22.1
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		3.2	-0.6	3.5	0.3	-1.2	-0.5	1.4	0.7	2.1	19.5	18.0	1.4
2015		3.8	-0.2	3.6	0.4	-1.2	-0.6	2.1	0.6	2.7	20.2	18.2	2.1
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

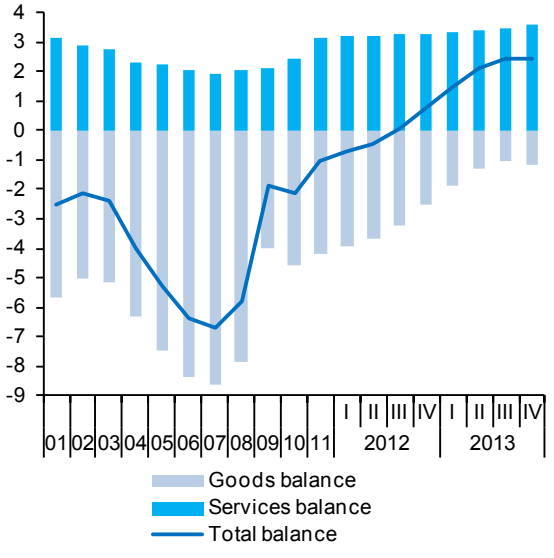


Chart 5.2.- Services balance
Percentage of GDP, 4-quarter moving averages

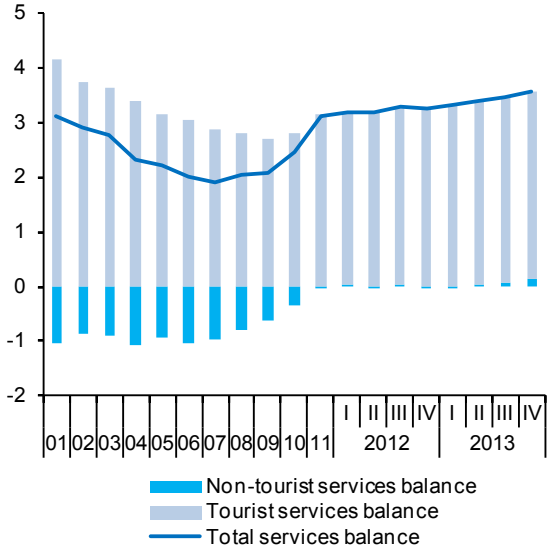


Chart 5.3.- Net lending or borrowing
Percentage of GDP, 4-quarter moving averages

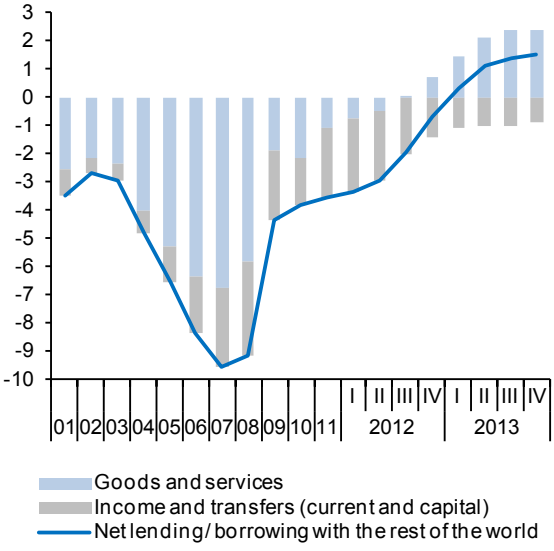


Chart 5.4.- Saving, investment and current account balance
Percentage of GDP, 4-quarter moving averages

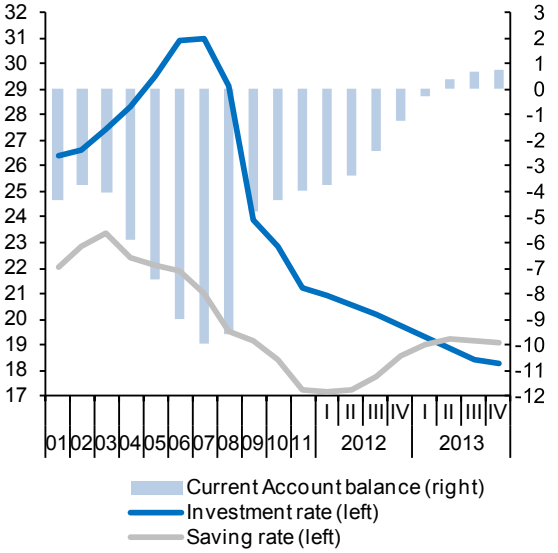


Table 6

National accounts: Household income and its disposition

Forecasts in blue

		Gross disposable income (GDI)						Final consumption expenditure	Gross saving (a)	Saving rate (gross saving as a percentage of GDI)	Net capital transfers	Gross capital formation	Net lending (+) or borrowing (-)	Net lending or borrowing as a percentage of GDP
		Total	Compensation of employees (received)	Mixed income and net property income	Social benefits and other current transfers (received)	Social contributions and other current transfers (paid)	Personal income taxes							
		1=2+3+4-5-6	2	3	4	5	6	7	8=1-7	9=8/1	10	11	12=8+10-11	13
EUR Billions, 4-quarter cumulated operations														
2007		671.2	503.9	262.7	197.3	206.3	86.5	604.7	70.0	10.4	3.5	101.5	-28.0	-2.7
2008		717.1	537.6	264.2	217.0	216.9	84.6	622.4	99.2	13.8	5.4	91.1	13.5	1.2
2009		721.0	524.5	248.0	233.8	209.2	76.1	592.8	128.3	17.8	5.6	67.7	66.2	6.3
2010		702.6	514.8	236.0	238.5	207.2	79.4	605.1	97.3	13.9	7.1	60.7	43.7	4.2
2011		702.3	510.8	239.3	240.4	206.5	81.7	612.8	88.8	12.6	3.4	53.1	39.1	3.7
2012		682.5	482.6	238.5	245.0	201.0	82.6	610.6	70.6	10.3	2.7	48.2	25.0	2.4
2013		677.6	465.8	243.8	248.6	197.5	83.2	606.1	70.1	10.4	0.9	45.8	25.2	2.5
2014		687.3	469.7	253.7	247.0	198.7	84.5	616.6	69.3	10.1	0.8	44.9	25.1	2.4
2015		704.8	477.0	266.8	248.7	202.5	85.2	631.0	72.3	10.3	0.7	45.9	27.1	2.5
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	682.5	482.6	238.5	245.0	201.0	82.6	610.6	70.6	10.3	2.7	48.2	25.0	2.4
2013	I	680.4	475.3	240.6	246.3	199.6	82.2	606.5	72.5	10.7	2.5	48.4	26.6	2.6
	II	679.7	468.4	242.7	247.2	197.5	81.1	604.0	74.1	10.9	2.3	47.1	29.3	2.9
	III	677.1	464.7	243.5	247.4	196.4	82.2	604.0	72.0	10.6	1.7	45.8	27.9	2.7
	IV	677.6	465.8	243.8	248.6	197.5	83.2	606.1	70.1	10.4	0.9	45.8	25.2	2.5
Annual percentage changes, 4-quarter cumulated operations										**Difference from one year ago**	**Annual percentage changes, 4-quarter cumulated operations**			**Difference from one year ago**
2007		6.6	8.2	7.2	8.1	8.8	16.6	6.8	12.3	0.6	-49.8	4.2	--	0.0
2008		6.8	6.7	0.6	9.9	5.2	-2.1	2.9	41.7	3.4	55.7	-10.2	--	3.9
2009		0.5	-2.4	-6.1	7.7	-3.6	-10.1	-4.8	29.4	4.0	4.8	-25.7	--	5.1
2010		-2.5	-1.9	-4.8	2.0	-1.0	4.4	2.1	-24.1	-3.9	25.2	-10.3	--	-2.1
2011		0.0	-0.8	1.4	0.8	-0.4	2.8	1.3	-8.7	-1.2	-51.9	-12.5	--	-0.4
2012		-2.8	-5.5	-0.4	1.9	-2.7	1.1	-0.4	-20.6	-2.3	-21.7	-9.3	--	-1.3
2013		-0.7	-3.5	2.2	1.5	-1.7	0.7	-0.7	-0.6	0.0	-66.5	-5.0	--	0.0
2014		1.4	0.8	4.1	-0.6	0.6	1.6	1.7	-1.3	-0.3	-15.0	-1.9	--	-0.1
2015		2.5	1.5	5.2	0.7	1.9	0.8	2.3	4.3	0.2	-10.0	2.1	--	0.1
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	-20.6	-2.3	-21.7	-9.3	--	-1.3
2013	I	-2.7	-6.2	0.7	1.8	-3.1	-0.2	-1.1	-15.4	-1.6	-19.9	-7.3	--	-0.9
	II	-1.9	-6.4	2.0	2.1	-3.4	-2.0	-1.4	-7.6	-0.7	-21.8	-8.9	--	-0.2
	III	-1.9	-5.9	2.3	1.0	-3.7	-1.2	-1.2	-7.5	-0.6	-29.0	-8.6	--	-0.2
	IV	-0.7	-3.5	2.2	1.5	-1.7	0.7	-0.7	-0.6	0.0	-66.5	-5.0	--	0.0

(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

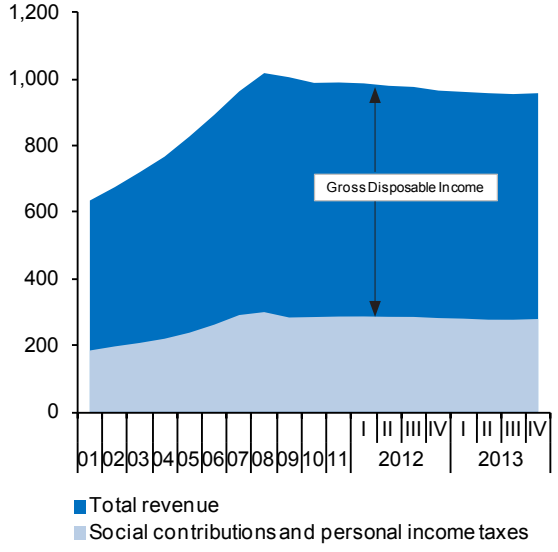
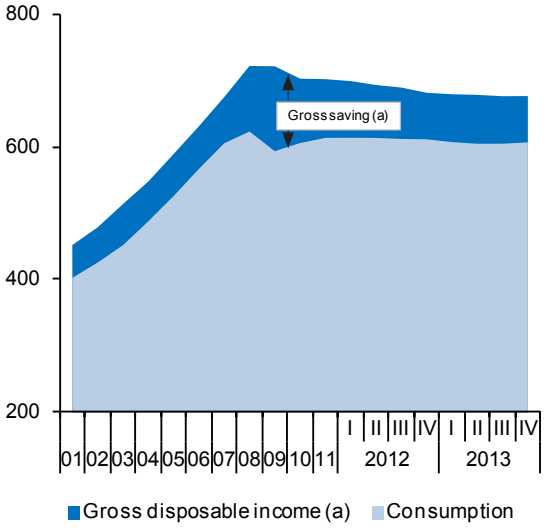


Chart 6.2.- Households: Gross saving
EUR Billions, 4-quarter cummulated



(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

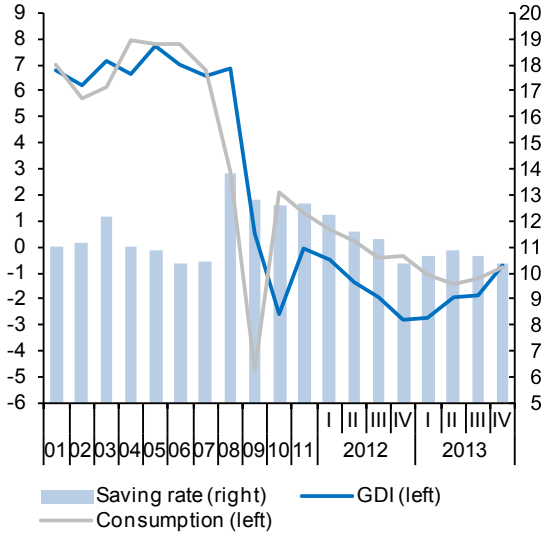
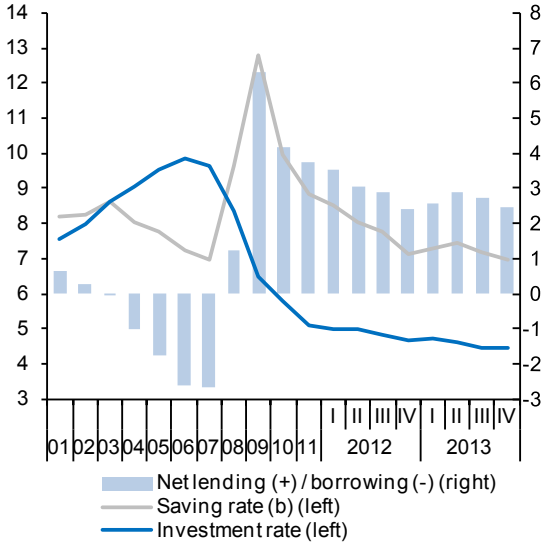


Chart 6.4.- Households: Saving, investment and deficit
Percentage of GDP, 4-quarter moving averages



(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	-47.2	-9.6	19.8	130.1	9.3	127.8	11.6	1.1	40.5	25.1
2013		503.4	289.2	214.2	-32.0	-9.7	18.8	153.7	8.2	117.9	43.9	4.3	42.6	23.4
2014		512.2	294.4	217.8	-31.3	-9.5	19.8	157.3	8.3	120.1	45.5	4.4	42.5	23.4
2015		525.5	302.6	223.0	-31.2	-9.8	20.4	161.6	8.3	125.2	44.7	4.2	42.4	23.8
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	-47.2	-9.6	19.8	130.1	9.3	127.8	11.6	1.1	40.5	25.1
2013	I	508.2	298.1	210.1	-43.7	-9.4	19.6	137.4	9.5	122.9	24.0	2.3	41.4	24.2
	II	506.0	294.1	211.8	-39.8	-9.4	20.3	142.4	9.5	121.9	30.0	2.9	41.9	24.1
	III	505.7	291.3	214.4	-35.4	-9.3	19.1	150.7	8.9	120.3	39.2	3.8	42.4	23.8
	IV	503.4	289.2	214.2	-32.0	-9.7	18.8	153.7	8.2	117.9	43.9	4.3	42.6	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	-8.0	-4.8	25.5	5.6	-15.8	-2.1	--	0.8	1.8	-0.2
2013		-1.3	-4.7	3.6	-32.2	1.6	-5.2	18.1	-12.0	-7.8	--	3.2	2.0	-1.6
2014		1.8	1.8	1.7	-2.4	-2.1	5.4	2.3	2.0	1.9	--	0.1	0.0	0.0
2015		2.6	2.8	2.4	-0.1	3.0	3.1	2.7	0.0	4.2	--	-0.2	-0.1	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	-8.0	-4.8	25.5	5.6	-15.8	-2.1	--	0.8	1.8	-0.2
2013	I	-1.4	-5.2	4.6	-16.7	-6.1	21.2	12.4	-4.2	-5.4	--	2.1	2.4	-1.0
	II	-1.3	-5.4	4.9	-22.7	-2.8	19.0	15.0	-3.1	-6.9	--	2.7	2.5	-1.4
	III	-1.0	-5.3	5.6	-31.0	-3.4	16.6	19.7	0.6	-7.9	--	3.4	2.6	-1.8
	IV	-1.3	-4.7	3.6	-32.2	1.6	-5.2	18.1	-12.0	-7.8	--	3.2	2.0	-1.6

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

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

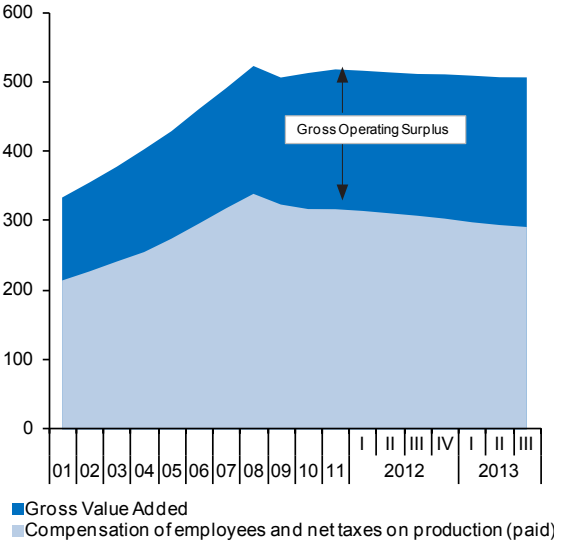


Chart 7.2.- Non-financial corporations: GVA, GOS and saving
Annual percentage change, 4-quarter moving averages

