Spanish Economic and Financial Outlook

The changing dynamics of Spain's debt burden



Editorial

Board of Editors

Carlos Ocaña (Director) Santiago Carbó Ángel Laborda José Félix Sanz

Managing Editors

Alice B. Faibishenko Juan Núñez-Gallego

Board of Trustees

Isidro Fainé Casas (Presidente) José María Méndez Álvarez-Cedrón (Vicepresidente) Fernando Conlledo Lantero (Secretario) Amado Franco Lahoz Manuel Menéndez Menéndez Pedro Antonio Merino García Antonio Pulido Gutiérrez Victorio Valle Sánchez

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

Electronic edition An electronic edition of this journal its available at http://www.funcas.es/Publicaciones/Index.aspx?ld=47&ddg=0

Printed in Spain

Editorial and Production Spanish Savings Banks Foundation (FUNCAS) Caballero de Gracia, 28. 28013 Madrid (Spain)

Ownership and Copyright:

 $\ensuremath{\mathbb{C}}$ Spanish Savings Banks Foundation 2012

ISSN print edition 2254-3899 ISSN electronic edition 2254-3880 Depósito Legal: M-10678-2012 Prints: Cecabank.

FEATURES

05 **The Spanish economy in 2014** and outlook for 2015

Ángel Laborda and María Jesús Fernández

Spain has consolidated its recovery in 2014 and this is expected to gain strength in 2015 thanks to the favourable impact of internal and external factors. However, the transitory nature of these positive shocks, and remaining constraints, will continue to limit growth capacity for some time to come.

17 Evolution of Spain's debt dynamics: Who's who in the Spanish debt market

Ángel Berges and Sara Baliña

Despite strong deleveraging efforts by Spanish households and corporates, increased public sector borrowing continues to drive up Spain's overall debt burden. The changes in debt composition are being mirrored by the increase in Spanish banks' holdings of public debt relative to a decrease in traditional lending, but the overall level of financial intermediation in the Spanish economy remains high.

27 **Redesigning the Spanish banking** sector in 2015: Reactivating business and boosting profitability

Santiago Carbó Valverde and Francisco Rodríguez Fernández

Greater transparency and improved solvency have brought renewed confidence in the Spanish banking industry. In 2015, a more favorable economic outlook and post-restructuring improvements will allow Spanish banks to increase private sector lending, as well as face profitability challenges also common to most of their international peers. 37 Foreign direct investment in Spain

Rafael Myro

Since the mid-2000s, Spain has played an important role both as a destination for and source of foreign investment. Strengthening FDI from abroad will help Spain continue to reap the benefits for the Spanish economy, while the country aspires to increase expansion in new and existing markets.

Reallocation of resources: The driving force behind competitiveness

Aránzazu Crespo

47

57

Aggregate unit labor costs are the most commonly used indicator to gauge the competitiveness of an economy. However, they often fail to provide sufficient information as they do not adequately capture the role of firms and their heterogeneity. Recent empirical data confirm that efficient reallocation of resources between firms and sectors is the key to the underlying evolution of aggregate unit labor costs and hence to understanding country competitiveness.

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)

63 Spanish economic forecasts panel: January 2015

FUNCAS Economic Trends and Statistics Department

69 KEY FACTS

Economic indicators Financial system indicators

Letter from the Editors

The January SEFO starts off the year on a positive note. Spain consolidated its economic recovery in 2014 and optimism over the outlook for 2015 has increased. GDP growth in 2014 was supported by improved financial conditions and a surprising outperformance of domestic demand. The recovery will gain strength in 2015: firstly, as a result of the progress on the various adjustment processes underway in the Spanish economy, which have situated domestic demand in a position from which it can return to growth: and, secondly, due to the favourable impact of various internal and external shocks, such as falling oil prices and the recently announced ECB debt purchase program.

Nevertheless, the largely transitory nature of these shocks and the persistence of significant constraints make it unlikely for growth to continue accelerating. In addition, the downside to the recovery has been the deterioration of the current account balance, which if it continues, may ultimately mean an increase in debt vis-à-vis the rest of the world, heightening Spain's vulnerability to market tensions. This is of particular importance in the current context of likely upcoming political changes following the recent elections in Greece, which will put politics in the spotlight once again in the Eurozone.

The fall in oil prices is expected to maintain the current account surplus, at least in the short-term, but given the magnitude of the debt overhang problem, this *SEFO* takes a look at the adjustment process that has taken place in the Spanish debt stock and the resulting dynamics, essentially – who's who in the Spanish debt market.

Our analysis examines the trends in Spain's debt composition, reflecting the strong deleveraging effort made by the private sector – a debt reduction of 42% of GDP –greater than in any other country, in contrast to the increased leverage in the public sector with the result being an increase in Spain's overall debt stock. This trend has been mirrored by the financial sector, which has embarked on an undesirable shift away from loans to productive assets towards public sector financing. Illustrating this point is the fact that Spanish banks today are the main investors in the Spanish Treasury's securities.

Notwithstanding this shift. banks remain the key intermediaries in the Spanish financial system and, as this SEFO points out, they have increased their transparency and solvency post restructuring and the EU surveillance program. The main challenges that remain for the Spanish banks ahead are: privatization of nationalized banks, progress on the sale of impaired assets at the SAREB, increasing credit to the private sector, and finding new sources of profitability.

Finally, we explore recent developments in two areas affecting Spain's external sector: Foreign Direct Investment (FDI) and Unit Labor Costs (ULCs).

The January SEFO examines the role played by Spain in the past few decades, both as a destination and source of FDI. We find that, while Spain has traditionally been an important destination for foreign investment, since the mid-2000s, it has also become a significant source of outward FDI, making Spain today Europe's 3rd economy for outward FDI as a share of GDP and second for inward FDI. Going forward, it will be crucial for investment promotion policy to take into consideration the creation of the right incentives to foster both inward and outward FDI, and its geographic diversification, given the demonstrated benefits for GDP growth, employment, exports, and efficiency for Spanish firms in the case of the former, and the greater investment in human capital and R&D in the case of the latter.

We end with some considerations about the competitiveness of the overall economy by analyzing the determination of aggregate unit labor costs. We conclude that ULCs do not always accurately explain country competitiveness, as they do not take into account the importance of firm heterogeneity. This is evident in the case of Spain, where ULCs have risen relative to its peers, yet the country's share of word exports has not fallen proportionately. As we show in this *SEFO*, to understand the real driver of a country's competitiveness, we need to assess the efficiency of resource allocation among its firms.

The Spanish economy in 2014 and outlook for 2015

Ángel Laborda and María Jesús Fernández¹

Spain has consolidated its recovery in 2014 and this is expected to gain strength in 2015 thanks to the favourable impact of internal and external factors. However, the transitory nature of these positive shocks, and remaining constraints, will continue to limit growth capacity for some time to come.

The global economy in 2014 was characterized by the sharp contrast between dynamic growth in the U.S. and UK versus weak performance by the Euro area, Japan, and the emerging economies. This trend should continue into 2015, albeit taking into consideration key risks to global stability. Spain consolidated its recovery in 2014, supported by improved financial conditions and a surprising outperformance of domestic demand. Importantly, housing market indicators point to the stabilization of the real estate sector, labor market trends are improving, the private sector continues its deleveraging effort, and the government appears to be on track to meet the 2014 deficit target of 5.5%. Growth supportive factors should remain in place for 2015, underpinning FUNCAS' more optimistic forecast of 2.4%. However, these positive shocks are largely transitory and the economy still faces growth constraints. Moreover, uncertainty over internal political stability has increased and it should not be forgotten that Spain remains highly vulnerable to changes in investor perceptions.

The global economy in 2014 and risks for 2015

The global economy in 2014 was marked by the contrast between the dynamism of the United States and the United Kingdom, on the one side, and the weak performance of the rest of the economic areas –Euro area, Japan and the emerging countries– on the other (Exhibits 1.1 and 1.2). On top of this came falling oil prices, which dropped to almost half their annual peak between June and December, reshaping the economic outlook for the various regions in 2015.

The U.S. economy, after a dip in the first quarter caused by the harsh winter weather, grew in the

middle quarters of the year at annualised rates of close to 5%, and the unemployment rate dropped to below 6%. As a result, the Federal Reserve ended its asset purchase program, known as Quantitative Easing, and is expected to start raising interest rates in the second half of 2015.

Japan slid back into recession, despite its strongly expansionary monetary and fiscal policies, while the emerging countries, as in the previous year, grew more slowly than expected, and many of them suffered a sharp devaluation of their currencies. Brazil went into recession, and Russia's growth slowed, partly as a result of international sanctions, while its outlook for 2015 has worsened considerably as a result of falling

¹ Economic Trends and Statistics Department, FUNCAS.



Exhibit 1

oil prices. China grew at a rate below 7.5% over the year as a whole, and it is widely assumed that its potential growth rate is now permanently lower. This translates into lower growth prospects for other emerging economies, particularly raw materials exporters.

The Eurozone performed acceptably in the first quarter, but its progress was limited at best in the subsequent quarters. The unemployment rate fell by three tenths of a percent in the first guarter, to 11.5%, stabilising at this level towards the end of the year, and inflation remained very low throughout the year, even turning negative in December. This sparked fears of deflation, pushing the European Central Bank to implement a series of extraordinary measures aimed at lowering interest rates and boosting the system's liquidity, including the recently announced public debt purchase program, which will run at least until September 2016. The announcement of these measures, at the time the United States began to phase out its Quantitative Easing program, led to a depreciation of the euro, which lost slightly more than 10% of its value against the dollar between March and December.

The United States is set to continue its dynamic growth in 2015, while the forecasts for the European economy, although supported by lower oil prices, are for moderate growth (less than 1.5%). Greece is once again a destabilising factor, and the possibility of its debt being restructured is again being considered. In principle, the impact of this eventuality on the economy of the Euro area would be contained, and contagion to other peripheral economies, specifically Spain, would be limited. However, this could depend on how the internal and external economic and political situation develops.

Lower commodity prices and the slowing Chinese economy will continue to hold down growth in the emerging economies. The U.S. Federal Reserve's withdrawal of liquidity and raising interest rates could also have a negative impact on some of these countries, which run the risk of suffering currency and balance of payments crises. Falling oil prices will have a strongly negative impact on the Russian economy, which, added to the effect of international sanctions, could jeopardise its solvency. This is another potential source of instability for the world economy.

6

The Spanish economy in 2014

The Spanish economy's recovery became established in 2014, having begun midway through the previous year. Growth remains moderate, however, in a context in which financing conditions are steadily improving, due to progress on cleaning up the banks' balance sheets, the better situation of applicants for credit, and the extraordinary monetary policy measures announced by the ECB. This was reflected in the downward trajectory in the cost of Spanish public debt throughout the year and the consequent drop in the risk premium from 200 basis points in January to 114 basis points in December (Exhibit 6.1). At the same time, in 2014, new flow of credit to households and small and mediumsized enterprises began to grow, although within a general context of debt reduction.

The recovery in domestic demand has been sustained. After six years of intensive adjustment, it is now positioned for growth, although constraints persist. The data on the final months of 2014 is still incomplete, however, the GDP growth rate for the year as a whole is estimated to have been 1.4%, compared with the -1.2% registered the previous year (Exhibit 2.1). This result is better than forecast. In late 2013, FUNCAS predicted growth of 1%, and the consensus forecast was even slightly lower. In nominal terms, GDP growth in 2014 was 1%, owing to falling prices.

The biggest surprise was in the composition of growth. A negative contribution was expected from domestic demand and a positive contribution from the external sector. The end result was the opposite.

The biggest surprise was in the composition of this growth. A negative contribution was expected from domestic demand and a positive contribution from the external sector. The end result was the opposite. It is estimated that the former contributed 2.1 percentage points (pp) and the latter -0.7 pp (Exhibit 2.2). Rising domestic demand has been driven by consumption –the growth of which has been concentrated mainly in durable goods, particularly cars– and investments in capital goods. The strength of the latter stands out, having posted an uninterrupted series of positive growth rates since the first quarter of 2013. Public consumption has also grown, both in real and nominal terms, after three years of decline. This suggests a relaxation in the budgetary adjustment effort (Exhibit 2.3).

Another salient feature of how the Spanish economy developed in 2014 was the start of the recovery in investment in home building, which grew in the third quarter, and probably also in the fourth, although the annual average was negative (Exhibit 2.4). This growth indicates that one of the main adjustments the Spanish economy has been making since the start of the crisis, namely the adjustment of this component of demand since the bursting of the property-market bubble, has come to an end. Since the peak reached in 2006, residential construction's share of GDP has dropped to a third of its previous value, shrinking from 12.1% in 2006 to 4% in 2014. This is one of the key features of recent economic developments, as it means that rather than weighing down growth, the sector has started making a positive contribution, thus marking the start of a new cycle. The start of the recovery in residential construction is also a reflection of the stabilisation of the real-estate sector in 2014. in terms of both the number of homes sold and their prices.

Exports of goods and services are estimated to have grown by 4.2% – an outstanding rate bearing in mind the weak external context, particularly in the EU, which is Spain's main export market. Imports grew faster, at 7.3%, driven by the growth in those components of demand with the greatest propensity for imports, namely durable goods consumption and equipment investments. This led to the external sector's negative contribution in 2014 for the first time in seven years.

Exhibit 2 Spanish economy: GDP and components

2.1 - GDP

Change in % and level



Source: INE (Quarterly National Accounts).

2.3 - Consumption

Annualised quarterly change in %



All the main economic sectors except construction registered growth in their gross value-added in annual terms. However, construction did post quarter-on-quarter growth in the second half of the year. In the case of services, the strength of the tourism sector stands out, where there has been significant growth in inflows of tourists, although the number of hotel stays by foreign residents grew **2.2 - GDP, national demand and external balance** Annualised quarterly change in % and contribution in pp



Source: INE (Quarterly National Accounts).

2.4 - Gross Fixed Capital Formation



only moderately, which is explained by greater recourse to other forms of accommodation. In fact, the growth in the number of overnight hotel stays in 2014 was mainly explained by the increase in hotel stays by Spanish residents.

Although no data are yet available for the fourth quarter, it is estimated that employment, measured

8

Exhibit 3

External sector

3.1 - Exports/Imports at constant prices (Customs)

Annualised moving quarterly change in %, smoothed series



in terms of full-time equivalent jobs, grew by 0.9% in 2014. This is equivalent to approximately 140,000 jobs on an annual average, although comparing the last quarter of 2014 with the same period the previous year, the increase was slightly more than 300,000. The number of Social Security affiliates, using data for the year as a whole in this case, grew in seasonally adjusted terms in all months of the year, producing an average annual increase of 1.6% (Exhibit 4.2).

According to the *Labour Force Survey*, the downward trend in the labour force observed the preceding year continued into 2014, as a result of the shrinking working-age population, which, in turn, is explained by negative net migratory flows. The drop in the number of people out of work was 440,000 over the year, due more to the decline in the labour force than an increase in the number of people in work, which rose by 205,000 –although comparing the fourth quarter of 2014 with the same period the previous year, the increase was 433,000. Also, whereas the jobs created at the start of the recovery were mainly temporary and part-time, from the second quarter of 2014 onwards, there



Income & transfers balance

Goods & services balance

Source: Bank of Spain.

3.2 - Balance of payments

was a shift towards permanent contracts and fulltime jobs. The average annual unemployment rate is estimated at 24.4%, compared with 26.1% in 2013 (Exhibit 4.1).

2008 2009 2010 2011 2012 2013 2014

- Net lending (+) / net borrowing (-) with RoW

According to national accounts figures, ULCs have fallen by 6.4% since 2009. This has made it possible to recover around 80% of the cost competitiveness relative to the rest of the EU lost over the preceding decade.

According to *National Accounts*, compensation per employee rose by 0.1% in 2014. Given the rise in productivity, which slowed considerably to 0.5%, this implies a drop in unit labour costs (ULCs) of 0.4%. ULCs have fallen by 6.4% since 2009. This has made it possible to recover around 80% of the cost competitiveness relative to the rest of the EU lost over the preceding decade. This is undoubtedly one of the factors explaining the strong performance of exports (Exhibit 5.1).

Exhibit 4

Labour market

4.1 - Employment and unemployment (LFS) Annualised quarterly change and percentage



This cost reduction, the high level of spare

production capacity, and falling oil price, along

with the price of unprocessed foodstuffs in the

central months of the year -which was simply a

correction of the sharp increases witnessed in

98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13

Relative productivity per hour

Relative hourly wages

Relative ULC

Sources: Eurostat and FUNCAS.

4.2 - Social Security affiliates Seasonally-adjusted data



Sources: Ministry of Labour and FUNCAS.

the same months of the previous year- caused inflation to fall to negative rates in the months of July and onwards. The year-on-year rate in December was -1.0% and the annual rate stood at -0.2% (Exhibit 5.2). Nevertheless, this cannot





10

Exhibit 5

95

90

be properly considered deflation, as that would be inconsistent with the context of economic growth, rising consumption and investment. Moreover, these negative inflation rates are almost entirely the result of an external factor, namely falling oil prices, which stimulates domestic consumption rather than slowing it.

The current account of the balance of payments deteriorated in 2014 as a result of the sharp rise in imports, which outpaced exports. Thus, between January and October, a deficit of almost 5.4 billion euros was posted, compared with a surplus of 11.2 billion euros over the same period the previous year. The final outcome for the year as a whole was probably close to equilibrium, compared with a surplus of 1.4% of GDP posted in 2013 (Exhibits 3.1 and 3.2).

The financial account of the balance of payments -excluding the Bank of Spain- went into reverse. Between January and October, it registered a deficit of 6.2 billion euros, in contrast with a surplus of 44.7 billion euros the previous year (Exhibit 6.2). This was the result of the big increase in Spanish foreign portfolio investment outflows and the

Exhibit 6

Financial indicators

6.1 - Government 10 years bonds rate Percentage and basis points



change in sign of the other investments account, which went from net inflows to net outflows.

As regards the balance between savings and investment, the reduction of the current account surplus was the result of a drop in the national savings rate and a rise in the investment rate. By sectors, using data for the period up to the third quarter, the drop in the savings rate was concentrated in the private sector, while the general government rate was less negative than in the preceding year.

The general government deficit up to September, excluding aid to the financial system, was 3.6% of annual GDP, compared with 4.2% in the same period the previous year. This suggests that the final result for the year as a whole will be in line with the target of 5.5% (Exhibit 7.2). The improvement came entirely from increased revenues, as expenditure, excluding aid to financial institutions, was practically the same as in the same period the previous year, despite interest payments on the debt being notably lower than budgeted. According to data for the period to October, the Central Government and the Social





Source: Bank of Spain.

Security System reduced their deficit, while the Autonomous Regions increased theirs by three tenths of a percentage point to 1.33% of GDP, exceeding their objective for the entire year, which

For the period to October, the Central Government and the Social Security System reduced their deficit, while the Autonomous Regions increased theirs by three tenths of a percentage point to 1.33% of GDP, exceeding their objective for the entire year, which was 1%.

was 1%. In the case of Social Security, the improvement in its balance came from the –much greater than budgeted– drop in unemployment benefits, while the Social Security System –basically the pensions system– worsened its negative balance.

Households and non-financial corporations have generated a financial surplus (net lending position)

Exhibit 7 Financial imbalances

since the start of the crisis, although this is on a downward trend. In the case of households, with the data for up to the third quarter of 2014, this surplus shrank to 1.3% of GDP from 2.8% in the same period of 2013, as a consequence of the drop in savings deriving from the increase in consumption, which grew faster than available income. In the case of non-financial corporations, their net lending position over the first three quarters of 2014 as a whole dropped to just 1.7% of GDP, compared to 4.5% in the same period the previous year.

Households and firms have largely –in the case of non-financial firms, entirely– devoted their surplus to reducing their debt. The level of debt has consequently dropped noticeably since its peak in 2010, allowing more scope for an increase in spending (Exhibit 7.1). In the case of households, in the third quarter of 2014 –the most recent period for which data are available– debt stood at 72.4% of GDP, which is 12 percentage points less than the peak reached in 2010. In nominal terms, the decrease in the volume of debt was





160

^{7.1 -} Private sector indebtedness Percentage of GDP

Exhibit 8

Economic forecast for Spain, 2014-15

Change y-o-y in %, unless otherwise indicated 8.1 - GDP





Current account balance

National investment rate

National saving rate

8.2 - GDP, national demand and external balance

13

16.5%. As regards non-financial corporations, the decrease in the debt ratio since the maximum was 24.4 percentage points of GDP, to 109.7%, while the nominal reduction in the volume of debt was 18%.

Households and firms have largely –in the case of non-financial firms, entirely– devoted their surplus to reducing their debt.

In sum, the progress on the process of adjustment undergone by the Spanish economy since the start of the crisis -debt reduction, regaining cost competitiveness, downsizing the residential construction sector, and cleaning up and restructuring the financial sector- in conjunction with the improved financial conditions and the effects of the reforms carried out, have made it possible for the Spanish economy's recovery to become established over the course of 2014. The downside to this recovery has been the deterioration in the current account balance, which, if it continues, may mean a return to a deficit, which would mean that debt vis-à-vis the rest of the world would start to grow again. This would increase the economy's vulnerability to new episodes of tension in the financial markets. Moreover, servicing this debt -a large portion of which is public- could place a serious brake on growth when interest rates start to rise. Nevertheless, falling oil prices are generating an improvement in the trade balance and, given that this trend is expected to continue, there should be continued improvement in the trade account in 2015, such that it is likely that in the short term, the surplus in the current account of the balance of payments will be maintained.

Outlook for the Spanish economy in 2015

The Spanish economy's recovery will gain traction in 2015, supported by various factors

that are more or less transitory, but which will nevertheless last for some time: i) the sharp drop in interest rates resulting from the ECB's new measures, which will intensify following the entry into force of the ECB's recently announced debt purchase program, ii) falling oil price, which on the demand side represent increased disposable income for consumers, while on the supply side represent lower production costs, iii) the cut in personal income tax, combined with the more expansionary course of public spending; and, iv) the depreciation of the euro against the dollar, although this will have only a modest impact on exports and GDP.

The estimate for GDP growth in 2015 stands at 2.4% – two tenths of a percent higher than in previous forecasts (Exhibits 8.1 to 8.6 and Table 1). Along with the risks to the global economy as a whole already mentioned, another risk to this scenario is the uncertainty over internal political stability. This could lead to a loss of confidence in Spain's outlook and solvency, and it should not be forgotten that the Spanish economy's level of external debt makes it highly vulnerable to changes in international financial markets' perceptions.

Household consumption will accelerate its growth in 2015 to 3%. The increased spending capacity deriving from the tax cuts (0.4% of disposable income) and the drop in energy prices (approximately one percentage point of this disposable income assuming Brent remains at around 55 dollars per barrel) will allow an upturn in spending to be compatible with a recovery in the savings rate. Public consumption may register a similar result in 2015 to that expected for 2014, i.e. growth of 0.6%.

Gross fixed capital formation in capital goods will increase next year at a somewhat slower rate than at present (6.9%), due to the natural exhaustion after a long period of strong growth beginning in the first quarter of 2013. Construction investment will grow in annual terms in 2015 for the first time after seven years of adjustment, in both

Table 1

Economic Forecasts for Spain, 2014-2015

Annual rates of change in %, unless otherwise indicates

	Actual data				FUNCAS forecasts			Change in forecasts (a)	
	Average 1996-2007	Average 1996-2007	2012	2013	2014	2015	2014	2015	
1. GDP and aggregates, constant prices									
GDP	3.8	-1.1	-2.1	-1.2	1.4	2.4	0.1	0.2	
Final consumption households and NPISHs	3.6	-1.9	-2.9	-2.3	2.3	3.0	0.3	0.5	
Final consumption general government	4.3	0.8	-3.7	-2.9	0.6	0.6	0.4	1.3	
Gross fixed capital formation	6.5	-7.4	-8.0	-3.4	3.2	4.3	2.4	1.4	
Construction	5.4	-10.3	-9.3	-9.2	-2.9	1.8	1.1	1.9	
Residential construction	7.4	-11.9	-9.0	-7.6	-3.1	1.9	1.3	3.0	
Non-residential construction	3.8	-8.4	-9.6	-10.5	-2.8	1.7	1.0	1.2	
Capital goods and other products	8.6	-2.8	-6.2	4.2	10.1	6.9	3.0	0.3	
Exports goods and services	6.6	1.7	1.2	4.3	4.2	4.6	-0.2	-0.7	
Imports goods and services	8.7	-4.1	-6.3	-0.5	7.3	6.3	1.8	0.9	
National demand (b)	4.5	-2.8	-4.3	-2.7	2.1	2.7	0.6	0.7	
External balance (b)	-0.7	1.8	2.2	1.4	-0.7	-0.4	-0.5	-0.5	
GDP, current prices: - € billion			1,055.2	1,049.2	1,059.6	1,091.3			
- % change	7.4	-0.5	-1.9	-0.6	1.0	3.0	0.3	0.4	
2. Inflation, employment and unemployment									
GDP deflator	3.5	0.6	0.2	0.7	-0.4	0.6	0.1	0.2	
Household consumption deflator	3.1	1.8	2.4	1.0	-0.1	-0.8	-0.1	-1.4	
Total employment (National Accounts, FTEJ)	3.4	-3.1	-4.4	-3.3	0.9	2.0	0.2	0.5	
Productivity (FTEJ)	0.4	2.1	2.4	2.1	0.5	0.4	0.0	-0.3	
Wages	7.5	-1.0	-5.6	-2.3	1.3	2.7	0.1	0.6	
Gross operating surplus	6.9	0.3	1.1	0.1	0.0	3.3	0.5	0.9	
Wages per worker (FTEJ)	3.3	2.4	-0.6	1.7	0.1	0.5	-0.1	0.0	
Unit labour costs	2.9	0.2	-3.0	-0.4	-0.4	0.1	-0.1	0.3	
Unemployment rate (LFS)	12.5	20.2	24.8	26.1	24.4	22.5	0.0	0.0	
3. Financial balances (% of GDP)									
National saving rate	22.4	19.9	19.8	20.4	19.1	20.3	1.4	2.3	
- of which, private saving	18.6	23.1	23.4	24.5	22.5	22.8	0.9	1.8	
National investment rate	26.9	23.1	20.2	19.0	19.0	19.1	0.9	0.8	
- of which, private investment	23.0	19.4	17.8	16.8	17.1	17.2	0.3	0.2	
Current account balance with RoW	-4.5	-3.3	-0.4	1.5	0.1	1.2	0.4	1.5	
Nation's net lending (+) / net borrowing (-)	-3.7	-2.8	0.1	2.1	0.6	1.7	0.2	1.3	
- Private sector	-2.8	5.7	10.4	8.9	6.1	6.2	0.2	1.2	
- Public sector (general governm. deficit)	-0.9	-8.6	-10.3	-6.8	-5.5	-4.6	0.0	0.0	
- General gov. deficit exc. financial instit. bailout		-7.8	-6.6	-6.3	-5.4	-4.6	0.1	0.0	
Gross public debt	52.2	66.3	84.4	92.1	98.0	101.6	-2.0	-2.1	
4. Other variables									
Household saving rate (% of GDI)	10.8	11.2	9.5	10.4	8.8	9.4	-0.8	-0.5	
Household gross debt (% of GDI)	81.5	125.0	122.3	115.4	110.5	104.7	-1.1	-1.0	
Non-financial coporates gross debt (% of GDP)	80.4	126.8	124.0	111.9	107.0	101.4	-13.2	-10.7	
Spanish external gross debt (% of GDP)	90.2	158.1	162.0	153.0	159.0	156.9	2.2	4.4	
12-month EURIBOR (annual %)	3.7	1.9	1.1	0.5	0.5	0.3	0.0	-0.2	
10-year government bond yield (annual %)	5.0	4.7	5.9	4.6	2.7	1.8	0.0	-0.5	

Notes:

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

the housing component and other construction. In the case of the latter, growth will be driven by the increase in public investment deriving from the electoral cycle.

Exports will grow at a similar rate to that in 2014, while import growth will moderate, despite the forecast increased growth in domestic demand. This is explained by the fact that the components of domestic demand in which there is the greatest propensity to import –i.e. consumption of durable goods and investments in capital goods– will account for a smaller share of its growth, while the share of non-durable consumer goods and construction investment–components with a lower propensity to import– will increase. The external sector's contribution to growth will be negative again in 2015, although to a lesser extent than in 2014 (-0.4 pp).

Consistent with higher growth forecasts, the projections for employment have also been revised upwards to 2.0% in 2015, equivalent to the creation of 330,000 full-time equivalent jobs on an annual average basis. This will bring the unemployment rate down to 22.5%. In 2015, in contrast to 2014, the fall in the unemployment rate will derive more from job creation than from the contraction in the labour force. Productivity will grow at a similar rate to that in 2014, and ULCs will rise slightly, although at a rate below the GDP deflator.

The current account of the balance of payments and net lending position vis-à-vis the rest of the world will be in surplus to a significantly greater extent than in 2014. This will be helped by the drop in the price of imported energy.

The general government deficit will drop to 4.6% of GDP (the official target is 4.2%), entirely as a consequence of the favourable effect of the cycle and the increase in the ratio's denominator due to the growth of nominal GDP. The persistence of a high, albeit shrinking, deficit will mean that public debt continues to rise, passing the 100% of GDP threshold in 2015.

Lastly, the non-financial private sector surplus will increase with respect to 2014, which will allow the process of debt reduction to continue, reducing the sector's unconsolidated gross debt to around 169% of GDP, 48 percentage points below the peak reached in 2010 and 13 points above the likely Euro-area average.

In short, the recovery will gain strength in 2015: i) firstly, a result of the progress on the various adjustment processes mentioned which are underway in the economy and which have situated domestic demand in a position from which it can return to growth; and, ii) secondly, due to the favourable impact of various internal and external factors or shocks. However, these shocks are largely transitory in nature and in the years ahead significant constraints on growth will remain, making it unlikely to continue accelerating. These constraints include, in particular, the high level of public debt, which will make it necessary to maintain a restrictive bias on fiscal policy over the coming years, and private debt, which, despite the intense process of deleveraging, will continue to limit the capacity for domestic demand growth for some time to come.

17

SEFO - Spanish Economic and Financial Outlook

Evolution of Spain's debt dynamics: Who's who in the Spanish debt market

Angel Berges and Sara Baliña¹

Despite strong deleveraging efforts by Spanish households and corporates. increased public sector borrowing continues to drive up Spain's overall debt burden. The changes in debt composition are being mirrored by the increase in Spanish banks' holdings of public debt relative to a decrease in traditional lending, but the overall level of financial intermediation in the Spanish economy remains high.

Since the start of the financial crisis, global aggregate debt ratios have been on the rise – albeit masking a decline, or at least stabilization, in private sector borrowing and a spike in public debt. This trend is reflected in Spain's debt dynamics throughout the crisis. Initially high private sector debt levels underwent a notable correction. Meanwhile, initially low public sector debt levels rose as a result of increased public borrowing, leading to a surge in overall Spanish debt levels. An analysis of Spain's external debt dynamics in 2008 relative to mid-2014, broken down by debtor and creditor, more visibly illustrates the deleveraging across households and corporates in contrast to the releveraging within the Spanish government. Banks remain the main creditors to both the private and public sectors, however, there has been a corresponding shift in banks' creditor positions - the reduction of their exposure to corporate and household loans and their increased holdings of public sector securities, reflecting the changes in the relative composition of Spanish debt.