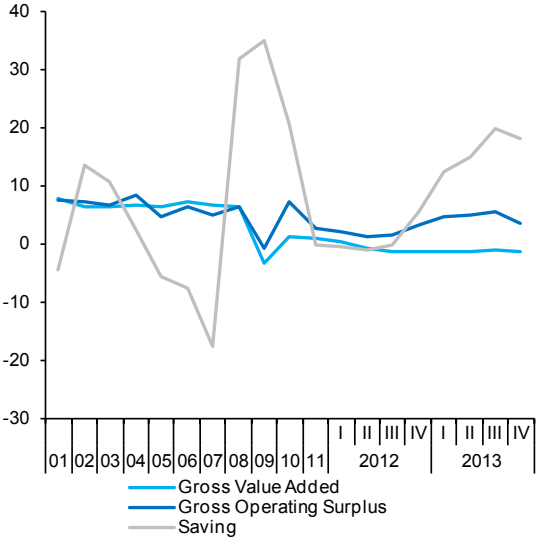
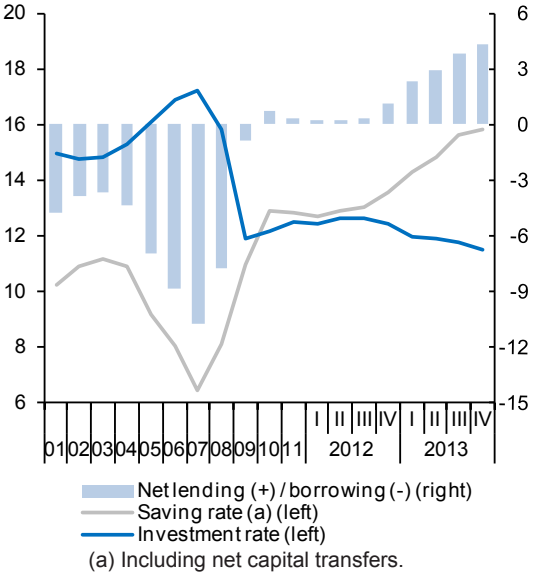


Chart 7.3.- Non-financial corporations: Saving, investment and deficit
Percentage of GDP, 4-quarter moving averages



(a) Including net capital transfers.

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

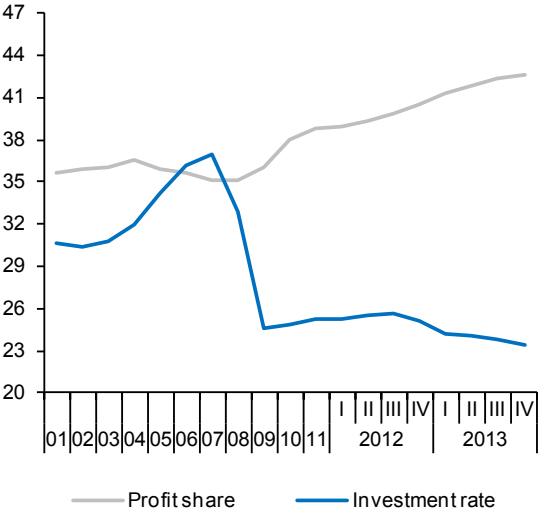


Table 8

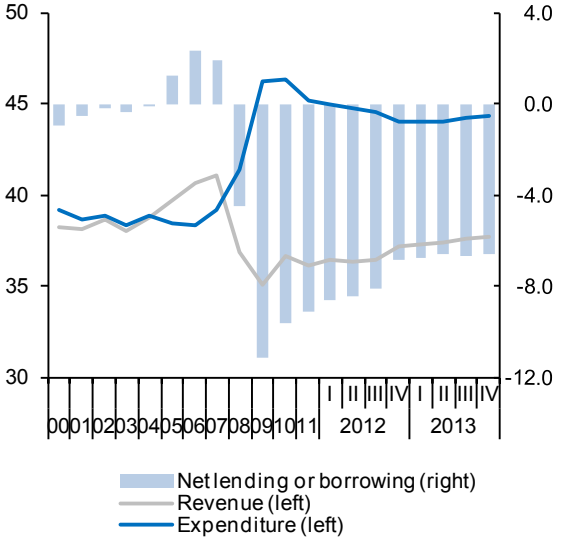
National accounts: Public revenue, expenditure and deficit

Forecasts in blue

	Gross value added	Taxes on production and imports receivable	Taxes on income and weath receivable	Social contributions receivable	Compensation of employees	Interests and other capital incomes payable (net)	Social benefits payable	Subsidies and net current transfers payable	Gross disposable income	Final consumption expenditure	Gross saving	Net capital expenditure	Net lending(+)/ net borrowing(-)	Net lending(+)/ net borrowing (-) excluding financial entities bail-out
	1	2	3	4	5	6	7	8	9=1+2+3+4-5-6-7-8	10	11=9-10	12	13=11-12	14
EUR Billions, 4-quarter cumulated operations														
2007	125.1	122.0	136.9	136.8	107.8	6.6	122.7	18.9	264.7	193.1	71.7	50.9	20.7	20.7
2008	136.9	106.6	115.8	143.1	118.5	6.1	136.3	22.7	218.8	212.0	6.8	55.9	-49.1	-49.1
2009	144.5	92.4	100.8	140.1	125.7	8.1	153.7	22.4	168.0	223.6	-55.6	60.7	-116.4	-116.4
2010	145.7	109.6	99.8	140.3	125.7	10.9	161.6	20.7	176.4	224.5	-48.1	52.5	-100.5	-100.5
2011	144.0	104.5	101.2	139.5	123.6	16.2	163.2	20.2	166.0	222.2	-56.2	43.8	-100.0	-94.9
2012	135.9	108.0	105.5	133.8	115.2	20.9	167.7	18.0	161.4	207.7	-46.2	63.1	-109.3	-70.2
2013	136.6	112.9	105.1	130.4	116.1	24.1	170.0	19.3	155.6	205.5	-49.9	22.3	-72.2	-67.6
2014	136.3	115.8	107.6	132.7	115.3	24.4	168.5	19.5	164.7	203.8	-39.1	19.5	-58.6	-58.6
2015	136.2	120.2	109.0	135.4	114.9	25.5	170.0	18.8	171.7	203.0	-31.2	20.2	-51.5	-51.5
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	-91.5
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	-89.8
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	-85.7
IV	135.9	108.0	105.5	133.8	115.2	20.9	167.7	18.0	161.4	207.7	-46.2	63.1	-109.3	-72.2
2013 I	135.5	108.3	105.1	132.8	114.8	21.4	168.3	17.8	159.4	207.1	-47.7	59.9	-107.5	-69.5
II	133.9	110.4	104.6	131.1	113.3	22.2	169.2	18.0	157.4	205.3	-47.9	55.3	-103.3	-67.5
III	133.7	111.5	104.8	130.6	113.1	22.8	170.5	19.0	155.2	205.7	-50.5	51.2	-101.7	-68.4
IV	136.6	112.9	105.1	130.4	116.1	24.1	170.0	19.3	155.6	205.5	-49.9	22.3	-72.2	-67.6
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	10.5	10.3	13.0	11.2	2.0	16.3	1.7	15.7	20.2	-4.5	6.1	-10.6	-6.8
2013	13.4	11.0	10.3	12.8	11.3	2.4	16.6	1.9	15.2	20.1	-4.9	2.2	-7.1	-6.6
2014	13.1	11.1	10.3	12.7	11.1	2.3	16.2	1.9	15.8	19.6	-3.8	1.9	-5.6	-5.6
2015	12.7	11.2	10.2	12.7	10.7	2.4	15.9	1.8	16.1	19.0	-2.9	1.9	-4.8	-4.8
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	-8.8
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	-8.7
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	-8.3
IV	13.2	10.5	10.3	13.0	11.2	2.0	16.3	1.7	15.7	20.2	-4.5	6.1	-10.6	-7.0
2013 I	13.2	10.5	10.2	12.9	11.2	2.1	16.4	1.7	15.5	20.2	-4.6	5.8	-10.5	-6.8
II	13.1	10.8	10.2	12.8	11.1	2.2	16.5	1.8	15.4	20.1	-4.7	5.4	-10.1	-6.6
III	13.1	10.9	10.2	12.8	11.0	2.2	16.7	1.9	15.2	20.1	-4.9	5.0	-9.9	-6.7
IV	13.4	11.0	10.3	12.8	11.3	2.4	16.6	1.9	15.2	20.1	-4.9	2.2	-7.1	-6.6

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

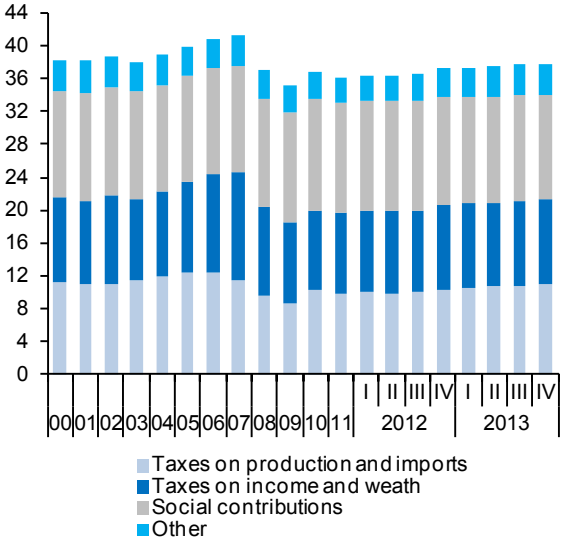


Chart 8.3.- Public sector: Main expenditures
Percentage of GDP, 4-quarter moving averages

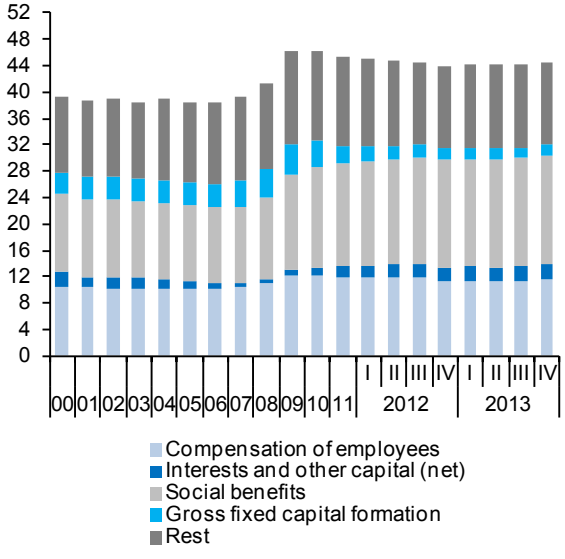
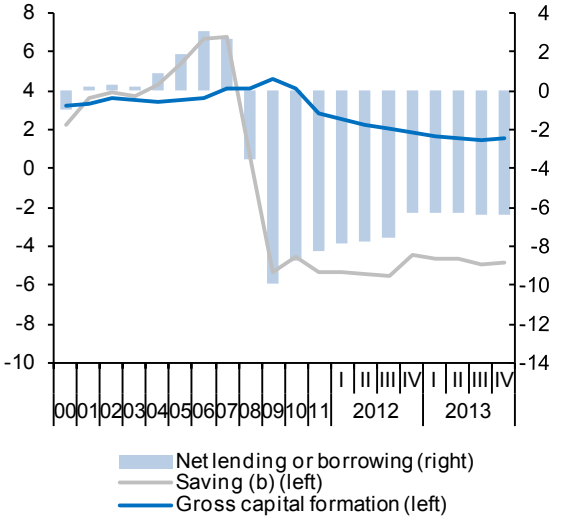


Chart 8.4.- Public sector: Saving, investment and deficit
Percentage of GDP, 4-quarter moving averages



(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		-82.5	-19.0	2.4	-10.2	-109.3	760.2	185.5	41.9	17.2	884.7
2013		-49.0	-15.6	4.3	-11.9	-72.2	836.1	206.8	41.5	17.2	960.6
2014		-36.7	-11.4	3.1	-13.5	-58.6	--	--	--	--	1,032.6
2015		-35.4	-8.5	2.1	-9.6	-51.5	--	--	--	--	1,101.1
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	-82.5	-19.0	2.4	-10.2	-109.3	760.2	185.5	41.9	17.2	884.7
2013	I	-78.4	-19.9	2.2	-11.5	-107.5	797.2	190.5	42.8	17.2	924.1
	II	-76.3	-18.8	2.5	-11.3	-103.9	818.7	194.1	43.2	17.2	943.9
	III	-75.9	-17.5	2.8	-11.7	-102.3	831.7	196.7	41.8	17.2	954.9
	IV	-49.0	-15.6	4.3	-11.9	-72.2	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	-1.5	0.4	-1.2	-7.1	81.7	20.2	4.1	1.7	93.9
2014		-3.5	-1.1	0.3	-1.3	-5.6	--	--	--	--	99.2
2015		-3.3	-0.8	0.2	-0.9	-4.8	--	--	--	--	103.0
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	-7.6	-1.9	0.2	-1.1	-10.5	77.7	18.6	4.2	1.7	90.0
	II	-7.4	-1.8	0.2	-1.1	-10.1	80.0	19.0	4.2	1.7	92.2
	III	-7.4	-1.7	0.3	-1.1	-10.0	81.3	19.2	4.1	1.7	93.3
	IV	-4.8	-1.5	0.4	-1.2	-7.1	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

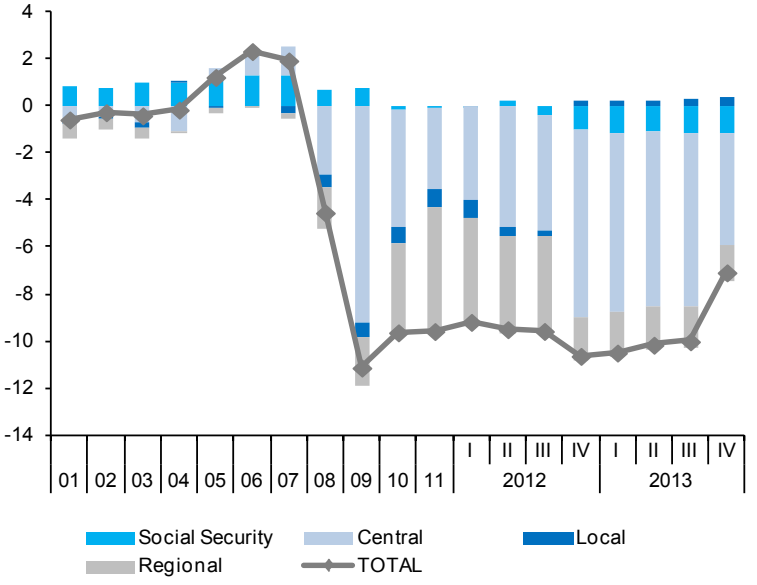


Chart 9.2.- Government debt
Percent of GDP

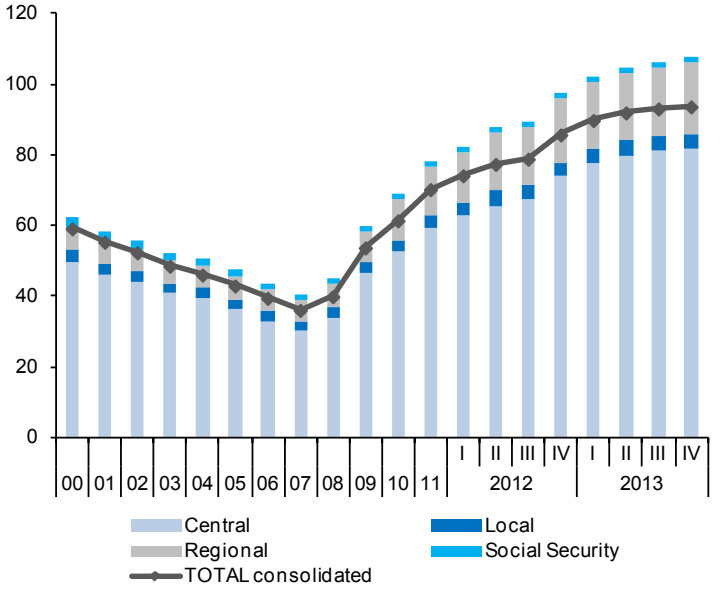


Table 10

General activity and industrial sector indicators (a)