Introduction: Global debt dynamics

Debt dynamics have emerged as one of the key factors for understanding the duration and depth of the crisis and the effectiveness of the related policy response. A recent report, "Deleveraging? What deleveraging?," published by Geneva Reports on the World Economy, provides an international comparison of these debt dynamics.

Global debt has continued to rise since the start of the crisis, mainly driven by incremental borrowing by emerging nations. In the developed world, the divergences are noteworthy in terms of both aggregate debt levels and the breakdown along sectoral lines. According to the abovementioned Geneva report (2014), aggregate debt across the developed economies, excluding financial sector debt, went from 230% of GDP in 2007 to 272% in 2013, with the U.S., UK and Eurozone presenting

¹ AFI - Analistas Financieros Internacionales, S.A.

broadly similar leverage ratios and trends. The rise in the aggregate leverage ratio in the last six years masks a decline, or at least stabilisation, in private sector borrowing and a spike in public debt.

The Eurozone is a case study in itself. As with most analyses, the aggregate debt snapshot is not representative of the trend in the various economies making up the region. While the debt stock of households and non-financial corporates is below 150% of GDP in Germany, France and Italy, this metric stands at over 200% in Spain and more than 300% in Ireland. The Eurozone's peripheral nations' public finances have deteriorated more significantly on a relative basis. Translating this

Without a monetary authority with scope for intervention on par to that of the Federal Reserve or the Bank of England in terms of financing public sector debt, the Eurozone looks particularly vulnerable to further episodes of financial stress.

into external debt terms calls the sustainability of the recent growth trend into question. Without a monetary authority with scope for intervention on par to that of the Federal Reserve or the Bank of England in terms of financing public sector debt, the Eurozone looks particularly vulnerable to further episodes of financial stress, such as that witnessed in 2011-2012, when the sovereign debt crisis ravaged the region's peripheral economies.

A cross-country comparison of capital investment and savings rates in the Eurozone is useful in terms of understanding the magnitude of the debt taken on during the boom years and the obstacles lying in the path of accelerated deleveraging in the near term. The peripheral economies had relied

on debt to fund growth in domestic spending, which translated into investment rates of over 25% of GDP and the international expansion of their corporate sectors. This took place without an intense correction in aggregate savings. However, when the crisis broke out and the financial markets ground to a halt, the correction in the external borrowing requirement was fuelled by collapsing investment rates. The reduction in savings rates against the backdrop of shrinking income and high public deficits is crucial to understanding the slow pace of deleveraging in peripheral nations. In economies such as Italy and France, the correction in investment levels was accompanied by a similar drop in savings, which is why their stock of external debt has not come down. The flip side of the coin is illustrated by countries such as Germany, where aggregate savings rates have even increased thanks to sustainable debt levels.

Spain: Diverging paths in private and public debt

Spain's pre-crisis aggregate debt level was high, albeit concentrated in private debt, with Spanish public debt accounting for just 41% of GDP.² The economy's overall leverage, excluding the financial sector, stood at just over 250% of GDP, with corporates and households contributing debt equivalent to 210% of GDP, i.e., over 80% of total debt outstanding in Spain at the time.

The financial sector played a key role in channelling external savings into sectors whose investment decisions exceeded their self-financing capacity. This is evident in the growth in the amount of bank credit extended to the resident private sector: the weight commanded by this form of debt in the economy surged from under 85% of GDP at the start of the century to 170% of GDP pre-crisis.

The recent recessionary period has driven an uptick in overall Spanish debt levels, which at

² Ratio calculated on the basis of the value of liabilities taking the form of loans and debt securities at all levels of government using information from the national accounts. For this reason, the ratio does not coincide with the public debt ratio arrived at using the so-called Excessive Debt Procedure criteria.



Exhibit 3

Debt ratios in Spain by sector

(% of GDP)



Sources: Bank of Spain, AFI.

June 2014 stood at 322% of GDP, albeit marking one important difference with respect to the composition of the nation's pre-crisis debt: government borrowing has increased considerably, while the two main private sectors, i.e., households and non-financial corporates, have deleveraged.



Sources: EUROSTAT, AFI.

Exhibit 4

Volume of credit extended to the resident private sector in Spain (% of GDP)



Sources: Bank of Spain, AFI.

Indeed, Spain has reduced its private sector indebtedness by more than any other country, having deleveraged since the peak of mid-2010 by some 40 percentage points of GDP. On the other hand, in the Eurozone as a whole, the debt stock of households and corporates increased by almost 9 points as a percentage of GDP between 2007 and 2013, in stark contrast to the trend in places such as the U.S., which has witnessed a

Spain has reduced its private sector indebtedness by more than any other country, having deleveraged since the peak of mid-2010 by some 40 percentage points of GDP.

more typical 'balance sheet adjustment', marked by a swifter and sharper correction in output, employment, real estate prices and debt relative to the Eurozone.

In Spain, within the private sector, the deleveraging process has been more intense in the corporate sector, due to the sharp credit crunch experienced in certain segments of the economy, such as construction and property development, given the need to reduce dependency on external borrowing against the backdrop of high financing costs and a reduced need for fresh capital in light of widespread business contraction. As a result, Spanish corporate debt as a percentage of GDP has fallen by 27 points from the peak of 2010 to mid-2014. The fact that the bulk of household debt takes the form of long-term mortgage loans and is held by households facing significant income constraints explains the slower deleveraging process in this sector. Nevertheless, household debt has fallen by 12 points of GDP during the same period, which translates into a significant improvement in terms of disposable income: the household debt-to-income ratio has declined from 1.3% in 2008 to 1.13% in 2014.

Who's who in the Spanish debt market

In analysing debt levels, it is worth distinguishing between gross and net debt (net of financial assets). In aggregate sector terms, the more meaningful metric is gross debt because the net balance of financial liabilities and assets in an aggregate sector is the sum of the positions of economic agents whose net financial positions cannot be offset.

Following this line of reasoning, we have built a debt map which allows us to identify 'who owes whom' in aggregate terms by sector and compare the current situation (June 2014) with the precrisis debt map (year-end 2008), with a view to deducing the changes arising in the nature of Spain's debtors and creditors. Exhibit 5 below sums up the debt map as of those two points in time, emphasising two key issues: the role of the financial system in Spain's debt and the volume extended by external counterparties, i.e. the role played by foreign creditors or economic agents.

On the debtor side of the equation, we have contemplated the three major sectors: households, non-financial corporates and government, the latter at all levels. For government debt, we have excluded the debt for which the counterparty is another public administration. This exclusion, undertaken purely for accounting purposes, also has a financial rationale since the creation of the Regional Liquidity Fund (FLA in its Spanish initials), which essentially implies a degree of debt consolidation among the various levels of government.

As for the financial system, for the purposes of its role as primary counterparty, we have broken it down into banks (monetary financial institutions or MFIs) and non-monetary financial intermediaries (NMFIs). This second category encompasses institutions which have played an active role either holding and/or channelling abroad a large part of the debt taken on by the various sectors. This heading includes mutual funds, securitisation funds and the SAREB, the so-called bad bank set up to manage the toxic real estate assets resulting from the bank restructuring process. Spain's nonfinancial corporates ended 2008 with outstanding debt of around 2 trillion euros, of which roughly 750 billion euros was intra-company debt, mostly trade debt (trade payables), although there

Exhibit 5 Spain's debt map: Who owes whom?



Note: These accounts estimate financial assets and liabilities at their market values, which do not coincide with these instruments' face values, particularly in the case of bonds. Source: AFI, using the Spanish economy's financial accounts (CFEF in their Spanish initials).

may also be some intra-company loans in this category. Of the remainder, around 278 billion euros was debt taken on directly with foreign creditors, or the 'rest of the world'. However, the bulk of this sector's debt (almost 1 trillion euros)

was held by financial institutions, mainly banks. The preponderance of bank debt in the financing mix was even more pronounced in the household sector, which owed the banks 880 billion euros at the time. Vol. 4, N.º 1 (January 2015)

21

SEFO - Spanish Economic and Financial Outlook

The various levels of government, meanwhile, had around 430 billion euros of debt, of which almost 50% (210 billion euros) was owed directly to the rest of the world, some 165 billion euros to the banks and around 56 billion euros to other financial intermediaries, mostly mutual funds.

It is important to additionally highlight the significant flow of 'cross financing' evident in 2008 between non-monetary financial institutions (NMFIs) and the banks. The NMFIs owed the banks around 300 billion euros, mainly as a result of securitisation bonds issued by the NMFIs and acquired by the banks, while the banks owed the NMFIs around 730 billion euros, mainly due to the bank deposits held by the numerous funds. This heading also encompasses the subordinate loans extended by the banks to the securitisation funds which served as credit enhancement tools, thereby facilitating their placement with investors, particularly foreign investors. The funds' sizeable effort to place their paper overseas is evident in the 322 billion euros of debt owed by the NMFIs to the rest of the world.

The main agent channelling debt overseas was unquestionably the banking system itself, which had external debt at the end of 2008 of 810 billion euros, a figure which included issuance placed abroad, interbank deposits held by foreign banks and amounts owed to the ECB.

However, the main agent channelling debt overseas was unquestionably the banking system itself, which had external debt at the end of 2008 of 810 billion euros, a figure which included issuance (particularly in the form of covered bonds) placed abroad, interbank deposits held by foreign banks and amounts owed to the ECB.

In addition to the external debt channelled through the financial system (banks and other

financial institutions), both the government and non-financial corporates had raised debt directly from overseas (210 billion euros and 278 billion euros, respectively), bringing total gross external debt at the time to 1.62 trillion euros.

The contrast between the debt breakdown at yearend 2008 and that of mid-2014 is very significant in terms of analysing the trend in Spain's debt throughout the crisis. Let's start with Spain's household bank debt, which has decreased by almost 120 billion euros (12% of GDP) to 764 billion euros.

The most noteworthy change in the case of nonfinancial corporates is the sizeable decrease in intra-company debt, which has fallen by around 270 billion euros. Without a doubt, the drop in trading volumes among companies, coupled with harsher payment terms, is behind this significant decrease, which in relative terms is even higher than the decrease in bank debt.

The latter has fallen by close to 380 billion euros, although some of this reduction has been offset by the sharp increase (75 billion euros) in debt with NMFIs, which is attributable almost in its entirety to the transfer by intervened banks of all their real estate loans to the SAREB. Taking the financial system as a whole (banks and other financial intermediaries), the non-financial corporates have deleveraged by around 300 billion euros, i.e., 30% of GDP, which, coupled with the 120 billion euros reduction in household debt, translates into a deleveraging effort by the private sectors of the economy equivalent to 42% of GDP. As an aside, the debt owed by non-financial corporates to foreign creditors has increased by an amount not deemed material in relation to the volume of debt owed to the financial sector.

The private sector deleveraging effort has been more than offset by the sharp increase in government debt. Total government debt has increased by over 600 billion euros since 2008, with the public sector owing more to all three major counterparties. Firstly, the public sector's direct debt with the rest of the world had doubled to 465 billion euros by June 2014. The percentage increase is even more pronounced in the case of

The substantial private sector deleveraging effort has been more than offset by the sharp increase in government debt. Total government debt has increased by over 600 billion euros since 2008.

the public sector's bank debt and more noteworthy again in terms of the sum owed to NMFIs. The balance owed by the government to NMFIs has tripled to 163 billion euros, fuelled by renewed investor appetite on the part of households.

Lastly, the banks' creditor position with the Spanish public sector rose to 445 billion euros, driven mainly by massive buybacks of public debt since the ECB launched its long-term liquidity scheme (long-term refinancing operations, or LTRO) in 2012 with the clear-cut goal of facilitating the acquisition of sovereign bonds by providing banks with stable funding at low interest rates.

'Cross financing' between the banks and NMFIs, meanwhile, has fallen considerably, particularly in terms of the volume of debt extended by the banks to the NMFIs, which has decreased by 200 billion euros, exactly the same amount by which the NMFIs' foreign debt has decreased. The decrease in this balance, on aggregate, is attributable to a significant reduction in the role played by the NMFIs in channelling foreign savings into Spain, a role it had played actively in the run-up to the crisis in the mortgage bond segment, an asset class which has suffered as a result of the lack of investor confidence from the outset of the crisis.

The external debt held by the overall financial system (banks and NMFIs) has decreased by no less than 400 billion euros between 2008 and

mid-2014, although it remains the economy's biggest debtor with the rest of the world, owing more than 700 billion euros. The direct external debt position of Spain's non-financial corporates has barely changed (at close to 300 billion euros), while that of the public sector has increased very significantly, as already outlined.

As a result of all of these offsetting movements, Spain's aggregate external gross debt has fallen by very little – around 140 billion euros – masking, however, a very significant shift in composition marked by a sharp decline in the financial system's external debt and a similarly noteworthy increase in external government debt.

The ultimate snapshot: gross external debt of close to 1.5 trillion euros, with the financial system still the biggest debtor, accounting for around half, followed by the public sector, which holds a little over 30% of the total, and lastly by Spain's non-financial corporates, which directly owe a little under 20% of the balance.

The predominant role of the banking system

The predominant role played by the banks (credit institutions in general) in Spain's financial system is the reason why the banks are the biggest counterparty to the nation's debt, this being true for the stocks of both private and public debt.

In terms of private sector debt, virtually all of the debt held by Spain's households (with the exception of deferred retail purchases) is in the form of bank loans, either home mortgages or consumer finance.

In the case of non-financial corporates, the balance taking the form of securities is very small, with bank financing also predominating in this sector, in which trade finance (supplier credit) also accounts for a significant percentage (around 20%). While Spanish public debt does primarily take the form of issued securities (bills, notes and bonds) and, to a far lesser extent, bank loans, banks are still

While Spanish public debt does primarily take the form of issued securities and, to a far lesser extent, bank loans, banks are still the Treasury's most important financiers insofar as they are the most active investors in the securities it issues.

the Treasury's most important financiers insofar as they are the most active investors in the securities it issues. The purchase of public debt (securities) by the Spanish banks has taken on extraordinary importance in the last three years under the ECB successive liquidity schemes and injections.

Leaving aside the implications for market risk and vulnerability to potential spikes in secondary market yields, it is becoming clear that the banking business in Spain has embarked on an undesirable business shift in which loans to productive activities are losing weight relative to public sector financing at an alarming pace, as depicted in Exhibit 6, which shows aggregate financing extended by the Spanish banking system to the private and public sectors in absolute terms and as a percentage of their total assets.

The Spanish banking system has shifted its exposure to both sectors very dramatically. Private sector financing (corporates and households) has fallen by over 10% in terms of consolidated banking assets (or more than 300 billion euros), while public sector financing has gained weight by almost exactly the same percentage.

This trend, particularly intense in the last two years, has a corresponding impact on the nature of the banking business, as is most evident in the breakdown of banks' income between lending activities and public debt holdings (along with other fixed-income security investments), which is depicted in Exhibit 7.

Exhibit 6

Deposit-taking entities' asset bases

Billions of euros (columns, left-hand axis) and as a percentage of total assets (lines, right-hand axis)





Exhibit 7 Sources of financial income in the Spanish banking system

At the onset of the financial crisis, the Spanish banking system was owed a total of 1.9 trillion euros by the private sector (corporates and households) and around 140 billion euros by the public sector, which translates into a ratio of 93% to 7%, mirrored by a similarly proportionate contribution by each sector to the banks' financial income: 90% of their income was generated by loans and 10% by their fixed-income security holdings, which mainly took the form of sovereign bonds. This relative weighting has undergone a dramatic change between then and now, with the current private vs. public sector creditor position split at 80/20. In terms of the sectoral contribution to banks' income, the shift has been even more marked, with income from security holdings now accounting for 25% of the total, highlighting the fact that the banking system currently obtains a higher return from holding public debt than from lending money to the private sector. It is worth noting, however, that net interest income has been sharply eroded by the rise in non-performing loans as a result of the surge in NPL ratios, which have in turn fuelled risk aversion on the part of the financial institutions, affecting their propensity to lend to the private sectors, particularly Spain's small and medium sized companies. Insofar as the NPL ratio

has been trending lower for a full year now, this risk aversion should start to dissipate, paving the way for renewed private sector lending activity, particularly in the SME segment, whose only source of external financing remains bank credit.

Conclusions

The shift unfolding in the banking system's creditor positions, marked by declining exposure to corporates and households and increasing exposure to the public sector, is nothing other than the counterpart to the trend in both sectors' relative leverage in terms of the Spanish economy's overall stock of debt: intense deleveraging by the private sectors, more than offset by spiralling public sector debt with the net result of these offsetting trends being an increase in Spain's aggregate stock.

In parallel, we have witnessed a significant change in the relative weights of debt taking the form of securities compared to that of bank loans. The fact that the only sector capable of raising money predominantly in the form of securities, the public sector, has substantially releveraged, while the sectors which rely on bank loans – households, corporates and, within the latter, small and medium sized companies in particular – have deleveraged, has driven a decline in the weight of bank loans in the economy's overall aggregate debt stock relative to fixed income securities.

Notwithstanding this shift in debt instruments, under no circumstances can it be claimed that the Spanish economy is witnessing bank disintermediation in aggregate terms, as the banks' share of overall liabilities and assets has barely fallen. Banks are simply substituting lending for the purchase of public debt, having emerged as the biggest buyers and holders of Spanish sovereign bonds.

Redesigning the Spanish banking sector in 2015: Reactivating business and boosting profitability

Santiago Carbó Valverde¹ and Francisco Rodríguez Fernández²

Greater transparency and improved solvency have brought renewed confidence in the Spanish banking industry. In 2015, a more favorable economic outlook and post-restructuring improvements will allow Spanish banks to increase private sector lending, as well as face profitability challenges also common to most of their international peers.

2014 was a transition year for Spanish banks. After the EU financial assistance program, post-surveillance reports have shown that restructuring and recapitalization efforts have made Spanish banks more resilient. The efforts of the banking sector mirror to some extent those made by the private sector, as banks have reduced their assets by nearly 280 billion euros since 2008. They have also reduced their reliance on the ECB, in part due to more funding from customer deposits. Additionally, initiatives to boost transparency and the comprehensive assessment conducted by the ECB have revealed that Spanish banks have improved their regulatory capital ratios (CET1) to 11.6% - exceeding regulatory requirements. After years of transformation, these advances –together with better economic expectations– will result in an increase in lending rates to the private sector in 2015 and have put Spanish banks in a competitive position to address the profitability challenge facing most international banks in 2015.

Post-surveillance challenges

2014 was a transition period for the Spanish banking sector. Most of the measures imposed on Spanish banks receiving aid within the EU financial assistance program were completed as planned by mid-2013. However, some of them involved long-term tasks and EU surveillance. These long-term tasks developed as expected during 2014, as stated in the various postsurveillance reports published by the European Central Bank, the European Commission and the International Monetary Fund (the main contents of these reports have been discussed in earlier editions of *SEFO*).

Two specific advances in long-term commitments were observed during 2014:

- Privatization of some of the nationalized banks.
- Progress on the sale of impaired assets transferred by the banks receiving aid to the asset management company SAREB.

¹ Bangor Business School and FUNCAS.

² University of Granada and FUNCAS.

The privatization process has advanced slowly, as it requires case-by-case treatment, as well as the necessary market conditions for the allocation of shares. Nevertheless, there were two successful initiatives during 2014: i) the partial public allocation of a stake of the Fund for the Orderly Restructuring of Banks (FROB) in Bankia; and, ii) the acquisition of Catalunya Banc by BBVA.

The privatization of Bankia should continue to progress during 2015 although some litigation risks have emerged. A court investigation into the flotation and bailout of Bankia may potentially imply a compensation to IPO participants, although this risk is said to be under control. Whatever the outcome of the legal process, Bankia has confirmed its intention of completing the restructuring agreed upon with EU authorities in 2014 – two years ahead of schedule. The bank also intends to resume dividend payments.

As for Sareb, even if it is still a bit soon to evaluate its progress, during 2014, there has been a perceptible acceleration of asset sales and some relevant management decisions, such as the transfer of the sale mandate to various private firms, a decision that aims at making the allocation of assets more efficient.

As of the final stages of last year, Sareb has sold portfolios valued at 847 million euros. The asset management company sold the so-called Agatha portfolio, including 38 performing loans with a par value of 194 million euros and 10 rented housing developments valued at 65 million euros. The company has also completed the sale of the Olivia portfolio, comprised of seven performing loans with a par value of 140 million euros. The sale of project Kaplan was also near completion, including performing and non-performing loans linked to small and medium-sized developers, with a par value of 234 million euros. The sale of an additional loan portfolio with a par value of 133 million euros was also closed.

In addition to the previous transactions, the sale of four office buildings was also completed with a value of 81 million euros. Overall, the two post-surveillance challenges (privatization and asset management) will be key

Overall, the two post-surveillance challenges (privatization and asset management) will be key to determining the final cost for taxpayers of the State aid provided to banks in Spain, a calculation which will only be possible in the long-run.

to determining the final cost for taxpayers of the State aid provided to banks in Spain, a calculation which will only be possible in the long-run.

It is also worth mentioning that the reforms to come in 2015 include regulatory initiatives, such as the completion of the reform of the savings banks sector. The draft circular by the Bank of Spain on savings banks and banking foundations is now in the consultation process and should be approved in the near future.

Additionally, the transposition of the Banking Recovery and Resolution Directive and Deposit Guarantee Directive will also be major challenges in 2015 and a significant step in the construction of the banking union.

Accelerating deleveraging of private debt should avoid the need for restructuring

Given that private sector debt increased substantially in the years prior to the crisis, deleveraging efforts have been identified as one of the major, but necessary, sacrifices in the recovery process of the Spanish economy. When a country faces a challenge to reduce its debt, there is always a debate on whether a restructuring of such debt is necessary. Actually, this debate is still present and Spain is among

29

the countries where different opinions emerge about how to proceed. However, the data seems to suggest that Spanish households and firms are rapidly deleveraging over the last two years. The information provided by the Bank of Spain on the *Financial Accounts* of the private sector shows that total private debt increased from 197.2% in 2006 to 216.9% in 2010. It remained over 200% of GDP until 2012, but it had fallen to 182.1% in 2014Q2. This implies a debt reduction of 429,684 million euros from 2010 to 2014Q2. This transition suggests that private debt restructuring is not necessary in Spain as deleveraging looks feasible and the reputational and financial problems related to debt restructuring can be avoided.

Deleveraging of the private sector is also being mirrored by the banking industry. The total assets of Spanish banks have decreased from 3.22 trillion euros in 2008 to 2.94 trillion euros in October 2014 (a 9.5% fall). The squeeze in bank assets is common to most EU banking sectors and is a natural consequence of the necessary matching between demand and supply in a post-crisis environment. This change has been significant in Spain, as restructuring has been more pronounced that in other EU countries whose financial sectors are still in need of structural changes.

Deleveraging of the private sector is also being mirrored by the banking industry. The total assets of Spanish banks have decreased from 3.22 trillion euros in 2008 to 2.94 trillion euros in October 2014 (a 9.5% fall).

Lending environment

A natural outcome following the redesign of a banking sector after a severe crisis is the improvement of credit conditions. 2014 seems also an inflection point for credit for two reasons: i) supply factors have improved as banks have completed the bulk of the projected restructuring and recapitalization efforts (as certified in the recent ECB comprehensive assessment); and, ii) demand conditions are also



Source: Bank of Spain and own elaboration.

improving as the projections for 2015 point to a GDP growth of 2% or even higher.

Loans as a proportion of total bank assets have been falling in recent years in favor of other assets such as public debt. In particular, loans have decreased from 55.7% in 2008 to 44.9% in 2012. The ratio has then stabilized at around 45% (Exhibit 1).

The flow of funds data provided by the Bank of Spain reveal that annual lending rates were still in negative territory in 2014, but the rates are progressively recovering and the expectation is that lending growth will be positive (although moderate) in Spain in 2015, thereby accompanying economic growth.

Importantly, there is a change in the composition of loans to firms that is already perceptible in 2014 with a higher proportion of loans being granted to small-and-medium enterprises (SMEs). As reported by the Bank of Spain in the November edition of the *Financial Stability Report* (data as of June 2014), the volume of credit received by SMEs from Spanish deposit taking institutions amounted to 290 billion euros (21% of the total lending to the resident private sector, while the volume extended to large firms was 236 billion euros (18%). Within SMEs, 42.9% of the credit granted corresponds to medium-sized enterprises, 27.4% to small enterprises and the remaining 29.7% to microenterprises.

The improvement in the quality of loan portfolios will also have a positive impact on credit recovery. The non-performing loan ratio of Spanish banks increased to near 14% by 2013 and the latest data as of October 2014 show the NPL ratio has fallen to 13% and the expectation is that it will continue to go down as economic conditions improve (Exhibit 2).

Another indicator that suggests a recovery in lending in 2015 is the participation of Spanish banks in the targeted long-term refinancing operations (TLTRO) program of the ECB. By combining the two first TLTROs in September and December 2014, the estimations suggest Spanish banks have tapped 37.5 billion euros, around 17% of total funds demanded by Eurozone



Source: Bank of Spain and own elaboration.

30

banks. Whether or not this liquidity will finally be channeled to new loans in 2015 will depend on

the confirmation of improved economic prospects, but overall this appears to be a positive sign.



Exhibit 4

Net borrowing from the ECB by Spanish banks (2013-2014) (Million euros)



Improvement in funding sources

There is also evidence of better access to funding by banks. One indication of the improvement in liquidity and customer-based funding is the growth in deposits in the liability side of banks' balance sheets. Deposits over total liabilities have remained around 20-21% during 2008-2012. However, the ratio has increased to 24.5% in 2013 and to 24.8% in November 2014 (Exhibit 3).

In any event, perhaps the most obvious improvement in the funding conditions of Spanish banks is the significantly smaller reliance on ECB funding. Borrowing from the ECB by Spanish banks fell from 250 billion in June 2013 to 150 billion in November 2014 (Exhibit 4).

Better and more transparent solvency

At the beginning of 2014, many analysts considered that Spanish banks were still lagging behind their European peers in terms of solvency, even if most of the recapitalization efforts under the EU assistance program were already made. Interestingly, the comprehensive assessment conducted by the ECB in October revealed that the overall impact of the combination of the AQR and the stress-test under the adverse scenario results in just an average 1.6% correction in the Core Equity Tier 1 capital ratio (CET1) of Spanish banks, compared with 3.5% for the average bank examined in the exercise. This put Spanish banks much closer to the best practices in Europe in terms of solvency.

The comprehensive assessment conducted by the ECB in October revealed that the overall impact of the combination of the AQR and the stress-test under the adverse scenario results in just an average 1.6% correction in the Core Equity Tier 1 capital ratio (CET1) of Spanish banks, compared with 3.5% for the average bank examined in the exercise.

As shown in Exhibit 5, the total capital ratio (equity/ total assets) of Spanish financial institutions



33

SEFO - Spanish Economic and Financial Outlook

has substantially increased from 2012 (5.6%) to October 2014 (7.8%).

As noted in the *Financial Stability Report* (November edition) of the Bank of Spain, the CET1 ratio of Spanish banks in June 2014 was 11.6%, clearly exceeding the regulatory requirements.

A quantitatively and qualitatively relevant announcement on bank solvency in Spain was made on January 7th. Banco Santander announced the sale of shares for as much as 7.5 billion euros, a considerable capital augmentation that has implied some reduction in the share value in the shortterm, but will ultimately strengthen the solvency of the bank in the long-run.

Profitability: Time to consolidate the recovery and find new sources

Even after improvements in restructuring and recapitalization, profitability remains a major challenge for Spanish banks as well as for their European peers. A first important achievement -and almost a natural consequence of the efforts made- is the return to positive profits. This occurred in 2014, even though the pressure on bank margins was still significant (Exhibit 6).

Some of the profits were coming from extraordinary transactions (such as asset sales) but banks are also making efficiency efforts to face the downward trends in revenues. For example, the interest margin over total assets of Spanish banks was 1% in 2011 and also 1% as of 2014Q3. However, interest revenues were 2.8% in 2011 and only 2% in 2014Q3. Hence, banks have managed to reduce interest expenses from 1.8% to 1% in the same period.

Profitability of Spanish banks is again a competitive advantage. The latest data provided by the European Central Bank (released in November 2014) corresponds to June 2014. Table 1 compares Spanish banks with five of the other largest European banking sectors. The Spanish competitors do not only exhibit a larger interest

Exhibit 6



(Percentage total assets)



Source: Bank of Spain and own elaboration.

Table 1

Comparative efficiency and profitability indicators at the largest EU banking sectors (June 2014)

(Percentage total assets)

	Germany	Spain	France	Italy	Netherlands	United Kingdom					
Income (% of total assets)											
Interest income	2.23	3.28	2.3	2.77	3.89	1.71					
Net interest income	0.8	1.78	1.06	1.49	1.28	1.01					
Total operating income	1.58	2.95	2.14	3	1.74	1.93					
Expenditure structure (% of total assets)											
(Total operating expenses)	-1.16	-1.38	-1.47	-1.78	-1.14	-1.25					
Profitability (% of total assets)											
Operating profits	0.42	1.57	0.67	1.21	0.6	0.68					
(Provisions)	NA	-0.09	0	-0.06	0	-0.17					
(Impairment)	-0.08	-0.85	-0.4	-0.8	-0.25	NA					
(of which Impairment on financial assets not measured at fair value through profit or loss)	-0.08	-0.8	-0.38	-0.79	-0.26	NA					
Summary profitability and efficiency indicators											
Cost-to-income ratio (%)	-73.26	-46.85	-68.76	-59.49	-65.38	-64.77					
Return on equity (%)	4.77	7.39	4.85	2.41	5.89	6.76					
Return on assets (%)	0.21	0.52	0.26	0.17	0.29	0.39					
Sources: ECP and notional control bonks											

Sources: ECB and national central banks.

and operating income but also a higher returnon-equity (7.39%) and return on assets (0.52%). These differences are explained, to a significant extent, by improvements in efficiency. The costto-income ratio remains below 50%, while in most of the other countries analyzed it is over 60%.

Exhibit 7

The redesign of the Spanish banking sector


Conclusion

Exhibit 7 summarizes the different factors that have led the Spanish banking sector to face new challenges in 2015. The structural changes over the last few years have put banks in a better competitive position both in terms of the matching of supply and demand as well as relative to other EU peers. As shown in the exhibit, this transformation has been the result of private and public nationally-induced reforms as well as EUinduced changes.

Greater transparency and improved solvency have brought renewed confidence in the Spanish banking industry. In 2015, the advances in the long-run commitments of the banking crisis resolution process (privatizations and troubled assets' management) will be developed in parallel to the recovery of lending and the search for new sources of profitability.

SEFO - Spanish Economic and Financial Outlook

Rafael Myro¹

Since the mid-2000s, Spain has played an important role both as a destination for and source of foreign investment. Strengthening FDI from abroad will help Spain continue to reap the benefits for the Spanish economy, while the country aspires to increase expansion in new and existing markets.