		General activity indicators				Industrial sector indicators					
		Economic Sentiment Index	Composite PMI index	Social Security affiliates (f)	Electricity consumption (temperature adjusted)	Industrial production index	Social Security affiliates in industry	Manufacturing PMI index	Industrial confidence index	Turnover index deflated	Industrial orders
		Index	**Index**	**Thousands**	**1000 GWH**	**2010=100**	**Thousands**	**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	-23.9
2009		83.6	40.9	17,657	256.9	99.2	2,411	40.9	-30.8	97.1	-54.3
2010		93.8	50.0	17,244	263.8	100.0	2,295	50.6	-13.8	100.0	-37.0
2011		93.7	46.6	16,970	261.3	98.4	2,232	47.3	-12.5	100.3	-30.7
2012		89.2	43.1	16,335	255.7	91.9	2,114	43.8	-17.5	95.6	-37.0
2013		93.2	48.3	15,855	250.2	90.5	2,022	48.5	-13.9	92.3	-30.3
2014 (b)		101.2	54.8	15,835	88.0	91.9	2,001	52.5	-9.1	89.1	-20.5
2012	III	86.1	42.6	16,243	63.7	91.8	2,093	43.6	-20.0	95.4	-38.7
	IV	87.7	42.9	16,046	62.8	89.8	2,064	44.5	-17.9	94.2	-37.3
2013	I	89.2	45.5	15,908	62.5	90.2	2,042	45.7	-15.9	93.1	-35.0
	II	91.0	46.4	15,838	62.6	90.3	2,023	47.6	-15.4	92.5	-32.0
	III	95.3	49.7	15,809	62.3	90.9	2,012	50.5	-12.8	92.4	-27.3
	IV	97.3	51.6	15,869	62.7	90.9	2,011	50.1	-11.6	92.5	-27.0
2014	I	101.0	54.3	15,965	62.2	91.4	2,016	52.5	-9.1	92.9	-21.0
	II (b)	101.5	56.3	16,051	20.8	--	2,024	52.7	-9.3	--	-19.0
2014	Feb	100.3	53.8	15,965	20.7	91.7	2,016	52.5	-8.1	93.0	-21.0
	Mar	102.5	54.2	16,002	20.8	91.3	2,019	52.8	-9.6	--	-22.0
	Apr	101.5	56.3	16,051	20.8	--	2,024	52.7	-9.3	--	-19.0
		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	-1.5	-4.4	--	--	-3.4	--
2014 (d)		--	--	0.7	-0.5	1.5	0.0	--	--	1.4	--
2012	III	--	--	-4.4	-2.6	-3.4	-7.2	--	--	-3.5	--
	IV	--	--	-4.8	-6.0	-8.3	-5.5	--	--	-5.0	--
2013	I	--	--	-3.4	-1.4	1.6	-4.3	--	--	-4.6	--
	II	--	--	-1.7	0.3	0.4	-3.6	--	--	-2.3	--
	III	--	--	-0.7	-2.0	3.0	-2.2	--	--	-0.7	--
	IV	--	--	1.5	3.1	0.0	-0.2	--	--	0.6	--
2014	I	--	--	2.4	-3.3	2.0	1.0	--	--	1.6	--
	II (e)	--	--	2.2	1.6	--	1.6				
2014	Feb	--	--	0.2	-0.1	0.6	0.1	--	--	0.2	--
	Mar	--	--	0.2	0.2	-0.5	0.2	--	--	--	--
	Apr	--	--	0.3	0.3	--	0.2	--	--	--	--

(a) Seasonally adjusted, except for annual data. (b) Period with available data. (c) Annualized percent change from the previous quarter for quarterly data, non-annualized percent change from the previous month for monthly data, unless otherwise indicated. (d) Growth of available period over the same period of the previous year. (e) Annualized growth of the average of available months over the monthly average of the previous quarter. (f) Excluding domestic service workers and non-profesional caregivers. Sources: European Commission, Markit Economics Ltd., M. of Labour, M. of Industry, National Statistics Institute, REE and FUNCAS.

Chart 10.1.- General activity indicators (I)
Annualized percent change from previous period

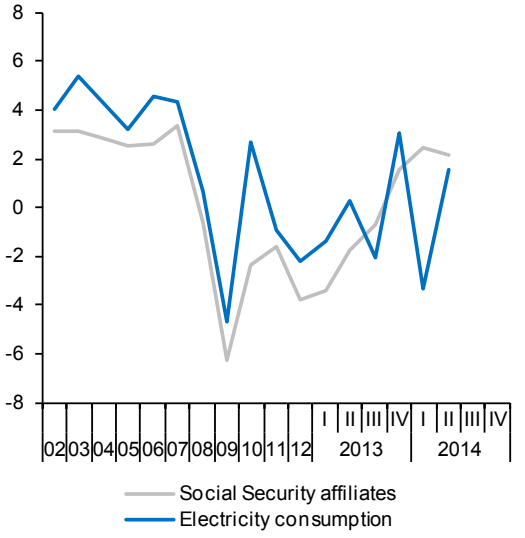


Chart 10.2.- General activity indicators (II)
Index

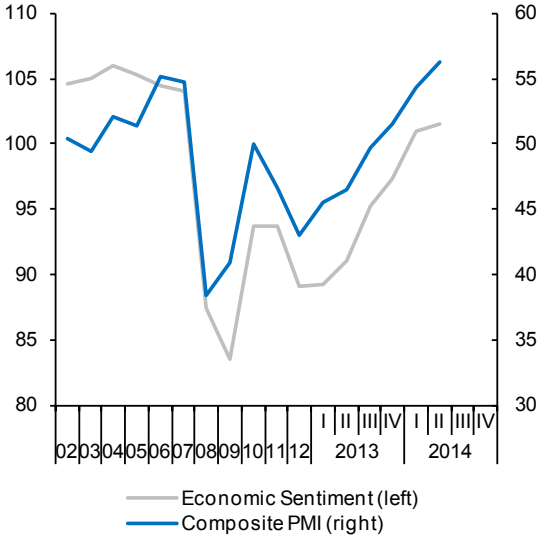


Chart 10.3.- Industrial sector indicators (I)
Annualized percent change from previous period

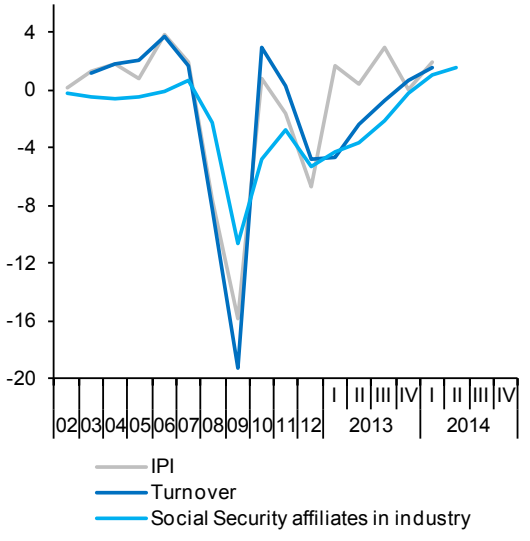


Chart 10.4.- Industrial sector indicators (II)
Index

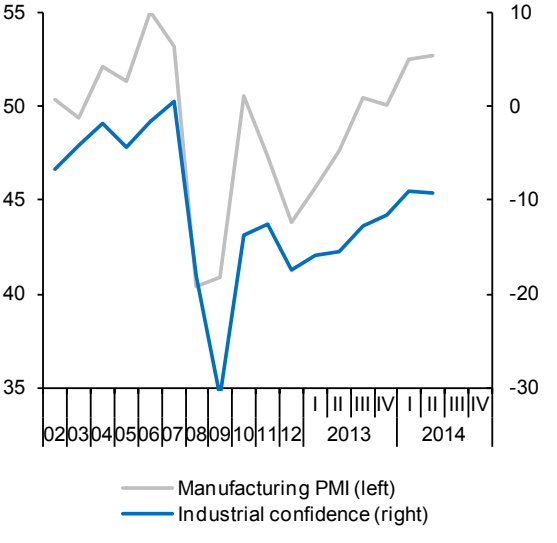


Table 11

Construction and services sector indicators (a)

	Construction indicators						Service sector indicators					
	Social Security Affiliates in construction	Consump-tion of cement	Industrial pro-duction index construction materials	Cons-truction confiden-ce 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 res-ponses**	**EUR Billions**	**Million m²**	**Thousands**	**2010=100 (smoothed)**	**Index**	**Million (smoo-thed)**	**Million (smoothed)**	**Balance of res-ponses**
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	63.1	-55.6	9.1	6.7	11,728	91.0	48.3	286.0	186.4	-15.3
2014 (b)	957	2.5	61.9	-52.8	3.6	1.0	11,752	85.0	54.8	44.2	34.9	7.7
2012 III	1,105	3.3	64.7	-55.5	1.7	1.9	11,860	92.2	42.6	69.2	47.6	-26.6
IV	1,061	3.0	62.9	-61.4	1.5	1.7	11,768	90.9	42.6	68.6	46.6	-24.4
2013 I	1,028	2.8	62.3	-46.7	1.6	2.0	11,719	90.4	45.7	68.9	46.0	-26.8
II	999	2.7	62.9	-57.8	2.2	1.7	11,697	90.7	46.5	70.2	46.2	-21.0
III	984	2.7	63.4	-60.6	2.6	1.6	11,712	91.3	49.3	71.5	46.5	-10.2
IV	976	2.7	63.7	-57.4	2.8	1.5	11,783	91.5	51.8	72.2	46.9	-3.1
2014 I	974	2.7	64.6	-52.3	3.6	1.0	11,863	91.5	54.2	72.4	47.1	7.5
II (b)	979	--	--	-54.4	--	--	11,937	--	56.5	--	--	8.4
2014 Feb	973	0.9	64.6	-51.3	--	0.5	11,862	91.5	53.7	24.1	15.7	3.3
Mar	976	0.9	65.1	-52.6	--	--	11,894	--	54.0	24.1	15.7	11.6
Apr	979	--	--	-54.4	--	--	11,937	--	56.5	--	--	8.4
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	-6.1	--	-2.1	-5.0	--
2013	-12.2	-19.2	-5.7	--	22.8	-20.9	-1.5	-2.0	--	1.9	-3.5	--
2014 (d)	-0.8	-2.2	5.8	--	128.2	-27.7	1.2	1.6	--	1.0	1.9	--
2012 III	-17.7	-16.2	-17.9	--	-53.4	-45.7	-3.0	-6.2	--	-3.4	-7.3	--
IV	-14.8	-34.3	-11.0	--	-39.6	-41.5	-3.1	-5.5	--	-3.1	-8.3	--
2013 I	-11.9	-20.2	-3.4	--	-9.1	-27.7	-1.7	-2.2	--	1.9	-4.7	--
II	-10.8	-13.5	3.7	--	-11.3	-23.5	-0.7	1.4	--	7.6	1.3	--
III	-5.9	0.0	3.4	--	48.9	-16.8	0.5	2.5	--	7.3	3.3	--
IV	-3.2	-1.7	1.8	--	83.8	-11.6	2.4	0.9	--	4.3	2.7	--
2014 I	-1.1	-7.4	6.0	--	128.2	-26.3	2.7	0.2	--	0.9	2.0	--
II (e)	2.3	--	--	--	--	--	2.5	--	--	--	--	
2014 Feb	0.1	-1.1	0.6	--	83.9	-36.5	0.2	0.0	--	0.0	0.2	--
Mar	0.3	7.7	0.7	--	135.3	--	0.3	--	--	0.0	0.2	--
Apr	0.3	--	--	--	--	--	0.4	--	--	--	--	--

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

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

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

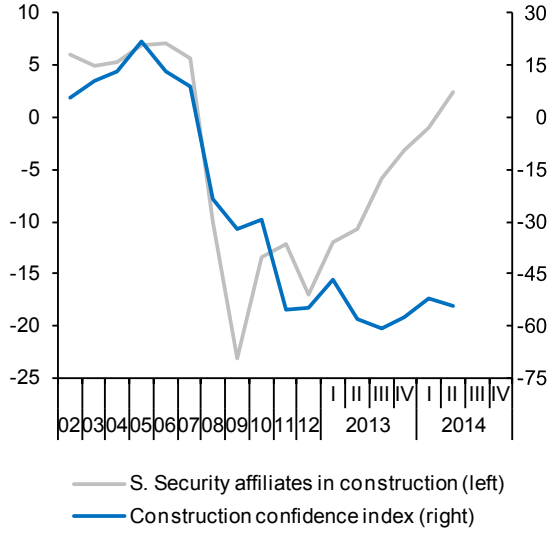


Chart 11.2.- Construction indicators (II)
Annualized percentage changes from previous period

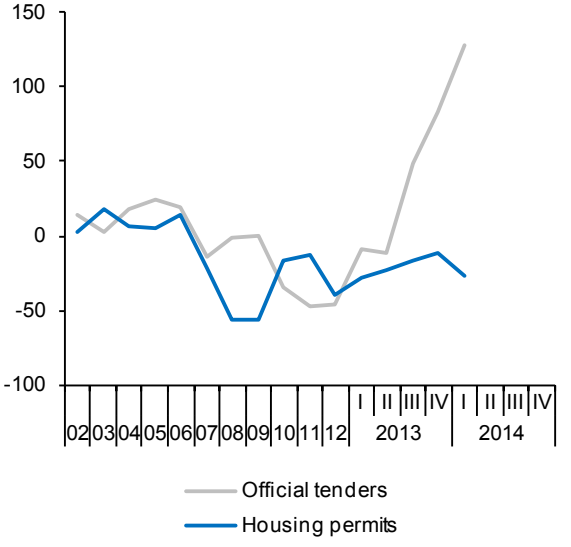


Chart 11.3.- Services indicators (I)
Percentage changes from previous period

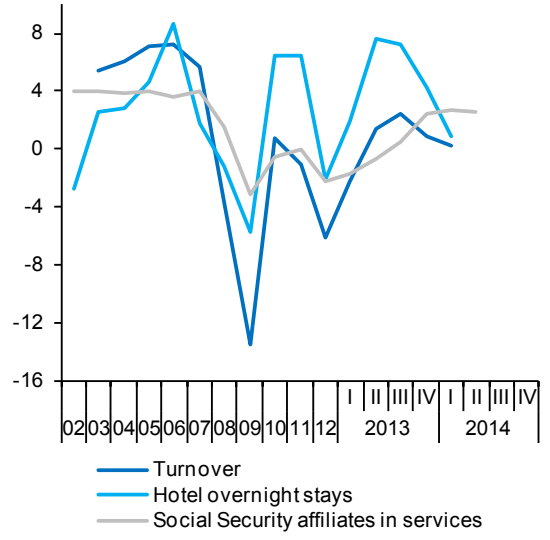


Chart 11.4.- Services indicators (II)
Index

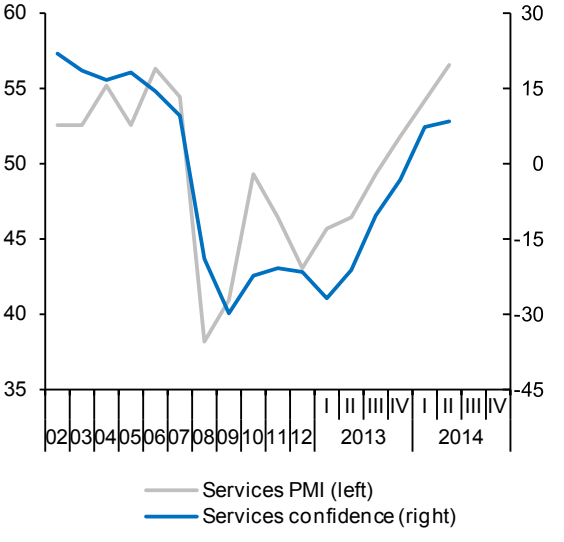


Table 12

Consumption and investment indicators (a)

	Consumption indicators					Investment in equipment indicators		
	Retail sales deflated	Car registrations	Consumer confidence index	Hotel overnight stays by residents in Spain	Industrial orders for consumer goods	Cargo vehicles registrations	Industrial orders for investment goods	Import of capital goods (volume)
	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	90.4
2009	101.8	971.2	-28.3	110.1	-40.2	142.1	-50.8	66.6
2010	100.0	1,000.1	-20.9	113.6	-26.7	152.1	-31.1	70.9
2011	94.4	808.3	-17.1	111.5	-21.7	142.0	-23.0	68.7
2012	87.4	710.6	-31.7	102.1	-24.2	107.7	-38.6	61.3
2013	84.0	740.0	-25.3	100.5	-21.8	107.3	-33.5	70.0
2014 (b)	80.6	288.4	-10.8	16.9	-11.6	42.9	-17.6	70.6
2012 III	87.0	170.6	-35.2	24.9	-23.4	25.6	-44.3	60.7
IV	85.0	167.4	-37.8	24.4	-26.0	24.5	-41.1	61.9
2013 I	84.2	172.5	-32.6	24.4	-22.0	24.4	-38.5	64.7
II	84.3	178.4	-28.7	24.8	-24.2	25.5	-33.1	68.5
III	84.5	183.3	-20.5	25.0	-20.9	27.3	-26.8	71.8
IV	84.4	191.5	-19.4	25.1	-20.2	29.4	-35.7	74.8
2014 I	84.1	205.4	-11.8	25.0	-11.8	31.8	-20.1	77.9
II (b)	--	72.4	-7.8	--	-11.1	11.2	-9.9	--
2014 Feb	84.1	68.4	-14.7	8.2	-12.2	10.6	-31.1	--
Mar	84.0	70.3	-8.3	8.3	-18.5	10.9	-13.6	--
Apr	--	72.4	-7.8	--	-11.1	11.2	-9.9	--
	Percentage changes (c)							
2008	-6.0	-27.5	--	-2.9	--	-43.6	--	-20.1
2009	-5.4	-18.1	--	-2.7	--	-40.0	--	-26.3
2010	-1.7	3.0	--	3.1	--	7.0	--	6.5
2011	-5.6	-19.2	--	-1.8	--	-6.6	--	-3.1
2012	-7.4	-12.1	--	-8.5	--	-24.2	--	-10.7
2013	-3.9	4.1	--	-1.5	--	-0.4	--	14.1
2014 (d)	-0.1	16.4	--	-6.4	--	33.8	--	19.6
2012 III	-9.8	-19.7	--	-10.0	--	-24.6	--	-3.1
IV	-9.0	-7.2	--	-15.9	--	-15.5	--	8.3
2013 I	-3.5	12.8	--	8.8	--	-1.3	--	19.7
II	0.7	14.2	--	7.6	--	19.0	--	25.6
III	1.0	11.5	--	3.7	--	31.1	--	21.0
IV	-0.6	19.2	--	4.5	--	33.9	--	17.5
2014 I	-1.4	32.2	--	-10.1	--	37.3	--	17.8
II (e)	--	24.9	--	--	--	25.3	--	--
2014 Feb	-0.1	2.7	--	0.3	--	2.8	--	1.9
Mar	-0.1	2.8	--	0.1	--	2.8	--	--
Apr	--	2.9	--	--	--	2.9	--	--

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

Sources: European 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

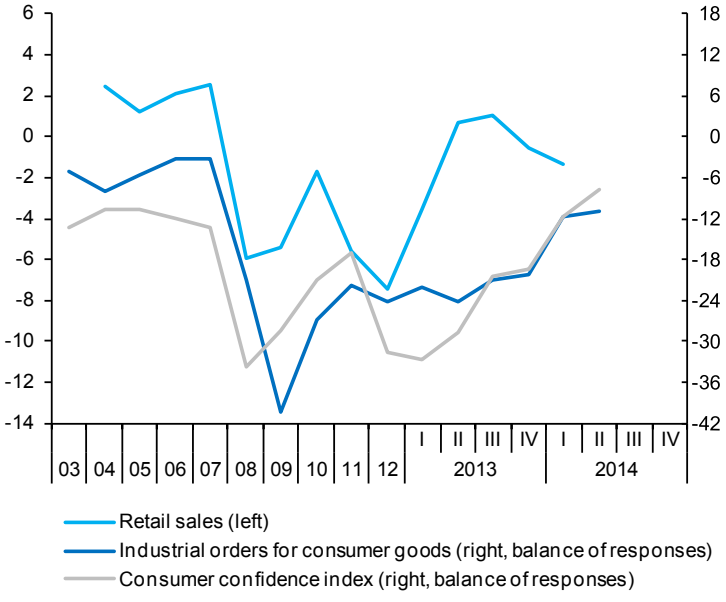


Chart 12.2.- Investment indicators
Percent change from previous period and balance of responses

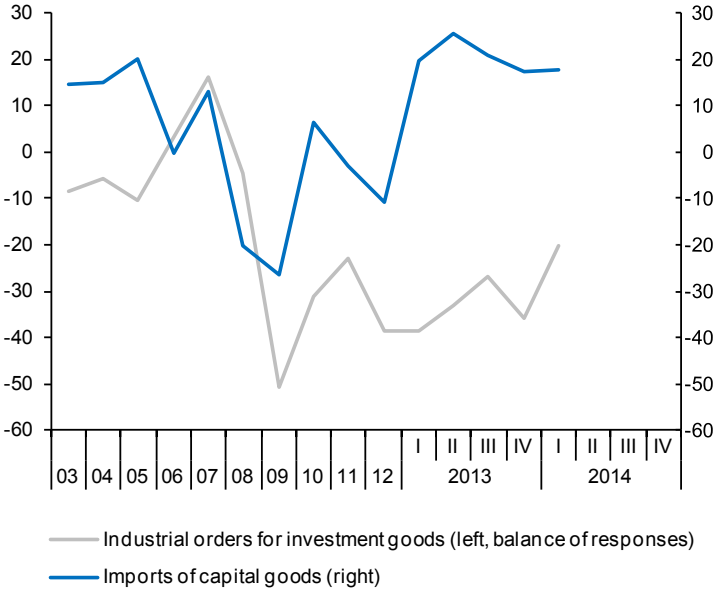


Table 13a

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		30.6	22.4	--	20.6	--	1.8	--	72.8	66.8	8.2	18.1	7.6	12.2
2008		31.0	23.1	--	20.5	--	2.6	--	73.8	65.4	11.3	24.5	10.2	17.4
2009		31.2	23.3	--	19.1	--	4.2	--	74.1	60.8	17.9	37.7	16.0	28.2
2010		31.1	23.4	--	18.7	--	4.6	--	74.6	59.7	19.9	41.5	18.1	29.9
2011		31.1	23.4	--	18.4	--	5.0	--	74.9	58.8	21.4	46.2	19.5	32.6
2012		30.9	23.4	--	17.6	--	5.8	--	75.3	56.5	24.8	52.9	23.0	35.9
2013		30.6	23.2	--	17.1	--	6.1	--	75.3	55.6	26.1	55.5	24.4	37.0
2014		30.2	22.8	--	17.2	--	5.6	--	74.9	56.5	24.5	--	--	--
2015		30.2	22.5	--	17.4	--	5.1	--	74.8	57.7	22.7	--	--	--
2012	II	31.0	23.5	23.5	17.8	17.7	5.7	5.8	75.3	56.7	24.5	52.3	22.7	36.0
	III	30.9	23.5	23.5	17.7	17.5	5.8	5.9	75.5	56.3	25.3	53.2	23.6	35.7
	IV	30.8	23.4	23.4	17.3	17.3	6.0	6.0	75.3	55.7	25.8	55.2	24.1	36.6
2013	I	30.8	23.3	23.3	17.0	17.2	6.3	6.1	75.3	55.4	26.3	56.0	24.4	37.7
	II	30.7	23.2	23.2	17.2	17.1	6.0	6.1	75.2	55.4	26.2	55.3	24.7	36.1
	III	30.5	23.2	23.2	17.2	17.1	5.9	6.1	75.4	55.6	26.1	55.3	24.4	37.6
	IV	30.4	23.1	23.1	17.1	17.1	5.9	5.9	75.3	55.8	25.8	55.3	24.2	36.5
2014	I	30.3	22.9	22.9	17.0	17.1	5.9	5.8	75.0	56.0	25.3	54.6	23.7	36.3
		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		1.5	2.9	--	-0.5	--	40.6	--	1.0	-1.3	3.0	6.4	2.6	5.3
2009		0.4	0.8	--	-6.7	--	60.0	--	0.3	-4.6	6.6	13.3	5.8	10.8
2010		-0.1	0.4	--	-2.0	--	11.7	--	0.4	-1.2	2.0	3.8	2.1	1.7
2011		-0.2	0.3	--	-1.6	--	8.0	--	0.4	-0.9	1.5	4.7	1.4	2.7
2012		-0.5	0.0	--	-4.3	--	15.9	--	0.4	-2.3	3.4	6.7	3.5	3.3
2013		-1.1	-1.1	--	-2.8	--	4.1	--	0.0	-0.9	1.3	2.6	1.5	1.0
2014		-1.3	-1.8	--	0.3	--	-7.7	--	-0.4	0.9	-1.6	--	--	--
2015		0.0	-1.2	--	1.2	--	-8.5	--	-0.1	1.3	-1.8	--	--	--
2012	II	-0.4	0.1	0.6	-4.6	-4.4	18.3	18.1	0.4	-2.6	3.8	7.2	3.8	4.3
	III	-0.5	0.0	0.0	-4.4	-3.9	16.5	12.7	0.4	-2.4	3.5	6.5	3.9	2.2
	IV	-0.7	-0.3	-1.8	-4.5	-4.8	13.9	7.3	0.3	-2.2	3.2	6.7	3.5	2.0
2013	I	-0.8	-0.5	-1.2	-4.1	-3.4	10.8	5.5	0.2	-1.9	2.7	5.2	2.9	2.3
	II	-1.0	-1.2	-1.6	-3.4	-1.3	5.5	-2.5	-0.1	-1.3	1.7	3.0	2.0	0.1
	III	-1.2	-1.4	-0.8	-2.5	-0.3	2.0	-1.9	-0.1	-0.7	0.9	2.1	0.8	1.9
	IV	-1.3	-1.2	-1.5	-1.2	0.4	-1.4	-6.7	0.1	0.1	-0.1	0.0	0.1	0.0
2014	I	-1.3	-1.8	-3.2	-0.5	-0.6	-5.5	-10.6	-0.3	0.5	-1.0	-1.4	-0.7	-1.5

(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

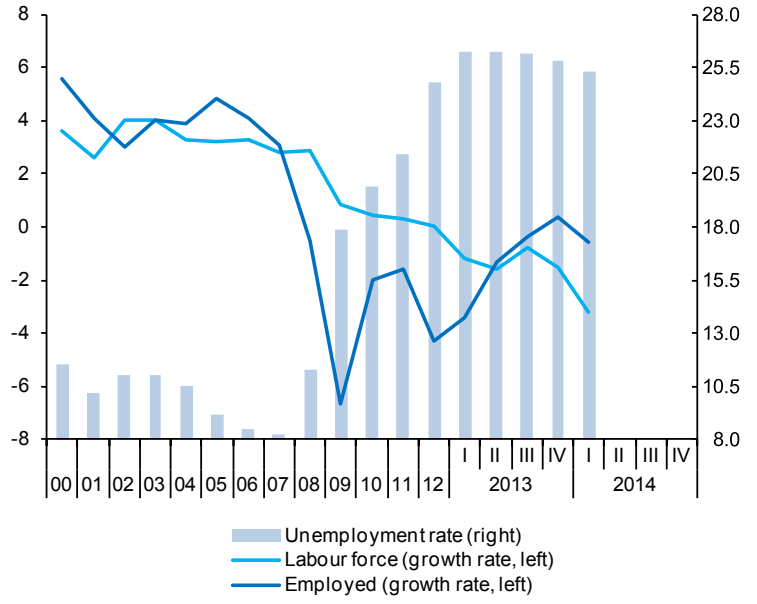


Chart 13a.2.- Unemployment rates, SA
Percentage

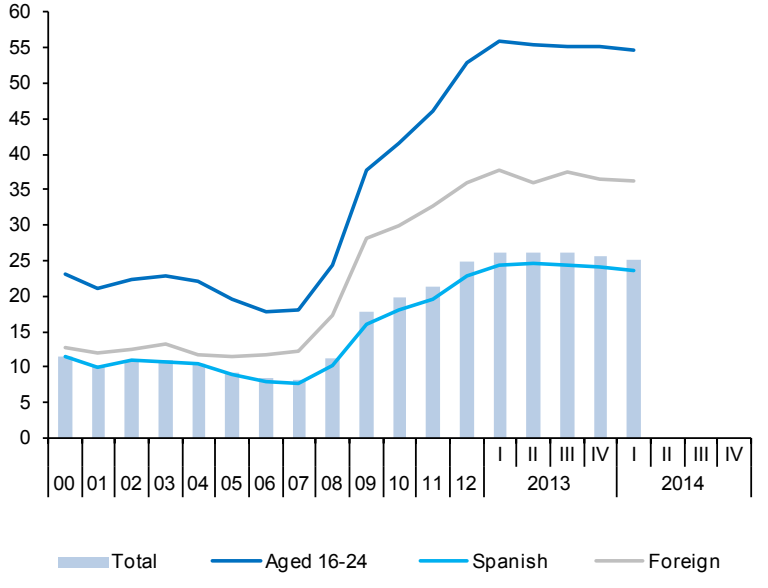


Table 13b

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)		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	3.28	2.76	13.67	16.97	5.35	11.61	31.6	3.61	18.20	2.38	11.59
2008	0.83	3.24	2.46	13.94	16.86	4.91	11.95	29.1	3.61	18.06	2.41	11.75
2009	0.79	2.81	1.89	13.62	15.88	4.00	11.88	25.2	3.23	16.71	2.40	12.54
2010	0.79	2.65	1.65	13.64	15.59	3.86	11.73	24.7	3.13	16.29	2.44	13.02
2011	0.76	2.60	1.40	13.66	15.39	3.87	11.52	25.1	3.03	15.92	2.50	13.56
2012	0.74	2.48	1.16	13.24	14.57	3.41	11.16	23.4	3.06	15.08	2.55	14.49
2013	0.74	2.36	1.03	13.02	14.07	3.26	10.81	23.1	3.07	14.43	2.71	15.80
2014 (c)	0.78	2.32	0.96	13.05	14.08	3.35	10.72	23.82	3.03	14.39	2.72	15.88
2012 II	0.73	2.49	1.20	13.30	14.69	3.45	11.24	23.5	3.04	15.18	2.54	14.35
III	0.75	2.48	1.14	13.18	14.46	3.35	11.10	23.2	3.09	14.96	2.59	14.77
IV	0.76	2.43	1.09	13.06	14.28	3.25	11.02	22.8	3.06	14.72	2.61	15.08
2013 I	0.69	2.40	1.08	13.01	14.13	3.19	10.94	22.6	3.05	14.52	2.66	15.48
II	0.76	2.36	1.03	12.98	14.04	3.22	10.82	22.9	3.09	14.42	2.70	15.79
III	0.74	2.33	1.02	13.03	14.02	3.28	10.75	23.4	3.09	14.40	2.71	15.85
IV	0.76	2.33	0.99	13.05	14.08	3.32	10.75	23.6	3.05	14.38	2.75	16.06
2014 I	0.78	2.32	0.96	13.05	14.08	3.35	10.72	23.8	3.03	14.39	2.72	15.88
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	-5.2	-1.2	-10.8	2.0	-0.6	-8.4	2.9	-2.5	-0.1	-0.7	0.9	0.2
2009	-4.8	-13.3	-23.2	-2.3	-5.8	-18.4	-0.6	-3.9	-10.6	-7.5	-0.4	0.8
2010	-0.3	-5.6	-12.6	0.1	-1.8	-3.6	-1.2	-0.5	-2.9	-2.5	1.7	0.5
2011	-3.9	-1.7	-15.0	0.2	-1.3	0.3	-1.8	0.4	-3.3	-2.2	2.5	0.5
2012	-1.6	-4.6	-17.3	-3.0	-5.3	-11.8	-3.1	-1.7	1.1	-5.3	2.3	0.9
2013	-0.9	-5.2	-11.4	-1.7	-3.5	-4.6	-3.1	-0.3	0.4	-4.3	6.0	1.3
2014 (d)	12.8	-3.3	-11.5	0.3	-0.4	5.0	-2.0	1.2	-0.7	-0.9	2.1	0.4
2012 II	-1.8	-5.1	-16.4	-3.5	-5.5	-12.6	-3.1	-1.9	-0.2	-5.5	0.7	0.8
III	1.6	-5.2	-17.0	-3.4	-5.9	-13.4	-3.5	-2.0	3.3	-5.8	4.1	1.2
IV	-3.7	-5.7	-15.5	-3.3	-5.7	-13.2	-3.2	-2.0	1.6	-6.2	6.6	1.6
2013 I	-6.2	-5.2	-11.3	-3.1	-5.0	-11.1	-3.0	-1.6	0.1	-6.0	7.7	1.7
II	4.2	-5.3	-14.1	-2.4	-4.4	-6.7	-3.7	-0.6	1.6	-5.0	6.4	1.4
III	-1.8	-6.1	-10.6	-1.1	-3.0	-2.3	-3.2	0.2	-0.1	-3.7	4.7	1.1
IV	0.4	-4.0	-9.2	-0.1	-1.4	2.3	-2.5	0.8	-0.3	-2.3	5.2	1.0
2014 I	12.8	-3.3	-11.5	0.3	-0.4	5.0	-2.0	1.2	-0.7	-0.9	2.1	0.4