Globalization has helped accelerate the growth of FDI, allowing it to become one of the key factors of the global economy. Developed countries, and the EU in particular, have always been the leading players in FDI, although developing countries are assuming an ever-increasing role. In the case of Spain, since the mid-2000s, the country has become not only an important destination for FDI, but also a source, making Spain today Europe's 3rd economy for outward FDI as a share of GDP and second for inward FDI. Most of Spain's inward FDI has been channeled into the services sector with outward FDI mainly driven by large, productive companies. As regards geographic distribution, Europe and the U.S. (albeit to a lesser degree) continue to be main investors in Spain, even though developing countries are increasing penetration. Most outward investment is destined towards Europe and Latin America. Foreign investment in Spain, as well as Spanish investment abroad, has proven to be profitable, with positive spillover effects in terms of GDP growth, employment, exports, and efficiency gains for Spanish firms. Investment abroad by Spanish companies has also been beneficial, often accompanied by greater investment in human capital and R&D. Taking these factors into consideration, policy should aim to attract more FDI into Spain, while fostering the continued outward expansion and diversification of Spanish foreign investment.

Introduction

This article examines Spain's foreign direct investment (FDI) position, analysing its evolution, characteristics, determinants, and impact on the Spanish economy by looking at both Spain's inward and outward foreign direct investments. Investment from abroad can be described as the development in Spain of branches of multinational enterprises owned by non-residents, while Spain's foreign investments can be seen in the investment activity abroad of Spanish-based companies, most of which are multinationals owned by Spanish residents. However, subsidiaries of foreign multinationals also invest abroad from within Spain, such that there is a strong and interesting relationship between these two facets of investment.²

¹ Madrid Complutense University.

² The analysis in this article summarises the content of a more extensive study recently published (Myro 2014) on this topic that was carried out by a large group of specialists sponsored by the Spanish Institute for Foreign Trade (ICEX). This study sought to show how Spain had been performing in terms of foreign direct investment, assess its significance for the Spanish economy, detect any potential for it to be increased, and guide FDI-promotion policies.

The analysis in this article is based on the foreign direct investment position (FDIP) variable, which is a measure of the stock of FDI, calculated as the sum of the equity of subsidiaries owned by multinational enterprises, and the finance they receive from the business group to which they belong. Although the data are less up-to-date, the analysis is more precise and reliable than that based on annual FDI flows, which are highly volatile and very sensitive to both the economic situation and financial constraints. Moreover, there are two main sources that can be used to obtain FDIP data: the balance of payments, which allows international comparisons to be made (prepared by organisations such as UNCTAD, the OECD, etc.) and the register of foreign investments, which provides more complete and reliable data, but which is limited to companies located in Spain. A comparison of these two sources reveals similar trends, but the values given by the balance of payments are always higher, although it is not easy to explain why, particularly in the case of inward investment, where the discrepancy is

Exhibit 1 Change in stock of inward FDI, 1980-2012 (1980=100)

A brief overview of global FDI

The rapid growth of FDI is undoubtedly one of the most outstanding features of how the global economy has developed over the last three decades, as since

The rapid growth of FDI is undoubtedly one of the most outstanding features of how the global economy has developed over the last three decades, as since the 1980s, it has grown at average annual rates that far exceed those of output and world trade.

the 1980s, it has grown at average annual rates that far exceed those of output and world trade. This rapid growth was barely affected by each recession and crisis until the present one, which conversely has had a substantial impact (Exhibit 1). Nevertheless, it has not halted FDI's progress, such that 2012's figures still exceeded those of 2007.



Note: Value in US dollars at current prices and exchange rates. Sources: UNCTAD, UNCTADSTAT.

greatest.

39

Within this solid growth trend, the decade of the 2000s stands out during the period, as the stock of FDI multiplied slightly more than threefold, accounting for a large share of the increase seen over the three decades looked at here. However, the start of the acceleration in the growth rate did not coincide exactly with the start of the decade, beginning slightly earlier at the end of the 1990s.

The main players in FDI have always been the developed countries, with the European Union in particular being a major receiver and issuer of FDI flows. However, since the mid-2000s, and particularly since 2007, coinciding with the current economic crisis, developing countries began to move up the rankings consistently, having obtained a third of the world's total direct investment in 2012, ten percentage points more than in 2005.

The change in the relative positions of the two groups of countries was in reality even more profound, as multinational enterprises originating in developing countries, led by China, have emerged forcefully onto the international stage as major investors. This fact has also changed the composition of outward FDI. The proportion of total FDI that corresponds to the developing countries was barely perceptible in 1990 (7%), and remained low in 2005 (12%), but is now close to 20%. The new multinationals, as the emerging market multinational enterprises are

sometimes termed, have different characteristics from traditional ones, posing fresh challenges for the already complex analysis of multinational enterprises (Guillén and García-Canal, 2011).

Corporate mergers and acquisitions have always played an important role in this process of FDI expansion, with a value equal to over three guarters of total flows. But in the years before the crisis, they started to lose ground to greenfield investments, despite the prevalence of large operations ("megamergers"), and have fallen dramatically in subsequent years.

There are many factors behind this formidable expansion in FDI, but it is difficult to assess them individually. However, rising globalisation and its effects undoubtedly play a central role, as suggested by theoretical models (Helpman, 2011).

Spain and the expansion of FDI

Spain has played an important role in this expansion of FDI. First, as a significant destination for inward foreign investment, and later, particularly in the mid-2000s, as an important source of FDI. As Table 1 shows, investments from abroad began their rapid ascent around 1990, when they accounted for 3.2% of the world total, a percentage that declined shortly after as a result of the considerable expansion in international flows, but recovered in 2007. On the other hand,

(1 010011	ugoo,											
			Inwar	d FDI					Outwa	rd FDI		
	1980	1985	1990	2000	2007	2013	1980	1985	1990	2000	2007	2013
Spain/ World	0.7	0.9	3.2	2.1	3.2	2.8*	0.4	0.6	0.7	1.6	3.0	2.7*
Spain/ EU-27			8.7	6.7	7.8	8.5**			1.9	3.7	6.7	6.3**
Spain/ EU-15	2.3	3.8	8.7	7.0	8.5	9.0**	0.9	1.5	1.9	3.7	6.7	6.2**

Table 1 Spain's share of global FDI, 1980-2012

(Percentages)

Note: (*)2012. (**)OECD.

Sources: UNCTAD, World Investment Report and UNCTADSTAT, and OECD.

Spanish firms' investments abroad progressed more slowly from their beginnings in the 1960s, but accelerated rapidly in the 2000s, rising to 3% of global investment in 2007.

Thus, during the 2000s, Spain advanced substantially along the path followed by the more advanced economies, going from being a net recipient of investments –the position in which it remained until the start of the 1990s– to being a significant foreign investor, with a stock of capital from foreign multinationals in the country equal to that of Spanish multinationals abroad, currently around 2.8% of GDP. This is an appreciably higher share than that of global output (1.6%) or global trade (1.8%). Likewise, Spain went from being a net seller of businesses to non-residents to a leading buyer between 2004 and 2006, accounting for 38% of European cross-border acquisitions.

Spanish firms' sharp upward path in foreign investment, now involving 2,500 firms with 4,500 subsidiaries, can be seen more clearly in Exhibit 2,

Outward FDI intensity of main European Union countries, 1990-2012

which shows the change in investment measured relative to GDP, as an indicator of investment intensity. In 1990, Spain's value on this indicator was below that of the other four EU economies, but it soon overtook Italy, and then Germany as the crisis began. Today it is Europe's third

Today, Spain is Europe's third economy for outward FDI as a share of GDP and second for inward FDI.

economy for outward FDI as a share of GDP and second for inward FDI. It can aspire to follow in the footsteps of the United Kingdom and France, which are both net sources of FDI and important destinations for inward FDI. Germany is a net issuer because its level of inward FDI relative to GDP is fairly low.

The current crisis has caused Spain to drop down the rankings of world FDI, but this has not affected the volume of both types of financial



Note: Data for France, OECD. Sources: UNCTAD, World Investment Report and OECD.

Exhibit 2

stocks, i.e. investments received and those sent abroad, which have grown faster even than in other European countries. This apparent paradox is explained by the fact that, as discussed, all the developed countries have seen a negative impact on their shares of global investment as a result of the ascent of the developing countries, not only as destinations of FDI but as active sources of foreign investment, through a wide range of new multinationals.

Determinants and sector orientation of FDI

There are currently more than 9,000 subsidiaries of foreign multinationals in Spain, counting direct and indirect holdings (over 4,000 are owned directly), and their average size is large in comparison with those in the main European economies. Existing empirical studies suggest that access to the large and rapidly expanding Spanish market was the main factor leading to subsidiaries being set up, particularly in the services sector, in activities in which less domestic capital was invested, and in businesses highly dependent on imports, such as medium-high (motor vehicles, metal working and chemicals) and high technology manufacturing (ICT manufacturing and pharmaceuticals). Foreign subsidiaries also gained importance in sectors such as foods, drink and tobacco, and nonmetallic mineral products, where they complement an extensive productive fabric built with domestic

Integration in the European Union also played an important role in drawing FDI, as it made Spain significantly more attractive as a location for multinationals, by ensuring more open and competitive policies in greater harmony with those of its EU partners.

capital. Integration in the European Union also played an important role in drawing FDI, as it

made Spain significantly more attractive as a location for multinationals, by ensuring more open and competitive policies in greater harmony with those of its EU partners. Macroeconomic stability and balanced growth are two more major incentives.

From this, it may be inferred that the economic recovery and more balanced growth, based on a more flexible economy with more competitive markets, less red tape for businesses and strong backing for innovation and human capital, are the keys to encouraging inward FDI.

Spain's investments abroad have been led by large, highly productive companies that have been able to meet the cost of establishing themselves in their target markets and substitute a share of the exports destined for them advantageously, while encouraging other exports. Companies investing abroad report 18% higher productivity than those that do not, regardless of their size or business sector.

By expanding abroad, these companies have also sought to bolster their economies of scale and maximise the profitability of their intangible assets, primarily in countries that are geographically and culturally close and have strong growth potential, such as Spain's northern neighbours and in Latin America. This is a process that has advanced in parallel with expanding exports, and there is a robust statistical relationship between their exports and foreign investments.

These companies are today numerous (2,500), with over 4,550 foreign subsidiaries, the most significant among them having 200 or more employees and an average of 5.7 foreign branches. Their investments have followed a sector pattern similar to that of companies in larger EU countries, with the lion's share in services, particularly financial intermediation, telecommunications and energy. In manufacturing, the scale of investments by subsidiaries of foreign multinationals is overwhelming, accounting for 70% of the total, with investments in non-metallic mineral products, metal working, chemicals, food, drink and tobacco, and motor vehicles and parts standing out.

Source and destination of investments

Europe is extremely important for both facets of Spain's FDI, but more so in terms of inward FDI than investments abroad. The U.S. is also one of Spain's main investors. More recently, Italy gained importance, its companies holding the largest stock of investments by volume in 2011, and there is growing penetration of developing economies, particularly Mexico, United Arab Emirates, Brazil, Israel, and Argentina, joined by Portugal.

As in the case of inward investment, outward FDI shows a clear specialisation in Europe. Nevertheless, Latin America also receives significant inflows. Investment in Latin America is explained by Spain's cultural and linguistic ties with the region, parallel to those of other countries with similar underlying reasons in other regions (the United Kingdom in North America, Asia and Africa). However, Spain rapidly scaled back its investments in Latin America in the early years of the century, continuing its path towards progressively broadening and diversifying its investments, as is the pattern in other developed countries, having received a significant boost from its integration with the European Union. Nevertheless, it has yet to achieve greater penetration in Asia, where other EU countries (with a negligible presence in Latin America) are more established.

Profitability

The implicit returns on investments by both foreign multinationals investing in Spain and Spanish firms investing abroad are in line with those of Germany, higher than those of France and Italy, but below those of the UK. During the crisis, returns diminished, but remained more than acceptable in the case of Spain's foreign investments. The strong returns on investment are highly significant as they point to the existence of essential incentives necessary for it to continue. In particular, these returns confirm and strengthen the strategies of foreign and domestic multinationals, and the promise of continuity should facilitate rising investment activity in the coming years.

More specifically, the economic results obtained by foreign multinationals reported via the Register of Foreign Investments have been considerable, and similar to those of their domestic competitors. In particular, during the period of expansion from 2003 to 2007, the return on equity was 14.2 percent in the last year of this period, although the crisis has reduced these figures considerably.

Returns on Spanish investments abroad grew rapidly between 2003 and 2007, reaching a peak of 17.1 percent, driven by the expansion of global GDP. As a result of the crisis, the situation changed radically in 2008 and 2009, with the figures being practically halved. However, its oneoff impact stopped there, as in subsequent years, on an aggregate level, returns were not far short of the average during the period of expansion, benefiting from stronger growth in the developing economies, as Exhibit 3 shows.

The returns Spanish firms earn abroad exceed those obtained domestically, whether by Spanish or foreign firms. They should therefore be interpreted as support for the strategy pursued by Spanish firms as regards their foreign investments,

The returns Spanish firms earn abroad exceed those obtained domestically, whether by Spanish or foreign firms.

resulting in their becoming more competitive. It is also an expression of the fact that accessing rapidly growing markets has been a leading



(Percentages)



Note: Return, previous year's earnings after tax/stock of FDI as a percentage. Source: Register of Foreign Investments.

factor, as the studies on the determinants of this investment have concluded.

strongest presence and without a proportionate effect on imports.

Effects on the Spanish economy

The existing studies show the activity of foreign multinationals' subsidiaries to have had a positive impact on the Spanish economy, promoting GDP growth, increasing employment and exports, and raising the efficiency of Spanish firms. The research on which this article is based assesses the effects of their investments in Spain between 2006 and 2013, using a computable general equilibrium model. This model estimated that they helped raise employment by 5.25%, cut the unemployment rate by 3.15 percentage points, and increased salaries in real terms by 1.89%, thus raising Spaniards' welfare by 2.79%. Separately, using a different methodology, the contribution of foreign subsidiaries to exports was estimated. This was found to be considerable (30 percent of the total), particularly in those sectors of manufacturing in which they have the The impact of investments abroad by Spanishbased companies was also strongly positive. Indeed, despite being basically horizontal investments, potentially substituting those made by the domestic market, the impact on employment seems to have been positive, according to the estimate included in our recent study. The impact on labour skills, technological effort, and exports also seems to have been positive for the companies involved. Although it has not been possible to analyse causality in the case of these three issues, there is strong evidence to suggest that they are much more significant in the case of companies with subsidiaries outside Spain. One of the most relevant indicators is that the number of employees devoted to R&D is six times that of companies that do not have subsidiaries elsewhere in the world.

This increased commitment to human and research capital must be what lies behind the

Rafael Myro



Exhibit 4 Average training expenditure of large Spanish firms

higher productivity exhibited by companies investing abroad, which is also evident in terms of expenditure on training. Exhibit 4 shows these differences between industrial firms with over 200 employees. Our research estimated that investing abroad caused firms to increase their spending on training per employee by 15,000 euros a year. Moreover, there is little doubt that this human capital intensity is based on higher quality business management, which is a key competitive strength (Huertas & Salas, 2014).

Final considerations

The positive effects of FDI on the Spanish economy make it cost effective to strengthen the current highly regarded foreign investment promotion policy. This means endowing it with more resources and adopting the good practices of certain developed countries' more innovative FDI promotion offices.

Spain has achieved a high investment intensity ratio, i.e. ratio of the stock of inward investment to GDP, in attracting foreign investment. Raising it further is a major challenge for which an

ambitious approach is necessary. The United Kingdom's experience, with considerable FDI penetration in the manufacturing industry as well as in financial services, shows that it is possible to achieve this. Subsidiaries of Asian multinational are still relatively scarce on the ground in Spain and those from Latin America show an increasing trend. Investments in other countries still have considerable potential, and should aspire to hold the same percentages of investment intensity with respect to GDP as seen in France and the United Kingdom, and there is considerable scope for expansion in Asia, Africa and Latin America. Finally, companies with between 200 and 500 employees should be a target for investment promotion policy, as they present low and stagnating percentages of investment abroad.

References

GUILLÉN, M.F., and GARCÍA-CANAL, E. (2011), *Las nuevas multinacionales, las empresas españolas en el mundo,* Ariel, Madrid.

HUERTA ARRIBAS, E., and SALAS FUMÁS, V. (2014), "Tamaño de las empresas y productividad de la economía

44

española. Un análisis exploratorio," *Mediterráneo Económico*, nº 25: 167-194.

HELPMAN, E. (2011), *Understanding global trade*, Harvard University Press.

Myro, R. (editor) (2014), *España en la inversión directa internacional,* Instituto de Estudios Económicos, Madrid.

47

Reallocation of resources: The driving force behind competitiveness

Aránzazu Crespo¹

Aggregate unit labor costs are the most commonly used indicator to gauge the competitiveness of an economy. However, they often fail to provide sufficient information as they do not adequately capture the role of firms and their heterogeneity. Recent empirical data confirm that efficient reallocation of resources between firms and sectors is the key to the underlying evolution of aggregate unit labor costs and hence to understanding country competitiveness.

The latest global crisis, together with the increase in European debt levels, has reopened the debate over the competitiveness of an economy, which often tends to be forgotten under favorable economic conditions. Using firm level data, this article analyzes the factors that drive the evolution of aggregate unit labor costs – the most commonly used indicator of European competitiveness – in France, Germany, Italy and Spain. Recent empirical research concludes that the evolution of aggregate unit labor costs is not driven by the evolution of firm level unit labor costs, but rather by an important factor for the competitiveness of a country: the reallocation of resources among firms in the economy. As this article shows, an efficient resource allocation is key to achieving productivity gains. Moreover, the evidence presented suggests that for the case of Spain, the loss of competitiveness in recent years does not seem to have occurred among the largest firms, with the greatest presence in international trade, but that it may be mainly the result of a lack of flexibility, which prevents resources from being efficiently reallocated between sectors and firms. From this perspective, improving Spain's competitiveness would require significant reforms in competition policy and in the labor market, given the rigidities in these areas that delay or prevent the achievement of efficient resource allocation.

Introduction

The latest global crisis, together with the increase in European debt levels, has reopened the debate over the competitiveness of an economy, which often tends to be forgotten under favorable economic conditions. Currently, the most commonly used measure of competitiveness in the European Union is the evolution of unit labor costs. The unit labor cost is a macroeconomic aggregate that measures the labor cost per unit of product and is calculated as the ratio of total labor costs to real output. A rise in labor costs higher than the rise in labor productivity may be a threat to an economy's cost competitiveness if other costs are not adjusted in compensation.

¹ European University Institute (aranzazu.crespo@eui.eu).

However, the use of aggregate price-cost based indicators, like unit labor costs, may not provide sufficient information about the competitiveness of a country. For example, Spain's aggregate unit labor costs have grown faster than in other European countries in the last decade. Accordingly, there should have been a decrease in Spain's share of world exports, reflecting a decrease in the ability to sell its products. However, the country's export share has decreased less than that of other European countries.

This phenomenon known as the "Spanish paradox," is explained by the different relative weight of firms in unit labor costs and the economy's total exports. Firms that export are usually the largest and most productive in the economy, and they account for the main share of exporters (see Clerides *et al.*, 1998) and Bernard and Jensen (1999)). However, for the aggregate unit labor cost, all firms in the economy are taken into account, not just the exporters.

The purpose of this article is twofold. First, it reviews the usual measures of competitiveness and their limitations, and analyzes their ability to capture adequately firm heterogeneity in a country. The results point to the reallocation of resources among firms of the economy as the main factor behind the evolution of unit labor costs. Current international trade theory models also emphasize this mechanism as the source of productivity gains at the country level. Thus, the second objective of the article is to analyze the importance of efficient resource allocation between firms and sectors of the economy to the competitiveness level of a country, using firm level data.

Limitations of traditional competitiveness indicators

Porter (1990) defines the competitiveness of a nation as the productivity with which a nation utilizes its human, capital and natural resources. The OECD considers the ability of a country to sell its products in the international markets, while Krugman (1994) refers to competitiveness as a poetic way of speaking about productivity, and warns about the danger of obsessing about the competitiveness of a country. Most of these definitions allude to the relative position of a country in international trade. This position, in principle, depends on price and cost factors because if they have a negative evolution in relation to those of other economies, the ability to sell products at home and abroad is damaged. This argument, combined with the easy availability of data, makes price-cost competitiveness indicators especially attractive for the analysis of a country's economic situation.

Currently, the price-cost indicator of reference to measure competitiveness in the European Union is the unit labor cost (ULC), which measures the labor cost by unit of product and is calculated as the ratio of total labor costs to real output. A rise in an economy's ULCs represents an increased reward for labor's contribution to output. However, a rise in labor costs higher than the rise in labor productivity may be a threat to an economy's cost competitiveness, if other costs are not adjusted in compensation.

A drawback of these measures is that a simple comparison of the evolution of price and costs

Spain's ULCs have grown faster than in the main developed countries, but its share of world exports has decreased less than those of other countries, with the exception of Germany. The different relative weight of firms in aggregate ULCs and in the economy's total exports helps to explain this paradox.

between two countries will not be indicative enough of their competitiveness differences if the countries produce different goods and sell them in different markets. Another example of the limited prediction power of the price-cost competitiveness



Exhibit 1 Competitiveness indicators vis-à-vis the Euro Area

indicators can be seen in the so-called *Spanish* competitiveness paradox, which is illustrated in Exhibit 1. Panel (a) shows the evolution of ULCs for Spain and the main developed economies, while Panel (b) shows the evolution of these countries share of world exports during the 2000s. Spain's ULCs have grown faster than in the main developed countries, but its share of world exports has decreased less than those of other countries with the exception of Germany.

Spanish firms experienced both lower ULC growth and higher export growth than other countries, yet this differential is not reflected in aggregate price indicators due to aggregation and dispersion bias (see Antràs *et al.*, 2010 and Almonte *et al.*, 2012). In the calculation of ULCs, all the firms are taken into account, while to calculate the economy's total exports, only the exporters are taken into account. Firms that export are usually the largest and most productive of the economy (see Clerides *et al.*, 1998 and Bernard y Jensen, 1999). The different relative weight of firms in aggregate ULCs and in the economy's total exports helps to explain the *Spanish paradox*. In a nutshell, an adequate competitiveness measure should be able to capture the role of firms and their heterogeneity.

The importance of firm heterogeneity for the measurement of unit labor costs

In this section, we analyze how well the evolution of unit labor costs captures the firm heterogeneity present in a country. We examine the evolution of ULCs of four European countries given firm level information in EFIGE – AMADEUS.² The exercise analyzes if the aggregate evolution of ULCs between years 2002 and 2007 captures adequately the evolution of the same variable for the individual firms.³

² The design, construction and implementation of the database EFIGE has been led by the EFIGE Project, European Firms in a Global Economy: internal policies for external competitiveness. This is the first database to provide detailed and comparable information for seven European countries: Austria, France, Germany, Hungary, Italy, Spain and the United Kingdom, on the characteristics of their manufacturing firms, with an important emphasis on internationalization activities. To increase the utility of the survey, it has been merged with the Amadeus database from the Bureau van Dijk. For more details, see: www.efige.org

³ Unfortunately, the coverage of Amadeus for Germany does not allow for the use of the whole sample from 2001 to 2009.

Aránzazu Crespo

For that purpose, we calculate, at the firm level, a weighted change in ULCs as:

$$ULC_{t+1} - ULC_{t} = \sum_{i \in I_{t+1}} ms_{i,t+1} ulc_{i,t+1} - \sum_{i \in I_{t}} ms_{i,t} ulc_{i,t}, \quad (1)$$

where *ulc_i* is the ULC of a given firm *i* at time t and ms_{it} is its market share at that time. The components of the weighted average are decomposed as follows, according to the Laspeyres decomposition.

$$ULC_{t+1} - ULC_{t} = \sum_{i \in I_{t+1}} ms_{i,t+1} ulc_{i,t+1} - \sum_{i \in I_{t}} ms_{i,t} ulc_{i,t} \quad (2)$$

$$= \sum_{i \in I} ms_{i,t} (ulc_{i,t+1} - ulc_{i,t})$$
Within
$$+ \sum_{i \in I_{t}} ulc_{i,t} (ms_{i,t+1} - ms_{i,t})$$
Reallocation
$$+ \sum_{i \in I} (ms_{i,t+1} - ms_{i,t}) (ulc_{i,t+1} - ulc_{i,t})$$
Interaction
$$+ \sum_{i \in I_{t+1}/I} ms_{i,t+1} ulc_{i,t+1} - \sum_{i \in I_{t}/I} ms_{i,t} ulc_{i,t}$$
Entry-Exit

The first element, the within component, is the change attributable to the evolution of the firms' ULCs given their market share. A positive sign would imply a relevant loss in competitiveness at the firm level. The second element, the reallocation component, accounts for the redistribution of market share among the firms, holding ULCs constant.

Table 1

Changes in the ULCs of each country, 2002-2007

(Annualized rate percentage)

A negative sign implies a reallocation of market share towards firms with initially lower ULCs. The third element, the interaction component, gives information about the underlying dynamics. A negative sign would show that ULCs and market share are moving in different directions, either because their activity is expanding thanks to a reduction in ULCs or because the importance of their sector is decreasing after an increase in ULCs. The fourth element, the entry and exit component is indicative of the market dynamics that follow the removal of barriers fostering entry, and the exogenous shocks that can oblige some firms to exit.4

Table 1 shows the result of the decomposition of the change in aggregate ULCs in manufacturing between years 2002 and 2007, on an annualized basis. First, on average, for the period considered, real ULCs have decreased in all countries indicating an improvement in the cost competitiveness of the countries - which is supported as well by results using the EU-KLEMS database. Second, the weight of the change in competitiveness within firms is small, particularly in Italy and Spain, where it is 0.17% and -0.21%, respectively. Third, the interaction effect has the desired sign, negative. Unfortunately we cannot infer if this is due to the activity of firms expanding thanks to a reduction in ULCs or because the importance of their sector is decreasing after an increase in ULCs. Fourth, reallocation of resources is the component that explains most

(Annadized rate, percentage)					
	Total	Within	Reallocation	Interaction	Entry - Exit
France	-2.62	-1.19	-1.87	-0.61	1.06
Germany	-3.25	-1.55	-2.69	-0.43	1.42
Italy	-1.38	0.17	-1.35	-1.42	1.22
Spain	-2.06	-0.21	-1.19	-1.27	0.61
Source: Author's calculations					

⁴ The EFIGE survey is not designed to keep track of entry and exit of firms, therefore this element is simply a residual of the calculation, and will be ignored in the discussion.

50

(Percentage)	-			
	Total	Within	Reallocation	Interaction
France	5.22	1.86	4.27	-0.91
Italy	10.37	8.75	6.39	-4.77
Spain	10.82	7.00	7.95	-4.14

Table 2

Changes in the ULCs of each country relative to Germany, 2002-2007

Source: Author's calculations.

of the evolution of ULCs for all the countries in the sample. The relative intensity differs between countries - the largest reallocation of resources occurs in Germany, followed by France, then Italy and Spain. Not only is reallocation of resources in France and Germany larger, but it is also the most important factor in the explanation of the evolution of aggregate ULCs. In Italy and Spain, the interaction effect has a similar weight as the reallocation of resources effect in the explanation of the evolution of aggregate ULCs.

Finally, Table 2 shows the relative accumulated evolution of ULCs for each country with respect to the evolution of Germany for the period 2002 to 2007. A positive number indicates the possible gain associated with each effect if these countries had had the evolution of Germany. The change in competitiveness within firms was particularly small in Italy and Spain, which implies losses of competitiveness with respect to Germany of 8.75% in Italy and 7% in Spain. More importantly, the smaller reallocation of resources with respect to Germany between 2002 and 2007 implies losses of competitiveness of around 4.3% in France, 6.4% in Italy and 8% in Spain.

Even though the exercise has limitations since it only looks at manufacturing firms, recent empirical research with sectoral data shows that the reallocation of resources within the sector is key to understanding the evolution of aggregate ULCs (see Barba-Navaretti et al., 2011). The next section focuses on understanding what the productivity gains would be in each of these countries if there were no misallocation, that is, if all the resources were allocated efficiently.

Resource misallocation: The source of cross-country productivity differences

The ability to reallocate resources within firms in the economy has a very significant role in the explanation of the evolution of aggregate ULCs. The next section applies the methodology of Hsieh and Klenow (2009) to explain the impact of an efficient allocation of resources in the productivity and output of France, Germany, Italy and Spain.

The ability to reallocate resources within firms in the economy has a very significant role in the explanation of the evolution of aggregate ULCs.

Foster, Haltiwanger and Syverson (2008) stress that, when industry deflators are used, differences in plant-specific prices show up in the customary measure of plant TFP. They distinguish between "physical productivity," which they denote as TFPQ, and "revenue productivity," which they call TFPR. The use of a plant-specific deflator yields TFPQ, whereas using an industry deflator gives TFPR.

The distinction between physical and revenue productivity is vital in this analysis too. In line with Hsieh y Klenow (2009), the assumption is that there are firm specific distortions affecting total production and capital. Distortions that increase the marginal products of capital and labor by

the same proportion are output distortions ($\tau_{\rm Y}$), while distortions that raise the marginal product of capital relative to labor are capital distortions ($\tau_{\rm K}$). As a result of these distortions, firms produce different amounts than what would be dictated by their productivity, and also may have different capital-labor ratios. Unlike TFPQ, TFPR does not vary across plants within an industry unless plants face capital, labor and/or output distortions.

In the absence of distortions, more labor and capital should be allocated to plants with higher TFPQ to the point where their higher output results in a lower price and the exact same TFPR as smaller plants. TFPR is proportional to a geometric average of the plant's marginal revenue products of labor and capital:

$$\text{TFPR}_{\text{si}} \alpha \frac{\left(1 + \tau_{\text{K}_{\text{si}}}\right)^{\alpha_{\text{s}}}}{1 - \tau_{\text{Y}_{\text{si}}}},$$
(3)

52 where *s* denotes sector, *i* the given firm and α_s is the elasticity of capital. Hence, high plant TFPR is a sign that the plant faces barriers that raise the plant's marginal products of labor and capital, rendering the plant smaller than optimal. In general, variation of TFPR within a sector will be a measure of misallocation.

> In order to determine the gains from an efficient allocation of resources, "efficient" output is calculated in each country in order to compare it with actual output levels. If there are no firm specific distortions, TFPR will be equalized across firms within a sector. For each industry, the ratio of actual TFP to this efficient level of TFP is calculated, and then aggregated across sectors using a Cobb-Douglas aggregator:

$$\frac{Y}{Y_{\text{efficient}}} = \prod_{s=1}^{S} \left[\sum_{i=1}^{M_s} \left(\frac{A_{si}}{\overline{A_s}} \frac{\overline{\text{TFPR}}_s}{\text{TFPR}_{si}} \right)^{\sigma-1} \right]^{\frac{\theta_s}{\sigma-1}}.$$
 (4)

To calculate the effects of resource misallocation, key parameters are estimated: industry output shares, industry capital shares, and firm-specific distortions. Firm level data information is used from France, Germany, Italy and Spain, which are drawn from the EFIGE-Amadeus dataset.

In particular, the data used are: plant's industry (four-digit level), age (based on reported birth year), wage payments, value-added, export revenues, and capital stock. For labor input, the plant's wage bill is also included. Capital stock is defined as the book value of fixed capital net of depreciation. The rental price of capital (excluding distortions) is set at R=0.10, contemplating a 5% real interest rate and a 5% depreciation rate. The elasticity of substitution between plant value-added is set at σ =3. which ranges within the estimates in trade and industrial organization literature (Broda and Weinstein, 2004). The elasticity of output with respect to capital in each industry is set to be 1 minus the labor share in the corresponding industry in 2008. The 2008 ratios are adopted as the benchmark.

On the basis of the other parameters and the plant data, the distortions and productivity can be inferred for each plant in each country per year as follows:⁵

$$1 + \tau_{K_{si}} = \frac{\alpha_s}{1 - \alpha_s} \frac{wL_{si}}{RK_{si}}$$

$$1 - \tau_{Y_{si}} = \frac{\sigma}{\sigma - 1} \frac{wL_{si}}{(1 - \alpha_s)P_{si}Y_{si}}$$

$$A_{si} = \frac{(P_{si}Y_{si})^{\frac{\sigma}{\sigma - 1}}}{K_{si}^{\alpha_s}L_{si}^{1 - \alpha_s}}$$
(5)

Table 3 provides percent TFP gains in each country from fully equalizing TFPR across plants in each industry for the years 2002 to 2008 (see Equation 4), where the entries are $100(Y_{efficient} / Y - 1)$.⁶

⁵ Before calculating the gains from a hypothetical liberalization, the 1% tails of $log(TFPR_{si} / \overline{TFPR_s})$ and $log(TFPQ_{si} / \overline{TFPQ_s})$ were trimmed across industries to make the results robust to outliers. All the measures were then recalculated.

⁶ In Table 3, for Germany, hypothetical gains from a efficient resource allocation are only reported for the years 2004-2008 instead of 2002-2008, due to the bad data coverage mentioned earlier.

53

"misallocation" of resources in Germany is also

reflected by the greater ability of reallocating

market share to firms with an initially lower ULC.

The result of the decomposition is that evolution

of ULCs and hypothetical efficient allocation of

What implications do these hypothetical gains in productivity have in the firm size distribution

of these countries? Exhibit 2 plots the "efficient"

versus actual size distribution of plants in year

2008, where size is measured as plant value-

added. In all the countries, with the exception of Germany, the hypothetical efficient distribution is more dispersed than the actual one. In particular,

in all countries, there should be fewer mid-sized

plants and more small and large plants. It is well

known that there are less large firms than there should be, and that this proportion is even smaller

in economies where there are strong market

distortions (see Rubini et al., 2012). However,

this exercise also implies that there are less

small firms than there should be, as the flattening of these distributions is predicting. Hsieh and

Klenow (2009) find similar predictions for their

analysis of China, India and the United States,

which suggest that the shape of the efficient plant

In Germany, the efficient distribution is more

dispersed as well - there is a shift to the right

size distribution is robust across countries.

resources are complementary to each other.

Removing all barriers, according to this calculation, would boost aggregate manufacturing TFP in 2008 by 22.7% in France, 27.9% in Germany, 43.3% in Italy and 28.2% in Spain. More interestingly, between the years 2002 to 2008, gains from efficient allocation decrease in Germany (-8.50%), increase in Italy and Spain (6.93% and 6.97%), and are constant in France (-0.82%). This reveals that within this period, in Italy and Spain the "misallocation" of resources within the sector has increased while in France it remains constant and in Germany it decreases.

An increase in the "misallocation" of resources in Italy and Spain reveals an increase in the distortions or barriers to production present in these countries, which is consistent with their smaller ability to reallocate market share towards firms with initially smaller ULCs.

An increase in the "misallocation" of resources in Italy and Spain reveals an increase in the distortions or barriers to production present in these countries which is consistent with their smaller ability to reallocate market share towards firms with initially smaller ULCs as reported in Table 1. At the same time, the decrease in the

Table 3

TFP gains from equalizing TFPR within industries

Year	France	Germany	Italy	Spain
2002	23.55		36.41	21.23
2003	19.29		30.46	21.68
2004	22.07	36.41	32.75	23.30
2005	22.43	31.90	30.46	24.66
2006	23.88	32.30	32.97	24.70
2007	20.95	33.25	34.54	28.71
2008	22.74	27.92	43.34	28.20
Δ ₂₀₀₈₋₂₀₀₂	-0.82	-8.50	6.93	6.97
Source: Author's calcula	ations			





Source: Author's calculations from the EFIGE database.

in the distribution rather than a flattening as it happens in the other countries. The reason behind the different behavior in Germany most likely lies in the bias in the size distribution of the German firms present in the AMADEUS dataset.⁷ This explains why there is no flattening in the efficient distribution and the exercise predicts that a large group of the medium-sized firms in terms of output should increase their size.

Errors of measurement or modeling that could lead to an overestimation of the gains from efficient

resource allocation have not been accounted for. A more exhaustive analysis, with other model specifications and robustness checks for the parameters, is conducted in Crespo and Segura-Cayuela (2014). The results are consistent – an increase of "misallocation" in Italy and Spain is reflected in the suboptimal evolution of ULCs.

Conclusions

Although competitiveness is relevant to various aspects of economic analysis, its empirical

⁷ The small firms in terms of employment are highly underrepresented.

SEFO - Spanish Economic and Financial Outlook

measurement runs up against a number of problems, arising from the vagueness of the concept that is used differently depending on the context. Moreover, there is a lack of disaggregated indicators that adequately capture the wide range of factors relevant to competitiveness.

This paper has analyzed the ability of the change in aggregate unit labor cost to capture the change in the competitiveness of a country. Empirical analysis of unit labor costs as a competitiveness measure reveals the need to open the "black boxes" that macroeconomic indicators often are, by using firm level data to understand clearly what are the driving factors behind their evolution. The evidence presented suggests that the Spanish economy's loss of competitiveness in recent years does not seem to have occurred among the largest firms, with the greatest presence in international trade, but that it may be mainly the result of a lack of flexibility, which prevents resources from being efficiently reallocated between sectors and firms. In a preliminary attempt to make progress in this direction, estimations suggest that an efficient allocation of resources would boost aggregate manufacturing TFP in 2008 by 22.7% in France, 27.9% in Germany, 43.3% in Italy and 28.2% in Spain.

From this perspective, improving Spain's competitiveness would require significant reforms in competition policy and in the labor market, given the rigidities in these areas that delay or prevent the achievement of an efficient resource allocation.

References

ALTOMONTE, C.; AQUILANTE, T., and G. OTTAVIANO (2012), "The triggers of Competitiveness: The EFIGE crosscountry report," *Bruegel Blueprints* 17.

ANTRÀS, P.; SEGURA-CAYUELA, R., and D. RODRÍGUEZ-RODRÍGUEZ (2010), Firms in International Trade, with an Application to Spain, In *SERIEs Invited Lecture*

at the XXXV Simposio de la Asociación Española de Economía.

BARBA–NAVARETTI, G.; BUGAMELLI, M.; SCHIVARDI, F.; ALTOMONTE, C.; HORGOS, D., and D. MAGGIONI (2011), "The Global Operations of European Firms – The Second EFIGE Policy Report," *Bruegel Blueprints* 581.

BERNARD, A.B., and J.B. JENSEN (1999), "Exceptional Exporter Performance: Cause, Effect or both?," *Journal of International Economics* 47(1): 1-25.

BRODA, C., and D.E. WEINSTEIN (2006), "Globalization and the Gains from Variety," *The Quarterly Journal of Economics* 121(2): 541-585.

CLERIDES, S.K.; LACH, S., and J.R. TYBOUT (1998), "Is Learning by Exporting Important? Mycro-dynamic Evidence from Colombia, Mexico and Morocco," *The Quarterly Journal of Economics* 113(3): 903-947.

CRESPO, A. (2014), "Essays in trade, innovation and productivity," *Estudios de la Fundación,* Serie Tesis 72, FUNCAS.

CRESPO, A., and R. SEGURA–CAYUELA (2014), "Understanding Competitiveness," EUI *Working Paper MWP* 2014/20.

FOSTER, L.; HALTIWANGER, J., and C. SYVERSON (2008), "Reallocation, Firm Turnover, and Efficiency: Selection on Productivity or Profitability?," *American Economic Review* 98(1): 394-425.

HSIEH, C.T., and P.J. KLENOW (2009), "Misallocation and Manufacturing TFP in China and India," *The Quarterly Journal of Economics* 124(4): 1403-1448.

KRUGMAN, P. (1994), "Competitiveness: A Dangerous Obsession," *Technical Report, Foreign Affairs,* vol. 73(2).

PORTER, M.E. (1990), *The Competitive Advantage of Nations*, Free Press, New York.

RUBINI, L.; DESMET, K., PIGUILLEM, F., and A. CRESPO (2012), "Breaking down the Barriers to Firm Growth in Europe: The fourth EFIGE Policy Report," *Bruegel Blueprint* n° 18.

57

Recent key developments in the area of Spanish financial regulation

Prepared by the Regulation and Research Department of the Spanish Confederation of Savings Banks (CECA)

Law approving urgent measures for growth, competitiveness and efficiency (Law 18/2014, published in the BOE on October 17th, 2014).

This Law derives from Royal Decree-Law 8/2014 of July 4th, 2014, and has three main pillars: promoting competitiveness and the efficient functioning of the markets; improving access to finance; and fostering employability and employment. A number of fiscal reform measures have also been brought forward.

The main measures introduced by the Law are in the areas of:

- Financing economic activity: A Fund for foreign investment operations by small and medium-sized enterprises has been created with a view to promote the internationalisation of small and medium-sized enterprises. The possibility of the Fund's taking temporary direct minority shareholdings is also envisaged. The Official Credit Institute (ICO in its Spanish initials) will set up a scheme to provide guarantees to multilateral bodies and international financial institutions, for a sum of up to 1.2 billion euros and for a term of one year. Local entities may also arrange new debt operations with the purpose of partially or fully repaying existing debt with the Fund, provided the conditions established in the legislation are met.
- Promoting retail trade and market unity: Administrative simplification and rationalisation measures have been introduced such that commercial authorisation is the competence of a single authority handling the various stages of the process from a single application. The authority will be determined by the Autonomous Regions, and the time taken to complete the process is to be shortened to three months. Certain restrictions on retail trade are also removed and opening hours deregulated.
- Credit and debit cards: The interchange fees applicable to transactions paid by card have been capped, with a maximum of 0.2% for debit cards and 0.3% for credit cards. For payments of less than 20 euros, a cap of 0.1% has been established for debit cards and 0.2% for credit cards. Additionally, in the case of debit cards, the maximum amount charged will be 7 cents of a euro, applicable for all payments over 35 euros. Payee firms are prohibited from passing on any additional expense or charges for the use of credit or debit cards. Payment service providers are to inform the Bank of Spain of the effective discount and interchange fees applied to card payment services.
- Civil register: Registrars in charge of Mercantile Register offices are granted powers to keep Civil Registers, as public officials, such

that these offices acquire the status of Civil and Mercantile Registers.

Tax measures

- Tax on deposits at credit institutions. A tax of 0.03% has been established, applicable as of January 1st, 2014, the revenues of which will be collected by the Autonomous Regions in which the head office or the branch at which the taxpayers holding taxable third-party funds are located. Technical improvements have also been made to the configuration of the tax base for this tax.
- Personal income tax. The measures relating to personal income tax include the following:
 - As of January 1st, 2014, and previous tax years that have not lapsed, the capital gain that may arise as a result of dation in payment or foreclosure proceedings affecting the taxpayer's main residence is deemed tax exempt.
 - ✓ Applicable from January 1st, 2014, negative income on the savings tax base deriving from preference shares or securities received in exchange for such instruments, generated prior to January 1st, 2014, may be offset against other positive savings income or the general tax liability for the sale of assets.
 - ✓ A reduced withholding rate (of 15%) when the taxpayer's total earnings from these activities in the previous year were less than 15,000 euros, provided, moreover, that this income represents more than 75% of the sum of the total earnings from economic activities and employment.
- Tax on the increase in value of building land. An exemption has been established for natural persons transferring ownership of their main residence by dation in payment or as a result of mortgage foreclosure proceedings.

Law regulating venture capital firms, other collective investment undertakings of the closed-ended type, and management companies for collective investment undertakings of the closed-ended type, amending Law 35/2003 on collective investment institutions (Law 22/2014, published in the BOE on November 13th, 2014).

The Law considers it necessary to promote other forms of direct financing from non-banking enterprises, **including collective investment**, **as an increasingly important alternative**. From this viewpoint, venture capital, as an alternative investment, may be considered a particularly important source of financing for all stages of business development.

The published law also introduces a **new legal framework for venture capital firms,** incorporating **Directive 2011/61/EU** of the European Parliament and of the Council of June 8th, 2011, as regards both venture capital firms and collective investment institutions.

It also transposes **Directive 2013/14/EU** of the European Parliament and of the Council of May 21st, 2013, amending Directive 2003/41/EC on the activities and supervision of institutions for occupational retirement provision, **Directive 2009/65/EC** on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) and **Directive 2011/61/EU** on Alternative Investment Fund Managers with respect to over-reliance on credit ratings.

 Scope of application: Collective investment entities obtaining capital from a series of investors with a view to invest according to a defined investment policy, and which are considered closed in terms of their divestment policies, and which are not regulated by Law 35/2003, on collective investment institutions.

• Purpose: To regulate the conditions under which the activity of closed-ended investment entity management companies may be taken up and exercised in Spain, and the technical requirements these management companies are to comply with when they aim to manage and market foreign investment entities.

• Main features of the law:

- ✓ Relaxing the rules of the financial framework applicable to venture capital firms.
- ✓ Creation of the category of SME-venture capital firms.
- ✓ Broadening of the scope of application of the Law to collective investment entities of the closed-ended type, which may be in the form of funds or companies.
- ✓ The CNMV's administrative intervention visà-vis venture capital firms and collective investment undertakings of the closedended type has been almost completely eliminated, and it has been given powers to grant and revoke management companies' authorisation and impose penalties for serious infringements.
- ✓ The structure of Law 35/2003 of November 4th, 2003, has been maintained. This covers the regulation of open-ended collective investment institutions, and their management companies, leaving the regulation of venture capital firms and collective investment undertakings of the closed-ended type and their management companies to the new Law.
- ✓ It includes requirements applicable to both the marketing and management of these funds and managers in the European Union and Spain, and Spanish managers in the European Union.

- ✓ Another new feature is the inclusion of the role of the **depositary** for venture capital funds, as is already obligatory for other categories of collective investment institution.
- ✓ It will be obligatory to have a depositary when certain **thresholds** are exceeded (100 million euros or 500 million euros when the investment entities managed are unleveraged and do not have reimbursement rights that may be exercised within five years of the date of the initial investment).

Lastly, the consolidated text of the Law regulating pension schemes and pension funds has been amended, allowing alternative investment fund managers to manage pension funds.

National Securities Market Commission (CNMV) Circular on confidential statements of entities providing investment services and manual for completion of statements (Circular 3/2014, published in the BOE on November 7th, 2014).

The CNMV considers that supervision of the rules of conduct must take place as early as possible and take a preventive approach, focusing on identifying those complex instruments in widest circulation. It therefore amends Circulars regarding confidential information to ensure the required information is more specific and is available more frequently. The manual on completing returns will be published on the supervisor's website.

The Circular's objectives are:

• For confidential information to be available more frequently, such that in the case of entities with a high volume of retail customers or that actively market complex instruments, a quarterly report on the placement, reception, transmission, and execution of orders has been added to the existing annual report.

- To expand the information available regarding the characteristics of the financial instruments marketed to retail customers, particularly those that allow their degree of complexity to be assessed.
- To harmonise other information that was being collected to make it comparable and facilitate its processing.

Law amending the Law on Share Capital Companies to improve corporate governance (Law 31/2014, published in the BOE on December 4th).

The most significant changes to the Law on Share Capital Companies concern:

- The General Shareholders' Meeting with the strengthening of the meeting's role and fostering the participation of minority shareholders by reducing the necessary threshold for minority shareholders in listed companies to exercise their rights to 3%, establishing that the number of shares the articles of association may require them to hold in order to attend the General Shareholders' Meeting may not exceed one thousand.
- **Differentiated voting:** separate shareholder voting may be held on matters such as the appointment, re-election or dismissal of directors or changes to the articles of association.
- Conflicts of interest: the law handles conflicts of interest by establishing a specific clause suspending voting rights in the most serious cases. It also extends to joint-stock companies the rules currently envisaged for limited liability companies by establishing a presumption of infringement of the corporate interest in cases when the vote of shareholders affected by conflicts of interest was decisive in the company's resolutions being adopted.
- Calling of meetings and adoption of resolutions: the intention is to clarify the

information to be published in relation to the proposed resolutions and expressly establishes that the majority necessary for the valid adoption of a resolution by the General Shareholders' Meeting is a simple majority.

- Shareholders' right to information: a distinction is made between the legal consequences of the various forms of this right and its exercise is modulated based on a framework of good faith. In the case of listed companies, the time limits on the exercise of the right of information prior to the General Shareholders' Meeting has been extended to up to five days before the meeting is held.
- Legal framework for the challenging of company resolutions: the demands of business efficiency have been weighed against those of protection of minorities and legal security by adopting certain precautions concerning relatively minor defects of form and legitimisation, to avoid the abuses that can arise in practice.

The cases in which a resolution may be challenged have been brought together in a **single cancellation system** for which an expiry period of a year is provided, except in the case of resolutions contrary to public order, to which no time limits apply. In the case of listed companies, the expiry period is three months.

- Legitimisation: in order to avoid misuse of rights, only shareholders who hold a minority shareholding of 1% in the case of unlisted companies and 0.1% in the case of listed companies are legitimated to challenge resolutions, although the articles of association may reduce these thresholds. The concept of corporate interest has been broadened such that it is understood to have been harmed when a resolution is imposed abusively by the majority.
- Regulation of directors' remuneration: all share capital companies' articles of association must establish a system of remuneration for

directors for their management and decisionmaking functions, with particular reference to the system of remuneration for directors performing executive functions.

In the case of listed companies the remuneration policy will be multiannual and will be subject to approval by the General Shareholders' Meeting. The Board will set the remuneration of each of the directors.

- **Transitional arrangements** are established for the most significant new features which may require organisational changes or amendments to the articles of association.
- Amendment of the Securities Market Law: the National Securities Market Commission (CNMV) is given the necessary powers to supervise some of the issues applicable to listed companies which are introduced or amended in this Law.

63

Spanish economic forecasts panel: January 2015¹

FUNCAS Economic Trends and Statistics Department

Growth forecasts for 2014 remain at 1.4%

The indicators available for the last quarter of 2014 suggest growth may have been similar to that in the preceding two quarters. According to the consensus estimate (Table 2), quarterly growth was 0.53%, implying average annual growth of 1.4%, compared with 1.3% in the previous Forecast Panel.

The biggest change in the estimates for 2014 was in the expected composition of this growth. The forecast contribution of domestic demand has been raised to 2.0 percentage points (p.p.) and the contribution of the external sector has been cut to -0.6 p.p.

The forecast for 2015 has risen to 2.1%

The forecast for GDP growth in 2015 has been revised upwards by one tenth of a percentage point to 2.1%, significantly exceeding international organisations' forecasts. Of the 18 participants in the Panel, 13 have revised their forecasts upwards.

Not only has the growth forecast been raised, but its expected composition has been radically altered in the same way as the provisions for 2014, i.e. the forecast contribution of domestic demand has been raised significantly to 2.4 p.p., and the contribution of the external sector, which the previous Panel projected to be positive, is now expected to be negative (-0.3 p.p.). All the panellists anticipate that construction investment will grow in 2015. The rate of quarter-on-quarter growth will remain stable in the first half of the year around that registered in previous quarters, and it will rise slightly in the second half (Table 2).

Industrial activity slowed in the second half of 2014

The progress of the industrial production index in the second half of 2014 was disappointing. It suffered a quarter-on-quarter drop of 2.4% in annualised terms in the third quarter, and the data for October and November point to a further drop in the fourth quarter. The drop in the last period of the year is due to the fall registered in the energy subsector, while manufacturing registered growth, although somewhat more sluggish growth than expected.

It is estimated that industrial production measured by the IPI grew by 1.6% over the year as a whole, and growth is forecast to accelerate in 2015 to reach a rate of 2%.

Expected inflation has been revised downwards again

The inflation rate, which has been in negative territory almost every month since July, dropped to -1.0% in December, according to INE data. This is mainly a consequence of the sharp drop in the energy component caused by falling oil price. This result brings the annual average to -0.2%.

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 taken place 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 the main international organisations are also included for comparison, but do not form part of the consensus forecast.

As a consequence of the continuing slide in the price of crude, which in the last few days was close to 45 dollars a barrel, the inflation forecast for 2015 has been revised sharply downwards to an annual average of -0.1%, from 0.7% in the previous Forecast Panel. The year-on-year rate to December 2015 is projected to be 0.7%.

The employment forecast has improved

Growth in the number of Social Security System affiliates picked up speed in the fourth quarter of 2014, rising to 3% in annualized terms. A positive feature of the figures for the period, as was already observed in the previous quarter and confirmed by LFS figures, is that employment growth is not just in the form of part-time and temporary jobs, but also full-time jobs and permanent contracts.

It is estimated that, measured in terms of full-time equivalent jobs, employment grew by 0.8% in 2014, bringing the unemployment rate to 24.4%. The growth forecast for 2015 has been raised by two tenths of a percent to 1.7%, and the expected unemployment rate has been cut by two tenths of a percent to 22.8%.

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 0.5% in 2014 and 0.4% in 2015, while ULCs, are expected to drop by 0.5% this year and 0.1% the next.

The upturn in demand has worsened the balance of payments

Between January and October, a current account deficit on the balance of payments of almost 5.4 billion euros was posted, compared with a surplus of 11.2 billion euros in the same period the previous year. This deterioration in the balance of payments is due to worsening income and trade balances, as a consequence of the upturn in imports driven by the recovery in durable goods consumption and investments in capital goods. The consensus forecast for the 2014 current account balance has been revised downwards to a surplus of 0.2% of GDP, while that for 2015 anticipates the surplus rising to 0.8% of GDP. This is despite the negative contribution of the external sector to real GDP growth and is explained by the reduction in the energy bill.

The government deficit will slightly overshoot the target

The combined deficit of the Central Government, Social Security and the Autonomous Regions to October 2014, excluding aid to the financial system, came to 4.05% of annual GDP, compared with 4.63% in the same period the previous year. The improvement came entirely from increased revenues, as expenditure, excluding aid to financial institutions, was practically the same as in the same period the previous year. The Central Government and the Social Security funds reduced their deficit, while the Autonomous Regions increased theirs by three tenths of a percentage point to 1.33% of GDP, exceeding their objective for the entire year, which was set at 1% of GDP. In the case of Social Security, the improvement in its balance came from the increase in the National Employment Service surplus -- unemployment benefits, while the Social Security System -basically the pensions systemworsened its deficit.

The consensus forecast for the General Government deficit for 2014 and 2015 is unchanged with respect to the previous Panel at 5.6% and 4.5% of GDP, respectively. In both cases, this exceeds the government's targets (5.5% and 4.2%).

Little change in the opinion about the external environment

Following the drop in GDP in the first quarter in the United States due to meteorological factors, growth was solid throughout the rest of the year, in contrast with the fragility of the Eurozone, where growth after the second quarter was negligible. The emerging economies also continue to show signs of weakness.

The Panellists' view of the current situation in the EU remains unfavourable (Table 4). Opinions about how things will develop over the coming months are divided, with half of the Panellists expecting no change and half expecting an improvement. The context outside the EU continues to be considered neutral, and it is envisaged that the situation will remain the same over the next six months.

Long-term interest rates are considered to be too low

Short-term interest rates (three-month EURIBOR) remained stable in the final months of 2014 at 0.08%. As in previous Forecast Panels, the rate is felt to be too low, and is expected to remain unchanged over the months ahead.

In the case of the long-term rate (ten years), after a slight upturn in mid-October in the wake of the turbulence caused by fears of a recession in the Eurozone, in the subsequent weeks it returned to its downward trend and ended the year at 1.7%. This is also felt to be very low, and is expected to remain stable over the coming months.

The euro is no longer overvalued against the dollar

The euro-dollar exchange rate has been falling below 1.25. Although most of the panellists consider that the euro is still overvalued, the trend in recent months means that this majority has shrunk and an increasing number of participants think it is at an appropriate level. The majority believe that the depreciation will continue over the coming months.

Fiscal policy should be neutral

Fiscal policy is now considered neutral rather than restrictive, and this is the stance most panellists considered appropriate. Almost all the panellists believe current monetary policy is expansionary, and the unanimous view was that it should stay so.

Exhibit 1



/ol. 4, N.º 1 (January 2015)

65



Source: FUNCAS Panel of forecasts.

Table 1

Economic Forecasts for Spain – January 2015

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

	GDP Hot cons		Hous consu	Household consumption co		Public consumption		s fixed pital nation	GF(machine capital	CF ery and goods	GF Consti	CF ruction	Dom dem	estic and
	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
Analistas Financieros Internacionales (AFI)	1.4	2.0	2.3	2.5	0.8	0.8	2.6	3.3	11.6	6.4	-2.8	1.5	2.0	2.2
Banco Bilbao Vizcaya Argentaria (BBVA)	1.3	2.0	2.1	1.8	1.0	0.9	0.6	4.3	8.2	6.5	-3.9	2.9	1.6	2.0
Bankia	1.3	2.0	2.3	3.0	0.7	0.8	2.5	3.7	11.5	7.8	-3.0	0.9	2.2	2.8
CatalunyaCaixa	1.4	2.3	2.3	2.7	0.8	0.7	2.8	4.7	11.9	7.8	-2.8	2.0	2.1	2.7
Cemex	1.3	2.0	2.2	2.3	0.8	1.2	2.7	4.2	11.7	7.1	-2.8	2.0	2.1	2.4
Centro de Estudios Economía de Madrid (CEEM-URJC)	1.4	2.4	2.3	2.8	0.6	0.7	2.6	4.6	11.0	7.1	-3.2	3.3	1.9	2.6
Centro de Predicción Económica (CEPREDE-UAM)	1.3	2.0	2.0	1.7	-0.1	-0.2	1.1	3.3	7.9	3.7	-3.2	2.7	1.5	1.6
CEOE	1.4	2.0	2.4	2.2	0.8	1.0	2.5	3.9	11.2	7.4	-2.9	1.5	2.1	2.2
ESADE	1.3	2.0	1.4	1.8	0.1	0.7	1.2	4.2	7.5	6.6	-3.5	2.0	1.4	2.0
Fundación Cajas de Ahorros (FUNCAS)	1.4	2.4	2.3	3.0	0.6	0.6	3.2	4.3	13.4	8.0	-2.9	1.8	2.1	2.7
Instituto Complutense de Análisis Económico (ICAE-UCM)	1.4	2.3	2.1	2.5	0.4	0.6	2.8	4.0	10.0	6.5	-3.0	2.0	2.1	2.5
Instituto de Estudios Económicos (IEE)	1.4	2.5	2.3	3.1	0.6	0.8	2.2	4.0	10.5	7.5	-2.6	1.9	1.9	2.8
Instituto Flores de Lemus (IFL-UC3M)	1.3	1.9	2.3	2.6	0.2	-1.0	2.7	3.4	11.6	6.1	-2.7	2.2	2.0	2.0
Intermoney	1.4	2.2	2.2	2.1	0.2	0.5	2.4	3.4	9.3	6.5	-2.8	2.0	2.1	2.6
La Caixa	1.3	1.9	2.3	2.1	0.6	-0.6	2.7	5.0	11.9	8.6	-2.8	2.6	2.1	2.1
Repsol	1.4	2.2	2.3	2.4	0.8	-0.1	2.5	4.0	11.0	5.7	-2.8	1.5	2.1	2.1
Santander	1.4	2.3	2.3	2.9	0.8	1.1	2.7	4.3	11.6	5.2	-2.6	3.4	2.2	2.9
Solchaga Recio & asociados	1.4	2.2	2.4	2.8	0.6	0.0	2.3	4.4	11.2	6.8	-2.8	3.3	2.1	2.5
CONSENSUS (AVERAGE)	1.4	2.1	2.2	2.5	0.6	0.5	2.3	4.1	10.7	6.7	-3.0	2.2	2.0	2.4
Maximum	1.4	2.5	2.4	3.1	1.0	1.2	3.2	5.0	13.4	8.6	-2.6	3.4	2.2	2.9
Minimum	1.3	1.9	1.4	1.7	-0.1	-1.0	0.6	3.3	7.5	3.7	-3.9	0.9	1.4	1.6
Change on 2 months earlier ¹	0.1	0.1	0.2	0.6	0.3	0.5	1.5	0.6	2.3	-0.2	0.9	1.0	0.6	0.6
- Rise ²	11	13	15	14	12	13	15	14	15	9	14	15	15	16
- Drop ²	0	0	0	1	3	2	0	0	0	5	0	0	0	0
Change on 6 months earlier ¹	0.2	0.2	0.7	0.9	1.5	1.0	1.8	1.2	2.9	0.0	1.2	2.0	1.2	1.0
Memorandum ítems:														
Government (September 2014)	1.3	2.0	2.0	2.1	0.2	-1.0			7.0	6.0	-3.3	3.1		
Bank of Spain (July 2014)	1.3	2.0	1.6	1.6	-0.8	-1.5	1.8	4.2	8.7 ³	7.7 ³	-3.2	1.7		
EC (November 2014)	1.2	1.7	2.0	2.2	0.4	-1.4	1.1	4.2	8.8 ³	7.1 ³	-3.8	1.8	1.5	1.7
IMF (October 2014)	1.3	1.7	2.0	1.6	0.0	-0.7					-5.9	-0.3	1.3	1.2
OECD (November 2014)	1.3	1.7	2.1	1.9	0.4	-1.1	1.0	3.6					1.6	1.6

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 – January 2015

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

	Exports of Import goods & good services service		orts of ds & vices	f Industrial output		CPI (annual av.)		Labour costs ³		Jo	bs⁴	Une (% la for	mpl. bour ce)	C/A bal. of 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)	4.5	4.6	7.7	5.7			-0.2	-0.3			0.9	1.8	24.4	22.9	0.2	1.0	-5.5	-4.8
Banco Bilbao Vizcaya Argentaria (BBVA)	3.7	5.3	4.8	5.5	1.5		-0.2	-0.2			0.8	1.5	24.4	23.1	1.2	2.1	-5.5	-4.2
Bankia	4.2	5.0	7.5	8.2	1.2	1.8	-0.2	-0.7	0.3	0.7	0.8	1.6	24.5	23.2	0.6	1.2		
CatalunyaCaixa	4.6	5.8	8.0	7.4			-0.2	-0.3			0.9	1.8	24.4	23.0				
Cemex	4.4	4.5	7.8	6.4			-0.2	0.0			0.9	1.5	24.4	23.0	-0.5		-5.5	-4.2
Centro de Estudios Economía de Madrid (CEEM-URJC)	4.6	5.2	7.1	6.4			-0.2	-0.3			0.9	2.0	24.5	22.4	0.1	0.3	-5.6	-4.4
Centro de Predicción Económica (CEPREDE-UAM)	4.1	4.6	4.8	5.2	2.0	2.6	-0.2	0.2	0.2	0.3	0.7	1.5	24.5	23.0	0.1	0.3	-6.1	-4.8
CEOE	4.0	4.5	7.1	5.7	1.5	1.5	-0.2	-0.5	0.1	0.4	0.8	1.8	24.4	22.4	-0.4	0.0	-5.5	-4.4
ESADE	4.4	5.0	5.0	5.5			-0.2	0.2	0.3	0.5	0.8	1.5	24.5	22.5	1.9	1.5	-5.7	-4.2
Fundación Cajas de Ahorros (FUNCAS)	4.2	4.6	7.3	6.3	1.5	1.8	-0.2	-1.2	0.1	0.5	0.9	2.0	24.4	22.5	0.1	1.2	-5.4	-4.6
Instituto Complutense de Análisis Económico (ICAE-UCM)	4.2	3.6	7.0	8.0	1.8	2.6	-0.2	0.6			1.0	1.7	24.5	23.0	0.4	0.7	-5.6	-4.6
Instituto de Estudios Económicos (IEE)	4.3	4.6	6.7	5.7			-0.2	0.4	-0.5	0.0	0.9	1.8	24.4	22.5	0.2	0.8	-5.5	-4.5
Instituto Flores de Lemus (IFL-UC3M)	4.6	5.4	7.6	6.5	1.7	1.5	-0.2	-0.1					24.5	22.7				
Intermoney	4.7	5.0	7.4	6.4	1.5	2.2	-0.2	0.1			0.9	1.8	24.5	23.1	0.3	0.7	-5.6	-4.4
La Caixa	4.6	5.9	7.8	6.8	1.5	2.4	-0.2	0.3	-0.1	0.3	0.9	1.7	24.5	22.9	-0.2	0.1	-5.7	-4.5
Repsol	4.9	6.3	8.1	6.6	1.5	2.2	-0.2	0.0	0.1	0.4	0.9	1.6	24.5	23.1	0.4	1.0	-5.6	-4.4
Santander	4.5	5.0	7.7	7.6	1.4	1.0	-0.2	-0.8	-0.1	0.0	0.6	1.7	24.5	22.6	-0.5	0.9	-5.5	-4.2
Solchaga Recio & asociados	4.5	4.7	7.6	6.4			-0.2	0.1			0.9	1.8	24.3	22.8	-0.1	0.0	-5.6	-4.8
CONSENSUS (AVERAGE)	4.4	5.0	7.0	6.5	1.6	2.0	-0.2	-0.1	0.1	0.3	0.8	1.7	24.4	22.8	0.2	0.8	-5.6	-4.5
Maximum	4.9	6.3	8.1	8.2	2.0	2.6	-0.2	0.6	0.3	0.7	1.0	2.0	24.5	23.2	1.9	2.1	-5.4	-4.2
Minimum	3.7	3.6	4.8	5.2	1.2	1.0	-0.2	-1.2	-0.5	0.0	0.6	1.5	24.3	22.4	-0.5	0.0	-6.1	-4.8
Change on 2 months earlier ¹	0.2	-0.1	2.1	1.3	-0.2	-0.4	-0.2	-0.8	0.0	-0.2	0.0	0.2	-0.1	-0.2	-0.3	0.0	0.0	0.0
- Rise ²	7	6	15	16	2	1	0	0	0	0	6	11	1	1	3	4	3	4
- Drop ²	7	9	0	0	5	5	18	17	5	4	2	1	8	10	8	8	2	2
Change on 6 months earlier ¹	-0.8	-0.7	2.4	1.7	-0.6	-0.9	-0.5	-1.0	0.1	-0.3	0.3	0.4	-0.5	-0.9	-1.0	-0.7	0.1	0.3
Memorandum items:																		
Government (September 2014)	3.6	5.2	4.4	5.0					0.8	1.0	0.7	1.4	24.7	22.9	0.9	1.1	-5.5	-4.2
Bank of Spain (July 2014)	4.6	5.9	4.7	4.5			0.1	0.7			0.4	1.4			1.36	1.66		
EC (November 2014)	3.8	4.9	4.8	5.1			-0.1	0.5	0.5	0.9	0.7	1.1	24.8	23.5	0.5	0.7	-5.6	-4.6
IMF (October 2014)	4.1	5.5	4.2	4.5			0.0	0.6			0.6	0.8	24.6	23.5	0.1	0.4	-5.7	-4.7
OECD (November 2014)	3.5	4.9	4.5	4.9			-0.1	0.1	0.5	0.6	0.9	1.3	24.5	23.1	0.7	0.8	-5.5	-4.4

¹ Difference in percentage points between the current month's average and that of two

months earlier (or six months earlier).