(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

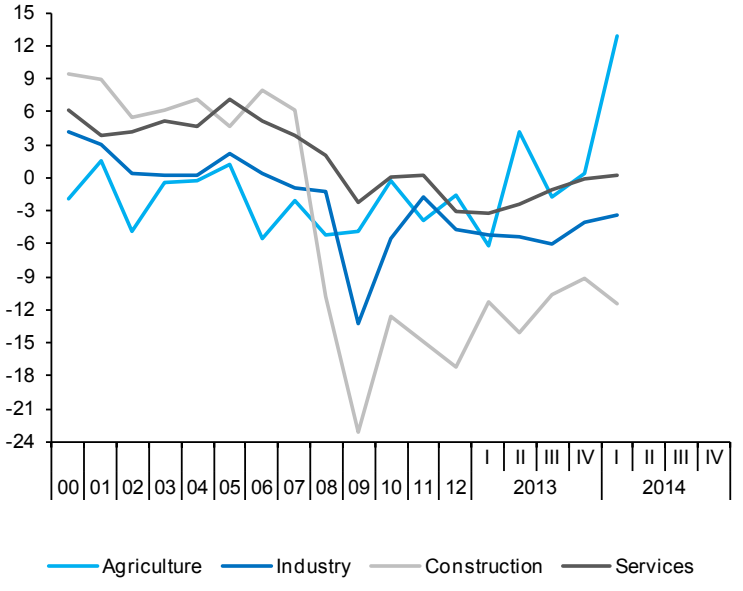


Chart 13b.2.- Employment by type of contract
Annual percentage changes and percentage over total employees

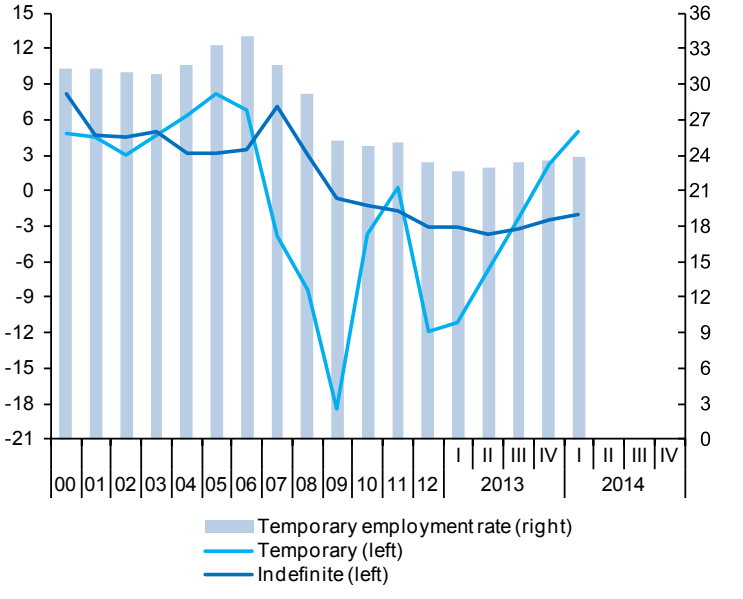


Table 14

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	104.0	102.5	103.2	101.2	103.3	106.9	105.2	108.9	106.4
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	0.1	0.1	0.2	-0.2	0.3	0.7	-0.7	0.0	0.3
2013 Jan	2.7	1.9	2.2	1.3	2.2	3.6	4.3	5.3	3.8
Feb	2.8	1.9	2.3	1.4	2.2	3.6	3.1	5.9	3.5
Mar	2.4	2.0	2.3	1.4	2.4	3.6	2.5	3.2	3.3
Apr	1.4	1.6	1.9	1.5	1.7	3.1	2.7	-2.5	3.0
May	1.7	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	-0.1	-0.2	0.0	-0.3	-0.2	1.2	0.0	-1.4	0.8
Apr	0.4	0.1	0.3	-0.4	0.5	0.8	-0.5	1.6	0.4
May	0.3	0.0	0.1	-0.4	0.3	0.6	-1.7	3.0	-0.1
Jun	0.2	0.0	0.1	-0.5	0.3	0.5	-2.7	2.7	-0.5
Jul	0.0	0.2	0.2	-0.3	0.4	0.4	-3.8	0.7	-0.9
Aug	-0.2	0.2	0.3	-0.2	0.5	0.3	-4.1	-0.9	-1.0
Sep	0.0	0.2	0.3	-0.1	0.4	0.3	-0.2	-1.8	0.1
Oct	0.2	0.3	0.3	0.0	0.5	0.2	1.2	-1.0	0.5
Nov	0.3	0.3	0.3	0.0	0.5	0.2	1.3	-0.1	0.6
Dec	0.3	0.4	0.4	0.0	0.6	0.4	1.0	-0.7	0.6

Sources: INE and FUNCAS (Forecasts).

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

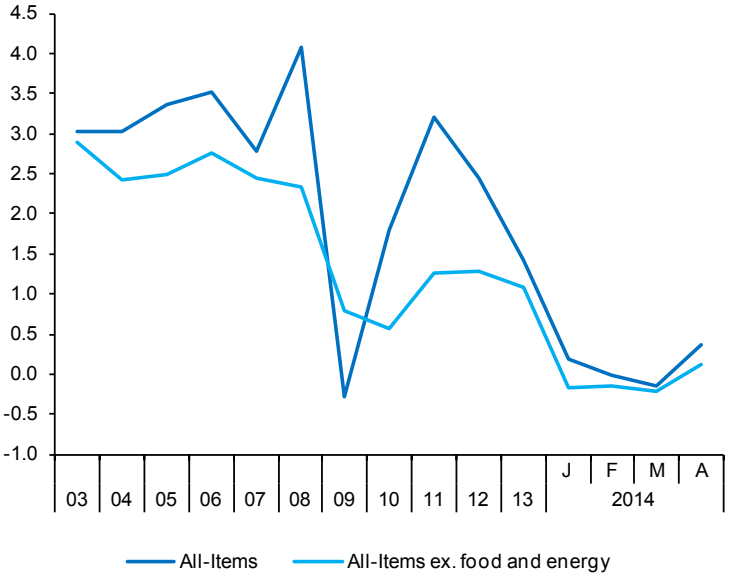


Chart 14.2.- Inflation rate (II)
Annual percentage changes

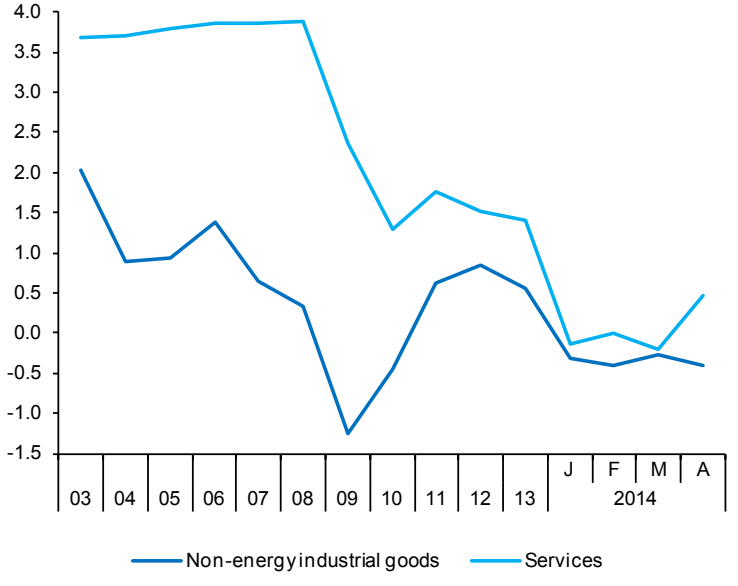


Table 15

Other prices and costs indicators

		GDP deflator (a)	Industrial producer prices		Housing prices		Urban land prices (M. Public Works)	Labour Costs Survey				Wage increases agreed in collective bargaining
			Total	Excluding energy	Housing Price Index (INE)	M² average price (M. Public Works)		Total labour costs per worker	Wage costs per worker	Other cost per worker	Total labour costs per hour worked	
		2000=100	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)		--	110.0	105.7	--	--	--	--	--	--	--	--
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)	--	110.0	105.7	--	--	--	--	--	--	--	--
2014	Jan	--	105.9	124.4	--	--	--	--	--	--	--	--
	Feb	--	105.7	121.3	--	--	--	--	--	--	--	--
	Mar	--	105.7	122.3	--	--	--	--	--	--	--	--
						Annual percent changes						
2008		2.4	6.5	4.5	-1.5	0.7	-8.9	4.8	5.1	4.1	4.6	3.6
2009		0.1	-3.4	-2.3	-6.7	-7.4	-5.8	3.5	3.2	4.3	5.2	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)		--	-2.0	-1.4	--	--	--	--	--	--	--	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)	--	-2.0	-1.4	--	--	--	--	--	--	--	0.6
2014	Jan	--	-1.3	-3.9	--	--	--	--	--	--	--	0.6
	Feb	--	-1.5	-6.7	--	--	--	--	--	--	--	0.6
	Mar	--	-1.5	-0.7	--	--	--	--	--	--	--	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)

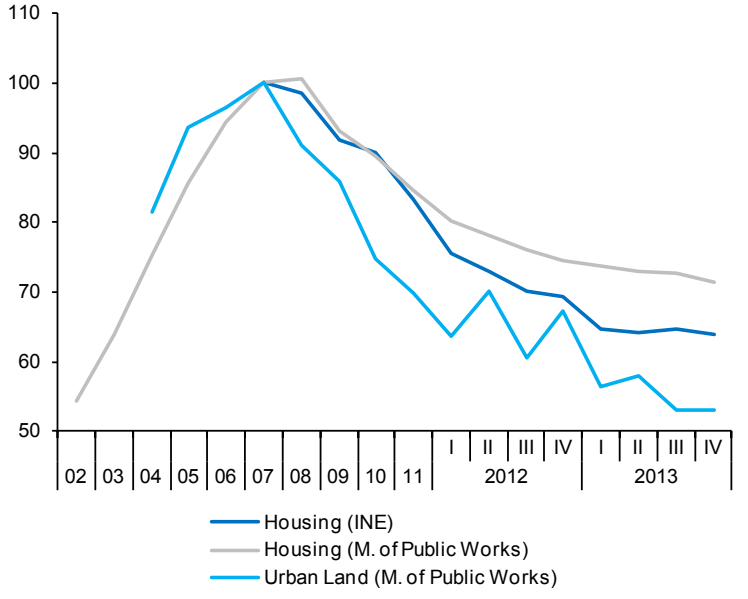


Chart 15.2.- Wage costs
Annual percent change

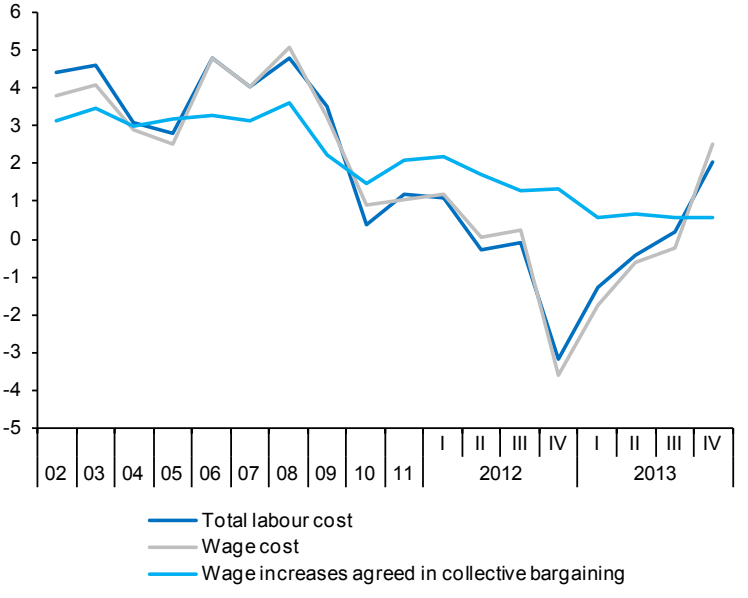


Table 16

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)	37.8	108.5	142.5	42.2	105.6	107.6	24.4	13.4	-4.4	26.0	2.7
2012 II	54.8	108.3	130.9	62.9	112.8	96.3	34.4	20.3	-8.1	3.8	2.8
III	57.0	110.6	133.4	63.7	114.9	95.9	34.5	22.5	-6.8	5.2	2.9
IV	58.6	112.5	134.8	61.1	114.5	92.2	35.6	22.9	-2.5	7.8	4.7
2013 I	57.1	108.9	135.6	61.4	111.1	95.4	35.0	22.1	-4.3	7.1	4.3
II	61.6	109.8	145.2	63.4	107.0	102.4	38.4	23.2	-1.8	8.3	5.8
III	59.4	110.8	138.8	63.3	110.1	99.3	36.8	22.5	-3.9	6.9	4.4
IV	59.0	111.4	137.2	62.3	109.5	98.2	36.7	22.4	-3.2	6.4	3.4
2014 I(b)	39.8	108.5	142.5	43.9	105.6	107.6	25.5	14.3	-4.1	3.1	2.8
2013 Dec	19.6	110.7	137.3	20.3	111.0	94.8	12.1	7.4	-0.8	2.3	1.2
2014 Jan	20.0	108.5	143.0	22.2	104.8	109.9	12.7	7.3	-2.3	1.4	1.2
Feb	19.8	108.5	142.0	21.6	106.5	105.3	12.8	7.1	-1.8	1.8	1.7
	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	3.6	-0.2	5.4	-3.0	-4.2	3.1	2.4	5.7	-1.6	2.5	1.7
2014 (d)	4.0	-1.2	5.3	3.0	-5.0	8.5	6.1	0.4	--	--	--
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	2.0	1.1
IV	11.8	7.1	4.2	-15.4	-1.3	-14.4	13.8	8.8	-1.0	3.0	1.8
2013 I	-9.9	-12.3	2.6	1.6	-11.5	14.5	-7.5	-13.6	-1.7	2.8	1.7
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	2.7	1.7
IV	-2.3	2.2	-4.4	-6.3	-1.9	-4.4	-1.8	-3.2	-1.3	2.5	1.3
2014 I(e)	4.8	-10.0	16.3	24.9	-13.6	44.2	17.8	-14.2	--	--	--
2013 Dec	2.4	-0.2	2.7	-0.8	1.6	-2.5	1.0	4.9	--	--	--
2014 Jan	2.1	-2.0	4.2	9.4	-5.6	15.9	4.6	-2.0	--	--	--
Feb	-0.7	0.0	-0.7	-2.6	1.6	-4.2	0.5	-2.8	--	--	--

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

Source: Ministry of Economy.