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

³ 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.

67

Table 2 Quarterly Forecasts - January 2015¹

Quarter-on-quarter change (percentage)

	14-Q1	14-Q2	14-Q3	14-Q4	15-Q1	15-Q2	15-Q3	15-Q4
GDP ²	0.3	0.5	0.5	0.5	0.5	0.5	0.6	0.6
Household consumption ²	0.6	0.9	0.8	0.6	0.6	0.6	0.6	0.6

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 – January 2015¹

	Monthly o	change (%)		Year-on-yea	r change (%)
Jan-15	Feb-15	Mar-15	Apr-15	Dec-14	Dec-15
-1.2	-0.2	0.1	0.5	-1.0	0.7

¹ Average of forecasts by private institutions listed in Table 1.

Opinions – January 2015

Number of responses

Table 4

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

ECONOMIC INDICATORS Page 70

FINANCIAL SYSTEM INDICATORS Page 119

KEY FACTS: ECONOMIC INDICATORS

Table 1

National accounts: GDP and main expenditure components SWDA* (ESA 2010, Base 2010)

Forecasts in blue

					Gross fixed capital formation								Net
		GDP	Private	Public			Constru	ction		Exports	Imports	Domestic	exports
			consumption	consumption	Total	Total	Housing	Other construction	Equipment & other products			Demand (a)	(a)
				Chain-l	inked v	olumes	, annual	percentage	changes				
2007		3.8	3.3	6.2	4.3	2.0	2.0	0.9	9.6	8.3	8.6	4.4	-0.6
2008		1.1	-0.7	5.9	-4.5	-6.1	-6.1	-9.7	-1.0	-0.8	-5.6	-0.4	1.6
2009		-3.6	-3.6	4.1	-18.1	-16.5	-16.5	-20.6	-21.2	-11.0	-18.3	-6.4	2.8
2010		0.0	0.3	1.5	-4.6	-10.1	-10.1	-11.6	6.3	9.4	6.9	-0.5	0.5
2011		-0.6	-2.0	-0.3	-6.1	-10.6	-10.6	-12.8	1.3	7.4	-0.8	-2.7	2.1
2012		-2.1	-2.9	-3.7	-8.0	-9.3	-9.3	-9.0	-6.2	1.2	-6.3	-4.3	2.2
2013		-1.2	-2.3	-2.9	-3.4	-9.2	-9.2	-7.6	4.2	4.3	-0.5	-2.7	1.4
2014		1.4	2.3	0.6	3.2	-2.9	-2.9	-3.1	10.1	4.3	7.4	2.1	-0.7
2015		2.4	3.0	0.6	4.3	1.8	1.8	1.9	6.9	4.6	6.4	2.8	-0.4
2013	I	-2.2	-3.8	-4.5	-6.2	-7.4	-7.4	-4.8	-4.7	0.0	-7.3	-4.3	2.1
	11	-1.7	-3.1	-3.6	-5.3	-11.4	-11.4	-8.9	2.8	7.3	1.3	-3.5	1.8
	III	-1.0	-2.1	-2.4	-2.1	-9.7	-9.7	-8.4	7.9	4.9	0.5	-2.4	1.4
_	IV	0.0	-0.1	-1.1	0.3	-8.3	-8.3	-8.2	11.4	5.1	3.8	-0.5	0.5
2014	I	0.7	1.3	0.5	1.2	-8.1	-8.1	-7.3	13.1	6.3	8.9	1.2	-0.5
		1.3	2.2	0.7	4.0	-2.0	-2.0	-3.4	11.0	1.5	4.8	2.2	-0.9
		1.6	2.7	0.9	3.6	-1.2	-1.2	-1.5	8.8	4.6	8.2	2.5	-0.9
~ ~ / ~	IV	1.9	3.0	0.4	3.9	0.1	0.1	0.3	8.0	4.8	7.9	2.6	-0.7
2015	1	2.2	3.2	0.3	4.0	1.0	1.0	1.3	7.0	4.8	6.0	2.4	-0.2
		2.4	3.0	1.5	4.0	1.4	1.4	2.0	6.5	4.8	6.2	2.7	-0.3
		2.5	3.0	0.5	4.4	2.0	2.0	1.6	6.9	4.1	5.4	2.8	-0.3
	IV	2.6	3.0	0.0	4.9	2.7	2.7	2.8	7.0	4.8	7.8	3.4	-0.8
			Chain-lin	ked volume	s, quar	ter-on-q	uarter po	ercentage cl	nanges, at ann	ual rate	•		
2013	I	-1.3	-3.1	-1.9	-2.6	-7.3	-7.3	-6.2	3.8	-4.7	-15.5	-4.6	3.3
	11	-0.3	0.0	-1.3	-4.1	-20.2	-20.2	-16.0	19.8	26.7	28.9	-0.6	0.3
		0.5	1.5	-0.7	6.0	-1.0	-1.0	-2.6	14.5	1.8	5.8	1.6	-1.1
	IV	1.2	1.4	-0.5	1.9	-3.5	-3.5	-7.3	8.2	-0.9	0.9	1.7	-0.6
2014	I	1.4	2.4	4.6	1.2	-6.5	-6.5	-2.8	10.1	-0.1	2.1	2.0	-0.6
	11	2.0	3.7	-0.6	7.1	3.2	3.2	-0.9	11.2	5.1	10.7	3.4	-1.4
	III	2.0	3.3	0.2	4.0	2.5	2.5	5.5	5.6	14.9	20.3	3.0	-1.0
	IV	2.2	2.8	-2.3	3.4	1.6	1.6	-0.3	5.3	0.0	-0.2	2.0	0.2
2015	I	2.5	3.0	3.8	1.4	-3.1	-3.1	1.1	6.0	0.0	-4.9	2.3	0.2
	11	2.8	3.1	4.6	7.1	5.0	5.0	2.0	9.2	4.9	11.7	4.6	-1.8
	III	2.7	3.0	-3.8	5.9	4.7	4.7	3.6	7.0	12.1	16.3	3.1	-0.4
	IV	2.4	2.9	-4.2	5.3	4.5	4.5	4.4	6.1	2.6	9.6	3.1	-0.7
		Current prices (EUR billions)				Per	centage	of GDP at c	urrent prices				
2007		1,080.8	57.0	17.7	31.0	21.1	11.7	9.3	10.0	25.7	31.7	106.0	-6.0
2008		1,116.2	56.8	18.8	29.2	19.5	10.4	9.1	9.7	25.3	30.4	105.1	-5.1
2009		1,079.0	56.1	20.5	24.3	16.2	8.1	8.1	8.2	22.7	23.8	101.2	-1.2
2010		1,080.9	57.2	20.5	23.0	14.3	6.9	7.4	8.7	25.5	26.8	101.3	-1.3
2011		1,075.1	57.9	20.4	21.4	12.5	5.7	6.8	8.9	28.8	29.0	100.2	-0.2
2012		1,055.2	58.6	19.6	19.7	11.2	5.0	6.2	8.5	30.3	28.8	98.4	1.6
2013		1,049.2	58.2	19.5	18.5	9.9	4.3	5.6	8.7	31.6	28.1	96.6	2.1
2014		1,059.6	58.9	19.4	18.5	9.3	3.9	5.4	9.2	32.1	29.5	97.4	2.6
2015		1.091.3	58.4	19.0	18.6	9.1	3.8	5.3	9.5	32.7	29.3	96.6	3.4

*Seasonally and Working Day Adjusted.

(a) Contribution to GDP growth.

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


National accounts: Gross value added by economic activity SWDA* (ESA 2010, Base 2010) Forecasts in blue

							Gross value adde	d at basic prices						
									s	ervices				Taxaa laaa
		Total	Agriculture, forestry and fishing	Manufacturing, energy and utilities	Construction	Total	Trade, transport, accommodation and food services	Information and communication	Finance and insurance	Real estate	Professional, business and support services	Public administration, education, health and social work	Arts, entertainment and other services	subsidies on products
					Chain-	linked	l volumes, an	nual perce	ntage c	hanges	5			
2007		4.2	7.2	1.8	0.5	5.4	3.5	5.1	10.2	8.7	7.5	4.7	3.1	0.1
2008		1.3	-2.7	-0.8	0.2	2.3	-0.1	2.5	3.2	2.4	1.8	5.0	3.0	-0.9
2009		-3.4	-3.6	-10.0	-7.6	-1.0	-3.7	0.6	-6.1	3.4	-3.7	2.3	0.7	-5.9
2010		0.0	2.1	3.6	-14.5	1.3	1.5	3.9	-3.3	2.0	-1.4	2.4	1.4	0.1
2011		-0.2	4.2	0.1	-12.7	1.1	1.3	-0.5	-2.0	3.0	2.7	0.5	0.8	-5.2
2012		-1.9	-12.8	-3.8	-14.3	0.2	0.4	2.6	-3.4	2.4	-0.5	-0.6	-0.3	-4.4
2013		-1.2	15.6	-1.8	-8.1	-1.0	-0.7	-2.8	-7.8	1.1	-1.1	-1.3	1.5	-1.5
2014		1.3	7.0	1.1	-2.0	1.4	3.1	1.4	-5.0	1.1	2.3	0.5	1.8	1.6
2015		2.4	1.6	2.4	2.3	2.4	4.4	2.1	0.0	1.7	2.8	0.7	2.4	2.4
2013	Т	-2.1	5.3	-3.3	-8.8	-1.5	-1.5	-3.2	-6.2	1.7	-2.4	-1.9	-0.3	-2.9
	Ш	-1.7	21.9	-2.4	-9.6	-1.6	-1.5	-2.9	-9.1	1.6	-2.4	-1.8	1.1	-1.5
	Ш	-1.0	17.2	-0.9	-8.0	-1.1	-0.8	-3.5	-7.9	0.3	-1.0	-0.9	1.4	-1.1
	IV	0.1	18.4	-0.5	-6.0	0.0	0.9	-1.6	-8.2	0.8	1.3	-0.7	3.8	-0.6
2014	1	0.7	13.9	0.3	-6.1	0.8	17	1.3	-5.6	0.9	11	0.2	37	0.6
2014		1.2	3.8	1.4	-1.8	1.3	3.1	0.6	-5.0	1.0	1.1	0.4	1.6	1.5
		1.2	0.4	0.0	-1.0	1.0	0.1	0.0	-5.0	1.0	0.7	0.4	0.0	0.4
		1.5	8.4	0.9	-0.4	1.6	3.3	1.9	-5.0	1.2	2.7	0.6	0.9	2.4
	IV	1.9	2.4	1.7	0.5	2.0	4.0	1.9	-4.1	1.4	3.5	0.7	1.1	1.8
2015	1	2.2	0.8	1.7	0.7	2.4	5.0	2.0	-2.7	1.6	3.0	0.8	1.1	2.1
		2.4	3.3	2.1	1.7	2.4	4.3	2.3	0.8	1.8	2.8	0.5	2.6	2.3
		2.5	0.0	2.8	3.0	2.5	4.6	1.8	0.4	2.0	2.6	0.7	2.9	2.6
	IV	2.6	2.2	3.0	3.7	2.4	3.9	2.2	1.7	1.6	2.8	0.9	3.0	2.8
				Chain-linke	ed volume	es, qua	arter-on-quar	ter percent	age cha	inges,	at annual ra	te		
2013	1	-1.2	30.7	0.4	-2.6	-2.5	-2.3	-10.5	-8.1	0.4	1.2	-4.5	4.7	-2.1
	II	-0.5	28.6	-2.2	-14.5	0.1	0.1	1.4	-14.5	0.6	-1.7	2.8	4.5	1.6
		1.0	-0.4	2.3	-5.1	1.3	3.1	0.3	-4.1	-0.5	5.2	-0.5	3.5	-5.5
	IV	0.9	17.6	-2.3	-1.1	1.3	2.8	2.9	-5.6	2.5	0.6	-0.4	2.6	3.6
2014	1	1.3	11.9	3.8	-3.0	0.6	1.0	0.5	2.4	1.0	0.4	-1.2	4.3	2.8
	II	1.6	-11.4	2.1	2.1	2.0	5.6	-1.4	-12.3	1.2	0.7	3.7	-3.9	5.6
	III	2.4	18.6	0.2	0.5	2.4	4.0	5.9	-3.9	0.0	9.4	0.2	0.8	-2.1
	IV	2.3	-6.6	0.7	2.6	3.0	5.5	3.0	-2.1	3.3	3.8	0.2	3.2	1.0
2015	I	2.4	5.1	4.0	-2.1	2.2	5.0	0.7	8.5	2.0	-1.4	-1.0	4.5	4.0
	Ш	2.4	-2.0	3.6	6.0	2.0	2.9	-0.3	1.2	1.8	-0.3	2.7	2.0	6.4
	Ш	3.1	4.0	2.9	5.7	2.9	4.9	4.0	-5.4	1.0	8.8	0.8	2.1	-1.0
	IV	2.4	2.0	1.5	5.5	2.4	2.7	4.6	3.1	1.6	4.6	1.0	3.3	2.0
	C	Current prices	;				Percentage	of value ad	ded at I	basic p	orices			
		(LOK DIHONS)												
2007		972.9	2.7	18.2	11.2	67.9	22.1	4.4	5.3	8.9	7.2	16.3	3.7	11.1
2008		1,025.7	2.5	17.9	11.0	68.5	21.9	4.3	5.4	9.0	7.3	16.9	3.8	8.8
2009		1,006.1	2.3	16.6	10.6	70.4	22.0	4.4	5.7	8.9	7.3	18.2	4.0	7.2
2010		989.9	2.6	17.2	8.8	71.4	22.5	4.4	4.4	10.2	7.2	18.7	4.1	9.2
2011		988.3	2.5	17.4	7.5	72.6	23.1	4.3	4.1	10.8	7.4	18.6	4.2	8.8
2012		969.3	2.4	17.2	6.3	74.0	23.8	4.4	4.2	11.6	7.4	18.4	4.2	8.9
2013		958.5	2.8	17.6	5.7	73.9	23.8	4.1	3.7	11.9	7.4	18.6	4.3	9.5
2014		965.5	2.6	17.6	5.5	74.3	24.2	4.0	3.7	12.1	7.4	18.6	4.3	9.7
2015		993.4	2.6	17.5	5.5	74.5	24.9	3.9	3.7	12.0	7.3	18.3	4.3	9.8

*Seasonally and Working Day Adjusted.

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



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









Services Construction Industry Agriculture, forestry and fishing

Table 3a

National accounts: Productivity and labour costs (I) (ESA 2010, Base 2010)

Forecasts in blue

				Total ec	onomy					Manufactur	ring 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 = 1	00, SWDA					
2007		127.7	124.4	102.6	129.5	126.1	96.3	114.8	94.8	121.1	141.5	116.8	96.3
2008		129.1	124.7	103.6	138.3	133.5	99.8	112.4	93.9	119.7	149.3	124.7	98.5
2009		124.5	117.1	106.4	144.4	135.7	101.2	100.1	82.2	121.8	152.6	125.3	99.0
2010		124.5	114.0	109.3	145.9	133.5	99.4	100.1	78.9	126.9	155.6	122.6	97.7
2011		123.8	111.1	111.4	147.1	132.0	98.2	99.2	76.3	130.1	159.0	122.2	95.3
2012		121.2	106.1	114.2	146.3	128.1	95.1	95.3	71.6	133.1	161.4	121.3	94.7
2013		119.7	102.7	116.6	148.7	127.6	94.0	94.2	68.4	137.8	163.9	118.9	92.7
2014		121.3	103.6	117.1	148.9	127.1	94.1	96.1					
2015		124.2	105.6	117.6	149.5	127.1	93.6	98.8					
2012	IV	120.0	104.3	115.1	143.5	124.7	92.4	93.9	70.1	134.0	161.7	120.7	92.2
2013	I	119.6	103.2	115.9	148.6	128.2	94.5	94.2	69.7	135.1	162.7	120.4	93.8
	II	119.5	102.6	116.5	148.6	127.6	94.0	94.1	68.6	137.2	163.9	119.5	93.4
	III	119.7	102.5	116.8	148.7	127.3	93.9	94.4	67.6	139.7	164.1	117.5	91.5
	IV	120.0	102.4	117.2	149.0	127.2	93.8	94.2	67.6	139.4	165.1	118.4	92.1
2014	I	120.4	102.6	117.3	148.7	126.7	93.8	95.8	67.6	141.6	165.1	116.6	92.6
	П	121.0	103.4	117.0	149.2	127.5	94.4	96.0	68.1	140.9	167.3	118.8	93.9
	Ш	121.6	103.9	117.1	148.5	126.8	94.0	96.2	68.8	139.8	165.8	118.6	93.2
						Annual p	ercentag	e 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		1.1	0.2	0.9	6.8	5.9	3.7	-2.1	-1.0	-1.1	5.5	6.7	2.3
2009		-3.6	-6.1	2.7	4.4	1.6	1.4	-10.9	-12.4	1.8	2.2	0.5	0.5
2010		0.0	-2.7	2.7	1.1	-1.6	-1.8	0.0	-4.0	4.2	1.9	-2.1	-1.3
2011		-0.6	-2.5	2.0	0.9	-1.1	-1.2	-0.9	-3.3	2.5	2.2	-0.3	-2.4
2012		-2.1	-4.4	2.4	-0.6	-3.0	-3.2	-4.0	-6.1	2.3	1.6	-0.7	-0.6
2013		-1.2	-3.3	2.1	1.7	-0.4	-1.1	-1.1	-4.5	3.6	1.5	-2.0	-2.2
2014		1.4	0.9	0.5	0.1	-0.4	0.0	2.0					
2015		2.4	2.0	0.4	0.5	0.0	-0.5	2.8					
2012	IV	-2.5	-4.7	2.4	-3.0	-5.2	-5.6	-4.1	-6.5	2.6	0.4	-2.1	-2.9
2013	I	-2.2	-4.3	2.2	0.5	-1.6	-2.5	-2.9	-4.7	1.9	0.8	-1.1	-2.6
	11	-1.7	-3.9	2.3	1.0	-1.3	-2.2	-1.2	-4.6	3.6	1.1	-2.4	-3.2
	111	-1.0	-3.0	2.0	1.4	-0.6	-1.0	-0.6	-5.2	4.8	2.2	-2.5	-2.7
0044	IV	0.0	-1.8	1.8	3.8	2.0	1.5	0.4	-3.5	4.0	2.1	-1.9	0.0
2014	1	0.7	-0.6	1.3	0.1	-1.2	-0.8	1.6	-3.0	4.8	1.5	-3.2	-1.2
	11	1.3	0.8	0.5	0.4	-0.1	0.5	2.0	-0.6	2.7	2.1	-0.6	0.6
	- 111	1.6	1.4	0.3	-0.1	-0.4	0.0	1.9	1.8	0.1	1.1	1.0	1.8

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



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) (ESA 2010, Base 2010)

Forecasts in blue

				Const	ruction					S	ervices		
		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 = 1	00, SWDA					
2007		118.1	143.4	82.3	137.1	166.5	106.6	134.1	132.9	100.9	125.0	123.9	96.1
2008		118.3	126.5	93.5	154.8	165.5	102.3	137.1	137.0	100.1	132.4	132.2	98.5
2009		109.4	99.1	110.4	170.0	154.0	93.6	135.8	133.6	101.6	137.7	135.5	99.2
2010		93.5	85.2	109.7	172.1	156.9	99.2	137.5	132.0	104.2	139.1	133.4	99.1
2011		81.6	72.3	112.9	170.3	150.9	98.2	139.1	130.8	106.3	140.2	131.8	97.6
2012		69.9	58.7	119.2	172.0	144.3	98.2	139.4	127.1	109.7	138.4	126.2	93.6
2013		64.3	51.5	124.8	173.8	139.3	96.2	138.0	124.0	111.2	140.9	126.6	94.2
2014		63.0	49.8	126.5				140.0	125.7	111.4			
2015		64.4	50.7	127.0				143.4	128.4	111.7			
2012	IV	67.1	54.8	122.3	174.1	142.3	98.2	138.5	125.3	110.5	134.8	122.0	91.2
2013	I	66.6	53.9	123.5	171.2	138.6	93.9	137.6	124.4	110.7	140.8	127.3	94.3
	П	64.1	51.5	124.5	174.8	140.5	97.6	137.7	123.7	111.3	140.8	126.5	94.2
	Ш	63.2	50.4	125.4	173.6	138.5	96.5	138.1	124.0	111.3	140.9	126.5	94.2
	IV	63.1	50.1	126.0	175.9	139.6	96.8	138.5	124.1	111.6	141.0	126.3	94.2
2014	I	62.6	49.0	127.8	171.4	134.2	92.2	138.8	124.3	111.6	141.3	126.6	94.0
	Ш	62.9	49.4	127.4	173.7	136.3	95.6	139.5	125.5	111.1	141.1	127.0	94.7
	Ш	63.0	50.4	125.0	174.9	139.9	98.1	140.3	126.0	111.3	140.2	125.9	94.2
						Annual p	ercentage	e 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	-11.8	13.6	12.9	-0.6	-3.9	2.3	3.0	-0.7	5.9	6.7	2.5
2009		-7.6	-21.7	18.0	9.8	-6.9	-8.6	-1.0	-2.4	1.5	4.0	2.5	0.7
2010		-14.5	-14.0	-0.6	1.3	1.9	6.0	1.3	-1.2	2.5	1.0	-1.5	-0.1
2011		-12.7	-15.2	2.9	-1.1	-3.9	-1.0	1.1	-0.9	2.0	0.8	-1.2	-1.6
2012		-14.3	-18.8	5.6	1.0	-4.4	0.0	0.2	-2.8	3.2	-1.3	-4.3	-4.1
2013		-8.1	-12.3	4.7	1.1	-3.5	-2.1	-1.0	-2.4	1.4	1.8	0.4	0.7
2014		-2.0	-3.3	1.3				1.4	1.3	0.1			
2015		2.3	1.9	0.4				2.4	2.1	0.3			
2012	IV	-12.7	-17.3	5.5	0.6	-4.6	-0.4	-0.5	-3.3	2.8	-4.1	-6.8	-5.4
2013	I	-8.8	-13.0	4.8	0.6	-4.0	-2.0	-1.5	-3.4	2.0	0.3	-1.6	-1.5
	Ш	-9.6	-15.1	6.6	1.7	-4.5	-2.5	-1.6	-3.1	1.6	1.1	-0.5	0.2
	Ш	-8.0	-11.8	4.4	0.9	-3.3	-2.5	-1.1	-2.0	1.0	1.3	0.4	0.8
	IV	-6.0	-8.7	3.0	1.0	-1.9	-1.5	0.0	-1.0	1.0	4.6	3.5	3.3
2014	I	-6.1	-9.2	3.4	0.1	-3.2	-1.8	0.8	0.0	0.8	0.3	-0.5	-0.3
	Ш	-1.8	-4.1	2.4	-0.7	-2.9	-2.1	1.3	1.5	-0.2	0.2	0.4	0.5
	Ш	-0.4	-0.1	-0.3	0.7	1.0	1.6	1.6	1.6	0.0	-0.5	-0.5	0.0

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



Chart 3b.1.- Nominal ULC, construction



Table 4 National accounts: National income, distribution and disposition (ESA 2010, Base 2010)

Forecasts in blue

	с	Gross domestic product	Compen- sation of employees	Gross operating 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 national income	Final national consumption	Gross national saving (a)	Compen- sation of employees	Gross operating surplus	Taxes on production and imports less subsidies
	1	1=2+3+4	2	3	4	5	6=1+5	7	8=6+7	9	10=8-9	11	12	13
				EUR Bill	ions, 4-qua	rter cumı	ulated to	ansaction	IS			Perc	entage o	f GDP
2007	1,	,080.8	522.6	450.2	108.1	-26.1	1,054.7	-13.2	1,041.5	806.9	234.6	48.3	41.7	10.0
2008	1	,116.2	559.8	465.2	91.2	-30.0	1,086.3	-15.7	1,070.6	843.1	227.5	50.1	41.7	8.2
2009	1,	,079.0	549.2	455.2	74.7	-19.8	1,059.2	-14.3	1,045.0	826.4	218.6	50.9	42.2	6.9
2010	1,	,080.9	541.5	445.9	93.6	-15.2	1,065.8	-12.7	1,053.0	840.5	212.6	50.1	41.3	8.7
2011	1,	,075.1	531.9	453.4	89.9	-18.2	1,056.9	-14.1	1,042.8	842.2	200.6	49.5	42.2	8.4
2012	1,	,055.2	501.9	458.3	94.9	-8.9	1,046.3	-12.1	1,034.2	825.7	208.5	47.6	43.4	9.0
2013	1,	,049.2	490.3	458.6	100.3	-7.2	1,041.9	-13.1	1,028.8	814.5	214.3	46.7	43.7	9.6
2014	1,	,059.6	496.7	458.6	104.3	-14.8	1,044.8	-13.0	1,031.8	829.1	202.8	46.9	43.3	9.8
2015	1,	,091.3	510.2	473.8	107.3	-12.6	1,078.6	-13.0	1,065.7	844.3	221.4	46.8	43.4	9.8
2012	IV 1,	,055.2	501.9	458.3	94.9	-8.9	1,046.3	-12.1	1,034.2	825.7	208.5	47.6	43.4	9.0
2013	Ι1,	,050.4	496.0	458.7	95.7	-7.8	1,042.7	-11.4	1,031.3	817.7	213.5	47.2	43.7	9.1
	II 1,	,048.3	490.7	459.1	98.5	-5.9	1,042.4	-12.4	1,030.0	811.4	218.5	46.8	43.8	9.4
	III 1,	,047.7	488.3	460.2	99.2	-6.4	1,041.3	-13.1	1,028.2	810.8	217.4	46.6	43.9	9.5
	IV 1,	,049.2	490.3	458.6	100.3	-7.2	1,041.9	-13.1	1,028.8	814.5	214.3	46.7	43.7	9.6
2014	Ι1,	,049.1	489.7	458.0	101.5	-8.8	1,040.3	-13.5	1,026.8	816.0	210.8	46.7	43.7	9.7
	II 1,	,050.7	491.9	457.2	101.6	-12.2	1,038.5	-13.2	1,025.3	820.5	204.8	46.8	43.5	9.7
	III 1,	,054.0	493.9	457.3	102.7	-14.1	1,039.9	-12.2	1,027.7	824.7	203.0	46.9	43.4	9.7
					Annual pe	ercentage	change	s				Difference	e from or	ne year ago
2007		7.2	8.6	7.8	-1.2	48.9	6.5	-2.6	6.6	7.3	4.4	0.6	0.2	-0.8
2008		3.3	7.1	3.3	-15.6	14.6	3.0	19.1	2.8	4.5	-3.0	1.8	0.0	-1.8
2009		-3.3	-1.9	-2.2	-18.1	-33.9	-2.5	-9.1	-2.4	-2.0	-3.9	0.7	0.5	-1.3
2010		0.2	-1.4	-2.0	25.3	-23.4	0.6	-10.9	0.8	1.7	-2.8	-0.8	-0.9	1.7
2011		-0.5	-1.8	1.7	-3.9	20.1	-0.8	11.2	-1.0	0.2	-5.6	-0.6	0.9	-0.3
2012		-1.9	-5.6	1.1	5.6	-51.3	-1.0	-14.6	-0.8	-2.0	3.9	-1.9	1.3	0.6
2013		-0.6	-2.3	0.1	5.7	-18.3	-0.4	8.4	-0.5	-1.4	2.8	-0.8	0.3	0.6
2014		1.0	1.3	0.0	3.9	104.8	0.3	-1.0	0.3	1.8	-5.4	0.2	-0.4	0.3
2015		3.0	2.7	3.3	2.9	-14.7	3.2	0.0	3.3	1.8	9.2	-0.1	0.1	0.0
2012	IV	-1.9	-5.6	1.1	5.6	-51.3	-1.0	-14.6	-0.8	-2.0	3.9	-1.9	1.3	0.6
2013	I	-1.9	-5.9	1.4	4.8	-56.7	-1.0	-20.5	-0.7	-2.7	7.9	-2.0	1.4	0.6
	Ш	-1.6	-5.7	1.1	8.9	-65.0	-0.6	-11.2	-0.4	-3.2	11.3	-2.1	1.2	0.9
	Ш	-1.3	-4.9	1.0	7.7	-49.5	-0.7	-2.3	-0.7	-2.8	7.9	-1.8	1.0	0.8
	IV	-0.6	-2.3	0.1	5.7	-18.3	-0.4	8.4	-0.5	-1.4	2.8	-0.8	0.3	0.6
2014	I	-0.1	-1.3	-0.2	6.0	13.5	-0.2	18.2	-0.4	-0.2	-1.3	-0.5	0.0	0.6
	Ш	0.2	0.2	-0.4	3.1	105.1	-0.4	6.5	-0.5	1.1	-6.3	0.0	-0.3	0.3
	Ш	0.6	1.2	-0.6	3.5	120.3	-0.1	-6.7	-0.1	1.7	-6.6	0.3	-0.5	0.3