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

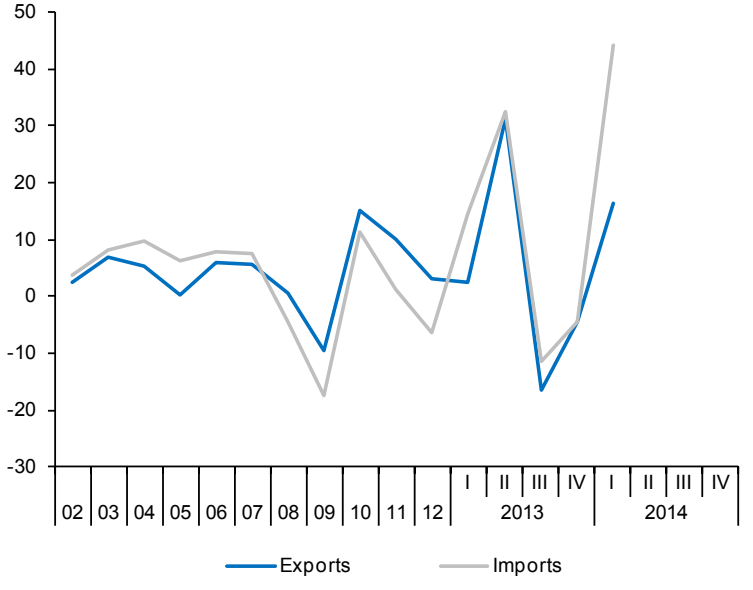


Chart 16.2.- Trade balance
EUR Billions, moving sum of 4 quarters

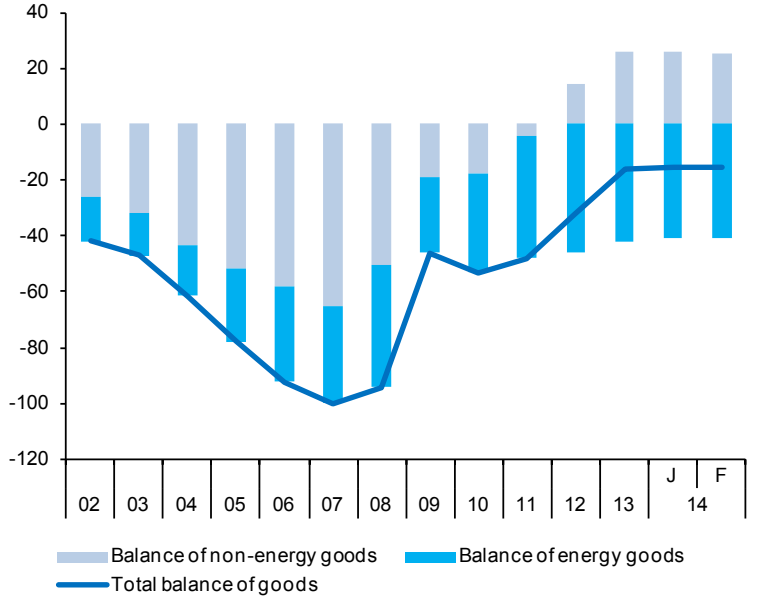


Table 17

Balance of Payments (according to IMF manual)

(Net transactions)

		Current account					Capital account	Current and capital accounts	Financial account						Errors and omissions
									Financial account, excluding Bank of Spain					Bank of Spain	
		Total	Goods	Services	Income	Transfers			Total	Direct investment	Porfolio investment	Other invest-ment	Financial derivatives		
		1 = 2 + 3 + 4 + 5	2	3	4	5	6	7=1+6	8 = 9 + 10 + 11 + 12	9	10	11	12	13	14
EUR billions															
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		-38.97	-43.45	35.28	-24.33	-6.47	5.43	-33.54	-78.92	-9.20	-25.70	-41.96	-2.07	109.23	3.23
2012		-12.43	-27.80	37.55	-17.92	-4.27	6.59	-5.83	-173.19	23.10	-54.93	-149.71	8.35	173.52	5.51
2013		7.96	-11.64	40.87	-15.28	-5.99	7.83	15.80	88.98	9.89	40.36	35.25	3.48	-114.27	9.49
2014	(a)	-6.38	-3.05	5.05	-4.95	-3.42	0.42	-5.96	-13.05	-2.22	-15.66	7.58	-2.75	17.93	1.08
2012	I	-13.86	-9.66	6.09	-6.03	-4.27	0.68	-13.19	-95.73	6.22	-39.06	-65.68	2.78	105.57	3.35
	II	-3.52	-7.02	9.43	-4.62	-1.31	1.72	-1.80	-129.47	-2.86	-48.58	-77.63	-0.40	131.22	0.06
	III	0.82	-7.20	14.66	-4.26	-2.38	1.52	2.34	2.20	2.56	5.64	-10.77	4.78	-3.27	-1.28
	IV	4.14	-3.92	7.37	-3.00	3.69	2.68	6.82	49.81	17.17	27.07	4.37	1.19	-60.01	3.38
2013	I	-4.28	-2.80	6.77	-4.40	-3.85	1.38	-2.90	41.50	3.22	-1.47	39.72	0.03	-38.77	0.17
	II	3.32	-0.64	9.90	-3.31	-2.63	2.53	5.85	1.76	4.07	-10.15	6.73	1.11	-11.74	4.13
	III	4.54	-4.18	15.31	-3.89	-2.70	1.25	5.79	-1.08	4.10	11.05	-18.14	1.91	-10.51	5.79
	IV	4.38	-4.03	8.89	-3.68	3.19	2.67	7.06	46.80	-1.50	40.94	6.94	0.42	-53.25	-0.60
2013	Dec	1.73	-1.96	2.05	-0.13	1.78	1.63	3.36	21.55	-5.56	21.52	6.09	-0.49	-26.90	1.99
2014	Jan	-3.58	-2.06	2.66	-3.09	-1.09	0.31	-3.27	-4.35	1.65	-9.75	5.47	-1.72	6.98	0.64
	Feb	-2.80	-1.00	2.39	-1.86	-2.33	0.11	-2.69	-8.71	-3.87	-5.91	2.10	-1.03	10.95	0.44
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		-3.7	-4.2	3.4	-2.3	-0.6	0.5	-3.2	-7.5	-0.9	-2.5	-4.0	-0.2	10.4	0.3
2012		-1.2	-2.7	3.6	-1.7	-0.4	0.6	-0.6	-16.8	2.2	-5.3	-14.5	0.8	16.9	0.5
2013		0.8	-1.1	4.0	-1.5	-0.6	0.8	1.5	8.7	1.0	3.9	3.4	0.3	-11.2	0.9
2012	I	-5.5	-3.8	2.4	-2.4	-1.7	0.3	-5.2	-37.7	2.5	-15.4	-25.9	1.1	41.6	1.3
	II	-1.3	-2.7	3.6	-1.7	-0.5	0.6	-0.7	-48.9	-1.1	-18.3	-29.3	-0.2	49.6	0.0
	III	0.3	-2.9	5.9	-1.7	-1.0	0.6	0.9	0.9	1.0	2.3	-4.3	1.9	-1.3	-0.5
	IV	1.6	-1.5	2.8	-1.1	1.4	1.0	2.6	18.9	6.5	10.3	1.7	0.5	-22.8	1.3
2013	I	-1.7	-1.1	2.7	-1.8	-1.5	0.5	-1.2	16.5	1.3	-0.6	15.8	0.0	-15.5	0.1
	II	1.3	-0.2	3.8	-1.3	-1.0	1.0	2.2	0.7	1.6	-3.9	2.6	0.4	-4.5	1.6
	III	1.8	-1.7	6.2	-1.6	-1.1	0.5	2.3	-0.4	1.7	4.5	-7.3	0.8	-4.3	2.3
	IV	1.7	-1.5	3.4	-1.4	1.2	1.0	2.7	17.8	-0.6	15.6	2.6	0.2	-20.3	-0.2

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

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

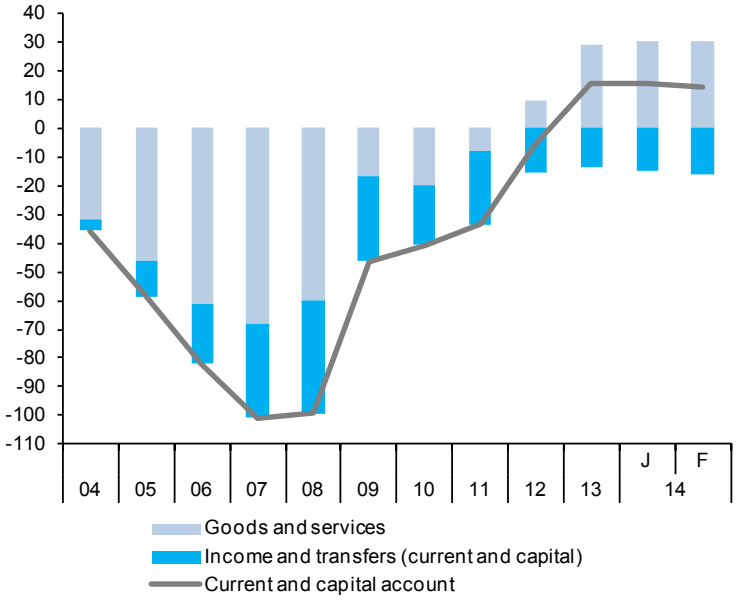


Chart 17.2.- Balance of payments: Financial account
EUR Billions, 12-month cumulated

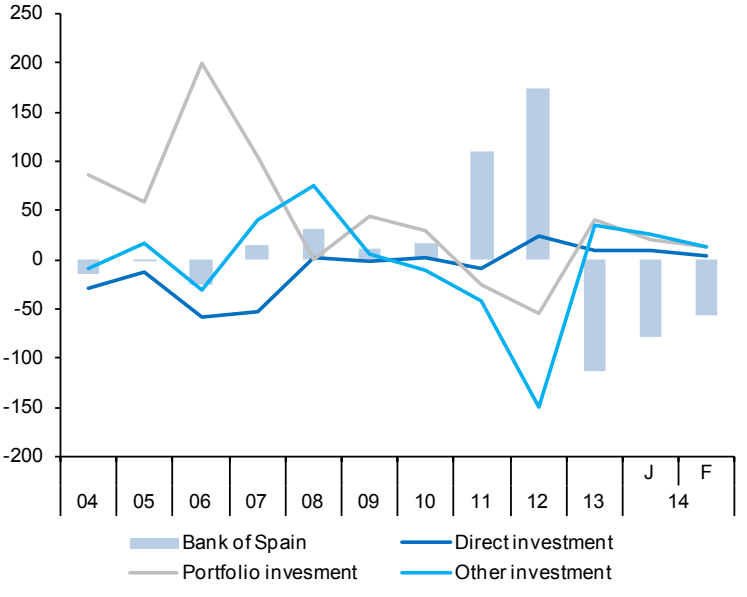


Table 18

State and Social Security System budget

	State							Social Security System				
	National accounts basis			Revenue, cash basis (a)					Accrued income		Expenditure	
	Surplus or deficit	Revenue	Expenditure	Total	Direct taxes	Indirect taxes	Others	Surplus or deficit	Total	of which, social contributions	Total	of which, pensions
	1=2-3	2	3	4=5+6+7	5	6	7	8=9-11	9	10	11	12
EUR billions, 12-month cumulated												
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	-44.1	122.0	166.2	215.4	96.2	71.6	47.7	-5.8	118.6	101.1	124.4	105.5
2013	-45.4	128.4	173.8	191.1	94.0	73.7	23.3	-8.9	121.3	98.1	130.2	111.1
2014 (b)	-9.9	31.3	41.2	45.7	17.5	21.3	6.9	3.7	31.5	25.0	27.9	24.4
2014 Jan	-44.6	128.6	173.2	190.4	92.3	74.2	24.0	-8.9	121.7	97.9	130.5	111.4
Feb	-43.6	129.5	173.1	194.8	94.3	75.5	25.0	-11.9	119.2	97.9	131.1	111.7
Mar	-44.7	129.8	174.4	194.8	94.3	76.1	24.4	-12.1	119.5	98.2	131.6	112.0
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	--	-10.2	-0.7	21.7	7.3	0.5	195.9	--	-2.5	-4.0	1.9	3.9
2013	--	5.2	4.6	-11.3	-2.2	3.0	-51.1	--	2.3	-3.0	4.6	5.3
2014 (c)	--	4.6	1.4	8.8	1.4	12.2	19.3	--	-5.4	0.2	5.5	3.6
2014 Jan	--	5.2	3.8	-10.2	-2.0	4.6	-49.0	--	2.0	-3.1	4.7	5.3
Feb	--	5.9	4.7	-7.3	0.9	6.7	-45.5	--	-0.6	-2.8	4.8	5.2
Mar	--	5.6	6.5	-7.8	1.0	7.0	-47.8	--	-0.1	-2.0	5.2	5.1
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	11.9	16.1	20.9	9.3	7.0	4.6	-0.6	11.5	9.8	12.1	10.3
2013	-4.4	12.6	17.0	18.7	9.2	7.2	2.3	-0.9	11.9	9.6	12.7	10.9
2014 (b)	--	--	--	--	--	--	--	--	--	--	--	--
2014 Jan	-4.4	12.5	16.9	18.6	9.0	7.2	2.3	-0.9	11.9	9.6	12.7	10.9
Feb	-4.3	12.6	16.9	19.0	9.2	7.4	2.4	-1.2	11.6	9.6	12.8	10.9
Mar	-4.4	12.7	17.0	19.0	9.2	7.4	2.4	-1.2	11.7	9.6	12.8	10.9

(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

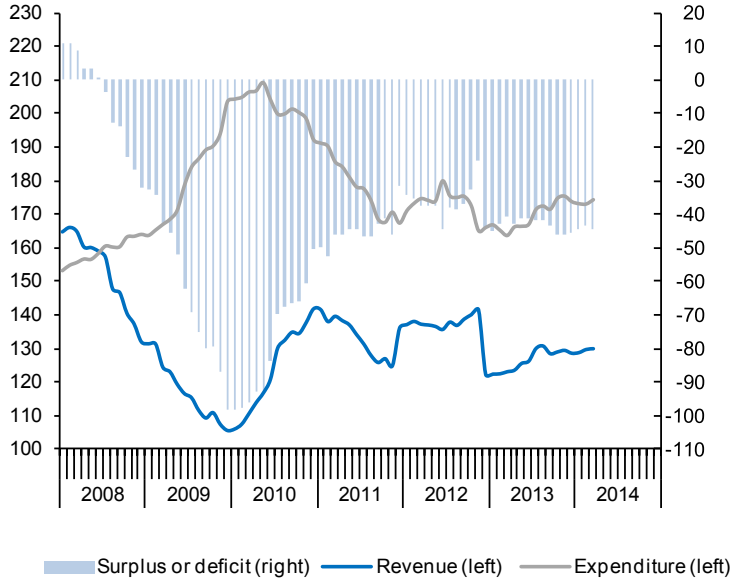


Chart 18.2.- Social Security System: Revenue, expenditure and deficit
EUR Billions, 12-month cumulated