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

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



Chart 4.3.- Components of National income Annual percentage change





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

Saving rate (right)

Consumption (left)

GNI (left)



National accounts: Net transactions with the rest of the world (ESA 2010, Base 2010)

Forecasts in blue

			Goods ar	nd services			Current	Current	Conital	Net lending/	Savi	ng-Investment	-Deficit
		Total	Goods	Tourist services	Non-tourist services	Income	transfers	account	transfers	borrowing with rest of the world	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 E	Billions, 4-	-quarter c	umulated	transact	tions			
2007		-64.8	-93.2	23.6	4.9	-26.1	-13.2	-104.1	4.0	-100.1	234.6	338.7	-104.1
2008		-57.2	-87.0	24.0	5.9	-30.0	-15.7	-102.9	4.3	-98.5	227.5	330.4	-102.9
2009		-12.4	-41.5	22.4	6.6	-19.8	-14.3	-46.5	2.9	-43.6	218.6	265.1	-46.5
2010		-14.1	-47.8	23.0	10.7	-15.2	-12.7	-42.0	4.9	-37.1	212.6	254.5	-42.0
2011		-2.6	-44.5	26.2	15.6	-18.2	-14.1	-35.0	4.1	-30.9	200.6	235.6	-35.0
2012		16.5	-28.2	27.1	17.6	-8.9	-12.1	-4.5	5.3	0.8	208.5	212.9	-4.5
2013		35.8	-12.6	28.3	20.1	-7.2	-13.1	15.4	6.8	22.2	214.3	198.9	15.4
2014		28.9	-17.8	28.8	17.9	-14.8	-13.0	1.1	5.5	6.6	202.8	201.6	1.1
2015		38.2	-8.5	29.5	17.1	-12.6	-13.0	12.6	5.4	18.0	221.4	208.8	12.6
2012	IV	16.5	-28.2	27.1	17.6	-8.9	-12.1	-4.5	5.3	0.8	208.5	212.9	-4.5
2013	Т	23.1	-21.9	27.3	17.7	-7.8	-11.4	3.9	6.2	10.1	213.5	208.3	5.2
	Ш	30.7	-14.8	27.7	17.8	-5.9	-12.4	12.4	7.1	19.5	218.5	204.2	14.3
	Ш	34.3	-12.5	28.1	18.8	-6.4	-13.1	14.9	6.9	21.7	217.4	201.0	16.4
	IV	35.8	-12.6	28.3	20.1	-7.2	-13.1	15.4	6.8	22.2	214.3	198.9	15.4
2014	I	33.7	-14.7	28.6	19.9	-8.8	-13.5	11.4	7.0	18.5	210.8	198.6	12.2
	Ш	29.3	-18.6	28.8	19.1	-12.2	-13.2	3.9	6.4	10.3	204.8	199.8	5.0
	Ш	26.7	-20.2	28.7	18.3	-14.1	-12.2	0.4	5.8	6.2	203.0	201.2	1.8
					Percenta	ge of GDI	P, 4-quarte	er cumula	ted trans	actions			
2007		-6.0	-8.6	2.2	0.5	-2.4	-1.2	-9.6	0.4	-9.3	21.7	31.3	-9.6
2008		-5.1	-7.8	2.1	0.5	-2.7	-1.4	-9.2	0.4	-8.8	20.4	29.6	-9.2
2009		-1.2	-3.8	2.1	0.6	-1.8	-1.3	-4.3	0.3	-4.0	20.3	24.6	-4.3
2010		-1.3	-4.4	2.1	1.0	-1.4	-1.2	-3.9	0.5	-3.4	19.7	23.5	-3.9
2011		-0.2	-4.1	2.4	1.5	-1.7	-1.3	-3.3	0.4	-2.9	18.7	21.9	-3.3
2012		1.6	-2.7	2.6	1.7	-0.8	-1.1	-0.4	0.5	0.1	19.8	20.2	-0.4
2013		3.4	-1.2	2.7	1.9	-0.7	-1.2	1.5	0.7	2.1	20.4	19.0	1.5
2014		2.7	-1.7	2.7	1.7	-1.4	-1.2	0.1	0.5	0.6	19.1	19.0	0.1
2015		3.5	-0.8	2.7	1.6	-1.2	-1.2	1.2	0.5	1.7	20.3	19.1	1.2
2012	IV	1.6	-2.7	2.6	1.7	-0.8	-1.1	-0.4	0.5	0.1	19.8	20.2	-0.4
2013	I	2.2	-2.1	2.6	1.7	-0.7	-1.1	0.4	0.6	1.0	20.3	19.8	0.5
	П	2.9	-1.4	2.6	1.7	-0.6	-1.2	1.2	0.7	1.9	20.8	19.5	1.4
	Ш	3.3	-1.2	2.7	1.8	-0.6	-1.2	1.4	0.7	2.1	20.8	19.2	1.6
	IV	3.4	-1.2	2.7	1.9	-0.7	-1.2	1.5	0.7	2.1	20.4	19.0	1.5
2014	I	3.2	-1.4	2.7	1.9	-0.8	-1.3	1.1	0.7	1.8	20.1	18.9	1.2
	П	2.8	-1.8	2.7	1.8	-1.2	-1.3	0.4	0.6	1.0	19.5	19.0	0.5
	Ш	2.5	-1.9	2.7	1.7	-1.3	-1.2	0.0	0.6	0.6	19.3	19.1	0.2

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

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



Chart 5.4.- Saving, investment and current account balance



National accounts: Household income and its disposition (ESA 2010, Base 2010)

Forecasts in blue

			Gr	oss disposab	le income (GDI)				Saving				Net lending
		Total	Compen- sation of employees (received)	Mixed income and net property income	Social benefits and other current transfers (received)	Social contri- butions and other current transfers (paid)	Per- sonal income taxes	Final con- sumption expen- diture	Gross saving (a)	rate (gross saving as a percentage of GDI)	Net capital transfers	Gross capital formation	Net lending (+) or borro- wing (-)	or borrowing as a per- centage of GDP
		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-qu	arter c	umulated	operatio	ons				
2007		656.8	523.1	232.3	197.6	209.4	86.8	615.8	44.4	6.8	3.1	98.8	-51.3	-4.7
2008		692.8	560.5	219.7	217.0	219.7	84.8	633.5	63.6	9.2	5.2	90.2	-21.3	-1.9
2009		715.0	549.9	215.2	235.9	209.7	76.2	605.3	109.7	15.3	4.6	69.0	45.4	4.2
2010		694.7	542.3	202.6	239.3	209.6	79.9	618.8	75.8	10.9	6.3	63.0	19.1	1.8
2011		707.0	532.8	225.3	243.0	212.0	82.0	622.6	83.8	11.9	3.1	55.0	31.9	3.0
2012		685.6	503.3	222.4	247.6	204.4	83.2	618.8	64.8	9.5	2.5	42.6	24.7	2.3
2013		683.4	492.3	226.0	249.6	201.3	83.1	610.3	71.1	10.4	0.4	33.4	38.2	3.6
2014		685.1	498.8	226.3	245.6	200.6	84.9	623.6	60.4	8.8	0.4	36.2	24.5	2.3
2015		705.1	512.3	235.4	248.4	207.0	84.1	637.4	66.5	9.4	0.4	37.6	29.3	2.7
2012	IV	685.6	503.3	222.4	247.6	204.4	83.2	618.8	64.8	9.5	2.5	42.6	24.7	2.3
2013	I	683.4	497.5	223.2	249.2	203.7	82.8	613.0	68.3	10.0	2.4	42.0	28.7	2.7
	Ш	684.2	492.3	225.4	250.2	202.1	81.6	609.0	73.0	10.7	2.1	40.7	34.4	3.3
	III	682.2	490.1	226.0	249.7	201.0	82.5	609.7	70.8	10.4	1.4	37.5	34.7	3.3
	IV	683.4	492.3	226.0	249.6	201.3	83.1	610.3	71.1	10.4	0.4	33.4	38.2	3.6
2014	I	681.4	491.9	226.0	248.2	201.3	83.3	611.6	68.2	10.0	0.3	34.1	34.5	3.3
	Ш	682.1	494.0	224.6	247.6	200.5	83.6	616.0	64.6	9.5	0.2	34.3	30.5	2.9
	Ш	683.2	496.1	225.5	245.8	200.2	84.1	620.0	61.9	9.1	0.0	35.8	26.0	2.5

		Annu	al percenta	ige change	es, 4-quartei	r cumulate	d operatio	ons		ce from one year ago	Annual 4-qı	percentage larter cumu operations	change: lated	s, Difference from one year ago
2007		4.1	8.6	-0.6	8.6	9.4	16.0	6.7	-18.7	-1.9	-50.1	3.7		-1.3
2008		5.5	7.1	-5.4	9.8	4.9	-2.4	2.9	43.3	2.4	67.4	-8.7		2.8
2009		3.2	-1.9	-2.1	8.7	-4.5	-10.1	-4.5	72.4	6.2	-11.0	-23.5		6.1
2010		-2.8	-1.4	-5.9	1.4	0.0	4.8	2.2	-30.9	-4.4	36.5	-8.7		-2.4
2011		1.8	-1.8	11.2	1.5	1.1	2.7	0.6	10.6	0.9	-51.6	-12.7		1.2
2012		-3.0	-5.5	-1.3	1.9	-3.5	1.4	-0.6	-22.7	-2.4	-18.2	-22.5		-0.6
2013		-0.3	-2.2	1.6	0.8	-1.5	-0.1	-1.4	9.7	1.0	-82.7	-21.7		1.3
2014		0.3	1.3	0.1	-1.6	-0.4	2.1	2.2	-15.1	-1.6	-10.0	8.5		-1.3
2015		2.9	2.7	4.1	1.2	3.2	-1.0	2.2	10.2	0.6	-10.0	4.0		0.4
2012	IV	-3.0	-5.5	-1.3	1.9	-3.5	1.4	-0.6	-22.7	-2.4	-18.2	-22.5		-0.6
2013	T	-2.9	-5.8	-1.0	2.0	-3.7	0.1	-1.6	-14.8	-1.4	-6.4	-18.2		-0.2
	Ш	-1.8	-5.6	0.9	2.2	-3.7	-1.9	-2.1	-1.7	0.0	-26.2	-15.0		0.5
	Ш	-1.6	-4.8	1.8	1.0	-3.0	-1.0	-1.7	-1.7	0.0	-32.8	-17.1		0.6
	IV	-0.3	-2.2	1.6	0.8	-1.5	-0.1	-1.4	9.7	1.0	-82.7	-21.7		1.3
2014	T	-0.3	-1.1	1.2	-0.4	-1.2	0.7	-0.2	-0.1	0.0	-87.2	-18.9		0.6
	Ш	-0.3	0.3	-0.4	-1.0	-0.8	2.5	1.2	-11.4	-1.2	-92.8	-15.7		-0.4
	Ш	0.1	1.2	-0.2	-1.6	-0.4	1.9	1.7	-12.6	-1.3	-100.3	-4.5		-0.8

(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



Chart 6.3.- Households: Income, consumption and saving





Chart 6.4.- Households: Saving, investment and deficit

(a) Including change in net equity of households in pension

funds reserves.

Percentage of GDP, 4-quarter moving averages



Table 7National accounts: Non-financial corporations income and its disposition (ESA 2010, Base 2010)

Forecasts in blue

		Gross value added	Compen- sation of emplo- yees and net taxes on pro- duction (paid)	Gross ope- rating surplus	Net property income	Net current trans- fers	Income taxes	Gross saving	Net capital trans- fers	Gross capital formation	Net lending (+) or borro- wing (-)	Net lending or bo- rrowing as a per- centage of GDP	Profit share (per- cen- tage)	Investment rate (percen- tage)
		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
					E	UR Billio	ons, 4-qua	arter cumula	ated ope	rations				
2007		551.8	349.3	202.4	-66.0	-8.4	41.6	86.5	9.9	189.0	-92.5	-8.6	36.7	34.3
2008		604.0	375.2	228.8	-78.8	-8.9	25.5	115.7	11.8	178.7	-51.2	-4.6	37.9	29.6
2009		580.2	360.0	220.2	-59.9	-13.3	19.0	128.0	11.9	130.1	9.8	0.9	38.0	22.4
2010		581.4	351.9	229.5	-49.2	-8.6	16.2	155.5	10.6	132.0	34.0	3.1	39.5	22.7
2011		568.9	346.9	222.0	-60.9	-7.1	16.2	137.9	10.5	131.7	16.7	1.6	39.0	23.1
2012		557.1	327.8	229.2	-57.8	-7.7	19.9	143.8	9.0	138.4	14.4	1.4	41.2	24.8
2013		549.7	317.0	232.6	-45.4	-6.6	17.7	163.0	7.2	136.5	33.6	3.2	42.3	24.8
2014		553.1	324.8	228.3	-53.6	-6.8	18.3	149.6	6.8	137.4	19.0	1.8	41.3	24.8
2015		571.9	336.7	235.2	-48.5	-7.0	21.4	158.3	6.8	142.7	22.4	2.1	41.1	25.0
2012	IV	557.1	327.8	229.2	-57.8	-7.7	19.9	143.8	9.0	138.4	14.4	1.4	41.2	24.8
2013	I	554.2	323.2	230.9	-55.7	-7.3	19.5	148.5	9.5	137.6	20.4	1.9	41.7	24.8
	П	552.4	320.0	232.3	-51.3	-7.0	19.8	154.1	9.3	138.9	24.6	2.3	42.1	25.1
	Ш	552.0	318.4	233.7	-47.3	-6.6	18.5	161.3	8.6	140.0	30.0	2.9	42.3	25.4
	IV	549.7	317.0	232.6	-45.4	-6.6	17.7	163.0	7.2	136.5	33.6	3.2	42.3	24.8
2014	1	548.3	317.6	230.7	-47.1	-6.8	17.8	159.1	7.2	138.4	27.9	2.7	42.1	25.2
	Ш	549.0	320.1	228.9	-51.3	-6.9	18.7	152.0	7.0	136.8	22.2	2.1	41.7	24.9
	Ш	550.8	322.0	228.8	-53.1	-7.1	18.9	149.7	6.7	137.1	19.3	1.8	41.5	24.9
			Annua	al percent	age chan	ges, 4-qu	arter cu	mulated ope	rations			Differenc	e from o	ne year ago
2007		10.6	8.8	14.0	20.9	5.5	21.9	6.8	11.9	10.1		-0.5	1.1	-0.2
2008		9.5	7.4	13.0	19.3	6.4	-38.7	33.6	19.2	-5.5		4.0	1.2	-4.7
2009		-3.9	-4.1	-3.7	-23.9	49.4	-25.4	10.7	0.4	-27.2		5.5	0.1	-7.2
2010		0.2	-2.2	4.2	-17.9	-35.0	-15.0	21.4	-10.8	1.5		2.2	1.5	0.3
2011		-2.1	-1.4	-3.3	23.8	-18.1	0.1	-11.3	-0.8	-0.3		-1.6	-0.4	0.4
2012		-2.1	-5.5	3.3	-5.0	9.3	23.0	4.3	-14.0	5.1		-0.2	2.1	1.7
2013		-1.3	-3.3	1.5	-21.5	-14.5	-11.1	13.3	-20.6	-1.4		1.8	1.2	0.0
2014		0.6	2.5	-1.9	18.1	3.5	3.3	-8.2	-5.0	0.6		-1.4	-1.1	0.0
2015		3.4	3.6	3.0	-9.5	3.0	17.1	5.8	0.0	3.9		0.3	-0.1	0.1
2012	IV	-2.1	-5.5	3.3	-5.0	9.3	23.0	4.3	-14.0	5.1		-0.2	2.1	1.7
2013	1	-2.0	-5.7	3.7	-10.4	5.3	20.0	8.1	3.5	4.1		0.6	2.3	1.4
	Ш	-1.6	-5.3	4.0	-17.2	8.5	15.2	12.0	-2.0	3.1		1.2	2.3	1.2
	Ш	-1.2	-4.3	3.5	-23.9	-14.9	10.7	15.8	3.6	2.7		1.8	1.9	1.0
	IV	-1.3	-3.3	1.5	-21.5	-14.5	-11.1	13.3	-20.6	-1.4		1.8	1.2	0.0
2014	I	-1.1	-1.8	-0.1	-15.5	-7.1	-8.6	7.1	-24.2	0.6		0.7	0.4	0.4
	Ш	-0.6	0.0	-1.5	-0.1	-1.6	-5.7	-1.4	-24.6	-1.5		-0.2	-0.4	-0.2
	Ш	-0.2	1.1	-2.1	12.4	6.8	2.1	-7.2	-22.1	-2.0		-1.0	-0.8	-0.5



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

Percentage of GDP, 4-quarter moving averages



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

Annual percentage change, 4-quarter moving averages



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



Vol. 4, N.º 1 (January 2015)

National accounts: Public revenue, expenditure and deficit (ESA 2010, Base 2010)

Forecasts in blue

Table 8

	·		·	·	·		·	·	·	·		·	·	·
	Gross value added	Taxes on produc- tion and imports receiva- ble	Taxes on income and weath receiva- ble	Social contribu- tions receiva- ble	Com- pen- sation of emplo- yees	Interests and other capital incomes payable (net)	Social be- nefits paya- ble	Sub- sidies and net current transfers payable	Gross disposable income	Final consump- tion expendi- ture	Gross saving	Net capital expendi- ture	Net len- ding(+)/ net borro- wing(-)	Net lending(+)/ net borrowing (-) excluding financial entities bail-out
	1	2	3	4	5	6	7	8	9=1+2+3+4- 5-6-7-8	10	11=9-10	12	13=11-12	14
					EUR E	Billions, 4-	quarter	cumulate	d operation	s				
2007	130.5	124.6	137.6	136.4	107.4	6.5	123.8	21.0	270.5	191.0	79.4	57.8	21.6	21.6
2008	142.8	108.1	116.6	142.0	118.1	5.9	137.1	24.7	223.8	209.5	14.3	63.6	-49.4	-49.4
2009	151.0	92.2	101.6	139.7	125.6	8.0	155.1	24.2	171.7	221.0	-49.3	68.9	-118.2	-118.2
2010	152.0	110.4	100.6	138.6	124.9	10.8	162.7	21.7	181.5	221.7	-40.2	61.3	-101.4	-101.4
2011	150.3	106.5	102.0	137.8	122.6	16.2	164.2	22.9	170.7	219.7	-49.0	52.3	-101.3	-96.1
2012	142.2	109.5	106.3	131.9	113.9	20.3	168.5	19.1	168.0	206.9	-38.9	70.0	-108.9	-69.8
2013	142.8	115.4	105.1	128.2	114.5	23.5	170.6	20.9	161.8	204.2	-42.5	28.8	-71.3	-66.4
2014	143.1	120.0	107.6	129.0	114.3	24.5	168.7	22.3	169.8	205.5	-35.6	22.6	-58.3	-57.5
2015	144.9	123.5	110.6	133.7	115.6	24.4	170.8	22.7	179.3	206.9	-27.6	22.2	-49.8	-49.8
2012 IV	/ 142.2	109.5	106.3	131.9	113.9	20.3	168.5	19.1	168.0	206.9	-38.9	70.0	-108.9	-69.8
2013	141.5	109.6	105.7	130.9	113.1	20.9	169.1	18.7	165.8	204.7	-38.9	66.6	-105.5	-67.4
1	139.8	111.9	105.2	129.2	111.5	22.0	170.4	19.0	163.4	202.5	-39.1	61.9	-101.1	-64.7
II	139.3	113.0	105.2	128.7	111.0	22.6	171.3	20.1	161.1	201.0	-39.9	57.8	-97.8	-63.8
١v	/ 142.8	115.4	105.1	128.2	114.5	23.5	170.6	20.9	161.8	204.2	-42.5	28.8	-71.3	-66.4
2014	142.5	116.5	105.7	128.5	114.3	24.2	170.2	21.0	163.5	204.4	-40.9	27.9	-68.8	-63.9
1	I 142.5	117.5	106.0	128.5	114.3	24.3	169.8	22.5	163.6	204.5	-40.8	25.3	-66.2	-64.0
II	142.5	118.5	106.4	129.3	114.3	24.4	169.1	21.6	167.2	204.7	-37.5	23.6	-61.1	-60.3
					Percenta	ge of GDF	, 4-quar	ter cumul	ated operat	ions				
2007	12.1	11.5	12.7	12.6	9.9	0.6	11.5	1.9	25.0	17.7	7.3	5.3	2.0	2.0
2008	12.8	9.7	10.4	12.7	10.6	0.5	12.3	2.2	20.0	18.8	1.3	5.7	-4.4	-4.4
2009	14.0	8.5	9.4	12.9	11.6	0.7	14.4	2.2	15.9	20.5	-4.6	6.4	-11.0	-11.0
2010	14.1	10.2	9.3	12.8	11.6	1.0	15.1	2.0	16.8	20.5	-3.7	5.7	-9.4	-9.4
2011	14.0	9.9	9.5	12.8	11.4	1.5	15.3	2.1	15.9	20.4	-4.6	4.9	-9.4	-8.9
2012	13.5	10.4	10.1	12.5	10.8	1.9	16.0	1.8	15.9	19.6	-3.7	6.6	-10.3	-6.6
2013	13.6	11.0	10.0	12.2	10.9	2.2	16.3	2.0	15.4	19.5	-4.0	2.7	-6.8	-6.3
2014	13.5	11.3	10.2	12.2	10.8	2.3	15.9	2.1	16.0	19.4	-3.4	2.1	-5.5	-5.4
2015	13.3	11.3	10.1	12.2	10.6	2.2	15.6	2.1	16.4	19.0	-2.5	2.0	-4.6	-4.6
2012 IV	/ 13.5	10.4	10.1	12.5	10.8	1.9	16.0	1.8	15.9	19.6	-3.7	6.6	-10.3	-6.6
2013	I 13.5	10.4	10.1	12.5	10.8	2.0	16.1	1.8	15.8	19.5	-3.7	6.3	-10.0	-6.4
1	I 13.3	10.7	10.0	12.3	10.6	2.1	16.3	1.8	15.6	19.3	-3.7	5.9	-9.6	-6.2
II	I 13.3	10.8	10.0	12.3	10.6	2.2	16.4	1.9	15.4	19.2	-3.8	5.5	-9.3	-6.1
١v	/ 13.6	11.0	10.0	12.2	10.9	2.2	16.3	2.0	15.4	19.5	-4.0	2.7	-6.8	-6.3
2014	I 13.6	11.1	10.1	12.3	10.9	2.3	16.2	2.0	15.6	19.5	-3.9	2.7	-6.6	-6.1
I	I 13.6	11.2	10.1	12.2	10.9	2.3	16.2	2.1	15.6	19.5	-3.9	2.4	-6.3	-6.1
	I 13.5	11.2	10.1	12.3	10.8	2.3	16.0	2.0	15.9	19.4	-3.6	2.2	-5.8	-5.7

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



Chart 8.1.- Public sector: Revenue, expenditure

(a) Excluding financial entities bail-out expenditures.



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

Chart 8.2.- Public sector: Main revenues Percentage of GDP, 4-quarter moving averages



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

Percentage of GDP, 4-quarter moving averages



(b) Including net capital transfers.

Table 9 Public sector balances, by level of Government

Forecasts in blue

				Deficit					Debt		
		Central Government (a)	Regional Governments	Local Governments	Social Security	TOTAL Government (a)	Central Government	Regional Governments	Local Governments	Social Security	TOTAL Government (consolidated)
		EUR Billi	ons, 4-quarter	cumulated op	erations			EUR E	Billions, end of	period	
2007		13.9	-2.6	-3.3	13.7	21.6	318.9	61.1	29.4	17.2	383.8
2008		-32.3	-19.1	-5.4	7.4	-49.4	368.9	73.6	31.8	17.2	439.8
2009		-98.4	-21.7	-5.9	7.8	-118.2	487.7	92.4	34.7	17.2	568.7
2010		-51.4	-40.2	-7.1	-2.4	-101.1	551.6	123.4	35.5	17.2	649.3
2011		-31.7	-54.8	-8.5	-1.1	-96.1	624.2	145.1	36.8	17.2	743.5
2012		-43.5	-19.4	3.3	-10.2	-69.8	762.1	188.4	44.0	17.2	891.0
2013		-44.3	-15.9	5.5	-11.6	-66.4	838.1	209.8	42.1	17.2	966.2
2014		-33.1	-19.1	4.2	-9.5	-57.5					1031.0
2015		-26.9	-15.3	2.2	-9.8	-49.8					1095.9
2012	IV	-43.5	-19.4	3.3	-10.2	-69.8	762.1	188.4	44.0	17.2	891.0
2013	I	-39.8	-20.2	4.1	-11.5	-67.4	799.1	193.5	45.0	17.2	930.4
	П	-38.8	-18.8	4.6	-11.7	-64.7	820.8	197.2	44.5	17.2	950.4
	ш	-40.6	-16.5	4.9	-11.6	-63.8	833.6	199.7	43.1	17.2	961.2
	IV	-44.3	-15.9	5.5	-11.6	-66.4	838.1	209.8	42.1	17.2	966.2
2014	- 1	-41.9	-16.7	5.6	-10.8	-63.9	866.1	225.0	41.9	17.2	995.8
	П	-36.9	-18.4	5.3	-14.0	-64.0	885.2	228.2	42.0	17.2	1,012.6
	ш	-39.5	-18.6	6.3	-8.6	-60.3	891.9	232.0	40.8	17.2	1,020.2
		Percentage (of GDP, 4-quar	ter cumulated	operation	IS		Perc	centage of GDI	•	
2007		1.3	-0.2	-0.3	1.3	2.0	29.5	5.7	2.7	1.6	35.5
2008		-2.9	-1.7	-0.5	0.7	-4.4	33.0	6.6	2.8	1.5	39.4
2009		-9.1	-2.0	-0.5	0.7	-11.0	45.2	8.6	3.2	1.6	52.7
2010		-4.8	-3.7	-0.7	-0.2	-9.3	51.0	11.4	3.3	1.6	60.1
2011		-3.0	-5.1	-0.8	-0.1	-8.9	58.1	13.5	3.4	1.6	69.2
2012		-4.1	-1.8	0.3	-1.0	-6.6	72.2	17.9	4.2	1.6	84.4
2013		-4.2	-1.5	0.5	-1.1	-6.3	79.9	20.0	4.0	1.6	92.1
2014		-3.1	-1.8	0.4	-0.9	-5.4					97.3
2015		-2.5	-1.4	0.2	-0.9	-4.6					100.4
2012	IV	-4.1	-1.8	0.3	-1.0	-6.6	72.2	17.9	4.2	1.6	84.4
2013	1	-3.8	-1.9	0.4	-1.1	-6.4	76.1	18.4	4.3	1.6	88.6
	11	-3.7	-1.8	0.4	-1.1	-6.2	78.3	18.8	4.2	1.6	90.7
		-3.9	-1.6	0.5	-1.1	-6.1	79.6	19.1	4.1	1.6	91.8
	IV	-4.2	-1.5	0.5	-1.1	-6.3	79.9	20.0	4.0	1.6	92.1
2014	1	-4.0	-1.6	0.5	-1.0	-6.1	82.6	21.4	4.0	1.6	94.9
	11	-3.5	-1./	0.5	-1.3	-0.1	84.2	21.7	4.0	1.0	96.4
	m	-3.7	-1.0	0.0	-0.0	-5.7	04.0	22.0	3.9	0.1	30.0

(a) Excluding financial entities bail-out expenditures.

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



Chart 9.2.- Government debt Percent of GDP



Table 10 General activity and industrial sector indicators (a)

			General acti	vity indicators				Industrial se	ector indicators		
		Economic Senti- ment Index	Composite PMI index	Social Security affiliates (f)	Electricity consumption (temperature adjusted)	Industrial pro- duction index	Social Secu- rity affiliates in industry	Manufacturing PMI index	Industrial confidence index	Turnover index deflated	Industrial orders
		Index	Index	Thousands	1000 GWH	2010=100	Thou- sands	Index	Balance of responses	2010=100 (smoothed)	Balance of responses
2008		87.5	38.5	18,834	269.5	117.8	2,696	40.4	-18.0	120.4	-24.0
2009		83.6	40.9	17,657	256.9	99.2	2,411	40.9	-30.8	97.1	-54.5
2010		93.8	50.0	17,244	263.8	100.0	2,295	50.6	-13.8	100.0	-36.9
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	-36.9
2013		93.2	48.3	15,855	250.1	90.5	2,022	48.5	-13.9	92.3	-30.6
2014 (b))	102.9	55.1	16,111	249.6	92.3	2,023	53.2	-7.1	94.2	-16.9
2013	1	89.2	45.5	15,903	62.6	90.3	2,041	45.7	-15.9	93.1	-35.3
	П	91.0	46.4	15,827	62.4	90.0	2,021	47.6	-15.4	92.5	-32.2
	III	95.3	49.7	15,816	62.2	91.0	2,013	50.5	-12.8	92.4	-27.9
	IV	97.3	51.6	15,886	62.9	91.1	2,013	50.1	-11.6	92.9	-26.9
2014	1	101.0	54.3	15,956	62.4	91.6	2,014	52.5	-9.1	93.6	-20.5
	П	102.5	55.7	16,062	62.9	92.2	2,021	53.4	-8.2	94.0	-17.6
	Ш	103.7	56.0	16,153	62.4	91.6	2,025	53.1	-5.7	94.1	-14.6
	IV (b)) 104.4	54.6	16,273	61.9	91.4	2,031	53.7	-5.3	93.9	-14.9
2014	Oct	t 103.3	55.5	16,228	20.6	91.5	2,028	52.6	-6.0	94.0	-14.3
	Nov	104.2	53.8	16,273	20.7	91.4	2,032	54.7	-4.0	93.9	-14.2
	Dec	105.6	54.3	16,317	20.6		2,035	53.8	-5.8		-16.2
					Perc	entage chan	ges (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			2.9	
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))			1.6	-0.2	1.4	0.1			1.7	
2013	1			-3.6	-1.7	1.8	-4.6			-4.8	
	II			-1.9	-1.1	-1.0	-3.8			-2.6	
	III	I		-0.3	-0.9	4.4	-1.6			-0.1	
	IV			1.8	4.2	0.4	0.0			1.8	
2014	I			1.8	-2.8	2.3	0.3			3.1	
	II			2.7	2.8	2.4	1.3			2.1	
	III			2.3	-2.8	-2.4	0.8			0.2	
	IV (e))		3.0	-3.5	-0.7	1.3			-0.7	
2014	Oct	t		0.3	-1.5	-0.5	0.1			-0.1	
	Nov			0.3	0.4	-0.1	0.2			-0.1	
	Dect			0.3	-0.5		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 10.3.- 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)

			C	onstruction indi	cators				Ser	vice sector i	ndicators		
		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 m ²	Thousands	2010=100 (smoothed)	Index	Million (smoo- thed)	Million (smoothed)	Balance of res- ponses
2008		2,340	42.7	154.7	-23.8	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	10.8	63.1	-55.6	9.2	6.8	11,728	91.0	48.3	286.0	186.5	-15.3
2014 (b)	980	10.0	63.0	-41.4	12.3	6.1	11,995	92.5	55.2	280.4	182.8	9.9
2013	1	1,027	2.8	62.3	-46.7	1.6	2.0	11,715	90.4	45.7	69.0	46.0	-26.8
	Ш	998	2.7	63.1	-57.8	2.1	1.7	11,694	90.6	46.5	70.2	46.1	-21.0
	Ш	986	2.7	63.8	-60.6	2.5	1.6	11,721	91.1	49.3	71.4	46.5	-10.2
	IV	978	2.7	63.9	-57.4	2.9	1.6	11,784	91.6	51.8	72.2	47.0	-3.1
2014	1	972	2.6	63.8	-52.3	3.7	1.7	11,853	92.2	54.2	72.6	47.6	7.5
	Ш	976	2.7	62.7	-55.8	3.2	1.8	11,957	93.0	55.7	72.8	48.1	9.1
	Ш	981	2.7	60.8	-35.0	3.5	1.9	12,038	93.8	56.7	73.2	48.6	8.8
IV	(b)	994	1.9	59.6	-22.6	2.0	0.6	12,134	94.5	54.3	49.1	32.6	14.0
2014 (Oct	987	0.9	59.8	-19.6	1.1	0.6	12,097	94.3	55.9	24.5	16.3	8.5
N	lov	994	0.9	59.3	-23.1	0.8		12,134	94.6	52.7	24.6	16.3	12.9
D)ec	1,000			-25.1			12,171		54.3			20.7
						Perc	entage cl	hanges (c)					
2008		-10.0	-23.8	-17.8		-1.3	-56.6	1.5	-3.6		-1.2	-3.0	
2009		-23.1	-32.3	-25.1		-0.4	-56.8	-3.1	-13.4		-5.7	-7.9	
2010		-13.4	-15.4	-13.7		-33.9	-16.1	-0.5	0.8		6.4	2.9	
2011		-12.2	-16.4	-8.4		-47.9	-13.2	-0.1	-1.1		6.4	6.0	
2012		-17.0	-33.6	-27.0		-45.5	-39.9	-2.2	-6.2		-2.1	-5.0	
2013		-12.2	-20.7	-5.7		23.3	-20.3	-1.5	-2.0		1.9	-3.5	
2014 (d	i)	-1.7	-0.3	-1.4		59.8	6.1	2.3	2.6		2.9	4.6	
2013	1	-12.4	-25.1	-3.6		-8.6	-27.7	-1.8	-2.2		2.0	-4.8	
	Ш	-10.8	-13.6	5.2		-12.0	-23.5	-0.7	0.8		7.3	0.7	
	Ш	-5.0	-3.1	4.9		48.3	-16.8	0.9	2.2		7.1	3.4	
	IV	-3.2	1.0	0.4		87.1	-8.3	2.2	1.9		4.5	4.4	
2014	1	-2.4	-10.3	-0.7		129.3	-12.6	2.3	2.7		2.0	4.9	
	П	1.6	11.6	-6.7		48.2	11.2	3.6	3.6		1.3	5.0	
	Ш	2.1	9.5	-11.2		35.6	21.2	2.7	3.7		2.1	3.9	
IV	(e)	5.4	15.3	-8.2		46.4	13.8	3.2	2.7		2.2	2.3	
2014 (Oct	0.5	3.8	-0.8		83.5	13.8	0.3	0.3		0.2	0.2	
N	lov	0.7	0.1	-0.8		9.2		0.3	0.3		0.2	0.2	
D)ec	0.7						0.3					

(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 11.2.- 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 inc	dicators		Investment in equipment indicators					
	Retail sales deflated	Car registrations	Consumer confi- dence 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 (smoothed)	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	100.6	-21.8	107.3	-33.5	70.0			
2014 (b)	83.3	878.8	-8.9	107.0	-9.3	135.3	-16.1	81.8			
2013 I	83.7	172.6	-32.6	24.4	-21.6	24.5	-38.5	64.8			
II	83.9	178.9	-28.7	24.7	-24.5	25.7	-33.1	68.6			
III	84.1	184.2	-20.5	24.9	-21.3	27.5	-26.8	72.3			
IV	83.9	191.8	-19.4	25.2	-19.9	29.3	-35.7	76.1			
2014 I	84.0	202.8	-11.8	25.3	-11.2	31.2	-20.1	80.8			
П	84.4	213.3	-6.1	25.6	-8.1	32.7	-16.9	84.1			
III	84.9	221.7	-7.9	25.8	-7.7	34.1	-15.8	83.9			
IV (b)	85.4	231.3	-9.6	17.3	-10.0	35.8	-11.3	81.9			
2014 Oct	85.3	76.1	-10.0	8.6	-7.0	11.7	-10.3	82.5			
Nov	85.5	77.1	-11.8	8.6	-9.5	11.9	-8.7	81.4			
Dec		78.1	-7.1		-13.6	12.1	-14.9				
				Percentage	e 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		-1.4		-0.4		14.1			
2014 (d)	0.5	18.8		3.4		26.1		18.9			
2013 I	-3.2	13.2		0.3		-0.7		19.4			
11	0.9	15.6		5.0		21.7		26.0			
111	0.9	12.4		4.7		31.7		23.2			
IV	-0.7	17.3		3.4		29.3		22.5			
2014 I	0.1	25.0		2.9		27.2		27.1			
11	2.0	22.5		4.1		21.7		17.3			
	2.7	16.7		3.2		17.7		-0.6			
IV (e)	2.1	18.5		1.5		21.4		-9.2			
2014 Oct	0.2	1.5		0.1		1.7		-1.1			
Nov	0.2	1.4		0.1		1.6		-1.3			
Dect		1.3									

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

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





Vol. 4, N.º 1 (January 2015)

Table 13a

Labour market (I)

Forecasts in blue

							Lie en al en area en t		Participation	Employment	Unemployment rate (c)				
		Population	Labou	ur force	Empl	oyment	Unemp	oloyment	rate 16-64 (a)	rate 16-64 (b)	Total	Aged 16-24	Spanish	Foreign	
		ugou ro o r	Original	Seasonally adjusted	Original	Seasonally adjusted	Original	Seasonally adjusted		Sea	isonally ac	djusted			
		1	2=4+6	3=5+7	4	5	6	7	8	9	10=7/3	11	12	13	
				Milli	on					1	Percenta	ige			
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		30.3	23.0		17.3		5.6		75.3	56.8	24.4	53.2	23.0	34.5	
2015		30.3	22.8		17.7		5.1		75.1	58.1	22.5				
2013	I	30.8	23.3	23.3	17.0	17.2	6.3	6.1	75.4	55.5	26.3	55.8	24.5	37.7	
	Ш	30.7	23.2	23.2	17.2	17.1	6.0	6.0	75.0	55.4	26.1	55.5	24.6	36.0	
	III	30.5	23.2	23.1	17.2	17.1	5.9	6.0	75.3	55.6	26.0	55.1	24.3	37.6	
	IV	30.4	23.1	23.1	17.1	17.1	5.9	5.9	75.3	55.8	25.7	55.0	24.2	36.4	
2014	I	30.3	22.9	22.9	17.0	17.1	5.9	5.8	75.1	56.1	25.2	54.2	23.7	36.1	
	Ш	30.3	23.0	22.9	17.4	17.3	5.6	5.6	75.1	56.6	24.5	53.0	23.1	34.4	
	III	30.3	22.9	22.9	17.5	17.4	5.4	5.5	75.1	56.9	24.1	53.3	22.7	33.8	
	IV	30.3	23.0	23.0	17.6	17.6	5.5	5.5	75.6	57.6	23.7	51.8	22.4	33.2	
			Pe	ercentage o	hanges	(d)				Difference	from one	e 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				
2014		-0.9	-1.0		1.2		-7.3		0.0	1.2	-1.7				
2015		0.0	-0.7		1.8		-8.6		-0.2	1.3	-1.9				
2013	1	-0.8	-0.5	-0.2	-4.1	-2.8	10.8	7.5	0.2	-1.9	2.7	5.3	2.9	2.3	
		-1.0	-1.2	-3.2	-3.4	-2.2	5.5	-6.2	-0.2	-1.4	1.7	3.1	2.0	0.2	
		-1.2	-1.4	-0.4	-2.5	-0.2	2.0	-1.0	-0.1	-0.7	0.9	2.0	0.8	1.9	
0044	IV	-1.3	-1.2	-1.2	-1.2	0.4	-1.4	-5.8	0.1	0.1	-0.1	-0.1	0.1	-0.1	
2014	1	-1.3	-1.8	-2.2	-0.5	0.3	-5.5	-9.4	-0.3	0.6	-1.0	-1.6	-0.8	-1.5	
	11	-1.0	-1.0	-0.1	1.1	3.8	-7.0	-11.0	0.1	1.2	-1.5	-2.5	-1.4	-1.6	
	111	-0.8	-1.0	-0.4	1.6	2.0	-8.7	-7.5	-0.2	1.3	-2.0	-1.8	-1.0	-3.7	
	17	-0.6	-0.2	2.0	2.5	4.0	-8.1	-4.3	0.3	1.7	-2.0	-3.2	-1.ŏ	-3.2	

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



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





Table 13b Labour market (II)

		Employe	d by sector			Employed	I by professi	onal situation		Employed by duration of the work		
						Emp	oloyees					
	A	la du atau	Construc-	Orminer		В	y type of cor	ntract	Self- emplo-	E all time e	De et time e	Part-time employ-
	Agriculture	Industry	tion	00111000	Total	Temporary	Indefinite	Temporary employment rate (a)	yed	Full-time	Part-time	ment rate (b)
	1	2	3	4	5=6+7	6	7	8=6/5	9	10	11	12
					M	lillion (orig	inal data)					
2007	0.87	3.28	2.76	13.67	16.97	5.35	11.61	31.6	3.61	18.20	2.38	11.6
2008	0.83	3.24	2.46	13.94	16.86	4.91	11.95	29.1	3.61	18.06	2.41	11.8
2009	0.79	2.81	1.89	13.62	15.88	4.00	11.88	25.2	3.23	16.71	2.40	12.5
2010	0.79	2.65	1.65	13.64	15.59	3.86	11.73	24.7	3.13	16.29	2.44	13.0
2011	0.76	2.60	1.40	13.66	15.39	3.87	11.52	25.1	3.03	15.92	2.50	13.6
2012	0.74	2.48	1.16	13.24	14.57	3.41	11.16	23.4	3.06	15.08	2.55	14.5
2013	0.74	2.36	1.03	13.02	14.07	3.26	10.81	23.1	3.07	14.43	2.71	15.8
2014 (c)	0.74	2.38	0.99	13.23	14.29	3.43	10.86	24.0	3.06	14.59	2.76	15.9
2013	I 0.72	2.38	1.07	12.87	13.99	3.07	10.92	21.9	3.04	14.34	2.69	15.8
1	I 0.75	2.36	1.03	13.02	14.07	3.22	10.85	22.9	3.09	14.39	2.77	16.1
	I 0.70	2.35	1.03	13.16	14.12	3.40	10.73	24.1	3.11	14.62	2.61	15.2
IN	/ 0.78	2.34	0.99	13.03	14.09	3.33	10.76	23.7	3.04	14.38	2.75	16.1
2014	I 0.81	2.30	0.94	12.90	13.93	3.22	10.71	23.1	3.02	14.20	2.75	16.2
1	I 0.74	2.36	0.98	13.28	14.32	3.43	10.89	24.0	3.04	14.51	2.84	16.4
II	I 0.67	2.43	1.02	13.39	14.41	3.55	10.86	24.6	3.09	14.88	2.62	15.0
IN	/ 0.73	2.44	1.03	13.37	14.48	3.51	10.97	24.2	3.09	14.75	2.82	16.1

-3.8

-8.4

-18.4

-3.6

0.3

-11.8

-4.6

5.3

-11.4

-6.6

-2.2

2.3

5.0

6.5

4.6

5.3

7.1

2.9

-0.6

-1.2

-1.8

-3.1

-3.1

0.4

-3.0

-3.7

-3.2

-2.4

-1.9

0.3

1.3

2.0

Difference from one

year ago

-2.4

-2.5

-3.9

-0.5

0.4

-1.7

-0.3

0.9

-1.6

-0.5

0.2

0.8

1.2

1.1

0.6

0.6

1.6

-0.1

-10.6

-2.9

-3.3

1.1

0.4

-0.4

0.1

1.7

0.0

-0.3

-0.7

-1.7

-0.5

1.4

Annual percentage changes

3.3

-0.7

-7.5

-2.5

-2.2

-5.3

-4.3

1.1

-6.1

-5.0

-3.7

-2.3

-0.9

0.8

1.8

2.6

1.6

0.9

-0.4

1.7

2.5

2.3

6.0

1.9

7.6

6.3

4.7

5.3

2.1

2.6

0.4

2.4

Difference

from one year

ago

-0.2

0.2

0.8

0.5

0.5

0.9

1.3

0.1

1.7

1.5

1.0

1.0

0.4

0.2

-0.2

0.0

)	-0.
	200
	200
	200
	201
	201

	IV	0.73	2.44	1.03	13.37	14.48
			0		toro ohou	
			Anno	uai percei	itage chai	iges
2007		-2.0	-0.9	6.1	3.8	3.4
2008		-5.2	-1.2	-10.8	2.0	-0.6
2009		-4.8	-13.3	-23.2	-2.3	-5.8
2010		-0.3	-5.6	-12.6	0.1	-1.8
2011		-3.9	-1.7	-15.0	0.2	-1.3
2012		-1.6	-4.6	-17.3	-3.0	-5.3
2013		-0.9	-5.2	-11.4	-1.7	-3.5
2014 (d)		-0.1	1.0	-3.5	1.7	1.5
2013	I	-6.1	-5.2	-11.3	-3.2	-5.0
	Ш	4.3	-5.3	-14.1	-2.4	-4.4
	Ш	-2.1	-6.1	-10.6	-1.1	-3.0
	IV	0.4	-4.0	-9.1	-0.1	-1.4
2014	I	12.9	-3.4	-11.6	0.2	-0.4
	Ш	-1.8	-0.1	-5.3	2.0	1.7
	Ш	-4.8	3.5	-0.5	1.8	2.0
	IV	-6.2	4.2	4.0	2.6	2.8

(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



Table 14Index of Consumer Prices

Forecasts in blue

			Total excluding food and		Excluding unprocessed	ergy	Lipprocessed			
	Total Tot		energy	Total	Non-energy industrial goods	Services	Processed food	food	Energy	Food
% of total in 2014	1(0.00	66.14	81.21	26.33	39.81	15.07	6.68	12.11	21.75
11 2014					Indexes, 2011 = 100					
2009	95	5.2	98.2	97.7	99.8	97.0	95.4	98.2	76.8	96.3
2010	96	6.9	98.7	98.3	99.4	98.3	96.4	98.2	86.4	96.9
2011	100	0.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2012	102	2.4	101.3	101.6	100.8	101.5	103.1	102.3	108.9	102.8
2013	103	3.9	102.4	103.0	101.4	102.9	106.2	105.9	108.9	106.1
2014	103	3.7	102.3	103.1	101.0	103.1	106.6	104.6	108.0	106.0
2015	102	2.5	102.6	103.4	101.1	103.4	107.5	105.6	97.5	107.0
				Ann	ual percentage chang	jes				
2009	-().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	3.2	1.3	1.7	0.6	1.8	3.8	1.8	15.7	3.2
2012	2	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	-().2	0.0	0.0	-0.4	0.1	0.4	-1.2	-0.8	-0.1
2015	-1	1.2	0.2	0.3	0.0	0.4	0.8	1.0	-9.8	0.9
2014 .	Jan ().2	-0.2	0.2	-0.3	-0.1	1.7	0.9	0.0	1.4
F	eb (0.0	-0.1	0.1	-0.4	0.0	1.3	1.2	-1.7	1.3
N	/lar -(0.1	-0.2	0.0	-0.3	-0.2	1.2	0.0	-1.4	0.8
	Apr ().4	0.1	0.3	-0.4	0.5	0.8	-0.5	1.6	0.4
Ν	lay ().2	-0.1	0.0	-0.5	0.2	0.6	-2.7	3.0	-0.4
	Jun (0.1	0.0	0.0	-0.5	0.3	0.2	-3.8	2.6	-1.0
	Jul -(0.3	0.0	0.0	-0.4	0.2	-0.1	-5.2	0.3	-1.6
A	Nug -(0.5	0.0	0.0	-0.4	0.2	-0.2	-5.4	-0.9	-1.8
5	Sep -().2	0.0	-0.1	-0.3	0.1	-0.2	-1.5	0.0	-0.6
	Oct -(0.1	0.0	-0.1	-0.3	0.1	-0.2	1.7	-1.1	0.4
١	lov -().4	0.0	-0.1	-0.3	0.2	-0.2	1.2	-3.2	0.2
[)ec -´	1.0	0.1	0.0	-0.2	0.3	-0.2	-0.4	-8.5	-0.2
2015	Jan - ´	1.7	0.1	0.1	-0.1	0.3	-0.1	-0.9	-13.4	-0.3
F	eb -	1.9	0.1	0.1	-0.1	0.3	0.2	-0.9	-14.9	-0.2
N	/lar -^	1.7	0.1	0.2	-0.1	0.3	0.3	0.6	-13.7	0.4
	Apr - ´	1.7	0.1	0.2	0.0	0.3	0.6	0.8	-13.1	0.6
N	1ay - ^	1.6	0.2	0.3	0.0	0.3	0.8	1.5	-12.3	1.0
	Jun - ´	1.4	0.2	0.3	0.0	0.3	1.1	1.6	-11.4	1.2
	Jul -'	1.2	0.2	0.4	0.1	0.4	1.1	1.9	-10.4	1.3
A	Nug - 1	1.1	0.3	0.4	0.0	0.4	1.2	1.8	-9.4	1.4
5	Sep -	1.1	0.3	0.5	0.1	0.4	1.2	1.9	-9.6	1.4
	Oct -().9	0.3	0.5	0.1	0.4	1.2	0.5	-7.2	1.0
١	lov -().4	0.3	0.5	0.2	0.4	1.2	1.1	-3.3	1.2
[Dec ().4	0.3	0.5	0.2	0.4	1.4	2.2	2.7	1.6
Sources: IN	E and Fl	JNCAS	(Forecasts).							



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



Other prices and costs indicators

			Industri p	al producer prices	Housi	ng prices			Labour Costs	Survey		Wage increa-
		GDP deflator (a)	Total	Excluding energy	Housing Price Index (INE)	M ² average price (M. Public Works)	Urban land pri- ces (M. Public Works)	Total labour costs per worker	Wage costs per worker	Other cost per worker	Total labour costs per hour worked	ses agreed in collective bargaining
		2000=100	201	10=100	2007=100				2000=10	00		
2008		133.7	99.8	100.5	98.5	100.7	91.1	137.5	134.8	145.6	142.5	
2009		134.1	96.4	98.2	91.9	93.2	85.8	142.3	139.2	151.8	150.5	
2010		134.3	100.0	100.0	90.1	89.6	74.8	142.8	140.4	150.2	151.4	
2011		134.4	106.9	104.2	83.4	84.6	69.8	144.5	141.9	152.5	154.8	
2012		134.7	111.0	105.9	72.0	77.2	65.4	143.6	141.1	151.3	154.7	
2013		136.5	111.7	106.7	64.3	72.7	55.1	143.8	141.1	152.1	155.3	
2014	(b)	135.1	110.4	105.9	64.4	70.9	51.5	141.4	138.2	151.3	153.2	
2013		l 135.7	112.2	107.3	64.7	73.7	56.4	140.3	135.5	154.9	145.1	
	I	l 135.8	110.7	106.9	64.2	73.1	58.0	145.9	144.4	150.6	152.6	
	II	I 135.5	112.2	106.5	64.7	72.7	53.0	139.1	134.9	151.9	160.6	
	١V	/ 135.6	111.5	106.0	63.8	71.3	53.1	149.9	149.5	151.3	162.8	
2014		I 135.2	109.8	105.7	63.6	71.0	50.8	139.8	135.2	154.0	145.6	
	I	l 135.0	110.6	105.8	64.7	71.0	52.5	145.9	144.5	150.2	153.8	
	II	I 134.9	111.2	106.0	64.8	70.8	51.2	138.5	134.8	149.7	160.3	
	IV (b)	109.7	105.9								
2014	Sep)	111.3	106.1								
	Oc	t	110.4	105.9								
	Nov	/	109.1	105.8								
						Annual percen	t changes					
2008		2.4	6.5	4.5	-1.5	0.7	-8.9	4.8	5.1	4.0	5.2	3.6
2009		0.3	-3.4	-2.3	-6.7	-7.4	-5.8	3.5	3.2	4.3	5.1	2.3
2010		0.2	3.7	1.8	-2.0	-3.9	-12.8	0.4	0.9	-1.1	0.9	1.5
2011		0.1	6.9	4.2	-7.4	-5.6	-6.7	1.2	1.0	1.6	2.2	2.1
2012		0.2	3.8	1.7	-13.7	-8.7	-6.4	-0.6	-0.6	-0.8	-0.1	1.3
2013		1.3	0.6	0.7	-10.6	-5.8	-15.7	0.2	0.0	0.6	0.3	0.6
2014	(c)	-0.4	-1.1	-0.8	-0.2	-3.1	-7.7	-0.2	-0.1	-0.8	0.3	0.5
2013		I 0.8	1.6	2.3	-14.3	-8.1	-11.5	-1.3	-1.8	0.0	-1.1	0.6
	I	I 1.0	0.5	1.1	-12.0	-6.4	-17.4	-0.4	-0.6	0.2	-0.3	0.7
	II	I 0.4	0.4	0.1	-7.9	-4.5	-12.4	0.2	-0.2	1.5	0.4	0.6
	١V	0.5	0.0	-0.8	-7.8	-4.2	-21.1	2.1	2.5	0.7	2.2	0.5
2014		I -0.4	-2.2	-1.5	-1.6	-3.8	-10.0	-0.3	-0.2	-0.6	0.3	0.6
	I	I -0.5	-0.1	-1.0	0.8	-2.9	-9.3	0.0	0.1	-0.3	0.8	0.5
	II	l -0.4	-0.9	-0.4	0.3	-2.6	-8.3	-0.4	-0.1	-1.4	-0.1	0.6
	IV (c)	-1.6	-0.1								0.6
2014	Sep)	-0.9	-0.4								0.6
	Oc	t	-1.2	-0.2								0.6
	Nov	/	-1.5	-0.1								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).



External trade (a)

		Exports of goods		Imp	Imports of goods			Exports to	Total	Balance of goods	Balance of	
		Nominal	Prices	Real	Nominal	Prices	Real	countries	non-EU countries	Balance of goods	excluding energy	goods with EU countries
		EUR Billions	2005	=100	EUR Billions	2005:	=100			EUR Billion	s	
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)	220.7	109.1	143.6	243.3	106.6	107.5	140.5	80.2	-22.7	14.6	17.7
2013	1	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
	111	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	58.8	109.0	139.7	65.6	105.5	107.4	37.7	21.1	-6.8	4.5	3.2
	II	60.3	108.7	143.5	65.9	106.6	106.7	37.6	22.7	-5.6	4.3	2.4
	111	20.6	109.1	146.8	22.6	107.6	108.8	13.1	7.5	-2.0	1.3	1.3
	IV (b)	20.5	109.8	144.9	22.0	106.6	107.0	12.5	8.0	-1.5	1.6	0.5
2014	Sep	21.3	110.9	149.4	22.7	108.0	109.1	13.5	7.9	-1.4	1.4	1.5
	Oct	21.1	109.9	149.2	23.1	106.4	112.5	12.8	8.3	-2.0	1.6	0.6
	Nov	19.8	109.6	140.6	20.9	106.7	101.4	12.1	7.7	-1.1	1.6	0.5
				Percenta	ige change	es (c)				Per	centage of	GDP
2008		2.3	1.6	0.7	-0.6	4.1	-4.5	-0.1	8.0	-8.4	-4.5	-2.3
2009		-15.5	-6.7	-9.4	-27.3	-11.8	-17.5	-15.5	-15.4	-4.3	-1.7	-0.8
2010		16.8	1.6	15.0	16.5	4.6	11.3	14.3	22.5	-4.9	-1.7	-0.4
2011		15.2	4.8	10.0	9.6	8.5	1.1	12.7	20.5	-4.5	-0.4	0.3
2012		5.1	2.0	3.0	-2.0	4.6	-6.3	0.5	14.1	-3.0	1.4	1.2
2013		3.6	-0.2	5.4	-1.3	-4.2	3.1	2.4	5.7	-1.5	2.5	1.7
2014	(d)	2.2	-0.9	3.2	5.8	-2.4	8.4	3.8	-0.4			
2012	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	-1.6	2.7	1.6
	II	35.8	3.3	31.4	13.9	-13.7	32.6	45.6	21.4	-0.7	3.2	2.2
	III	-13.7	3.7	-16.5	-0.7	11.8	-11.4	-15.3	-11.0	-1.5	2.6	1.7
	IV	-2.3	2.2	-4.4	-6.3	-1.9	-4.4	-1.8	-3.2	-1.2	2.4	1.3
2014	I	-1.4	-8.3	7.4	23.4	-14.0	43.1	11.7	-20.3	-2.6	1.7	1.2
	II	10.2	-1.1	11.3	1.7	4.2	-2.6	-1.6	33.7	-2.1	1.6	0.9
	Ш	-98.6	1.5	9.5	-98.6	3.8	8.1	-98.5	-98.8	-0.7	0.5	0.5
	IV (e)	-3.1	2.4	-5.1	-10.3	-3.8	-6.6	-18.0	27.7			
2014	Sep	9.0	3.4	5.4	6.0	0.6	5.4	6.1	14.4			
	Oct	-1.1	-0.9	-0.1	1.6	-1.5	3.1	-4.6	5.0			
	Nov	-6.1	-0.3	-5.8	-9.6	0.3	-9.9	-5.6	-6.8			

(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)





Balance of Payments (according to IMF manual)

(Net transactions)

			Curre	ent accou	int				Financial account						
							Canital	Current	Final	ncial accoun	t, excluding		Errors and		
		Total	Goods	Services	Income	Transfers	account	capital accounts	Total	Direct investment	Porfolio investment	Other invest- ment	Financial derivatives	Bank of Spain	omissions
		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 b	illions						
2008		-103.25	-87.04	29.82	-30.49	-15.55	4.67	-98.58	69.23	1.53	-0.96	75.72	-7.07	-30.22	198.03
2009		-46.19	-41.47	29.54	-19.62	-14.64	3.33	-42.86	40.70	-1.94	44.04	4.66	-6.05	-10.46	94.02
2010		-42.39	-47.80	33.93	-15.13	-13.38	4.89	-37.49	27.24	1.46	28.40	-11.23	8.61	-15.70	-5.44
2011		-34.04	-44.48	42.59	-18.36	-13.79	4.06	-29.98	-79.51	-9.23	-26.25	-41.96	-2.07	-109.23	0.26
2012		-2.99	-28.24	44.69	-8.94	-10.49	5.24	2.26	-173.67	23.10	-55.40	-149.71	8.35	-173.51	-2.10
2013		15.08	-12.61	48.34	-7.56	-13.09	6.88	21.96	73.60	11.98	34.85	27.81	-1.04	114.18	18.62
2014 (a)	-5.69	-16.57	36.83	-16.16	-9.79	3.62	-2.07	-6.16	5.07	-29.21	17.95	0.03	7.39	15.62
2012	IV	6.58	-3.98	9.02	2.97	-1.43	2.25	8.83	49.68	17.18	26.94	4.37	1.19	60.01	1.50
2013	1	-3.14	-3.33	8.49	-3.88	-4.42	1.19	-1.96	39.86	3.60	-1.67	37.89	0.03	38.60	0.69
	Ш	6.58	-0.71	12.47	-2.25	-2.93	2.42	9.00	-0.58	3.45	-10.95	5.78	1.14	11.76	3.34
	111	5.82	-4.50	16.87	-3.31	-3.23	1.05	6.87	-0.36	0.88	12.10	-12.46	-0.88	10.52	4.01
	IV	5.82	-4.06	10.51	1.88	-2.51	2.23	8.05	34.68	4.05	35.37	-3.40	-1.33	53.30	10.57
2014	I	-7.05	-5.39	8.42	-5.40	-4.67	1.45	-5.59	-14.47	-3.15	-17.44	5.89	0.24	-12.93	7.13
	Ш	-1.12	-4.88	12.03	-5.44	-2.84	1.73	0.61	12.84	0.00	35.74	-23.02	0.12	15.30	1.85
	Ш	2.48	-6.31	16.38	-5.32	-2.28	0.43	2.91	-6.55	9.91	-32.99	16.59	-0.07	-3.61	0.03
			Good Ser	ds and vices	Inco Tra	me and nsfers									
2014	Aug	1.21	3	.40	-3	2.19	0.34	1.55	-2.05	4.60	-13.61	6.99	-0.03	2.68	3.18
	Sep	0.29	2	.43	÷	2.14	0.04	0.33	-2.06	-4.43	-4.44	6.69	0.12	1.37	3.10
	Oct	0.31	2	.66	-3	2.35	0.19	0.50	2.02	-1.69	-14.52	18.48	-0.26	8.62	6.10
							P	ercentag	ge of GDP						
2008		-9.3	-7.8	2.7	-2.7	-1.4	0.4	-8.8	6.2	0.1	-0.1	6.8	-0.6	-2.7	17.7
2009		-4.3	-3.8	2.7	-1.8	-1.4	0.3	-4.0	3.8	-0.2	4.1	0.4	-0.6	-1.0	8.7
2010		-3.9	-4.4	3.1	-1.4	-1.2	0.5	-3.5	2.5	0.1	2.6	-1.0	0.8	-1.5	-0.5
2011		-3.2	-4.1	4.0	-1.7	-1.3	0.4	-2.8	-7.4	-0.9	-2.4	-3.9	-0.2	-10.2	0.0
2012		-0.3	-2.7	4.2	-0.8	-1.0	0.5	0.2	-16.5	2.2	-5.3	-14.2	0.8	-16.4	-0.2
2013		1.4	-1.2	4.6	-0.7	-1.2	0.7	2.1	7.0	1.1	3.3	2.7	-0.1	10.9	1.8
2012	IV	2.4	-1.5	3.3	1.1	-0.5	0.8	3.3	18.4	6.3	10.0	1.6	0.4	22.2	0.6
2013	I	-1.2	-1.3	3.4	-1.5	-1.8	0.5	-0.8	15.8	1.4	-0.7	15.0	0.0	15.3	0.3
	Ш	2.5	-0.3	4.7	-0.8	-1.1	0.9	3.4	-0.2	1.3	-4.1	2.2	0.4	4.4	1.3
	III	2.3	-1.7	6.5	-1.3	-1.3	0.4	2.7	-0.1	0.3	4.7	-4.8	-0.3	4.1	1.6
	IV	2.1	-1.5	3.9	0.7	-0.9	0.8	3.0	12.7	1.5	13.0	-1.3	-0.5	19.6	3.9
2014	I	-2.8	-2.1	3.3	-2.1	-1.9	0.6	-2.2	-5.7	-1.3	-6.9	2.3	0.1	-5.1	2.8
	II	-0.4	-1.8	4.5	-2.0	-1.1	0.6	0.2	4.8	0.0	13.3	-8.6	0.0	5.7	0.7
	III	0.9	-2.4	6.3	-2.0	-0.9	0.2	1.1	-2.5	3.8	-12.6	6.4	0.0	-1.4	0.0

(a) Period with available data.