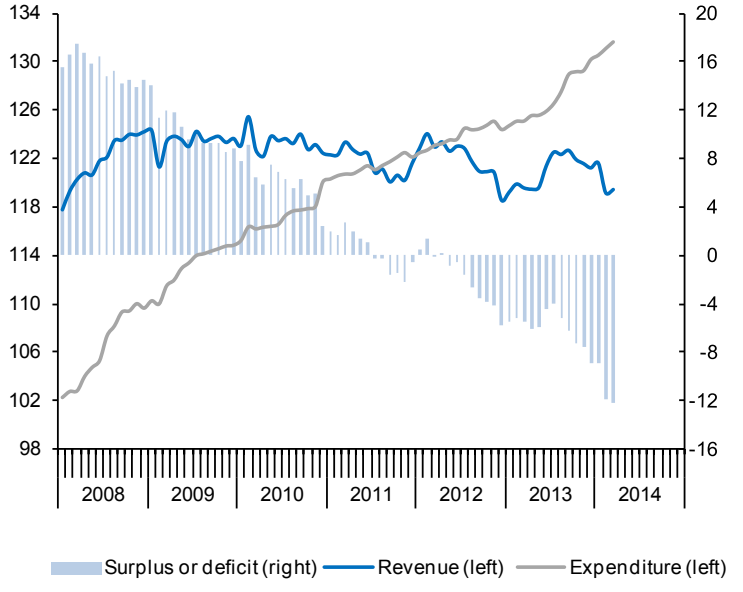


Table 19

Monetary and financial indicators

	Interest rates (percentage rates)					Credit stock (EUR billion)				Contribution of Spanish MFI to Eurozone 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	2,866.1	737.4	1,258.0	870.6	--	8,563.3
2012	5.8	427.9	3.4	9.1	5.6	2,866.7	884.7	1,148.2	833.8	--	8,167.5
2013	4.6	293.3	3.2	9.7	5.5	2,815.5	960.7	1,068.8	786.0	--	9,916.7
2014 (a)	3.4	180.1	3.3	9.7	5.3	2,821.6	987.9	1,051.0	774.7	--	10,459.0
2012 II	6.2	462.8	3.5	8.7	5.7	2,894.4	805.5	1,233.2	855.7	--	7,102.2
III	6.4	500.5	3.3	9.2	5.7	2,871.3	818.1	1,212.5	840.8	--	7,708.5
IV	5.6	413.6	3.1	8.8	5.5	2,866.7	884.7	1,148.2	833.8	--	8,167.5
2013 I	5.1	353.5	3.2	9.5	5.6	2,867.2	924.1	1,123.7	819.4	--	7,920.0
II	4.5	308.9	3.2	9.6	5.7	2,863.0	943.9	1,104.9	814.2	--	7,762.7
III	4.5	274.2	3.2	9.9	5.5	2,840.6	954.9	1,088.6	797.0	--	9,186.1
IV	4.2	236.6	3.2	9.7	5.3	2,815.5	960.7	1,068.8	786.0	--	9,916.7
2014 I(a)	3.6	186.8	3.3	9.7	5.3	2,821.6	987.9	1,051.0	774.7	--	10,340.5
2014 Feb	3.6	190.0	3.3	10.0	5.2	2,821.6	987.9	1,056.2	777.7	--	10,114.2
Mar	3.3	171.3	3.3	9.6	5.4	--	--	1,051.0	774.7	--	10,340.5
Apr	3.1	160.2	--	--	--	--	--	--	--	--	10,459.0
						Percentage change from same period previous year					**(b)**
2007	--	--	--	--	--	12.3	-2.2	17.7	12.5	15.1	7.3
2008	--	--	--	--	--	7.8	14.2	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	--	--	--	--	--	1.6	14.4	-1.9	-2.4	-1.6	-13.1
2012	--	--	--	--	--	1.3	20.0	-6.1	-3.8	0.1	-4.6
2013	--	--	--	--	--	-0.9	8.6	-5.1	-5.1	-4.3	21.4
2014 (a)	--	--	--	--	--	-1.1	8.0	-5.6	-4.8	-5.2	24.2
2012 II	--	--	--	--	--	1.2	14.0	-2.8	-3.2	-2.6	-11.3
III	--	--	--	--	--	0.9	15.3	-4.2	-3.6	-3.6	8.5
IV	--	--	--	--	--	1.3	20.0	-6.1	-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	--	--	--	--	--	-0.9	8.6	-5.1	-5.1	-4.3	8.0
2014 I	--	--	--	--	--	-1.1	8.0	-5.6	-4.8	-5.2	4.3
2014 Feb	--	--	--	--	--	-1.1	8.0	-5.7	-4.9	-4.9	2.0
Mar	--	--	--	--	--	--	--	-5.6	-4.8	-5.2	2.2
Apr	--	--	--	--	--	--	--	--	--	--	1.1

(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

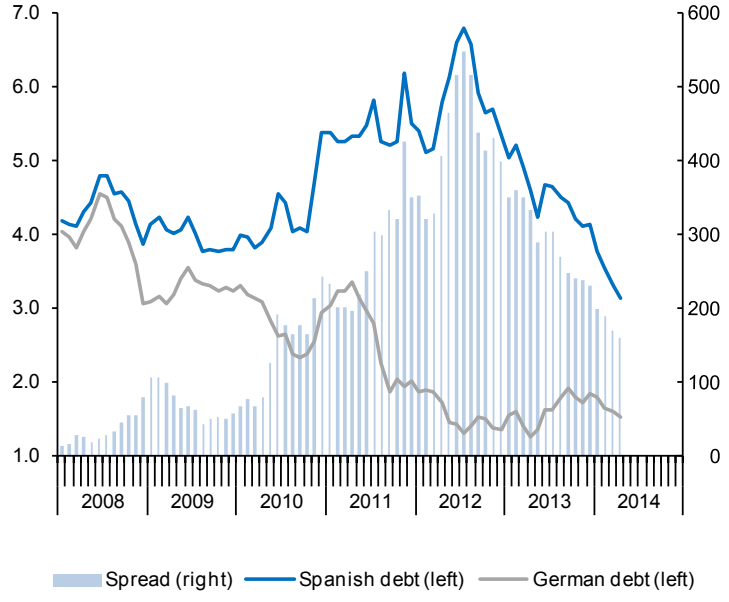


Chart 19.2.- Credit stock growth
Annual percentage change

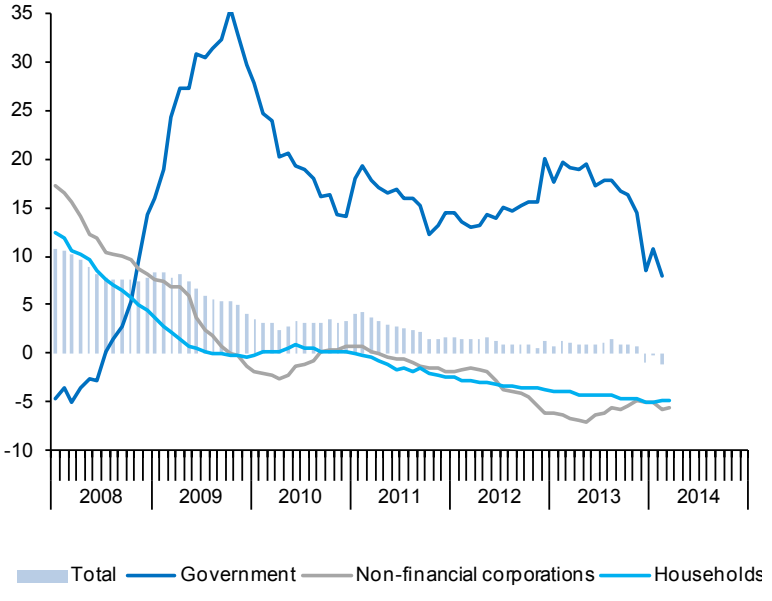


Table 20

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	92.2	111.5	121.0	106.5	104.4	102.1	94.1	96.8	97.2	111.9
2008	93.4	113.3	121.2	110.9	107.8	102.9	99.5	101.6	98.0	114.5
2009	98.9	111.9	113.1	110.6	108.1	102.4	96.2	97.0	99.2	114.0
2010	98.6	111.1	112.7	112.9	109.8	102.8	100.0	100.0	100.0	112.9
2011	99.9	109.5	109.6	116.3	112.8	103.1	106.5	105.2	101.2	113.1
2012	104.2	108.4	104.0	119.2	115.6	103.1	110.1	107.9	102.0	111.7
2013	107.8	107.0	99.3	121.0	117.2	103.2	110.0	107.4	102.4	113.4
2014 (a)	--	--	--	120.4	117.4	102.5	108.1	106.5	101.5	112.3
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	106.9	102.5	114.0
2014 I	--	--	--	119.9	117.2	102.4	108.1	106.5	101.5	112.3
2014 Feb	--	--	--	119.3	116.9	102.0	107.8	106.5	101.2	112.0
Mar	--	--	--	121.1	118.0	102.6	107.9	106.2	101.6	--
Apr	--	--	--	121.9	118.2	103.1	--	--	--	--
	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	1.4	1.6	0.2	4.1	3.3	0.9	5.7	4.9	0.8	--
2009	5.9	-1.2	-6.8	-0.2	0.3	-0.5	-3.3	-4.5	1.2	--
2010	-0.4	-0.7	-0.3	2.0	1.6	0.4	3.9	3.1	0.9	--
2011	1.4	-1.4	-2.7	3.1	2.7	0.3	6.5	5.2	1.3	--
2012	4.4	-1.0	-5.1	2.4	2.5	-0.1	3.4	2.6	0.8	--
2013	3.4	-1.3	-4.5	1.5	1.4	0.2	-0.1	-0.4	0.4	--
2014 (b)	--	--	--	0.1	0.7	-0.6	-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	-0.8	0.5	--
IV	--	--	--	0.2	0.8	-0.6	-0.8	-1.2	0.4	--
2014 I	--	--	--	0.0	0.7	-0.6	-2.5	-1.5	-1.0	--
2014 Feb	--	--	--	0.1	0.7	-0.7	-3.3	-1.6	-1.7	--
Mar	--	--	--	-0.2	0.5	-0.7	-1.9	-1.7	-0.2	--
Apr	--	--	--	0.3	0.7	-0.4	--	--	--	--

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

Sources: Eurostat and Bank of Spain.

Chart 20.1.- Relative Unit Labour Costs in industry (Spain/EMU)
1998=100

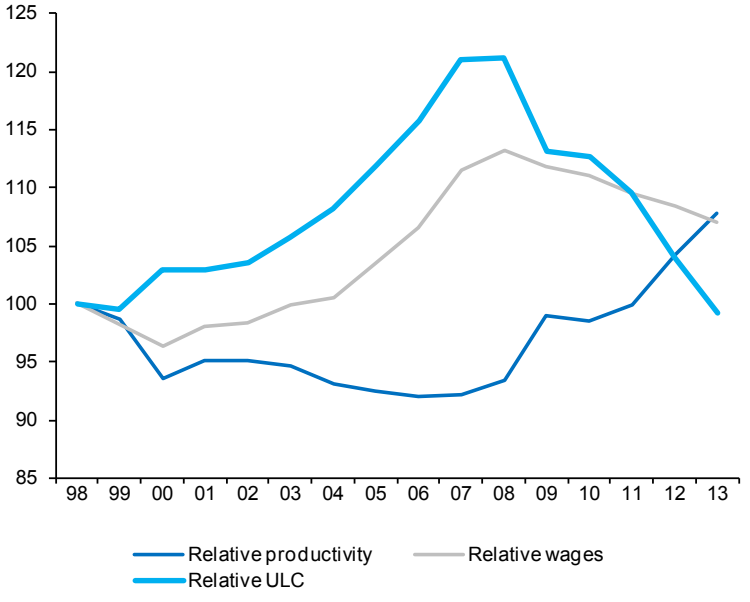


Chart 20.2.- Harmonized Consumer Prices
Annual growth in % and percentage points

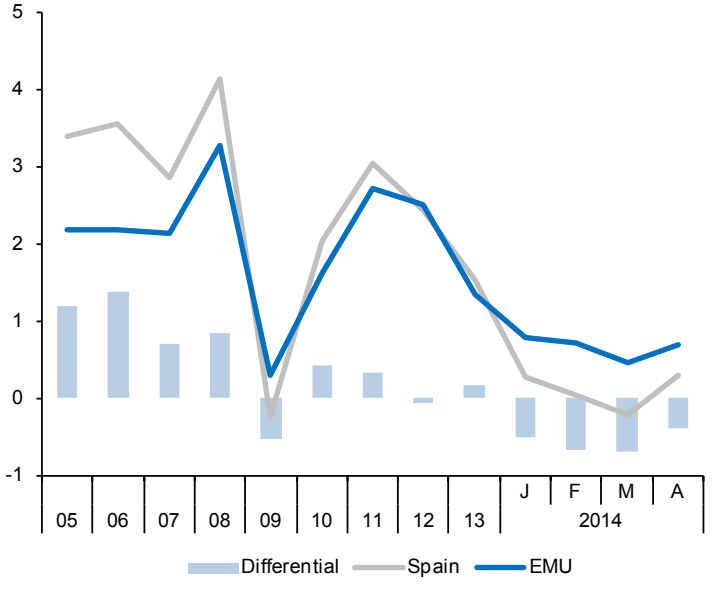


Table 21a

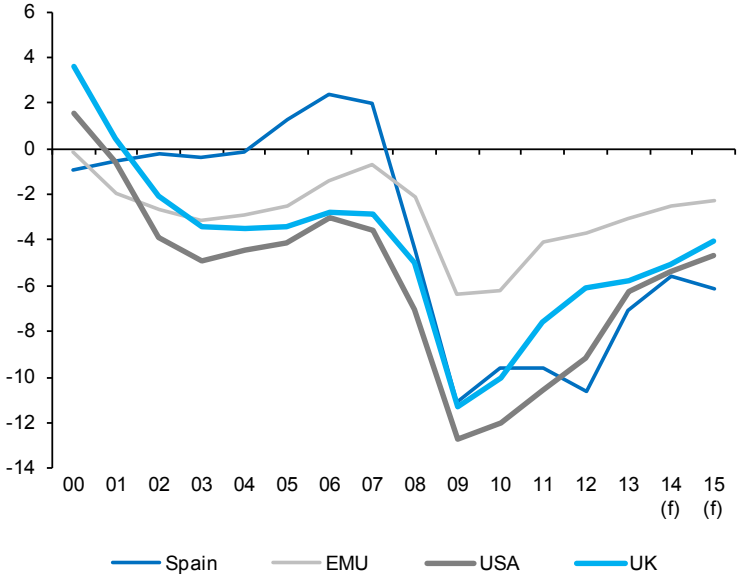
Imbalances: International comparison (I)

In blue: European Commission Forecasts

	Government net lending (+) or borrowing (-)				Government gross debt				Current Account Balance of Payments (National Accounts)			
	Spain	EMU	USA	UK	Spain	EMU	USA	UK	Spain	EMU	USA	UK
Billions of national currency												
2005	11.6	-207.6	-544.2	-43.6	392.5	5,750.7	8,502.9	532.3	-67.8	34.8	-737.1	-23.6
2006	23.2	-119.2	-412.9	-37.9	391.1	5,888.8	8,837.5	576.3	-88.9	38.8	-795.7	-38.3
2007	20.7	-62.1	-515.4	-40.5	382.3	5,996.5	9,328.4	624.3	-105.2	34.0	-709.1	-31.2
2008	-49.1	-198.5	-1,035.1	-72.6	437.0	6,494.9	10,797.1	758.7	-104.3	-67.2	-678.5	-13.8
2009	-116.4	-566.8	-1,829.0	-159.9	565.1	7,145.3	12,445.9	951.1	-50.0	8.7	-381.2	-20.1
2010	-100.5	-570.4	-1,798.6	-149.0	644.7	7,875.1	14,236.9	1,165.5	-45.7	30.3	-454.5	-40.0
2011	-100.0	-388.0	-1,645.6	-117.1	737.4	8,320.8	15,457.3	1,295.9	-41.6	37.2	-457.0	-22.5
2012	-109.3	-351.0	-1,486.4	-95.4	884.7	8,813.3	16,708.2	1,387.9	-12.5	171.1	-439.0	-59.7
2013	-72.4	-290.3	-1,048.0	-93.4	960.7	9,121.3	17,558.5	1,461.0	8.2	251.0	-392.0	-71.1
2014	-58.2	-243.5	-941.1	-85.3	1,039.7	9,440.0	18,589.7	1,548.1	14.3	286.2	-385.3	-63.3
2015	-65.2	-229.4	-863.3	-71.6	1,107.3	9,668.7	19,453.0	1,637.5	15.7	289.1	-443.8	-57.8
Percentage of GDP												
2005	1.3	-2.5	-4.2	-3.4	43.2	70.5	64.9	41.7	-7.5	0.4	-5.6	-1.8
2006	2.4	-1.4	-3.0	-2.8	39.7	68.6	63.8	42.7	-9.0	0.5	-5.7	-2.8
2007	2.0	-0.7	-3.6	-2.8	36.3	66.2	64.4	43.7	-10.0	0.4	-4.9	-2.2
2008	-4.5	-2.1	-7.0	-5.0	40.2	70.1	73.3	51.9	-9.6	-0.7	-4.6	-0.9
2009	-11.1	-6.3	-12.7	-11.3	54.0	79.9	86.3	67.1	-4.8	0.1	-2.6	-1.4
2010	-9.6	-6.2	-12.0	-10.0	61.7	85.7	95.2	78.4	-4.4	0.3	-3.0	-2.7
2011	-9.6	-4.1	-10.6	-7.6	70.5	88.1	99.5	84.3	-4.0	0.4	-2.9	-1.5
2012	-10.6	-3.7	-9.2	-6.1	86.0	92.7	102.9	89.1	-1.2	1.8	-2.7	-3.8
2013	-7.1	-3.0	-6.2	-5.8	93.9	95.0	104.5	90.6	0.8	2.6	-2.3	-4.4
2014	-5.6	-2.5	-5.4	-5.1	100.2	96.0	105.9	91.8	1.4	2.9	-2.2	-3.8
2015	-6.1	-2.3	-4.7	-4.1	103.8	95.4	105.4	92.7	1.5	2.9	-2.4	-3.3

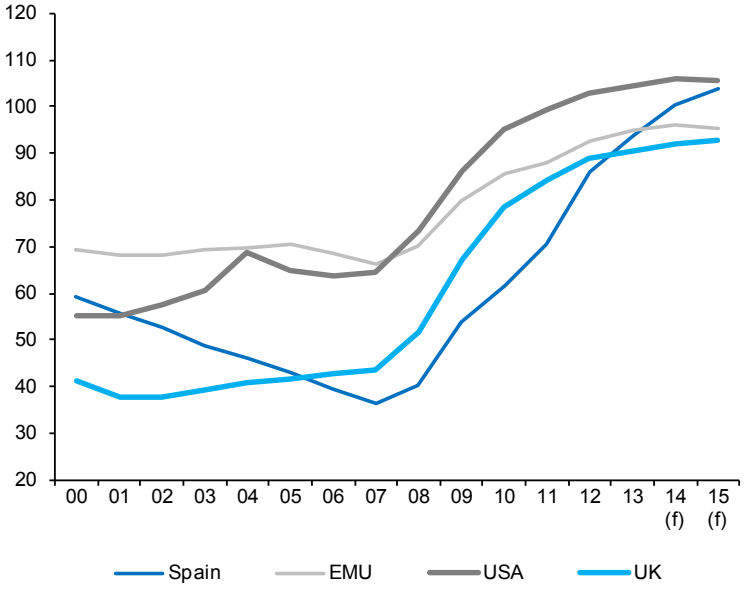
Source: European Commission.