Source: Bank of Spain.


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





Table 18 State and Social Security System budget

					State			Social Security System (b)					
		Nation	al account	ts basis		Revenue, cas	h basis (a)			Accr	ued income	Ex	penditure
		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
					1	EUR billions	s, 12-mont	th cumu	lated				
2008					188.7	102.0	70.7	16.0	14.6	124.2	108.7	109.7	86.9
2009					162.5	87.5	55.7	19.3	8.8	123.7	107.3	114.9	92.0
2010					175.0	86.9	71.9	16.3	2.4	122.5	105.5	120.1	97.7
2011					177.0	89.6	71.2	16.1	-0.5	121.7	105.4	122.1	101.5
2012		-44.1	173.0	217.1	215.4	96.2	71.6	47.7	-5.8	118.6	101.1	124.4	105.5
2013		-45.3	169.5	214.8	191.1	94.0	73.7	23.3	-8.9	121.3	98.1	130.2	111.1
2014 ((c)	-35.6	156.8	192.4	183.1	86.0	74.4	22.7	-3.4	110.6	90.9	114.0	98.3
2014	Sep	-41.9	175.1	217.0	200.9	95.7	77.6	27.6	-14.1	118.0	98.7	132.1	113.4
	Oct	-39.7	175.7	215.4	201.0	95.3	78.1	27.7	-13.2	119.2	98.8	132.3	113.7
	Nov	-41.3	176.0	217.3	202.4	95.9	78.4	28.1	-13.3	119.4	98.9	132.7	113.9
						Annual p	ercentage	e chang	es				
2008					-11.9	-15.7	-10.4	11.1		6.5	4.8	7.6	6.2
2009					-13.9	-14.2	-21.2	20.4		-0.5	-1.3	4.7	5.9
2010					7.7	-0.7	29.1	-15.7		-1.0	-1.7	4.5	6.2
2011					1.1	3.1	-0.9	-0.8		-0.7	-0.1	1.7	3.9
2012					21.7	7.3	0.5	195.9		-2.5	-4.0	1.9	3.9
2013			-2.0	-1.1	-11.3	-2.2	3.0	-51.1		2.3	-3.0	4.6	5.3
2014 ((d)		4.3	1.3	6.6	2.2	6.7	26.8		-1.7	0.9	2.3	3.0
2014	Sep		4.2	3.3	5.5	2.5	4.4	21.3		-3.8	-0.1	2.5	3.6
	Oct		3.9	0.8	4.7	1.1	4.8	19.1		-2.3	0.2	2.4	3.5
	Nov		3.5	1.2	5.4	1.7	5.0	21.3		-1.8	0.4	2.7	3.4
					Per	centage of	GDP, 12-m	onth cu	mulated				
2008					16.9	9.1	6.3	1.4	1.3	11.1	9.7	9.8	7.8
2009					15.1	8.1	5.2	1.8	0.8	11.5	9.9	10.6	8.5
2010					16.2	8.0	6.7	1.5	0.2	11.3	9.8	11.1	9.0
2011					16.5	8.3	6.6	1.5	0.0	11.3	9.8	11.4	9.4
2012		-4.2	16.4	20.6	20.4	9.1	6.8	4.5	-0.6	11.2	9.6	11.8	10.0
2013		-4.3	16.2	20.5	18.2	9.0	7.0	2.2	-0.8	11.6	9.3	12.4	10.6
2014 ((c)	-3.4	14.9	18.3	17.4	8.2	7.1	2.2	-0.3	10.5	8.6	10.8	9.3
2014	Sep	-4.0	16.6	20.6	19.1	9.1	7.4	2.6	-1.3	11.2	9.4	12.5	10.8
	Oct	-3.8	16.7	20.4	19.1	9.0	7.4	2.6	-1.2	11.3	9.4	12.6	10.8
	Nov	-3.9	16.7	20.6	19.2	9.1	7.4	2.7	-1.3	11.3	9.4	12.6	10.8

(a) Including the regional and local administrations share in direct and indirect taxes. (b) Not included unemployment benefits and wage guarantee fund (c) Cummulated since January. (d) Percent change over the same period of the previous year.

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

108



Chart 18.1.- State: Revenue, expenditure and deficit (cash basis) 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)			
		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	Contribution of Spanish MFI to Eurozone M3	Stock market (IBEX-35)
			Avera	ge of perio	od data				End of p	period data		
2007		4.3	7.4	5.3	9.8	5.8	2,432.2	383.8	1,175.7	872.6		15,182.3
2008		4.4	36.0	5.8	10.9	6.4	2,609.0	439.8	1,261.1	908.2		9,195.8
2009		4.0	70.4	3.4	10.5	4.7	2,715.6	568.7	1,246.5	900.4		11,940.0
2010		4.2	146.6	2.6	8.6	4.3	2,788.5	649.3	1,244.0	895.2		9,859.1
2011		5.4	277.8	3.5	8.6	5.1	2,805.5	743.5	1,194.0	867.9		8,563.3
2012		5.8	427.9	3.4	9.1	5.6	2,804.7	891.0	1,082.9	830.9		8,167.5
2013		4.6	293.3	3.2	9.7	5.5	2,742.5	966.2	993.3	783.0		9,916.7
2014	(a)	2.7	148.2	3.2	9.7	5.0	2,750.9	1,023.1	962.5	757.2		10,279.5
2013	I.	5.1	353.5	3.2	9.5	5.6	2,806.2	930.4	1,059.4	816.4		7,920.0
	Ш	4.5	308.9	3.2	9.6	5.7	2,796.3	950.4	1,034.7	811.3		7,762.7
	Ш	4.5	274.2	3.2	9.9	5.5	2,774.3	961.2	1,019.0	794.1		9,186.1
	IV	4.2	236.6	3.2	9.7	5.3	2,742.5	966.2	993.3	783.0		9,916.7
2014	I	3.6	186.8	3.3	9.7	5.4	2,751.9	995.8	984.5	771.5		10,340.5
	Ш	2.9	148.4	3.2	9.6	5.1	2,768.1	1,012.6	975.8	770.5		10,923.5
	Ш	2.4	135.7	3.1	9.7	4.8	2,755.3	1,020.2	968.9	756.4		10,825.5
	IV (a)	2.0	121.7	3.0	10.0	4.4	2,750.9	1,023.1	962.5	757.2		10,279.5
2014	Oct	2.1	123.9	3.0	9.8	4.5	2,738.6	1,017.0	960.2	753.5		10,477.8
	Nov	2.1	127.3	2.9	10.2	4.3	2,750.9	1,023.1	962.5	757.2		10,770.7
	Dec	1.8	114.1									10,279.5
							Percenta	age change	from same	period pre	evious year	(b)
2007							12.5	-2.1	18.4	12.5	15.1	7.3
2008							8.0	14.6	8.5	4.3	7.7	-39.4
2009							4.1	29.3	-1.4	-0.3	-0.8	29.8
2010							3.4	14.2	0.7	0.2	-2.2	-17.4
2011							1.7	14.5	-2.0	-2.4	-1.6	-13.1
2012							1.3	19.8	-6.4	-3.8	0.1	-4.6
2013							-1.4	8.4	-6.6	-5.1	-4.4	21.4
2014	(a)						-0.5	6.8	-5.0	-3.9	1.9	3.7
2013	I						0.9	19.0	-7.4	-4.0	-0.5	-3.0
	Ш						0.5	17.1	-7.4	-4.3	-0.4	-2.0
	III						0.7	16.6	-6.9	-4.7	0.2	18.3
	IV						-1.4	8.4	-6.6	-5.1	-4.4	8.0
2014	I						-1.6	7.0	-6.7	-4.8	-5.1	4.3
	Ш						-1.1	6.5	-5.9	-4.4	-1.5	5.6
	Ш						-0.8	6.1	-5.0	-4.1	0.5	-0.9
	IV (a)						-0.5	6.8	-5.0	-3.9	1.9	-5.0
2014	Oct						-1.0	6.2	-5.7	-4.0	0.8	-3.2
	Nov						-0.5	6.8	-5.0	-3.9	1.9	2.8
	Dec											-4.6

(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





Table 20 Competitiveness indicators in relation to EMU

		Relative Unit Labour Costs in industry (Spain/EMU)			Harmonized Consumer Prices			s Producer prices			Real Effective Exchange Rate in relation	
		Relative productivity	Relative wages	Relative ULC	Spain	EMU	Spain/EMU	Spain	EMU	Spain/EMU	to developed countries	
			1998=100	l l		2005=	100		2010=100		1999 I =100	
2007		91.8	108.3	117.9	106.5	104.4	102.1	94.1	96.8	97.2	111.8	
2008		93.0	110.3	118.6	110.9	107.8	102.9	99.5	101.6	98.0	114.5	
2009		97.6	107.9	110.5	110.6	108.1	102.4	96.2	97.0	99.2	114.0	
2010		94.7	107.2	113.3	112.9	109.8	102.8	100.0	100.0	100.0	112.9	
2011		95.0	106.4	112.0	116.3	112.8	103.1	106.5	105.2	101.2	113.1	
2012		95.4	104.9	110.0	119.2	115.6	103.1	110.1	107.9	102.0	111.7	
2013		97.4	103.9	106.6	121.0	117.2	103.2	110.0	107.4	102.4	113.4	
2014 (a)				120.8	117.7	102.6	108.5	106.1	102.3	112.4	
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	108.0	106.5	101.4	112.6	
	II				121.9	118.2	103.1	108.6	106.1	102.4	113.4	
	III				120.4	117.7	102.3	109.3	106.0	103.1	111.7	
	IV (a)				120.9	117.8	102.6	108.2	105.7	102.4	111.9	
2014	Oct				121.4	118.0	102.8	108.7	105.8	102.7	112.0	
	Nov				121.1	117.8	102.8	107.7	105.5	102.1	112.1	
	Dec				120.3	117.7	102.2				111.4	
		Annua	l percentag	e changes			Differential	Annua	al percentage changes	Differential		
2007		0.4	4.0	3.6	2.8	2.1	0.7	3.2	2.1	1.1	1.4	
2008		1.3	1.9	0.6	4.1	3.3	0.9	5.7	4.9	0.8	2.3	
2009		5.0	-2.2	-6.8	-0.2	0.3	-0.5	-3.3	-4.5	1.2	-0.4	
2010		-3.0	-0.6	2.5	2.0	1.6	0.4	3.9	3.1	0.9	-1.0	
2011		0.3	-0.8	-1.1	3.1	2.7	0.3	6.5	5.2	1.3	0.2	
2012		0.5	-1.4	-1.8	2.4	2.5	-0.1	3.4	2.6	0.8	-1.3	
2013		2.1	-1.0	-3.0	1.5	1.4	-0.1	-0.1	-0.4	0.4	1.5	
2014 (b)				-0.2	0.4	-1.3	-1.3	-1.2	-0.1	-0.9	
2013	I				2.8	1.9	0.9	1.2	0.7	0.5	1.8	
	II				1.8	1.4	0.4	-0.2	-0.4	0.2	1.7	
	III				1.3	1.3	0.0	-0.4	-0.8	0.4	2.0	
	IV				0.2	0.8	-0.6	-0.8	-1.2	0.4	0.8	
2014	1				0.0	0.7	-0.6	-2.6	-1.5	-1.1	-0.1	
	Ш				0.2	0.6	-0.4	-0.6	-1.1	0.5	-0.2	
	111				-0.4	0.4	-0.7	-0.9	-1.2	0.3	-1.3	
	IV (b)				-0.6	0.2	-0.8	-1.3	-1 1	-0.2	-19	
2014	Oct				0.0	0.4	-0.6	-1.0	-1.0	0.0	-1.7	
2014	Nev				-0.2	0.4	-0.0	1.0	-1.0	0.0	-1.7	
	INOV				-0.5	0.3	-0.7	-1.3	-1.3	0.0	-1.0	

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

-1.1

-0.2

-1.0

--

-2.2

Sources: Eurostat, Bank of Spain and FUNCAS.

Dec



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





Table 21a Imbalances: International comparison (I)

In blue: European Commission Forecasts

	Governme	Government net lending (+) or borrowing (-)				Government gross debt				Current Account Balance of Payments (National Accounts)			
	Spain	EU-15	USA	UK	Spain	EU-15	USA	UK	Spain	EU-15	USA	UK	
					Billions	of national	currency						
2005	11.2		-543.4	-46.7	393.5		8,496.6	550.9	-70.4	39.7	-742.9	-16.8	
2006	22.1	-167.5	-411.6	-40.5	392.2	7,046.7	8,818.5	595.9	-91.2	23.2	-804.0	-31.4	
2007	21.6	-97.2	-513.6	-44.0	383.8	7,124.4	9,268.2	645.1	-104.2	16.8	-717.6	-40.6	
2008	-49.4	-281.0	-1,033.2	-77.0	439.8	7,559.3	10,721.2	783.0	-102.9	-84.1	-686.1	-56.4	
2009	-118.2	-752.6	-1,827.4	-160.2	568.7	8,523.2	12,407.2	976.3	-46.5	15.3	-377.3	-41.4	
2010	-101.4	-755.1	-1,797.7	-150.0	649.3	9,550.1	14,181.5	1,191.3	-42.0	33.9	-447.9	-40.6	
2011	-101.3	-541.4	-1,646.9	-122.3	743.5	10,224.4	15,379.2	1,324.2	-35.0	63.9	-480.5	-27.0	
2012	-108.9	-532.2	-1,434.2	-137.3	891.0	10,862.6	16,627.2	1,421.1	-4.5	152.8	-482.2	-61.9	
2013	-71.3	-400.8	-933.3	-99.3	966.2	11,209.8	17,558.5	1,494.7	15.4	199.7	-422.2	-72.4	
2014	-59.5	-392.4	-853.7	-97.9	1,039.0	11,688.1	18,285.4	1,601.5	5.1	205.9	-451.0	-71.4	
2015	-50.4	-361.3	-779.5	-83.6	1,101.1	12,074.7	19,144.9	1,682.8	7.7	220.5	-489.7	-69.3	
					Per	centage of	GDP						
2005	1.2		-4.2	-3.5	42.3	NA	64.9	41.5	-7.6	0.4	-5.7	-1.3	
2006	2.2	-1.5	-3.0	-2.9	38.9	62.0	63.6	42.5	-9.0	0.2	-5.8	-2.2	
2007	2.0	-0.8	-3.5	-3.0	35.5	59.5	64.0	43.6	-9.6	0.1	-5.0	-2.7	
2008	-4.4	-2.4	-7.0	-5.1	39.4	63.4	72.8	51.6	-9.2	-0.7	-4.7	-3.7	
2009	-11.0	-6.7	-12.7	-10.8	52.7	75.4	86.0	65.9	-4.3	0.1	-2.6	-2.8	
2010	-9.4	-6.4	-12.0	-9.6	60.1	81.1	94.8	76.4	-3.9	0.3	-3.0	-2.6	
2011	-9.4	-4.5	-10.6	-7.6	69.2	84.4	99.1	81.9	-3.3	0.5	-3.1	-1.7	
2012	-10.3	-4.3	-8.9	-8.3	84.4	87.9	102.9	85.8	-0.4	1.2	-3.0	-3.7	
2013	-6.8	-3.2	-5.6	-5.8	92.1	90.2	104.7	87.2	1.5	1.6	-2.5	-4.2	
2014	-5.6	-3.1	-4.9	-5.4	98.1	91.3	105.1	89.0	0.5	1.6	-2.6	-4.0	
2015	-4.6	-2.7	-4.3	-4.4	101.2	91.5	104.6	89.5	0.7	1.7	-2.7	-3.7	

Source: European Commission.



Table 21b Imbalances: International comparison (II)

	Household debt (a)				Non	-financial cor	porations de	ebt (a)	Financial corporations debt (a)					
	Spain	EMU-18	USA	UK	Spain	EMU-18	USA	UK	Spain	EMU-18	USA	UK		
					Billions	of nationa	l currenc	у						
2005	653.5	4,779.3	11,721.3	1,189.6	930.3	7,614.5	8,166.7	1,121.7	541.5	8,659.7	12,958.0	2,326.5		
2006	780.7	5,204.0	12,946.7	1,309.5	1,164.2	8,274.2	8,991.0	1,219.6	771.2	9,557.9	14,261.5	2,556.2		
2007	876.6	5,576.9	13,831.8	1,424.7	1,351.4	9,084.9	10,111.7	1,299.9	1,000.0	10,775.0	16,206.5	3,059.0		
2008	914.0	5,822.2	13,851.3	1,475.1	1,432.3	9,716.8	10,687.8	1,500.7	1,068.2	11,770.3	17,104.6	3,546.4		
2009	906.2	5,958.9	13,559.9	1,472.5	1,416.8	9,628.1	10,136.3	1,434.2	1,145.7	12,292.6	15,715.6	3,527.6		
2010	902.5	6,093.6	13,230.5	1,475.6	1,441.7	9,880.2	9,963.7	1,401.7	1,136.3	12,365.0	14,455.7	3,668.8		
2011	875.2	6,184.4	13,061.3	1,485.3	1,415.3	10,015.3	10,259.5	1,423.8	1,157.6	12,730.9	14,036.3	3,577.9		
2012	838.2	6,187.3	13,062.5	1,507.9	1,308.0	10,099.3	10,791.4	1,486.9	1,177.9	12,994.3	13,802.4	3,633.5		
2013	789.0	6,142.7	13,171.5	1,519.2	1,174.0	9,880.6	11,306.4	1,381.3	990.7	12,167.6	13,948.5	3,495.0		
					Per	rcentage of	f GDP							
2005	70.2	56.7	89.5	89.7	100.0	90.3	62.4	84.5	58.2	102.7	99.0	175.4		
2006	77.5	58.7	93.4	93.3	115.5	93.3	64.9	86.9	76.5	107.7	102.9	182.1		
2007	81.1	59.6	95.5	96.2	125.0	97.0	69.8	87.8	92.5	115.1	111.9	206.6		
2008	81.9	60.7	94.1	97.1	128.3	101.3	72.6	98.8	95.7	122.7	116.2	233.5		
2009	84.0	64.4	94.0	99.3	131.3	104.0	70.3	96.8	106.2	132.8	109.0	238.0		
2010	83.5	64.1	88.4	94.7	133.4	103.9	66.6	89.9	105.1	130.0	96.6	235.4		
2011	81.4	63.3	84.2	91.8	131.6	102.5	66.1	88.0	107.7	130.3	90.5	221.2		
2012	79.4	63.0	80.8	91.1	124.0	102.8	66.8	89.8	111.6	132.3	85.4	219.5		
2013	75.2	62.0	78.6	88.7	111.9	99.8	67.4	80.6	94.4	122.9	83.2	204.0		

(a) Loans and securities other than shares, excluding financial derivatives.

Sources: European Central Bank and Federal Reserve.







KEY FACTS: 50 FINANCIAL SYSTEM INDICATORS – FUNCAS

Updated: January 15th, 2015

Highlights									
Indicator	Last value available	Corresponding to:							
Bank lending to other resident sectors (monthly average % var.)	-0.4	October 2014							
Other resident sectors' deposits in credit institutions (monthly average % var.)	-1.2	October 2014							
Doubtful loans (monthly % var.)	1.2	October 2014							
Recourse to the Eurosystem (Eurozone financial institutions, million euros)	506,285	December 2014							
Recourse to the Eurosystem (Spanish financial institutions, million euros)	141,338	December 2014							
Recourse to the Eurosystem (Spanish financial institutions million euros)- Main L/T refinancing operations	21,115	December 2014							
Operating expenses/gross operating income ratio (%)	48.46	September 2014							
Customer deposits/employees ratio (thousand euros)	5,390.34	September 2014							
Customer deposits/branches ratio (thousand euros)	35,602.10	September 2014							
Branches/institutions ratio	219.38	September 2014							

A. Money and interest rates

Indicator	Source:	Average 1998-2011	2012	2013	2014 December	2014 Jan. 15 th	Definition and calculation
1. Monetary Supply (% chg.)	ECB	6.0	3.0	2.3	3.2	-	M3 aggregate change (non-stationary)
2. Three-month interbank interest rate	Bank of Spain	2.9	0.6	0.22	0.08	0.07	Daily data average
3. One-year Euribor interest rate (from 1994)	Bank of Spain	3.1	1.1	0.54	0.32	0.31	End-of-month data
4. Ten-year Treasury bonds interest rate (from 1998)	Bank of Spain	4.5	5.8	4.6	1.58	1.58	Market interest rate (not exclusively between account holders)
5. Corporate bonds average interest rate	Bank of Spain	4.5	5.8	3.9	2.44	-	End-of-month straight bonds average interest rate (> 2 years) in the AIAF market

Comment on "Money and Interest Rates:" Interbank rates have fallen in Mid-January compared to December. The 3-month Euribor rate fell to 0.07%, while the 1-year Euribor rate decreased to 0.31%. New monetary expansionary measures are expected and the negative inflation registered at the end of 2014 suggests the initiation of quantitative easing. As for the Spanish 10-year bond yield, it stands at 1.58%.

FUNCAS

B. Financial markets

Indicator	Source:	Average 1998-2011	2012	2013	2014 October	2014 November	Definition and calculation
6. Outright spot treasury bills transactions trade ratio	Bank of Spain	24.5	84.7	82.9	89.6	70.6	(Traded amount/ outstanding balance) x100 in the market (not exclusively between account holders)
7. Outright spot governmen bonds transactions trade ratio	t Bank of Spain	79.8	64.8	61.2	74.3	61.5	(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	6.8	5.3	(Traded amount/ outstanding balance) x100 in the market (not exclusively between account holders)
9. Outright forward government bonds transactions trade ratio	Bank of Spain	4.4	2.2	3.2	4.3	4.3	(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	0.1	0.1	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	1,007.7	1,020.8	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	-5.2	3.6	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	53.9	-1.5	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	1,062.2	1,008.3 ^(a)	Base 1985=100
15. lbex-35 (Dec1989=3000)	Bank of Spain and Madrid Stock Exchange	9,989.3	7,583.2	8,715.6	10,477.8	9,982.5 ^(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	25.8	20.5 ^(a)	Madrid Stock Exchange Ratio "share value/ capital profitability"

B. Financial markets (continued)

Indicator	Source:	Average 1998-2011	2012	2013	2014 October	2014 November	Definition and calculation
17. Long-term bonds. Stock trading volume (% chg.)	Bank of Spain and Madrid Stock Exchange	3.4	-15.1	-23.5	28.9	-19.9	Variation for all stocks
18. Commercial paper. Trading balance (% chg.)	Bank of Spain and AIAF	2.0	73.9	80.7	-2.5	0.4	AIAF fixed-income market
19. Commercial paper. Three-month interest rate	Bank of Spain and AIAF	2.9	2.4	2.4	0.4	0.3	AIAF fixed-income market
20. IBEX-35 financial futures concluded transactions (% chg.)	Bank of Spain	0.8	-10.8	15.8	50.1	-28.9	IBEX-35 shares concluded transactions
21. IBEX-35 financial options concluded transactions (% chg.)	Bank of Spain	7.8	54.1	-22.8	11.6	-36.4	IBEX-35 shares concluded transactions

(a) Last data published: January 15th, 2015.

Comment on "Financial Markets:" During the last month, there has been a decrease in transactions with outright spot T-bills, and of spot government bonds transactions, which stood at 70.6% and 61.5%, respectively. The stock market has continued to fall in the first fortnight of January, with the IBEX-35 down to 9,983 points, and the General Index of the Madrid Stock Exchange to 1,008. Additionally, there was a fall of 28.9% in financial IBEX-35 futures transactions and a decrease of 36.4% in transactions with IBEX-35 financial options.

C. Financial Savings and Debt

Indicator	Source:	Average 2004-2010	2011	2012	2013 Q IV	2014 Q I	Definition and calculation
22. Net Financial Savings/GDP (National Economy)	Bank of Spain	-6.7	-3.4	-0.2	1.5	1.1	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	3.4	2.6	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	328.6	332.7	Public debt, non- financial companies debt and households and non-profit institutions debt over GDP

121

C. Financial Savings and Debt (continued)

Indicator	Source:	Average 2004-2010	2011	2012	2013 Q IV	2014 Q I	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	77.1	76.0	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	4.2	1.6	Total assets percentage change (financial balance)
27. Households and non-profit institutions balance: financial liabilities (quarterly average % chg.)	Bank of Spain	9.9	-0.5	-0.7	-1.3	-1.3	Total liabilities percentage change (financial balance)

Comment on "Financial Savings and Debt:" During 2014Q1, there was a 1.1% 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 76.0%. Finally, the stock of financial assets on households' balance sheets registered an increase of 1.6%, while there was a 1.3% drop 122 in the stock of financial liabilities, thereby increasing households' financial wealth.

D. Credit institutions. Business Development

Indicator	Source:	Average 1998-2011	2012	2013	2014 September	2014 October	Definition and calculation
28. Bank lending to other resident sectors (monthly average % var.)	Bank of Spain	12.8	-10.4	-9.5	-0.4	-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	-0.4	-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	0.6	-1.0	Asset-side debt securities percentage change for the sum of banks, savings banks and credit unions
31. Shares and equity (monthly average % var.)	Bank of Spain	16.4	3.1	8.9	-0.5	-0.8	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	-6.5	-6.4	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. Bu	siness Dev	velopment (c	ontinue	d)			
Indicator	Source:	Average 1998-2011	2012	2013	2014 September	2014 October	Definition and calculation
33. Doubtful loans (monthly average % var.)	/Bank of Spain	34.9	20.0	17.8	-2.0	-1.2	Doubtful loans. Percentage change for the sum of banks, savings banks and credit unions.
34. Assets sold under repurchase (monthly average % var.)	Bank of Spain	-3.3	0.3	6.5	-2.8	4.0	Liability-side assets sold under repurchase. Percentage change for the sum of banks, savings banks and credit unions.
35. Equity capital (monthly average % var.)	Bank of Spain	11.3	-12.1	19.6	-0.2	-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 October 2014 show a 0.4% fall 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 decreased by 1%, while shares and equity have fallen by 0.8%. Also, doubtful loans decreased 1.2% compared to the previous month.

E. Credit institutions. Market Structure and Eurosystem Refinancing

Indicator	Source:	Average	2012	2013	2014	2014	Definition
		1990-2011			June	Septembel	
36. Number of Spanish credit institutions	Bank of Spain	210	173	155	151	147	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	68	85	86	84	84	Total number of foreign credit institutions operating in Spanish territory
38. Number of employees	Bank of Spain	249,054	231,389	212,998	-	-	Total number of employees in the banking sector
39. Number of branches	Bank of Spain	41,145	37,903	33,527	32,733	32,249	Total number of branches in the banking sector
40. Recourse to the Eurosystem (total Eurozone financial institutions) (Euro millions)	Bank of Spain	376,291	884,094	665,849	581,427	506,285 ^(a)	Open market operations and ECB standing facilities. Eurozone total
41. Recourse to the Eurosystem (total Spanish financial institutions) (Euro millions)	Bank of Spain	40,487	337,206	201,865	173,088	141,338 ^(a)	Open market operations and ECB standing facilities. Spain total

FUNCAS

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

Indicator	Source:	Average 1998-2011	2012	2013	2014 June	2014 September	Definition and calculation
42. Recourse to the Eurosystem (total Spanish financial institutions): main long term refinancing operations (Euro millions)	Bank of Spain	20,985	44,961	19,833	24,701	21,115 ^(a)	Open market operations: main long term refinancing operations. Spain total

(a) Last data published: December 2014.

Comment on "Credit institutions. Market Structure and Eurosystem Refinancing:" In December 2014, recourse to Eurosystem funding by Spanish credit institutions accounted for 27.91% of net total funds borrowed from the ECB by the Eurozone. This means a 9.6 billion euro decrease in the recourse to the Eurosystem by Spanish banks from November.

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

Indicator	Source:	Average 1998-2011	2012	2013	2014 June	2014 September	Definition and calculation
43. "Operating expenses/gross operating income ratio	Bank " of Spain	53.50	47.18	48.25	48.23	48.46	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	2,978.26	4,701.87	5,426.09	5,461.23	5,390.34	Productivity indicator (business by employee)
45. "Customer deposits/ branches" ratio (Euro thousands)	Bank of Spain	17,955.99	30,110.18	34,472.09	35,737.87	35,602.10	Productivity indicator (business by branch)
46. "Branches/ institutions" ratio	Bank of Spain	197.62	219.09	216.30	215.56	219.38	Network expansion indicator
47. "Employees/ branches" ratio	Bank of Spain	6.06	6.10	6.35	6.5	6.6	Branch size indicator
48. Equity capital (monthly average % var.)	Bank of Spain	0.11	-0.12	0.16	1.7	0.1	Credit institutions equity capital variation indicator
49. ROA	Bank of Spain	0.77	-1.93	0.13	0.31	0.32	Profitability indicator, defined as the "pre-tax profit/average total assets"
50. ROE	Bank of Spain	11.61	-18.74	1.88	4.03	4.18	Profitability indicator, defined as the "pre-tax profit/equity capital"

Comment on "Credit institutions. Efficiency and Productivity, Risk and Profitability:" In September 2014, most of the profitability and efficiency indicators improved for Spanish banks, although they still face a tough business and macroeconomic environment as in most of the Euro area countries. Productivity indicators have also improved due to the restructuring process of the Spanish banking sector.

124

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