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	1,386.4	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	1,042.5	11,842.8	17,102.5	3,613.8
2009	906.7	5,932.1	13,574.2	1,437.6	1,466.1	9,128.0	11,320.5	1,457.3	1,121.1	12,271.9	15,689.8	3,558.8
2010	903.0	6,107.2	13,198.3	1,439.4	1,501.1	9,387.4	11,419.8	1,435.8	1,107.1	12,383.8	14,487.0	3,706.6
2011	875.8	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	838.8	6,184.8	12,979.6	1,468.5	1,375.5	9,650.2	12,733.3	1,452.2	1,154.7	13,110.6	13,910.7	3,689.6
2013 (b)	789.2	6,158.4	13,105.1	1,471.4	1,319.2	9,595.8	13,621.8	1,470.9	967.4	12,719.9	14,081.1	3,653.7
Percentage of GDP												
2005	71.9	58.6	89.5	90.6	104.6	86.1	66.3	88.4	58.1	103.6	99.0	188.3
2006	79.2	60.6	93.4	94.6	120.9	89.7	69.6	90.9	76.5	110.2	102.9	196.0
2007	83.2	61.5	95.5	97.2	131.6	94.1	75.8	91.7	93.1	120.0	111.9	221.4
2008	84.0	62.8	94.1	98.3	135.8	99.0	79.2	103.2	95.8	128.1	116.2	247.2
2009	86.6	66.5	94.1	101.4	140.0	102.3	78.5	102.8	107.1	137.6	108.8	251.1
2010	86.4	66.6	88.2	96.9	143.6	102.4	76.3	96.6	105.9	135.1	96.8	249.5
2011	83.7	65.7	83.8	94.3	141.3	101.4	77.0	94.0	107.5	136.3	90.4	234.1
2012	81.5	65.2	79.9	93.7	133.6	101.8	78.4	92.7	112.2	138.2	85.6	235.4
2013 (b)	77.1	64.3	78.0	90.7	129.0	100.2	81.1	90.6	94.6	132.8	83.8	225.2

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

Sources: European Central Bank and Federal Reserve.

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

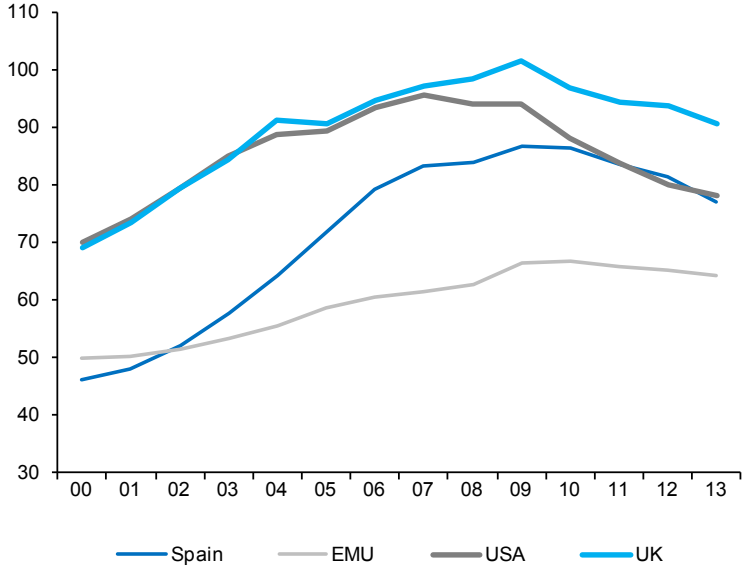
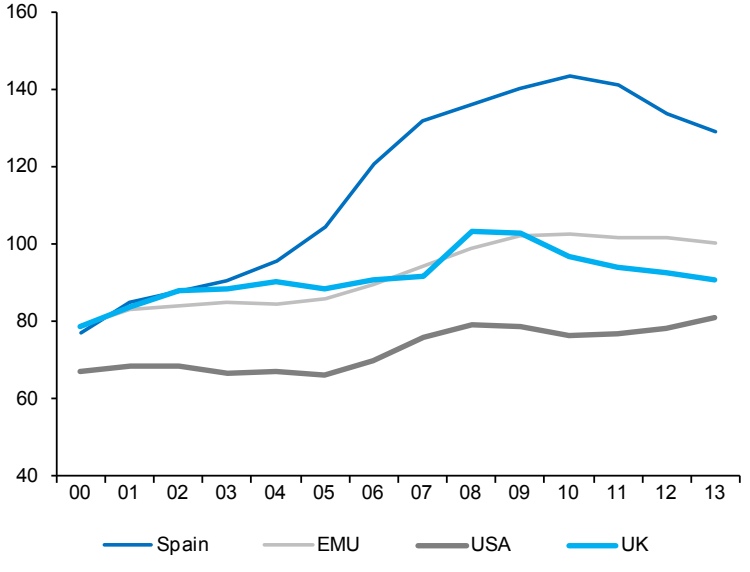


Chart 21b.2.- Non-financial corporations debt
Percentage of GDP



KEY FACTS: 50 FINANCIAL SYSTEM INDICATORS

Updated: May 15th, 2014

Highlights

Indicator	Last value available	Corresponding to:
Bank lending to other resident sectors (monthly average % var.)	-0.4	February 2014
Other resident sectors' deposits in credit institutions (monthly average % var.)	-1.2	February 2014
Doubtful loans (monthly % var.)	-1.0	February 2014
Recourse to the Eurosystem (Eurozone financial institutions, million euros)	699,276	April 2014
Recourse to the Eurosystem (Spanish financial institutions, million euros)	162,373	April 2014
Recourse to the Eurosystem (Spanish financial institutions million euros) - Main L/T refinancing operations	23,303	April 2014
"Operating expenses/gross operating income" ratio (%)	48.5	December 2013
"Customer deposits/employees" ratio (thousand euros)	5,025.81	December 2013
"Customer deposits/branches" ratio (thousand euros)	34,494.65	December 2013
"Branches/institutions" ratio	217.50	December 2013

A. Money and interest rates

Indicator	Source:	Average 1998-2011	2012	2013	2014 April	2014 May	Definition and calculation
1. Monetary Supply (% chg.)	ECB	6.0	3.0	2.3	2.5	-	M3 aggregate change (non-stationary)
2. Three-month interbank interest rate	Bank of Spain	2.9	0.6	0.22	0.31	0.32	Daily data average
3. One-year Euribor interest rate (from 1994)	Bank of Spain	3.1	1.1	0.54	0.60	0.60	End-of-month data
4. Ten-year Treasury bonds interest rate (from 1998)	Bank of Spain	4.5	5.8	4.6	3.05	2.85	Market interest rate (not exclusively between account holders)
5. Corporate bonds average interest rate	Bank of Spain	4.5	5.8	3.9	2.02	-	End-of-month straight bonds average interest rate (> 2 years) in the AIAF market

Comment on "Money and Interest Rates": The 1-year Euribor rate has remained stable at 0.60% while the 3-month rate has increased to 0.32% in the first fortnight of May. The markets are still waiting for the European Central Bank to take some action, in particular after the low economic growth of the Eurozone in 2014Q1 (0.2%) and the lower than expected inflation. As for the Spanish 10-year bond yield, it has fallen significantly to 2.85%.

B. Financial markets

Indicator	Source:	Average 1998-2011	2012	2013	2014 February	2014 March	Definition and calculation
6. Outright spot treasury bills transactions trade ratio	Bank of Spain	24.5	84.7	82.9	89.5	71.6	(Traded amount/ outstanding balance) x100 in the market (not exclusively between account holders)
7. Outright spot government bonds transactions trade ratio	Bank of Spain	79.8	64.8	61.2	75.6	71.3	(Traded amount/ outstanding balance) x100 in the market (not exclusively between account holders)
8. Outright forward treasury bills transactions trade ratio	Bank of Spain	0.6	1.7	1.9	0.8	0.7	(Traded amount/ outstanding balance) x100 in the market (not exclusively between account holders)
9. Outright forward government bonds transactions trade ratio	Bank of Spain	4.4	2.2	3.2	3.8	2.7	(Traded amount/ outstanding balance) in the market (not exclusively between account holders)
10. Three-month maturity treasury bills interest rate	Bank of Spain	2.7	0.6	0.2	0.2	0.2	Outright transactions in the market (not exclusively between account holders)
11. Government bonds yield index (Dec1987=100)	Bank of Spain	593.8	751.1	846.3	895.0	915.4	Outright transactions in the market (not exclusively between account holders)
12. Madrid Stock Exchange Capitalization (monthly average % chg.)	Bank of Spain and Madrid Stock Exchange	0.5	0.6	2.3	2.5	2.9	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	4.2	-24.8	0.4	-31.9	27.4	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	1,029.6	824.7	1,011.98	1,034.34	1,059.01(a)	Base 1985=100
15. Ibex-35 (Dec1989=3000)	Bank of Spain and Madrid Stock Exchange	9,989.3	7,583.2	8,715.6	10,114.2	10,365.04(a)	Base dec1989=3000
16. Madrid Stock Exchange PER ratio (share value/ profitability)	Bank of Spain and Madrid Stock Exchange	16.1	18.2	33.1	25.6	22.1(a)	Madrid Stock Exchange Ratio “share value/ capital profitability”

B. Financial markets (continued)

Indicator	Source:	Average 1998-2011	2012	2013	2014 February	2014 March	Definition and calculation
17. Long-term bonds. Stock trading volume (% chg.)	Bank of Spain and Madrid Stock Exchange	3.4	-15.1	-23.5	-4.4	72.9	Variation for all stocks
18. Commercial paper. Trading balance (% chg.)	Bank of Spain and AIAF	2.0	73.9	80.7	-4.1	-6.0	AIAF fixed-income market
19. Commercial paper. Three-month interest rate	Bank of Spain and AIAF	2.9	2.4	2.4	0.6	0.5	AIAF fixed-income market
20. IBEX-35 financial futures concluded transactions (% chg.)	Bank of Spain	0.8	-10.8	15.8	-20.8	11.3	IBEX-35 shares concluded transactions
21. IBEX-35 financial options concluded transactions (% chg.)	Bank of Spain	7.8	54.1	-22.8	-32.5	-12.5	IBEX-35 shares concluded transactions

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

Comment on "Financial Markets": During the last month, there has been a reduction in transactions with outright spot T-bills, and of spot government bonds transactions of 71.6% and 71.3%, respectively. The stock market has lost some momentum and the IBEX-35 has fallen below the 10,400 level, standing at 10,365 points on May 15th and the General Index of the Madrid Stock Exchange at 1,059. Additionally, there was an 11.3% increase in financial IBEX-35 future transactions and a 12.5% decrease in transactions with IBEX-35 financial options.

C. Financial Savings and Debt

Indicator	Source:	Average 2004-2010	2011	2012	2013 Q 3	2013 Q 4	Definition and calculation
22. Net Financial Savings/GDP (National Economy)	Bank of Spain	-6.7	-3.4	-0.2	1.5	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	4.0	3.4	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	327.0	328.6	Public debt, non-financial companies debt and households and non-profit institutions debt over GDP

C. Financial Savings and Debt (continued)

Indicator	Source:	Average 2004-2010	2011	2012	2013 Q 3	2013 Q 4	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	78.2	77.1	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	3.2	4.2	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	-2.1	-1.3	Total liabilities percentage change (financial balance)

Comment on "Financial Savings and Debt": During 2013Q4, 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 77.1%. Finally, the stock of financial assets on households' balance sheets registered an increase of 4.2%, while there was a 1.3% drop in the stock of financial liabilities, thereby increasing households' financial wealth.

D. Credit institutions. Business Development

Indicator	Source:	Average 1998-2011	2012	2013	2014 January	2014 February	Definition and calculation
28. Bank lending to other resident sectors (monthly average % var.)	Bank of Spain	12.8	-10.4	-9.5	0.7	-0.4	Lending to the private sector percentage change for the sum of banks, savings banks and credit unions
29. Other resident sectors' deposits in credit institutions (monthly average % var.)	Bank of Spain	10.6	-1.8	1.3	0.6	-1.2	Deposits percentage change for the sum of banks, savings banks and credit unions
30. Debt securities (monthly average % var.)	Bank of Spain	10.0	23.2	-5.1	5.7	-0.9	Asset-side debt securities percentage change for the sum of banks, savings banks and credit unions
31. Shares and equity (monthly average % var.)	Bank of Spain	16.4	3.1	8.9	0.1	-0.1	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	-0.8	-9.0	-5.9	-6.9	-7.3	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 1998-2011	2012	2013	2014 January	2014 February	Definition and calculation
33. Doubtful loans (monthly average % var.)	Bank of Spain	34.9	20.0	17.8	0.1	-1.0	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	-3.3	0.3	6.5	-15.9	8.1	Liability-side assets sold under repurchase. Percentage change for the sum of banks, savings banks and credit unions
35. Equity capital (monthly average % var.)	Bank of Spain	11.3	-12.1	19.6	1.7	1.4	Equity percentage change for the sum of banks, savings banks and credit unions

Comment on "Credit institutions. Business Development": The latest available data as of February 2014 show a 0.4% decrease in bank credit to the private sector and also a 1.2% decrease in financial institutions deposit-taking from the previous month. Holdings of debt securities have decreased by 0.9% while shares and equity have fallen by 0.1%. Also, doubtful loans decreased 1.0% compared to the previous month.

E. Credit institutions. Market Structure and Eurosystem Refinancing

Indicator	Source:	Average 1997-2010	2011	2012	2013 September	2013 December	Definition and calculation
36. Number of Spanish credit institutions	Bank of Spain	215	189	173	159	155	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	86	Total number of foreign credit institutions operating in Spanish territory
38. Number of employees	Bank of Spain	249,013	243,041	231,389	212,998	212,998	Total number of employees in the banking sector
39. Number of branches	Bank of Spain	40,987	39,843	37,903	35,238	33,713	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	609,276(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	182,373(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 September	2013 December	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	23,303(a)	Open market operations: main long term refinancing operations. Spain total

(a) Last data published: April 2014.

Comment on "Credit institutions. Market Structure and Eurosystem Refinancing": In April 2014, the recourse to Eurosystem funding by Spanish credit institutions accounted for 29.93% of net total funds borrowed from the ECB by the Eurozone. In absolute terms, recourse to the Eurosystem by Spanish banks has been falling over the last 20 months.

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

Indicator	Source:	Average 1997-2010	2011	2012	2013 September	2013 December	Definition and calculation
43. "Operating expenses/gross operating income" ratio	Bank of Spain	54.53	49.85	47.18	46.73	48.25	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	5,035.92	5,025.81	Productivity indicator (business by employee)
45. "Customer deposits/ branches" ratio (Euro thousands)	Bank of Spain	16,424.04	29,171.23	30,110.18	33,068.17	34,494.65	Productivity indicator (business by branch)
46. "Branches/ institutions" ratio	Bank of Spain	193.19	205.38	219.09	221.62	217.50	Network expansion indicator
47. "Employees/ branches" ratio	Bank of Spain	6.08	6.5	6.9	6.6	6.9	Branch size indicator
48. Equity capital (monthly average % var.)	Bank of Spain	0.10	0.40	-0.12	0.11	1.63	Credit institutions equity capital variation indicator
49. ROA	Bank of Spain	0.88	0.06	-1.93	0.16	0.14	Profitability indicator, defined as the "pre-tax profit/average total assets"
50. ROE	Bank of Spain	13.23	3.28	-18.74	2.20	1.87	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